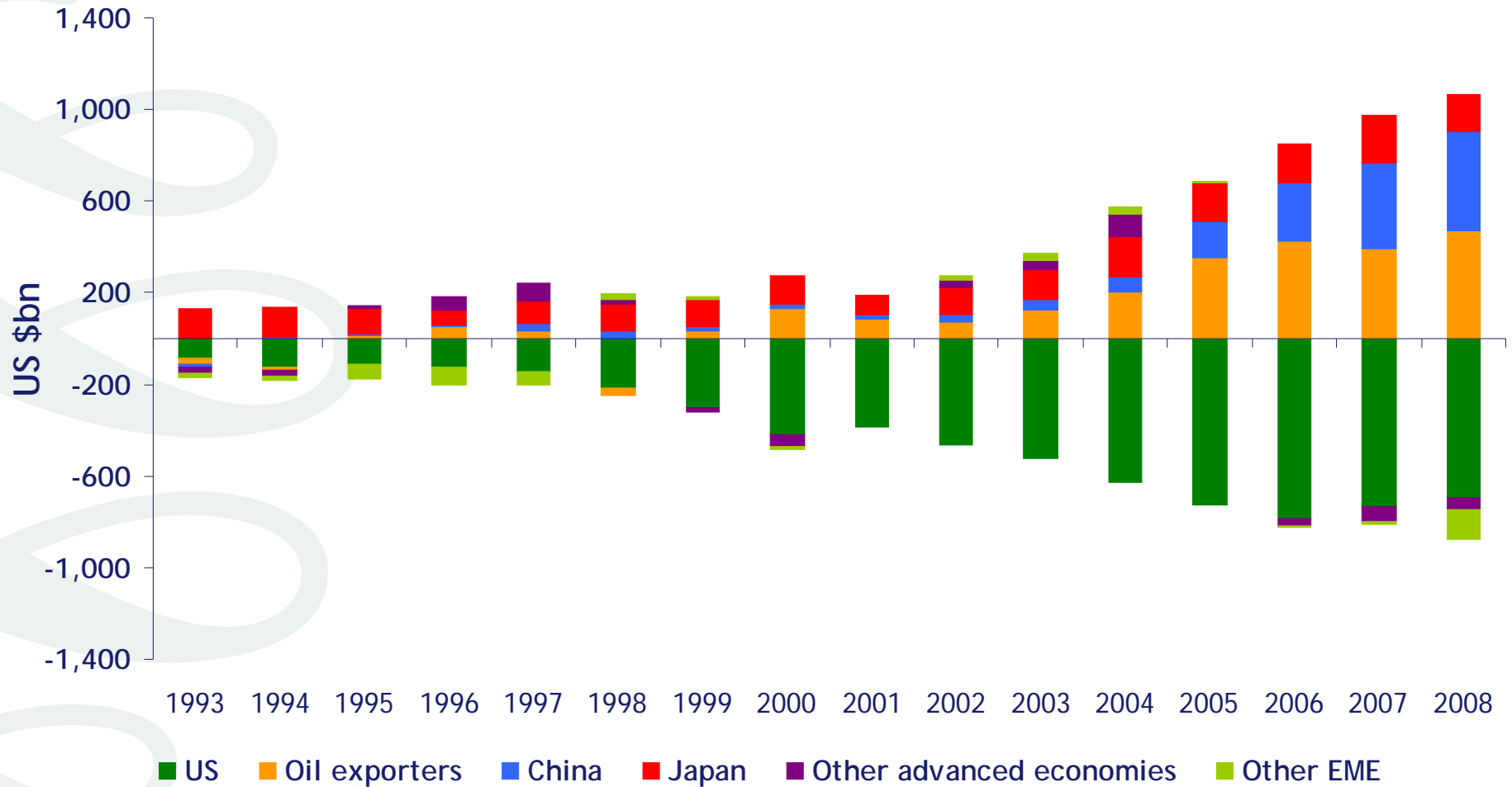


**Convention l'Europe d'après:  
vers un nouveau système financier pour  
une croissance durable**

**Adair Turner  
FSA Chairman**

30<sup>th</sup> November 2009

