Option Overload: How to Deal with Choice Complexity

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Institutionalized Fraud

- Ireland – easy,cheap money,light reg
- Jim Stewart audit- financial engineering
- Frank Quatroni jury ruling
- R.Sorkin- clearing house got overwhelmed
- Leviathan – 68% of loan book via shadow system,unsafe,unregulatated,huge consequence.

Ireland V United States

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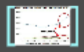
United States
- Reg T borrow up to 50%

Ireland
- No equitilans,unlimited leverage
- 'Entrepreneurial energy' (Mc,Creevy)
- Tax haven ,unwritten laws (Shaksen)
- Extractive,non contributing (Mc Cabe



Traditional V Shadow

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- Traditional loans and deposits under regulation and on books
- Shadow bundles deposits,sells onto investors at low int rates
- Rates dependant on risk

Case Study: Depfa ,Ireland

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- 90's regulation of irish bonds,dept of finance
- Securities worth 225 bil in 05 .
- Taken over by German Hypo Real Estate in 07
- Lehman Collapsed,liquidity crisis
- Nationalized by Germany for 145 billion

ECB loans to Irish registered financial institutions

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Case : Orpington Structured Finance

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- 5 Harbourmaster Place
- One of Irelands most valuable companies
- File,no employee's,no machinary

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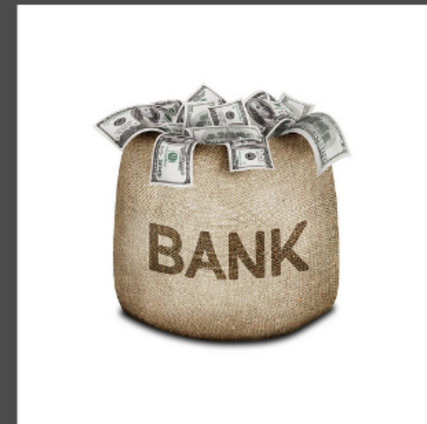

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The fundamental difference

- Government Involvement
- US safety net,checks and balances
- Shadow- no safety net,demand post Bretton Woods
- Now 60% of loans shadow and unregulated- central to economy -banking collapses .
- Recycling ,no actual wealth created

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DEPFA BANK

A member of Hypo Real Estate Group

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Kurzfristkredite der EZB an irische Banken

Bank	Kredite in Euro
Depfa	35 Milliarden
Anglo Irish Bank	28 Milliarden
Allied Irish Bank	27 Milliarden
Bank of Ireland	20 Milliarden
Irish Life & Permanent	11,7 Milliarden
Educational Building Society	5 Milliarden
Irish Nationwide	3 Milliarden
	Quelle: Barclays Capital

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The Central Issues

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- Central issue- extractive ,parasite analogy (Mc Cabe)
- Free riders
- Regional benefit from national policy
- Anglo constantly borrowing to service debt
- No real wealth being created,no growth
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