

**Governance and Risk
Management –
Why Some Firms Succeeded
while Others Failed**

47th Conference on Bank Structure and Competition

Federal Reserve Bank of Chicago

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May 5, 2011

"I made a mistake in presuming that the self-interest of organizations, specifically banks and others, was such that they were best capable of protecting their own shareholders"

-- Alan Greenspan, 2008

“All happy families are alike; each unhappy family is unhappy in its own way” -- Tolstoy, Anna Karenina

Successful firms each had their own way to detect and manage risk; unsuccessful firms were alike – they didn't get it.

Form Rather than Content

- Everyone had a Chief Risk Officer
 - Dismissed (Freddie Mac)
 - Removed (Lehman)
 - Isolated (AIG)
 - Layered deep in the firm (Countrywide)
 - Disregarded/disrespected (Fannie Mae)

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Financial Crisis Inquiry Commission

<http://fcic.law.stanford.edu/>