

## ***IT'S HIGH TIME FOR FINANCIAL REFORM***

**REAL MONEY column for The Santa Fe New Mexican**

**By Rob Rikoon**

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It's high time for financial reform but, similar to health care, it's a slippery slope due to the insane amount of lobbying that goes on in Washington. Considering how money and influence get peddled, it's a wonder that any of our elected representatives end up voting for measures that curtail by a smidgen the profitability of the financial giants.

Proprietary trading of speculative instruments by banks, with capital raised from the public coffers, just about melted down the system two years ago. The financial regulatory reform bill purports to restrict this kind of trading to a lower level than is currently allowed. Howls of pain can be heard from restaurants, bars and country clubs around the country but wait, there is a consolation prize for the soon to be deprived elite – they have up to 12 years to implement the new rules. Goldman Sachs, in a recently published report, stated that their funds are due to self liquidate over the next 10 years anyway, so not too much hardship there.

Stockbrokers may be held to a higher level of ethical behavioral standards under the new law but maybe not, another study is all that is called for. Likewise, selling more expensive in-house products and restricting complaints to industry stacked and highly prejudiced panels are topics broached but not tackled head on by the 2,315 page proposal. It is not simply that the industry sponsored arbitrator, FINRA, is anything but a two faced purposefully ineffectual sinking ground for all but criminal violations, its just that the SEC can hardly get its own house in order.

So, instead of having teeth, the package proposes that the SEC do more studies for possible future regulation of itself. Huh? While investors have struggled to get attention from state regulators in areas like the shameful covering up of the meltdown in Auction Rate Securities, FINRA allowed its brokerage firms members to abscond with investors money by cashing out their own bonds first while hiding the truth from the public. The bill does nothing to address these systemic inequities.

Consumers are supposed to be the big winners under the legislation with a new protection agency and various laws against usurious lending practices. Banks are already figuring out how to shift their fees on debit and credit cards to other areas, so watch your statements, you may soon be assessed with time and out of pocket expense invoices for visiting your local lender.

Aversion to taxation without representation has historical connotations around these parts but what we see now is lack of taxation with undue influence. Many of the travesties played out behind closed lobbyist doors comes down to keeping an unlevel playing field tilted in favor of the big, bad and beautiful people. What we see in this bill

is nowhere near what the SEC's British and German counterparts know is essential: take away the mechanisms that allow big banks to become bloated with profits made from information not available to the general public. Absent this kind of reform, there is no reason to believe that long term investing in the markets warrants the public's confidence.

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