

FINANCIAL SERVICES REPUBLICAN MORNING CLIPS 5.27.2009

Wall Street Journal: "Banks Aiming to Play Both Sides of Coin ... Some banks are prodding the government to let them use public money to help buy troubled assets from the banks themselves."

Wall Street Journal, Buchholtz: "GM Bondholders Are People Like You and Me ... I am an American retiree. Like many small investors, I am relying on "safe" investments such as bonds backed by America's largest companies to fund my retirement. One of these companies is General Motors."

Financial Times: "EU outlines overhaul of financial regulation ... Legislation to overhaul Europe's patchy system for supervising banks and insurers, and introduce a new system to help warn against future financial crises will be put forward in the early autumn, top EU officials said on Wednesday."

Financial Times: "Santander to pay Madoff trustee \$235m ... Spain's Santander, one of Europe's biggest banks, has reached a settlement with the trustee seeking to recover money for Bernard Madoff's victims, agreeing to pay \$235m to resolve claims against two of the bank's hedge funds managed by its Optimal investment arm."

Financial Times, Op-Ed: "Why 'too big to fail' is too much for us to take ... Neither a democratic society nor a market economy can accept the notion that a private business is "too big to fail"."

Financial Times, Opinion: "Exploding debt threatens America ... Standard and Poor's decision to downgrade its outlook for British sovereign debt from "stable" to "negative" should be a wake-up call for the US Congress and administration. Let us hope they wake up."

Washington Post, Pearlstein: "The Big Banks' Best Friend in Washington ... For it seems the too-big-to-fail crowd has found an unapologetic advocate in John Dugan, the comptroller of the currency and the very regulator whose job it was to prevent the banks from getting into this much trouble in the first place.'

Los Angeles Times: "Many modified mortgages will default again, Fitch Ratings projects ... Most nontraditional home loans -- especially subprime mortgages -- may become delinquent within a year anyway, study says."

New York Times: "Recession Imperils Loan Forgiveness Programs ... When a Kentucky agency cut back its program to forgive student loans for schoolteachers, Travis B. Gay knew he and his wife, Stephanie - both special-education teachers - were in trouble."

Bloomberg: "GM Said to Gain Consumer Trust From Chrysler Process ... Chrysler LLC's swift bankruptcy process will give consumers confidence that General Motors Corp. would also emerge quickly if it needs to seek court protection, a person familiar with the matter said."

Reuters: "GM bankruptcy nears as bondholders shun tender offer ... General Motors Corp has failed to persuade enough bondholders to accept a debt-for-equity swap, setting the stage for the largest-ever U.S. industrial bankruptcy within days."

Reuters: "Citi, BofA may raise base pay for investment bankers ... Following a Morgan Stanley plan unveiled last week, Citigroup and Bank of America are likely to soon raise base salaries for investment bankers to compensate for limits on annual bonuses, the Wall Street Journal said, citing people familiar with the matter."

The Nation: "The Greatest Swindle Ever Sold ... Seven months in, the bailout's impact is unclear. The Treasury Department has used the recent "stress test" results it applied to nineteen of the nation's largest banks to suggest that the worst might be over; yet the International Monetary Fund, as well as economists like New York University professor and economist Nouriel Roubini and New York Times columnist Paul Krugman predict greater losses in US markets, rising unemployment and generally tougher economic times ahead."

Forbes: "The Need For Failure ... There has been constant chatter about the fact that our regulatory institutions don't really know how to deal with firms that are deemed "too big to fail" but may be insolvent. Throughout 2008, policymakers improvised a solution for each case that came along--Bear Stearns, Fannie and Freddie, Lehman Brothers, AIG. But improvisation is not a policy, and the weakness of that approach has become increasingly apparent as we drag through 2009."

Politico: "Timothy Geithner gains new strength ... After his hellish opening weeks, Treasury Secretary Timothy Geithner started inviting White House economic officials across the street to his conference room for hours-long working dinners that have helped get - and keep - the whole team on the same page."