

Morgan Stanley CEO loves regulators - seriously



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Morgan Stanley (**MS**) CEO John Mack just loves regulators -- can't get enough of them.

Speaking Wednesday at a conference **sponsored by Bloomberg News and Vanity Fair**, Mack seemed to wish more regulators were camped out in his New York-based firm, watching its every move. He'd better hope that the Business Roundtable and the U.S. Chamber of Commerce don't get wind of his heresy. And the anti-regulation crowd at the libertarian Cato Institute is probably none too happy with him, either.

Mack, whose firm converted to a bank holding company after it lost 87% of its value during the financial crisis, seems undaunted at the prospect of offending anyone's sensibilities.

"We have probably 15 to 20 Fed regulators in our building 24 hours a day," Mack says. "They test our models. They question everything we do. I've never been regulated like that before. It's a different environment. Someone said to me, 'What do you think of it?' I love it."

I double-checked, and that quote from Bloomberg appears to be genuine. Mack even asked regulators for their views on a highly leveraged transaction during the credit boom which Morgan Stanley ultimately turned down. His conservatism has paid off. Shares of the New York-based bank are up 107% since the start of the year. Last month, Morgan Stanley reported its first quarterly profit in a year, thanks to gains in its **investment banking business**.

The notion that anyone on Wall Street has anything nice to say about regulators is downright refreshing. Business, of course, needs consistent, logical regulation in order for the free market to survive, though you would never know it listening to the pundits on cable television.

Mack should be a model for the rest of the financial services industry. Some executives, including American International Group (**AIG**) CEO Robert Benmosche, **have threatened to quit** over pay restrictions. Benmosche doesn't seem to get that the rules of the game have changed. Mack has gotten that message loud and clear.