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Restoring trust and rethinking business models critical to financial system resilience

26 January 2010

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- Forum report challenges leaders in Davos to " rethink, redesign, rebuild " the global financial architecture
- The Future of the Global Financial System – Navigating the Challenges Ahead explores the forces that shape the financial services landscape in the near term
- It provides stakeholders with tools to restore trust in financial institutions and manage governments ' equity interests in financial institutions
- Learn more about the report: www.weforum.org/nfa, and Annual Meeting: www.weforum.org/annualmeeting

Davos-Klosters, Switzerland, 26 January 2010 – A World Economic Forum report on the future of the global financial system is part of the world ' s business and financial leaders ' drive to " rethink, redesign, rebuild " the global financial architecture. The Future of the Global Financial System – Navigating the Challenges Ahead, developed in collaboration with Oliver Wyman, will be presented to the leaders at the Annual Meeting in Davos. They include 400 private sector representatives from banks, insurance companies, sovereign wealth funds, institutional investors, private equity firms and other financial institutions, together with over 200 experts from central banks, finance ministries, academia, organized labour, international organizations and other parts of civil society.

" The report is a call to coordinate action among all stakeholders in the financial system, " said Kevin Steinberg, Chief Operating Officer and Head, Centre for Global Industries, World Economic Forum USA. " The Meeting will be an opportunity to focus on rethinking the values that underlie our financial systems to improve their resilience and stability, and generate ideas for rebuilding more effective national and global institutions to improve financial governance. "

" As the global financial crisis comes to an end, both public and private sector leaders are faced with immediate challenges, the resolution of which will define the new financial architecture. This report draws on the combined expertise of over 150 of the foremost experts in the global financial system to provide key guidance to those best positioned to ensure we emerge from the crisis with a healthy financial system, " said David Rubenstein, Co-Founder and Managing Director, The Carlyle Group, who chaired the report ' s Steering Committee.

" The report explores the forces that shape the financial services landscape in the near term and provides stakeholders with tools to approach two of the most pressing challenges of the post-crisis world: managing and resolving governments ' newly acquired equity interests in financial institutions and restoring trust in financial institutions, " said Max von Bismarck, Director, Head of Investors, World Economic Forum USA.

The report sketches three themes which are shaping the financial services industry in the near to medium term:
1. Rethinking business models in a lower profit world – A multitude of factors point to lower run-rate industry profitability in the near and medium term. Financial institutions will need to rethink their business and human capital models in order to adjust and differentiate as a result.
2. Increasing client focus – In light of lower industry profitability and more demanding customers and regulators, substantive value creation for customers and society will be a key driver of success. They will need to promote and enforce positive values such as integrity and responsibility.
3. Polarization of the competitive landscape – Strategic choices in terms of regional footprint, product offering and risk appetite will increasingly polarize as financial institutions seek to justify their strategies to investors and

regulators who apply a much greater level of scrutiny.

On the challenge of managing and resolving governments ' newly acquired equity interests in financial institutions, experts consulted during the year-long study raised six suggestions for governments:

1. Address equity stakes separately from other types of crisis intervention
2. Aim for a rapid exit while protecting investment value
3. Establish an independent process to manage ownership stakes
4. Restrict government influence on owned institutions to board-level issues
5. Be realistic about securing and incentivizing the best available talent
6. Raise transparency beyond public disclosure of financial performance

On the challenge of restoring trust in financial institutions, the report stressed that trust is a critically important issue not only for the general health of the financial system but also as a source of competitive advantage.

A common vocabulary and framework for discussing trust such as the one proposed helps to advance the public dialogue and to diagnose problems of trust within individual institutions.

The report is the result of a year-long multistakeholder collaboration between the World Economic Forum and Oliver Wyman with over 150 leaders in public policy, academia and business participating in interviews and workshops around the globe. Guidance was provided by a steering committee of 16 leading industry practitioners and academics.

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Notes to Editors
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