PERSPECTIVES

CEO View: What's Changed 10 Years After the Global Financial Crisis?

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At Franklin Templeton's recent Global Investor Forum in New York, our CEO Greg Johnson participated in a panel discussion with three other CEOs in the financial services industry: James Gorman of Morgan Stanley; Jay Hooley of State Street and Barry Stowe of Jackson National Life. They discussed some of the changes in the markets that have occurred in the 10 years since the global financial crisis, what they learned—and what might trigger the next crisis.

Listen to the podcast and hear more of their thoughts. A full transcript follows.

TALKING MARKETS WITH FRANKLIN TEMPLETON INVESTMENTS

Host/Richard Banks: Hello and welcome to Talking Markets with Franklin Templeton Investments: exclusive and unique insights from Franklin Templeton.

I'm your host, Richard Banks.

Ahead on this episode, we hear from a panel of CEOs in the investment industry at Franklin Templeton's Global Investor Forum in New York. They look back and ahead 10 years after the global financial crisis. The CEOs speaking are: Greg Johnson of Franklin Templeton Investments; James Gorman with Morgan Stanley; Jay Hooley of State Street; and Barry Stowe with Jackson National Life. And, leading the discussion is Kip McDaniel, chief content Officer of *Institutional Investor.* We hope you enjoy the conversation.

Kip: 2008 was, in our lifetimes, the most extreme financial event that we've had. Greg, what is the biggest change beyond a focus on risk-management coming out of the crisis that you see?

Greg: Having a strong balance sheet for us was something that we got criticized a lot on, and I think it served us extremely well. If you look at the kind of firms that came out on the other side, I think that really just confirmed our belief in having that cash on the balance sheet.

Kip: Jay, same question to you.

Jay: We were kind of a sleepy little Boston-based custodian bank, and we were SIFI'd [named a Systemically Important Financial Institution] in the crisis which was a bit of an adjustment, you know, learning how to become systemically important and all the regulation that came. I think the regulators completely missed this crisis. When you look at the capital in banks, the liquidity, the aftermath of that is—and this is mostly banking—is all of the regulation that's hit, which is likely to spur what will be the next issue in the marketplace, in my opinion.

Kip: Okay. James, I know you took the top role in 2010, but the same question applies to you.

James: Well, for us as an institution, I think I'd need about seven hours to get into the first chapter. I mean, we became a bank. We weren't a bank. We sold 22% of the company to another bank, Mitsubishi Bank. We shut all of our prop-trading and prop-investing businesses that used more than, in aggregate, 3% of capital. I'll give you one fun fact. We had, I think, about less than 100 risk limits across the company, pre-crisis. So a risk limit might be, total exposure to Russia. We now have about 25,000, so the whole business completely changed.

Kip: It wasn't an easy change. Talk to us a little bit about the difficulties you faced in changing not only the firm's business lines, but it sounds like, the firm's culture as well.

James: Well, in some ways, I think it was very easy because the hardest management challenges are when there's not an obvious problem to solve, and that causes you either to do nothing and you lose pace because the world is moving away from you, or to compulsively act because you're anxious and you think, if I do nothing, then I'm losing pace and you do something stupid. It's much easier if you've got identifiable problems to solve. So, not everybody in the organization can see that the changes you're making are because you can see the problems that we have and you have to address them. That's why you have some of the cultural backlash until you kind of prove it out. But in some ways, managing in a time of crisis or under real stress is actually a relatively straightforward management challenge because you've got to take your shots, you got to make decisions. Not everybody is going to like them, but if you don't do anything, then we're all toast. It's actually a privilege to manage during a time of real stress.

Kip: Barry, what, what changes came out of the crisis for you? What takeaways did you learn there?

Barry: We were one of the few insurance companies that came out of the crisis stronger. Our discipline and risk-management regimen that we had in place, pre-crisis, held. It worked well. And so it was actually really good for our brand, particularly in the United States. So what changed for us, actually, is we were sort of catapulted post-crisis into a market-leading position that we've retained to this day. From a broader industry perspective, I could echo much of what's been said around increased focus on risk management. As buttoned-down as we feel like we were, there was a lot of opportunity to improve it further. But the other thing that has changed dramatically is both the regulators and the rating agencies actually missed this crisis completely and they both adjusted. I think the rating agencies, from our perspective, are back at sort of an equilibrium, and some of the regulatory bodies just simply aren't, and are continuing to do things that I would fully accept are well-intentioned but are, in the end, not actually useful for the industry and not useful from a consumer's perspective.

