

By Gabrielle Sheshunoff

Transparency should be goal of proposed industry reg reform

Thank goodness for YouTube. Its online accessibility has preserved Federal Reserve Inspector General Elizabeth Coleman's utter inability to explain over \$9 trillion in credit extensions and off-balance sheet transactions since last September to the House Financial Services Committee. Committee attendance was sparse during Coleman's testimony on May 6. Apparently, this was one horror show that few had a stomach for.

Rep. Alan Grayson (D-Fla.) was relentless in asking the Inspector General whether she was minding the store. And her truly scary answer seemed to be ... uhh, not really. Grayson extracted a similar non-response from Federal Reserve Board Vice Chairman Donald Kohn last January when he asked for the names of the private entities that were benefiting from taxpayers' largesse.

One interpretation of this lack of oversight is that the numbers are just too big, too staggering to comprehend, even for the financial experts whose job it is to understand these things. Or is it more likely that the Fed just doesn't want to tell us where the money is going because of what that would say about the sway of political pressure and economic clout in making these trillion-dollar decisions? So we just wait in the dark on the edge of our seats, hoping for the best, but increasingly fearing the worst.

The alarming lack of transparency and independent oversight of the Fed's own financial transactions with taxpayer bailout funds is disturbing by itself. But the Obama administration's regulatory reform proposal to vastly expand the authority of the Federal Reserve is even more troubling. Making the Fed the regulator of all "systemically important" financial firms (read "too-big-to-fail"); payment, clearing, and settlement systems; and holding company subsidiaries (read "non-banks") – especially given the Fed's secrecy about its dealings so far – is inviting even greater potential for abuse of its power and stealth.

The global financial system has become monstrously complex and operates at the speed of light. How on earth can an agency that cannot even keep track of its own financial transactions be agile and sophisticated enough to rein in the dealings of enormous private conglomerates with tentacles that encircle the globe? We might also want to think twice about concentrating more power in the Treasury Department as chair of a systemic risk oversight council.

Meanwhile, the heroes of this story — the thousands of financial institutions that operate in the full light of day, avoid risk, and tend to their communities' needs — are left to contemplate another frightening plot twist. A separate consumer financial protection regulator would pile new rules on financial institutions that did nothing to break faith with consumers in the first place and are still lending as the crisis drags on. But that is an issue that deserves exploration on its own.

What should we be doing now? Frankly, we should all be contacting our elected representatives and letting them know that the rational among us find the ideas being proposed truly frightening. We ought to do everything we can to demand transparency and rewrite "regulatory reform" so that it does not concentrate power in the hands of an agency that is clearly becoming increasingly susceptible to political manipulation. ❖

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Writers gone wild

April 26 marked the beginning of "Ethics in Journalism Week" when the Code of Ethics in journalism is celebrated by the Society of Professional Journalists. It's unlikely many journalists threw "truth and fairness parties," but it's an even better bet that the Code takes a back seat in newspaper reporting in Minneapolis.

What is the Code of Ethics? It is: (1) seek truth and report it, (2) minimize harm, (3) act independently, and (4) be accountable. Of course, the First Amendment guarantees writers the freedom NOT to embrace this code. Lucky. In this time of banking turmoil, at least the freedom to sensationalize is protected, too.

Recent articles in the *Star Tribune* caused Joe Witt, president and CEO of the Minnesota Bankers Association, to submit his own article to clarify the situation. Among other things, he pointed out that the high number of troubled banks in Minnesota is simply because Minnesota has the third highest number of banks in the country.

Mr. Witt was factual and reasoned. But, there is more.

I know bankers who hand-deliver statements to sick customers... customers who bake cookies for bank tellers... and strong businesses that owe their existence to bankers who would listen.

And, I have never heard of a banker who wantonly put the community, the staff and shareholders at risk.

The human side of this mayhem is being ignored.

It's not just about asset quality. At its worst, it's about a frightened bank staff that watches a squadron of polite bank commandos "rescue" their bank late on a Friday. And, it's about neighbors and local business owners who lose a locally owned bank.

More common, it's about a staff worried about a C&D, customers who are confused, and bankers who are dismayed that their honest answers to reporter questions are used to knit a body bag for community banking.

So, you have had a few problems, and your phone rings. It's a news-

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