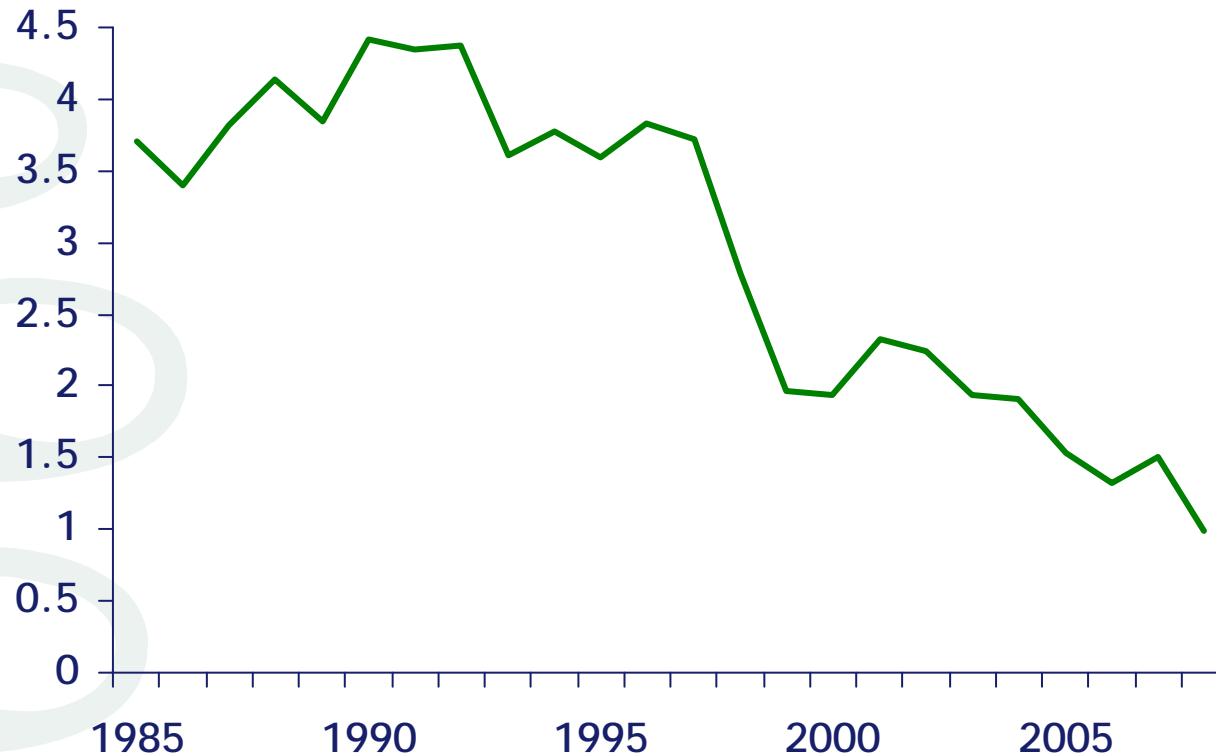
# Global Current Account Balances



Source: IMF, FSA calculations

# UK Real Interest Rates

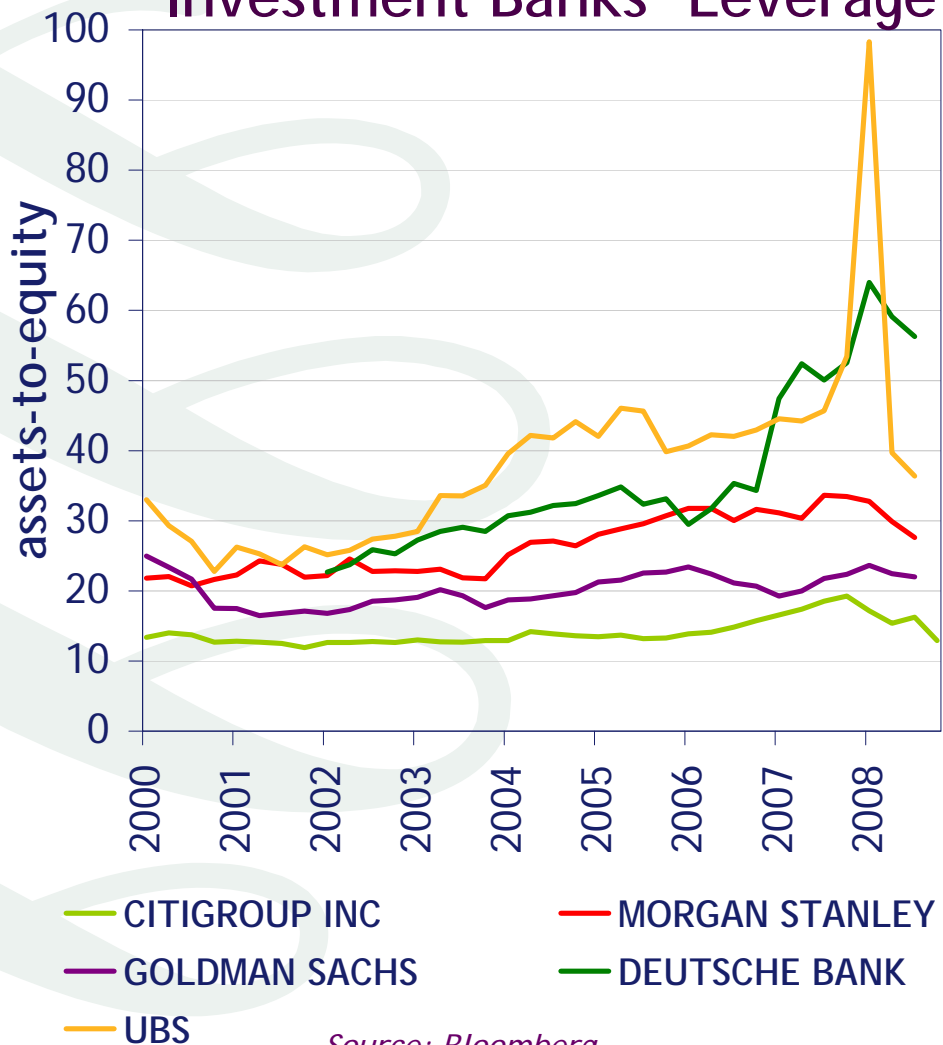
(20 year bonds, yield at May 25<sup>th</sup> or nearest week day)