Kip: Can you give us an example of that?

Barry: Sure I can give you an example. If you want to look specifically in the United States, the DOL Fiduciary Rule, which was again, well-intentioned but a massive overreach, trying to do the right thing in the wrong way. Lots of unintended consequences, and the result has been that there are millions of Americans who struggle to get good financial advice because the rule would have created so much risk for financial advisors that small investors lost their advisory relationship. Now the good news is the Fifth Circuit Appellate Court has recently vacated that rule in its entirety, which creates an opportunity now for the industry to go back and sit down with regulators and say, "Okay, you know, you didn't like what we were doing. We didn't like your rule. Now let's sit down together and agree on something in a sensible way." I hope and feel that's what the outcome will be.

Kip: Jay, I want to turn to you on the regulation question**.** It's not either-or. It's not perfect. It's not horrible. Can you name for me a piece of regulation that's actually benefited the end user of the financial system?

Jay: I would say 60-70% of the regulation, whether it's capital rules, liquidity rules, resolution and recovery—is completely appropriate and well done. I think when you miss a crisis that badly and you have to regulate the way that all the regulators—the nine regulators in the United States—have had to come in with force, you don't get it perfect. And I think there's a bunch of little things that I think will get fixed over time. I think more balanced people are in the regulatory roles right now. I think it always takes longer than you think. I worry about a couple of things. One, if you look at what the regulators have done, they basically grouped the big banks into the 30 SIFIs—which James and I have the privilege of being part of—and then they've created breakpoints, so over $50 billion, over $250 billion. And so they've artificially set market structure that I think has the potential to prevent competition and puts in place unnatural barriers. So in the 10 years since the crisis, the top 10 banks, by assets, have grown from 58% to 70%. Who wants to be in the big bucket that comes with more regulation? The other one, though, that probably worries me more is what the regulation has done to liquidity in markets, particularly fixed income markets. It used to be the sell-side firms were encouraged to hold inventories. It's too expensive to hold inventories these days. So I think you've seen, in a lot of fixed income markets, the regulation has caused a dwindling of liquidity. And if you think about any crisis, it can start anywhere, but at the end of the day, liquidity is going to be a problem. So, you know, I think that most of it was right, and now we're in the phase of, I would say recalibrating. And I think that mostly the right people are in place with the right headset to get this corrected before we have a problem.

Kip: Greg, staying on the regulation front for a second, we obviously have seen from the banking side some things that worked and didn't work. What regulation coming out of the crisis had the biggest impact on your business?

Greg: I think the first reaction was to treat our industry like a bank, and if we weren't engaged across the globe and explaining—you know, an agency-based relationship and there's not deposits at risk—we would have ended up having capital requirements like a bank. So, you know, there's a lot of work done on that front. And I would say the other one is really the global nature of these regulatory changes. Systemic risk—I think one of the outcomes of this—is we realize that it's a global risk and what happens here, what happens in London or anywhere else, can affect different markets. So a coordinated effort had to take place for the first time, for US companies, certainly in our industry where we've had to spend a lot of time in Europe dealing with regulations. Money funds was a big part of the change, and I think we reached a reasonable compromise on a very difficult problem with money funds. Some still disagree with it, but, it was a good compromise, and I think the process has been good where, you know, we have been able to hold off on the major changes that would completely upend our industry. And if you had capital requirements in a mutual fund, you can imagine, it just wouldn't work.

To me, trust is what our industry is based on. And I think, even today, the millennial is under-invested and doesn't really trust the system, and we're seeing that in how they invest. They have the lowest portion of equities that they've had historically. And a lot of that is an outcome, to me, of blaming the banks and the system. If you really take your time to try to say what happened, how did this occur? And it was a miss across the board, and it was also a bad government policy that started a mortgage crisis. And nobody seems to connect those two. They just want to say Wall Street is guilty, put the CEO in jail. And I think that, that perception is still very much out there and one that we have to work to regain the trust of the millennial. And that's really the next important investor for our industry, I think that's still a hangover, and a lot of work to be done there.

Kip: James, to summarize eight years of work in one or two sentences, you've dialed down the risk, put more risk controls in and focused on wealth management. But how do you define the line between risk management and missed opportunities?

