



Federal Financial Analytics, Inc.

PETROU OUTLINES NEW FINANCIAL-REGULATORY ARENA

“Large institutions with stable funding sources will claw back a lot of lost market-share even as costs rise from tougher new capital and related regulatory requirements.”

FOR IMMEDIATE RELEASE – October 4, 2007
CONTACT: Arezou Rafikian (202) 589-0880

WASHINGTON, D. C. – Karen Shaw Petrou, managing partner of Federal Financial Analytics, today described the sharp change in the U.S. regulatory climate to a group of general counsels from the nation’s largest banks. “Call it the cliché you like – new paradigm, sea-change, tsunami, whatever – but it’s heading our way,” Petrou said as she detailed an array of strategic legislative, regulatory and policy events.

Although Petrou believes most of these changes will lead to a “return to intermediation,” she noted several emerging challenges. In the mortgage arena, she described several bills that could effectively nationalize large swatches of the market, effectively leaving banks only a brokerage role. Petrou also forecast the outlook for the U.S. Basel II rules, noting how new fears about the rating agencies will affect final action on these long-stalled measures. The

talk also details other changes to address problems revealed by recent market turmoil including new liquidity reserves and valuation standards.

The text of the speech is attached.

Federal Financial Analytics, Inc. has for the past twenty years counseled large financial institutions and even their regulators on major legislative, regulatory and policy issues that pose strategic risk. It does not lobby on behalf of clients, but advises them on appropriate responses in light of identified challenges, working on an array of GSE, Basel II, and acquisition-value issues. The firm publishes numerous information and analytical services, including Financial Services Management and GSE Activity Report.

#####