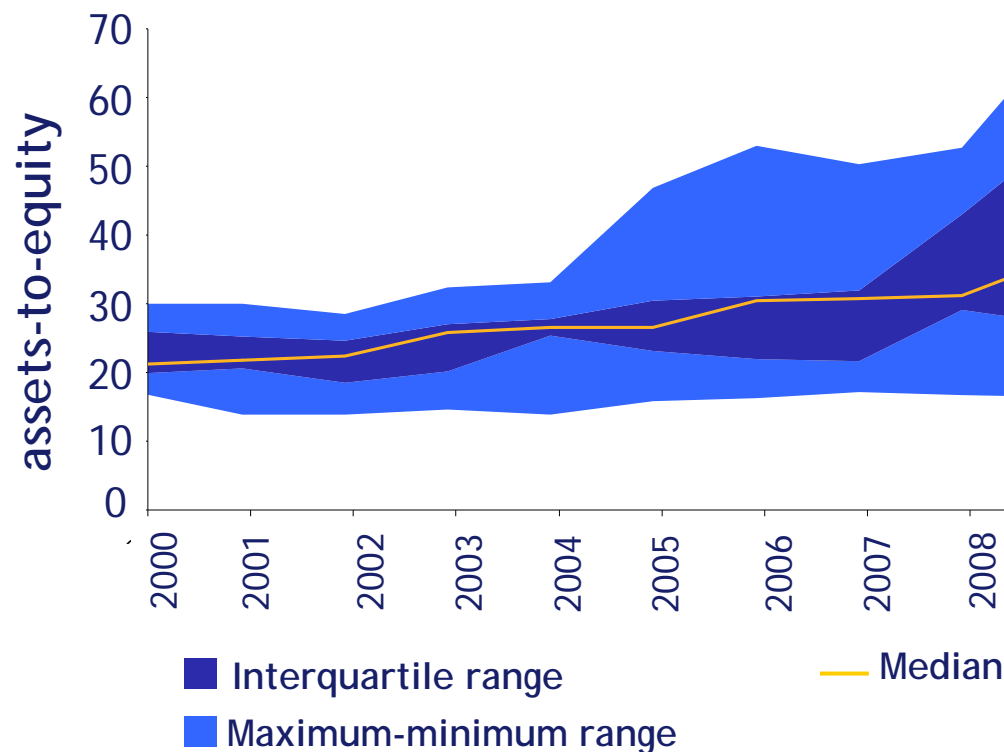
Note: For the years 1985, 86, 89, 90 & 91 no 20 year yield is precisely available; the longest available yield (in range 16-19 years) is shown