Jay: There is no line. We just had our two-hour risk-committee meeting. We talked about our event-lending portfolio and, given the M&A [merger and acquisition] transaction activity now, there's tremendous appetite, both investment-grade and non-investment grade. And you set your parameters, you have your risk limits based upon all the historical data of what the capacity is, what your balance sheet is. But this is what being in business is about. Part of it's analytic, part of it's intuitive. You'll always be criticized if the markets are booming for not taking enough risk, and as soon as you lose money, we're criticized for taking too much. I've been on both sides of that criticism. I prefer the one where we don't lose money, where it's just me getting criticized rather than the shareholders losing money. But listen, my objective is to build a business that does fine when things are really, really bad and does well when things are good, but maybe not as well as some others will do when things are great. But that's okay, because if you've got the ballast when it's really bad, then that's really the magic alchemy.

Kip: Barry turning to you. You mentioned that you came out of the crisis very well-positioned. Yet, there will still be opportunities you missed in the last 10 years. Things you look back on now and said, you know, I wish I'd made a different decision at "x" point because we'd be in a better position now. What would that be?

Barry: We're a company that focuses really very narrowly in the insurance space. We focus on guaranteed retirement income products, and specifically variable annuities. We're the lead writer of variable annuities with living benefits in the United States. And that product—which we think is an incredibly logical and virtuous product for most people approaching retirement today—is under attack from regulators, under attack from consumer groups, who think it's complicated and expensive and so forth. So the fact of the matter is there have always been some things that, you know, let's just say were imperfect about the product. And, I think coming out of the crisis was the perfect time for our company and the industry candidly to say, "Look, this product makes enormous sense for people. This is why, particularly in the environment we find ourselves in, most middle-class Americans ought to be looking at this product." And you know, we needed to attack, as an industry, the elements of the product that draw the criticism, which are the fact that it pays a commission, that there was not a version of the product that you could purchase from an advisor who doesn't accept commissions like an RIA as an example, or someone who works exclusively on a fee basis. The result of having conditions embedded in the product meant that the product has surrender charges, which are confusing and opaque and people don't like that. We use, as an industry, absurd language to describe our sales and our products. You know, the typical product that we sell, which is really designed to allow someone to invest a certain amount of money in a mutual fund, hope that the lifetime income guarantee associated with that investment grows, but the income can never go down. So, you have a guaranteed income for life. It's not complicated, but we call that a P2GMWB with DB Level Four.

Kip: Great branding.

Barry: Yeah. I mean, people think they need to go to a pharmacist if you've got a GMWB Level Four. Why don't we call it a "guaranteed income for life?" And so, we are finally saying, "hey, you know what, we have a unique capability in the global marketplace, there is this emerging retirement crisis." An insured solution is for many people the only solution. And so, let's get our act together and let's take the commission off the product. If people want to buy without the commission, take it off. And you know, let's speak in plain English to people and let's simplify it. Let's go to regulators. Instead of fighting them and telling them we're smarter than they are, let's listen to them and let's incorporate their thinking into new products and so on and so forth. So that is one thing I think we had a golden opportunity in 2010 and we started about six or seven years too late.

Kip: I want to talk a bit about leadership, and Jay, I'm going to turn to you. With a caveat that you can't name any of these gentlemen with you, who managed through the financial crisis and since better than you did?

Jay: Lloyd Blankfein. He became CEO of Goldman [Sachs] just before the crisis began. So he had a front-row seat in managing through the crisis. He has remained humble. I think you can criticize Goldman's strategy and many have, many will probably continue to, but I think as a leader he has figured out how to put Goldman on a course. And as an individual, he has figured out, coming from a humble and kind of quiet background, how to play the role of leader in the industry. And I think it's represented his firm well, I think he's done a good job.

Kip: James, we'll turn to you. Who would you choose?

James: I think Richard Davis at US Bank Corp. I think he's both a very humble guy but also very good operating executive, and he could have, post-crisis, given the way US Bank Corp came out, which is about, a $300+ billion bank, they could've done a bit of a land-grab, but they really stuck to what has made them good. The other one I think is Ana Botin, who runs Santander. She inherited it in some ways from her father. I mean, there's always going to be a lot of criticism coming into an institution like that, but she'd actually taken jobs away from Santander through her career. I think she's done a really nice job. I think she's positioned the bank very well. I think she's figured out how to grow it in a world where it's difficult to grow banks. And I think she's maintained a great sense of humor and great humility throughout it.

