

- NEED TO WFO OPEN INT IN CDS, E.G. ON AFR  
W/ IBM YOU CAN SEE OPEN INT.  
- THIS ANOTHER REASON FOR REPT'S OF  
TRADE VALUES.

- ASK INPUT FIRMS

- SVCE PROVIDERS AGGREGATE QUOTES -  
MKT PRICE COMMUNICATED VIA  
EMAIL. FLOW OF INDICATIVE QUOTES.

- MARK-IT
- CMR
- BLOOMBERG

- MARK-IT REFERENCE CASH FLOW Q/L.

→ WHO WAS ON BOTH SIDES OF TRADES - VY CHALLENGE.

→ LOOK AT REPLCMT VALUE NOT NOTIONAL -  
BUT THAT DSN'T INCLUDE P.F.E.  
PFE IS CP RISK.

2010-03-16

11E

BERGSTEN, GOLDSTEIN, WILLIAMSON,  
WEISMAN

WE / ① DEFINE THE CRISIS - DOES IT INCLUDE VICTIMS?  
ARE <sup>smaller</sup> SMALLER MKTS VICTIMS?

② SHOCK VS PROPAGATION

③ WHAT DID WE NOT SEE IN 2005-2006? <sup>bubble</sup>  
KNOWN: LOW RATES, CAPITAL <sup>flows</sup> FLOWS, ASST BOOR

FIS / TRANSMISSION OF CAPTL FLOWS INTO LOWER MARKETS  
SIX NOT NECESS KNOWN.  
<sup>necessarily</sup>

# SIMON

## → THIRTEEN BANKERS ROLE OF DEREGULATION

WC

CURRENTLY WRITING BOOK. FINCL GLOBOTAN

- ① THY ALL DID IT Financial Globalization
- ② BKE PANIC

WHY? - UNDERLYG ASSUMPTION THY HSG  
PRICES CO BE FLAT FOR 10 YRS  
ACCOMPANIED BY INFLATION.

- FINCL SYSTEM DEPEN ON PRICES  
NEVER FALLING.

- LACK OF RESPROV IN MBS -  
ONLY WHEN ASX SHOWED  
DECLINE WAS THERE RESPROV.

### William Cline

- <sup>synthetic</sup> SYN TO SOFT  $\delta$ . J Taylor  
J TAYLOR.

- CURRT ACCT WAS FINCG  $\alpha \frac{1}{3}$   
AND NOT THE MAIN FACTOR.

- YOU NEED TO LOOK AT NET FLOWS.

MG

### DEFINING CRISIS

- ① CURRENCY - NO. ALTHO IT WS FOR SE EMR.
- ② DEBT - BASED ON CRA <sup>sovereign</sup> SOVEREIGN RATIOS. NO.
- ③ BRG<sub>2</sub> - FISCAL COST OF RESCUING INSTNS.

TOTAL WILL BE MUCH LOWER ON FIS.

[HIGHER IF YOU INCLUDE WRITEDNS] Financial Institutions

- ④ ECONC - <sup>substantial</sup> SUSSTC MVMT IN GDP.

- W/W SPREAD. UNEMPY.

- CAUSES - PRIME ON SUP, HSG GOALS, ETC.

- REMEDIES - OPPTY TO BRG BK OLD IDEAS.

E.G. PROP TRADING - NOT A CAUSE.

need  
you NO TO  
ASK WHY DID  
REAL GDP  
FALL SO FAR.

Paul Volcker

— 3/30 **PVOLCKER** AT IIE.

**MIKE**

— WHY DID UNEMP GO UP SO FAST BASED ON USUAL RELSHIP W/ GDP ETC.

**JW** / — **GMN** UNEMP RATES UP LESS THAN EXPECTED.

**MIKE**

— US GDP WAS SMALLEST IN G-7, BUT REALLY LGE INCREASE IN UNEMP.

— SERIES OF EVENTS. NOT IGNORE WHAT HAPPENED IN THE ROW.

— 2003-2007 BUILD-UP. GLOBAL BUS CYCLE BOOM. EARLY 2007 — HAD STOPPED **TGTNG** MID-2008; **RSDPL** STOPPED GROWING LATE 2005.

— SUMMER 2007 — **M** <sup>Turbulence</sup> **TURBULCE**. <sup>Federal Reserve</sup> FR EASES.

— AUG 2007 — BSC. CALMING — VIX SPREAD CALMED DOWN AGAIN.

— **NBER** RATES PEAK END-2007.

**NBER** WORLD ECONOMY BOOM CONTD THRU 1Q08.  
<sup>very</sup> **V4** INFLATION IN 2008. ECB LAST **TGTNG** MORE IN MID-2008.

— LEM. VIX, TED SPREAD SHOOT UP.

— GLOBAL ECONOMY TURNED **NEG** SUMMER '08.

**DIVES** IN <sup>H208</sup> **2H08** — INC CHINA.

— <sup>2 quarter</sup> **LOST 2 Q LARGER DECLINE** **GRO** **SEE** **WILL**.

— **WASN'T** **TBTF** — THE FINCL SYSTEM **WAS** **TBTF**.  
WE **LIOF7** **EVERYONE**.

— RECOVERY **SEE** MID-2009. INTSE FINCL DISRUPTION HAS EASED.

— IT'S NOT ALL THE FINCL SECTOR.

FOLLOWING INFLATION OF 2008, A SLOWDOWN WAS INEVITABLE.