Source: Bank of England Real Yield curve calculations

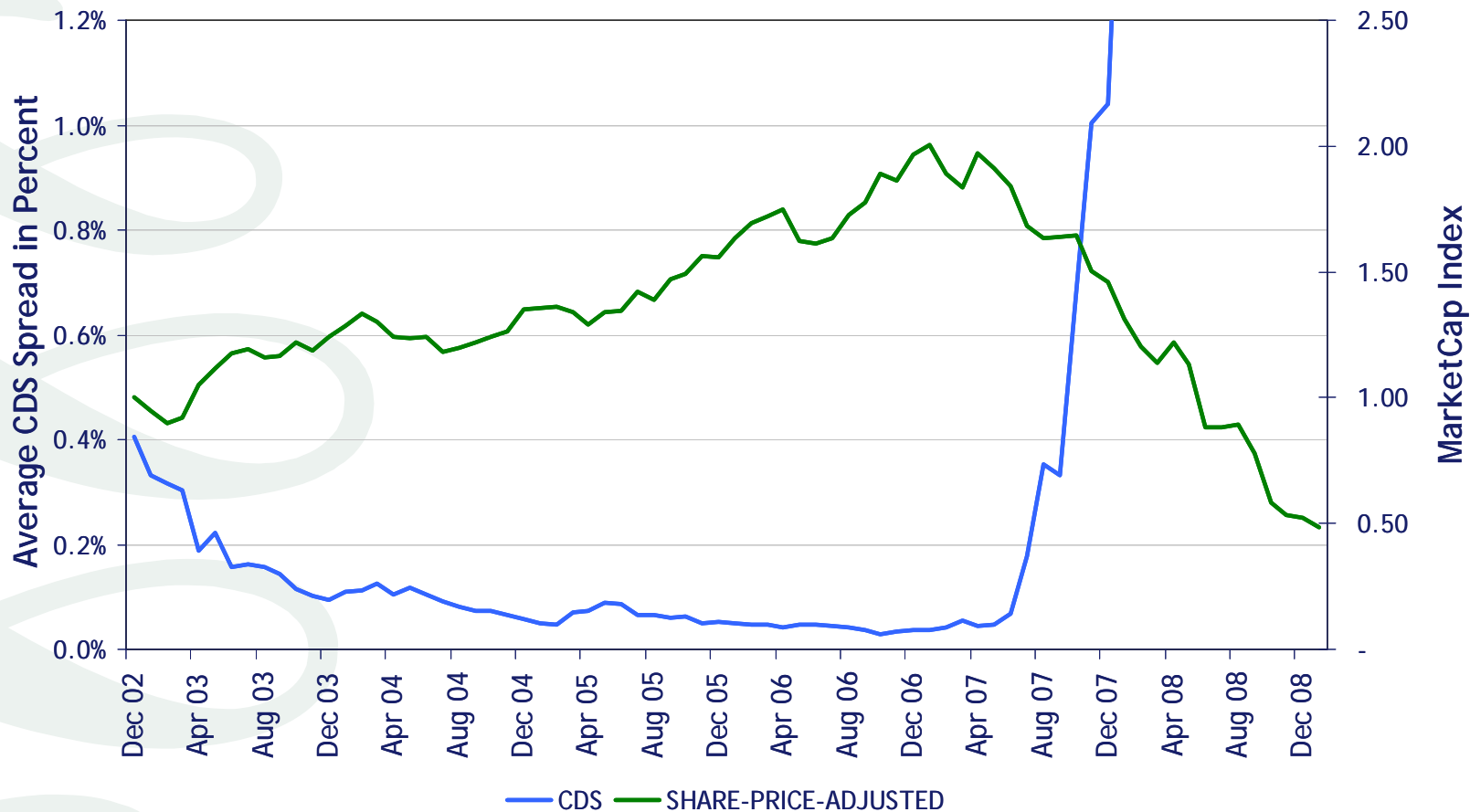
## Investment Banks' Leverage



## Major UK Banks' Leverage



# Composite Time Series of Select Financial Firms' CDS and share prices



Firms included: Ambac, Aviva, Banco Santander, Barclays, Berkshire Hathaway, Bradford & Bingley, Citigroup, Deutsche Bank, Fortis, HBOS, Lehman Brothers, Merrill Lynch, Morgan Stanley, National Australia Bank, Royal Bank of Scotland and UBS.

CDS series peaks at 6.54% in September 2008.

Source: Moody's KMV, FSA calculations

# The Conventional Wisdom - 2006



*“There is growing recognition that the dispersion of credit risk by banks to a broader and more diverse group of investors, rather than warehousing such risk on their balance sheets, has helped make the banking and overall financial system more resilient.*

*The improved resilience may be seen in fewer bank failures and more consistent credit provision. Consequently the commercial banks may be less vulnerable today to credit or economic shocks”*

IMF Global Financial Stability Report, April 2006

# The Growth of the Financial Sector