Kip: I'm going to make it even harder for you, Greg. Let's say you want to retire tomorrow and you need to fill your seat at Franklin Templeton. Who would you choose?

Greg: I'd choose my sister of course (laughing). That was the easiest one I've had in a while. But I would've just added on the banking side, the one that didn't come up would be Jamie Dimon as far as management and vision and making bold moves and you really see the strength of that bank coming through a crisis. I think they're really the example.

Kip: There's been some what we call mega trends over the last 10 years in asset management, the rise of passive, fee compression. When the next crisis hits, whether it's big or small, which trend will be revealed as simply cyclical. It won't be a secular change in this industry. It will simply be something that was happening because we were in the greatest bull market of our lives.

Greg: Well, I think you have to start with the growth of index funds. And I don't think they're cyclical in the sense that they're going to go out of favor. I think they're very much here to stay. And it's part of why there's such fee pressure in our industry. But I think in a normalized environment, where rates go up, an environment where you have less correlation in the marketplace—that's an environment where the traditional active manager can do their job. And I think it's been very hard over the last decade for that active manager to differentiate companies where everything kind of trades together and, doesn't really differentiate on the company itself. I think the other one, just from a market-structure standpoint that at some point there has to be a pushback just around—at what level does governance become a problem? You know, for an open capital market system that allocates capital based on just strictly market cap, where you can't sell a stock. I think that becomes a problem. And I think another interesting factor is just M&A activity on the lower end, you know, think about a company that if a third of your stock is owned in an index environment and that suddenly grows to 50%, 60%, there's going to be a scramble at the bottom of M&A to stay in the index because otherwise you're going to have to sell 50% of your stock by getting dropped out of an index. So this is all coming, that I think will make it harder. And then the other issue just around trading opportunities against passive indexes in a tougher, down market where there are outflows. I think that's an opportunity for active as well.

Kip: James, we'll turn to you. Obviously there are lot of high-net-worth and well-off individuals around the country whose money is managed by advisors. What do you suspect, when we have a sustained bear market—what will be the biggest change in their investing behavior from the last eight years?

James: Well, the high-net-worth investor is actually not very active. They're barely investing, I mean that's been one of the shocking things to me is that our daily buying and selling of stocks and bonds as a percent of our revenues just in wealth management is now—it's about 10% of revenues. People don't buy and sell anymore. And so, you know, in this run-up in the market, there hasn't been a lot of chasing. What typically happened was, you know, you have a bull market, all retail buys it, the market collapses, retail complaints come in, then arbitrations happen, then lawsuits happen then companies take about 5% of their revenues in legal expenses, and the cycle starts again. And we've kind of broken that cycle because investors either got smart, which I'd like to think, or they got scared. But they said, you know, we can't turn these markets, there's not a lot of value in buying and selling, And I agree with Greg—I think the value of the portfolio manager has been massively undersold, and I think that's going to come back. The strong portfolio managers who can outperform in a challenging market, not in an obvious market, when indexes obviously outperform—that's going to be much more interesting. So I don't think their behavior's going to change a lot. I think that they will be, probably surprised at the diminution of their assets because a lot of their stuff is now in these fee-based accounts, and as whole markets come down, they come down. You're in a different psychological moment, but I don't think there's going to be the kind of panic, or like we haven't had the irrational exuberance this decade that we had the previous decade. I don't think there's going to be a panic when it goes down. I think people have wised up a little bit.

Kip: So you think people have fundamentally changed their maturity levels around portfolios?

James: We're better educated. I mean, I remember, I grew up in Melbourne, Australia, and the only stock my dad ever owned was a uranium exploration company. Didn't turn out so well back then. And so he decided, you know, the markets are a horrible thing. This is an intelligent guy, an engineer and he bought short-term T-bills. That was basically his investment strategy. And I'd like to think if he were alive now, he would be a lot more sophisticated. We are a lot more sophisticated, there's more information. There's too much information, we're very well educated. We understand that you need to save and invest prudently because we're going to live 20 years longer than our parents lived or our grandparents at least. So yeah, I think people are smarter and smart people realize that buying and selling stocks every day is really dumb. The transaction costs overwhelm any performance gain you can generate.

Kip: Mm hmm, ok. Jay, we want to turn to you. We have high valuations, we have geopolitical tension, we have uncertainty everywhere. What keeps you up at night the most?

