

Part 1 of a Two Part Series on Bank of Canada Governor—
Carney's Regulatory Agenda and Performance

**CEOs and Business Leaders Embrace Mark Carney's
International Regulatory Agenda and Score Highly His
Performance as Bank of Canada Governor**

**Weekly CEO/Business Leader Poll By COMPAS in *Canadian Business*
For Publication Week of October 10th, 2011**



**COMPAS Inc.
Public Opinion and Customer Research
Week of October 10th, 2011**

1.0 Introduction

Mooted as a potential new, part-time head of the Basel-based Financial Stability Board, Bank of Canada Governor Mark Carney made a major speech on the future of international regulation before the Institute of International Finance, consisting of banks, insurance companies, and global securities companies.

All of Carney's major recommendations were embraced wholeheartedly, as shown in table 2.1. The CEOs and business leaders on the COMPAS panel agree strongly that

- it is vital to strengthen the regulation and supervision of the global financial system,
- the large "shadow" banking system, including hedge funds, must be regulated, and
- future banking regulations, known as Basel III, will need to require greater capital reserves, greater transparency, and better surveillance than in the past.

The Bank of Canada continues to earn exceptionally high performance scores as does the Governor himself.

These are the key findings from this past week's Internet survey of CEOs and business leaders on the COMPAS panel. The weekly business survey is undertaken for *Canadian Business* magazine.



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2.0 Data Details

Table 2.1: Bank of Canada Governor Mark Carney made a major speech before the Institute of International Finance, consisting of banks, insurance companies, and global securities companies. On a 7 point agreement scale where 1 means disagree strongly and 7, agree strongly, how much do you agree with Governor Carney on each of the following points?

	MEAN	7	6	5	4	3	2	1	DNK
It is vital to strengthen the regulation and supervision of the global financial system.	6.3	51	34	8	4	1	1	0	1
The new international banking system will also need to regulate and oversee the relatively new and exceptionally large “shadow” banking system including hedge funds.	6.3	50	31	7	2	2	1	0	6
The worst financial crisis since the Great Depression was triggered by deficiencies in capital adequacy and risk management among banking institutions.	6.2	39	37	11	5	0	1	0	7
To this end, the new banking regulations known as Basel III need to require greater capital reserves, greater transparency, and also better surveillance processes on the banks than before.	6.1	39	36	8	7	0	1	0	8



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	MEAN	7	6	5	4	3	2	1	DNK
For the long-term, better capitalized banks will outperform.	6.0	37	30	19	5	1	0	1	7
Contrary to the critics of stronger regulation, weak growth in household credit in the crisis economies is being driven by households that are overleveraged, not by regulatory constraints on lenders.	5.3	31	21	21	6	2	4	9	7

Table 2.2: On the same 100 point performance scale, what score would you give the Bank of Canada for its performance over the past six months?

	MEAN	DNK
OCTOBER 2011	80	2
OCTOBER 2009	83	2
MAY 2008 ¹	78	0
FEBRUARY 2008	81	0
JULY 2007 ²	80	0

¹ Wording for May and February 2008: On a 100 point school report card type scale, how would you score the performance of the Bank of Canada.

² Wording in July 2007: Using a 100 point school report card type scale, what score would you give Bank of Canada governor David Dodge for his overall performance since being appointed to his post?



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Table 2.3: Mark Carney for his own performance?

MEAN	DNK
81	4

The following verbatim comments provide a nuanced sense of respondent opinion:

The financial crisis was NOT caused by banks, lending practices, mortgages or anything else other than government debt spending/servicing. All other problems are simply manifested from this main problem. No government or company or household can consistently spend beyond their means without adverse effects on the financial stability of the enterprise be it personal, country or corporate. No exceptions, this is ESPECIALLY true if the country in question is the International Trade Currency, all other problems stem from here.

Carney will never make it as head because I don't think he's corrupt enough.

Households may be over leveraged. This is a result of banks not putting in proper controls and lending to people who really are at risk to any volatility in the market. Also some of this is caused by ever increasing charges and interest rates by credit cards and bank during a time they must also be fiscally responsible to the public. By increasing these costs they may be increasing their profits at the expense of those most vulnerable.

If one does root cause analysis, a lot of the blame for what went wrong in financial markets was political interference rather than regulatory issues: (1) The U.S. subsidizes people to take on high levels of debt by making mortgages tax



deductible. (2) The U.S. Congress required lenders to provide loans to "disadvantaged" groups and neighbourhoods. Should we really be surprised when those loans turned sour? (3) Most of the PIIGS fudged the numbers to get in to the Euro zone. It was a POLITICAL, not regulatory decision to allow them in when the regulators knew they were offside of the requirements to join. (4) It was a POLITICAL decision to let France and Germany off the hook when they went offside of the deficit to GDP ratio. If you can't hold the major members to account, you teach the little countries that it is OK to flout the rules. Lax regulatory oversight and a vast criminal conspiracy (which has so far gone unprosecuted) was simply the match that lit the pre-existing tinderbox on fire.

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted October 7 – 11, 2011. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of n=86 are deemed accurate to within approximate 10.6 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.

