



## MarketWatch

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### Banking sector needs major surgery, IMF chief says

By Charles Mead of Medill News Service

**WASHINGTON (MarketWatch) — The world needs a procedure to shut down big financial institutions facing crisis, and banks should be taxed to prevent excess risk-taking, the head of the International Monetary Fund said Monday.**

The financial sector “is still in need of major surgery,” IMF Managing Director Dominique Strauss-Kahn said at George Washington University. “We certainly need a resolution mechanism to end the scourge of ‘too important to fail.’”



#### Subpoena for IPO-poised Pandora

Online-music streaming service Pandora, which plans an initial public offering, says in an SEC filing that it has been subpoenaed in an investigation probing information-sharing by mobile applications. John Letzing and Stacey Delo discuss.

have losses, are paid by everybody.”

Mark Calabria, director of financial regulation studies at the libertarian Cato Institute, agreed that governments should pursue an international framework to wind down insolvent firms, but warned that any levy against financial risk-taking to feed a rescue fund may actually raise the chance of a future crisis because it could signal to banks that they have a safety net.

“There’s a free-rider problem with that, that encourages actually more risk taking,” said Calabria, a former assistant to Sen. Richard Shelby, an Alabama Republican who’s the ranking member of the Senate Banking Committee. “We shouldn’t be setting up a fund because we shouldn’t be bailing people out.”

Strauss-Kahn, who repeatedly shows up in polls as the most popular potential candidate for France’s 2012 presidential election, spoke a week before economic policy makers from around the world are scheduled to gather in Washington.

In the U.S., the Dodd-Frank Act, the financial regulation overhaul enacted in July, bolstered the Federal Deposit Insurance Corp.’s so-called resolution authority to wind down systemically important firms facing collapse. Though the Basel Committee on Banking Supervision strengthened rules on capital in September, Strauss-Kahn said, the financial sector should be taxed in a way that curbs excess risk-taking and funds a backstop for future economic crises to protect taxpayers. He did not elaborate on the proposed tax, which has support in Europe but has been opposed by the Treasury Department among others.

“We certainly need a tax on financial activities,” Strauss-Kahn, 61, said before more than a dozen television cameras in a packed auditorium a block west of the Washington-based IMF’s headquarters. “We should limit risk which, when they are profitable, goes only in the pockets of those taking the risk, and when they

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