Jay: I think the macro economy, everybody's feeling pretty good about. That's when you worry. I think that 2017 was the peak since 2011—GDP growth, developed markets, developing markets, all sorts of exogenous risk in the environment. Trade is the one that is most currently being thought about. I guess for me, I go back to, technology and not just cyber risk, but I think that there is a risk—and this is less about the economy—that we haven't really internalized the impact that technology is going to have on all of our businesses. And I'll tell you a little story just as a way to give you what inspired me. I became CEO in '09, so cleaning up after the crisis. We've got an operation in Hangzhou, China, which is where Alibaba is headquartered. And, in an introduction with Jack Ma—this was back in 2012—he said you ought to go see the head of Ant Financial, which back then nobody would have known who Ant was and now I think everybody knows who Ant is. And, so I walked into the room, the woman CEO, and she said, before we get started, let me just tell you what we do. And she was in the lobby and there's a bunch of plasma screens. And she said, you know, we're in the e-commerce business, and there was a map of China with flashing numbers and this was the purchases that are going on in China—2012. And she said, we get into the payments business because we figured why not be a payments provider? And she said, we ran some pretty simple algorithms and essentially created a view of one's credit worthiness. And we started up a bank and we created a money fund. And I'm listening to all this. And the punchline for me was, 2012, 200 million customers, all real time, you could walk into the store, drop your cell phone on a reader and buy a television set, it would dynamically assess your credit, walk out with a TV, all running on a public cloud. So this is 2012. I come back home to T plus one, T plus three. And, I'm thinking to myself, wow, have we got a ways to go. And so I, you know, my, my fear is that, for all of us—and it touches all of us in different ways—whether it's facing off against the ultimate consumer, whether it's gathering up, not the data, but the information content to use that to our advantage. I worry that we're still living a little bit in the old world, and if you look at the digital platform guys, we all have Alexa or the, whatever the latest Amazon tool is. And you look at the sophistication of the socioeconomic understanding of the customer, you look at the value chain, and then you look at our world that we live in. And so it's an opportunity and a threat, but my fear is that we haven't really internalized the impact of technology on our collective businesses.

Kip: Okay**,** Greg we'll turn to you**.** What risk that everyone knows about do you think that they are underweighting when they make decisions about their portfolios, about their businesses, about their lives?

Greg: I would say that liquidity is one that we tend to forget about in periods like we're in now. And I think the proliferation of structures and products that are fine when everybody's moving into something, but it may not be that easy in an environment where people want to get out. So that's certainly one that I worry quite a bit about. And there's a lot of, new types of structures, whether it's ETFs, or trusts and funds and intervals and I think that, as we move and push more towards alternatives in different categories and less-liquid categories, I think that risk certainly increases. I think another one is, I was looking at a chart, you know, just even looking at the average endowment foundation and its mix of assets compared to 15 years ago where you had your more traditional fixed income portion and equity portion, where today you have hard assets in there and alternatives, private equity, real estate—a much riskier portfolio. Now the argument would be, well, it's a less correlated one, but certainly you don't have that ballast of fixed income in a recession or tough environment. And I think that that added risk and it's the same to me—it's like looking at the mortgage bond back that started the crisis where everybody said houses couldn't go down, so therefore leverage up as much as you can. And that was a strong model. I think that's similar somewhat to what we're seeing today.

Kip: James, I am going to pass the same question to you. The risks that investors are underweighting when they shouldn't be?

James: I think it's political risk. You know, if you look at what's happened pre-crisis and the concentration of wealth, the fact that the taxpayer was responsible for backstopping the financial system, and in some countries, still own large portions of major banks. The fact that the minimum wage in this country [the United States] is around $7 an hour in some states and in Australia, where I grew up, it's $17 an hour. This is the most prosperous country in the world, it's $7 an hour. If we get through this period of economic expansion and when we go into the next recession, if there hasn't been something to address those imbalances, then I think there's massive political risk. I mean, people freaked out about Brexit, about Le Pen, about Trump, and if it wasn't Trump, it was going to be Sanders. Both at each ends of the political spectrum. All those were, to me, just manifestations of the average citizens saying, "I haven't done as well as the country has done. I get the every average aggregate, but me personally has not done so well." And that's because of the shape of the wealth distribution. So if we go into a recession and that hasn't been addressed, and the economic power for the government to do that without blowing up the deficit even further, I think the political risk and the reaction to that during the next recession is very real.

