

# Global Banks Beat Regulation

Ethan Bearman January 7 2013

You and I are suckers. That's right, P.T. Barnum's suckers born every minute kind.

Why should the 200 largest global banks learn from a crisis when you they can ignore those harsh lessons and make more money off the suckers?

They convinced regulators that the crisis of 2008 won't happen again and they needn't prepare properly.

Can you imagine buying a house with cash and then mortgaging it 20 times for ~~gambling~~ investing money? Now how about bashing regulators until they agree to let you mortgage it 33 times instead of just 20.

When people run a bank when they are scared, as they did numerous times in 2008 forcing government bailouts around the world, the banks have to have liquid assets to pay out the deposits for withdrawal.

Banks were overleveraged in 2008 and didn't have the "cash" to pay the deposits, forcing the hand of governments into bailing them out by essentially printing the money needed.

These new rules were supposed to help minimize this exposure by requiring enough "cash" to cover 5% of total deposits in a 30 day bank run. The banks coerced the regulators into reducing that amount to only 3%.

According to the [Wall Street Journal in, "Rules for Lenders Relaxed"](#) they also convinced the Basel Committee on Banking Supervision that the junk mortgage backed securities which was a primary driver of the 2008 Credit Crisis can count as a cash equivalent for the new liquidity rules but gold doesn't count.

Gold, the standard of all world currencies before modern banking was invented. Gold, the reserve requirement of those same currencies until fiat money was invented. Gold doesn't count.

Even more inane on the part of regulators is [this bit from Bloomberg Businessweek](#), "Under yesterday's deal, banks would only have to meet 60 percent of the LCR obligations by 2015, and the full rule would be phased in annually through 2019..." Which means these 200 largest banks can take their sweet time.

I hope you liked bailing out the banks the last go around since it will happen again as regulators are refusing to implement necessary protections.

The big, fat cat bankers are laughing at all of us this morning, again. Cackling, rubbing their hands, laughing.