- ARS - PART OF PHENOMENON - MAKING \$ BY CREATE LIQUIDTY. LIABILITIES TAKE MORE LIQUID THAN TAKE UNDERLYG ASSETS.
- DEPENDENT ON BUYERS. LIQUIDTY DRIES UP IMMEDIATELY.

- ABCOMMCL INSTRMNTS: SAME PRINCIPLE. MASSIVE CREAN OF PSEUDO-LIQUIDTY.

- ESSECE OF BEG IS CREATE WITH BY CREATE LIQUIDTY. ONE <sup>has</sup> US TO BE CAREFULL HOW YOU LET <sup>be</sup> FIS ENGAGE IN THAT ACTIVITY.



S. WEISMAN YOU HAVE 2 ROLES:

- ① NARRATIVE
- ② INVESTIGATE - "HAD WE KNOWN, OUTCOME MIGHT HAVE BN DIFFT."

WC / ① CRAB JUST INSORS KW IT WAS A SCAM.  
② AIG EXPOSURES - EVEN TFG DON'T KNOW.

→ JW / DID THEY RLLY?

GARY HUFBAUER COMPLETE & UTTER REG CAPTURE - WAY N THAN ICC.

① - BASEL WAS SO CAPTURED BY BKS. TARULLO BOOK.

- IRS <sup>cont</sup> CT DL W/ BIG INTL FIRMS. <sup>Singapore</sup> - REGULTRS AREN'T PMD - COMP SINGAPORE.

② ONLY 100 INSTNS COUNT. FED SHD HAVE O/S ON ALL. FED SHDNT <sup>should</sup> HVE MISSED HUGE PILE OF SECURITIES.

- ALSO MF3 > MMFS

- LEGSLTN WILL COVER THAT.

Greenberg

- AIG - HANK GREENBERG
- They know what they are doing.

③ GOVT C'T STD MASSIVE ASSET & LOSS.

- NEXT CRISIS W'T BE HSG.

MMFS  
TBTF  
WE

- SUPPOSE FID / VANG / TRUWE W/T BKRPT:  
LK AT POPULTRY THY SERVE.

Fidelity Vanguard T Rowe Price

- BB WAS LEG AT SUBP & BUBBLE.

WHY WAS HE WRG?

① M BAD STUFF

② DONT USD WHERE IT WAS.

64/ THOUGHT IT W'D BE LIKE PRVS BUBBLES -  
INFCTR W'D TAKE CARE OF IT.

JW/ LEVERAGE - SPREAD SHOCK.

WC/ GORTON - CONCERN ABT COUNTERPARTIES, AFTER LEN.

MG/ WHO WILL BE PROTECTED AFTER LEN.

WC/ WESSEL - WHY BSC & NOT LEN.

- ARGENTINA FACTOR. NOTHING HAPPENS

WHEN A FAILS.

MIKE/ CASE-SALLER <sup>shiller had</sup> NO MAKE CASE FOR BUBBLE.

- STUPIDITY.

- EXTENT OF RISK UNDERESTIMATED BY GOVT & PROFESSOR.

1981, 1975, 1991 - BKS W'D HAVE

BN INSOLUT UNDR MTM.

CAPTL WAS TOO LITTLE THEN.

WE/ IF WE HAD RLY RUN A 20% HSG & DRDP,  
WE W'D HAVE CAP CUT GSES, LEN ...

MG/ ECONC PRDS - SECURITON WILL REDUCE RISK.

→ RAGHU RAGHU SPEECH AT JACKSON HOLE -  
Raghu Ragan Kohn Jackson Hole

A G HYPE RISK W'DNT BN SPREAD.

GH/ GONE FALSE SENSE THAT LEVERAGE <sup>could</sup> CD  
60 TO 40-1.

→ <sup>Australian Canadian</sup> **AUST** & CAN. BKS DID NOT GO ALG

TSPANDAN / AG SAID **SAKD** BKS <sup>don't</sup> DT FOLLOW SELF-<sup>interest</sup> **WORST**.  
GMUF / RISK MGR SHD HAVE **STATUS** / POWER / TENURE.  
- RISK MGR SHD LIVE TO SIBK OFF

MORRIS / <sup>bring</sup> AG **BLF** IN SELF-REGULADN.  
LIFE CEO UNDER S-OX.

MIKE / - COLL DANCE FROM FAILURE.  
- YOU WRT OWNER TO HOLD THE RISK.  
- **PLE** ASSUMED THY **CD UNLOAD** RISK.  
*could unload*

2010-03-17

RESCH TEAM MTG

- EMPTY SUBORDINATION?

KIM / - **WORST** WAS SYNTHESIS - THY HAD A MASSIVE BIAS TO PICK THE WORST STUFF

WE / - HYPOTHESES?

GF / - PLE **WSTD** NATIONWIDE PRICE DECLINE

① WOULD BLOW THEM OUT. THY ASSUMED IT WDN'T HAPPN.

→ COMPENDIUM OF QUOTES.

WE / - ② RM WAS INSUFFCT. SCENARIO ANALYSIS. THY HAD THE ANALYSIS BUT DONT ELEVATE IT. OR, DONT WSTD FULL IMPACT.

READING LISTS → MORRAN - SHADOW BKG

PAGE 1 = XS-G, TOTAL 100 PP

PAGE 2 = WORKS GROUP SVY

→ SEND SH BKG SVY TO KIM

→ CONCL: DON'T FORGET ACCTG