James: And it requires, obviously, political leadership when we know we have about as dysfunctional political environment in most countries. Ironically, the ones that are not dysfunctional are China and Russia. Whether you like it or don't like it, but they actually have functioning political systems. So it's a very odd political environment we're in.

Kip: Jay, I want to get a sense in 10 years, which firm outside the financial system would you most like—in your case, State Street—to resemble?

Jay: I think it's pretty easy. It would be Amazon for me. They'll do anything to please and satisfy the customer, and everything else flows from that. And I think that ethos, which is embedded in a half a million people right now, is what's causing Amazon to power through, vertical by vertical, in the retail industry. So I think, you know, most times you look at size as, as being, an inhibitor of speed and agility—and there's probably a few others like that—but Amazon to me, rises to the top, as far as the customer ethos and their nimbleness with a company with a half a million people.

Kip: Okay. James, what leadership trait in a CEO has been rewarded in the last 10 years that will not be rewarded in the next 10 years?

James: I don't want to duck your question, but I'm going to duck your question. There's no answer to that. I mean, there are things Warren Buffett can and should be doing with Berkshire that if you're a regulated bank that came through the financial crisis, you can't be doing. That, if you're, Larry Page, you should be doing. That, if you're Alibaba, you're already doing. Where you stand is where you sit. I mean you make your business decisions and actions as a CEO based upon the conditions of the company that you've got, the markets you operate in, the global macro environment and the geopolitical environment. And all of those things, you know, interact. Look at what's happened with Facebook recently versus Facebook six months ago. What are you doing if you're Netflix and your stock is up 70% a year? They are actually owning a category. They're basically taking over content**.** You can't say, well, you know, you need more boldness or you need more humbleness—it really depends on the nature of the company, the business, the industry dynamics. And, the art, I think, to being a good CEO, is being both authentic to what you are, but realistic about the environment in which you're operating in. So don't try and manage it as a CEO through envy of what somebody else does, who has a different style of personality or background or experience. Be who you are, but be who you are within the constraints of the entity that you're running. If you're running a business that's recovering, you've got to behave, obviously, cautiously, but you've got to be very decisive. If you're in a business that's, you know, growing like some of the FANG stocks now—if you're not being ambitious, you're crazy, right? The market's giving you a massive pass not to make money. They're applauding you to invest everything you've got behind your business growth. If you're not doing that, you shouldn't be in the job. The challenge is, frankly, as a CEO, that companies move so quickly, that you have to adapt your style over time. You can't come in with one style and one set of behaviors and say, well, this is it. You've got to be adjusting. I mean, again, looking at what Facebook's going through in the last a couple of months versus six months ago. They have to adopt their style as a leadership team, which they're doing, you know? And that's part of the constant evolution and learning process of being in a dynamic organization, not a static one.

Kip: I'm going to ask each of you the same question. So Barry, we'll start with you. What will be the most likely trigger for the next global financial crisis in one or two sentences?

Barry: I think it's difficult to sit here and say, oh, it's going to be, you know, a mortgage crisis or something like it was in the past, but I think it's almost certain to have been failure to learn from the past.

Kip: Okay, Jay?

Jay: I would say a policy mistake. You've got central banks that have hoovered up $15 trillion of liquidity. Our central bank with $4 trillion. They've got to release that over time, if you look at just the Treasury market. I just think that's worth watching, not just in the United States, but at the ECB [European Central Bank] level, the UK and Japan. I think this unwinding of the central-bank balance sheets is going to create a policy error along the way.

Kip: Okay, James?

James: Credit. We've got rising rates in the United States. We're going to have rising rates in Europe, and we'll have rising rates in Japan, and, right at that point, the world will go into a recession. With rising rates, people will have overestimated the credit worthiness, and as rates rise, that creates at minimum a recession, at maximum a credit crisis, and that's what happened. The difference between this and the last financial crisis is people have a lot more liquidity in the financial sector. And so I don't think it's likely to devolve into the ultimate crisis, which is liquidity crisis.

Kip: Okay, Greg?

Greg: I was going to say rates and credit, and I think another outcome of the financial crisis has been the explosion in private credit and getting more and more covenant lite [loans] as more and more firms compete to grow in that space. And, a lot of it's adjustable rate increasing when rates go up. So that would be an area that, uh, I think could trigger some pain.

Kip: All right. Well, gentlemen, thanks I appreciate it. Let's thank our panelists.

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