What is bank transparency?
• Public disclosure of reliable & timely information allowing the assessment of the condition of a bank (Bank for International Settlements)
• Basel II & Sarbanes-Oxley Act ('02) contain detailed rules & standards but no real implementation
• Significant gaps in the data required to analyze conditions in banking & to develop possible remedies

Should banks be subject to the same privacy rules as other businesses?
• Entirely new issue in context of '08-'10 global credit crisis
  • TARP
  • Federal Reserve & U.S. Treasury actions
  • International actions
• Should information usually held as confidential now be disclosed?
  • At the micro (business line) level
  • In the context of taxpayer loans & other assistance
  • Should government agencies & financial analysts have the right to access this information?

Are other countries like the U.S. regarding their banks?
• Insignificant difference between banking & other industries outside of the U.S.
• Difference between banks & other industries in the U.S. is -17.7%! (or presumed to be 1/6th less risky)!
• Wrong perception by global investors that U.S. banking is not risky

Are bank credit products profitable?
• Risk-adjusted returns show minimal profitability
  • 10 to 11% when a commitment fee is earned
    ➢ Equivalent to bank capital costs
  • About 6⅔% on uncommitted (“no fee”) lines
    ➢ Below bank capital costs

What are the issues to consider?
• Should taxpayers subsidize credit, providing underpriced lending facilities to larger companies?
  • Similar relief not available to medium & small businesses or to individuals
• Should costs of capital & returns by product line be better understood by regulators, financial analysts & the public?
• How can banks be encouraged to earn the threshold capital costs required to avoid destroying shareholder value?

What are the future research opportunities?
• Global banking experience on profitability of bank products vs. costs of capital
• Profitability vs. capital allocation to bank products
• Variations by bank size & country

| Capital Costs: Banks vs. Industry |
|---|---|
| BEL | +2.5% |
| CAN | +11.9% |
| FRA | +3.9% |
| GER | -0.4% |
| ITA | -12.2% |
| JPN | +14.8% |
| UK | -7.0% |
| USA | -17.7% |