People in Business

A CLOSER LOOK AT METRO MOVERS AND SHAKERS

Pro / Con

Do we need banking reform?

With the emergence of the U.S. financial crisis, questions have surfaced about rethinking the regulations on institutions.

Yes

Charlie Crawford, chairman, president and CEO, Private Bank of Buckhead

While I am a proponent of letting the free markets operate with as little regulation as possible, I do believe financial regulation needs to evolve to keep up with the changing times. Current difficulties in the banking industry were caused by many factors and financial services regulation, or the lack there of, played a contributing role. An amazingly large market for credit default swaps exasperated the mortgage issues and this market operated with very little regulation.

There is current discussion about creating additional regulatory bodies, which I believe is unnecessary. The existing agencies such as the Georgia Department of Banking and Finance, the Federal Deposit Insurance Corporation and the Federal Reserve have ample capability to regulate the banking industry in a safe and sound manner so as to provide stability in the banking markets over time. Regulation is not the only solution; bank management and consumers need to make prudent decisions not to take on excessive risk.

No

Christopher Marinac, managing principal and research analyst, FIG Partners LLC

Banks are regulated financial institutions governed by numerous agencies – the FDIC, OCC, Federal Reserve and often state banking authorities, too. In my opinion, regulatory reform is unnecessary if the original rules would simply be enforced.

Instead of adding more regulations, I highly recommend enforcing the existing rules. For decades, banks took $1 of capital and leveraged it into $12 to $15 of assets. These include loans, securities and cash, which are matched by deposits and capital. Banks who had excessive concentration in one loan type (such as construction of residential homes) or excessive use of one deposit source (i.e., high cost CDs) found themselves in trouble. Regulatory rules were in place long ago to avoid both loan concentrations and poor deposit structures, yet we still saw banks violate basic principles.

There is a long history of regulations on banks' loans and deposits that were ignored – if these institutions had received proper supervision, we may have felt less pain than we're feeling today.

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