

CFALA President Asha Joshi was interviewed by the British Broadcasting Corporation on the U.S. financial crisis for BBC's "Weekend Breakfast" show of Saturday, Sept. 20, 2008. Here is a slightly abridged version of the interview.

Reporter:

"Weekend Breakfast - it's just coming up to 8:39. President Bush says the U.S. will take decisive action to sort out the crisis in the financial markets. The announcement of a rescue plan, details of which are being thrashed out this weekend, have certainly rallied the stock markets. Let's talk to Asha Joshi, who's President of the Chartered Financial Analysts Society of Los Angeles. Hi!"

Asha:

"Hi."

Reporter:

"It's certainly, it's often a cliché, but we can call it a roller coaster week. Has the storm been weathered in the U.S. at least?"

Asha:

"Well, that's what some people thought – certainly today, yesterday and the day before – but we still need to see the details before we can really be sure that the storm has abated. The worst might be over, but certainly everything's not hunky dory yet. We still need to see all these illiquid securities from these financial institutions cleaned out and put away in some sort of a facility, and we need to be able to see liquidity back in the marketplace. We need to see good companies funded again. We need to see good borrowers being lent to again. But that's going to take time, because we have a housing crisis, and until that's sorted out, our financial system is still going to stumble along."

Reporter:

"What would you like to see, then, come out of the next few days in suggestions that are being put forward on a long-term solution to all of this. Because we've gone from extreme panic to, some extent, euphoria that things are picking back up again, but it's been a bit of a Band-Aid® solution up to now."

Asha:

"Absolutely. Bailing out individual financial institutions is definitely a Band-Aid® solution. This problem is deeper than that. It has been building for several years, and there's just one word for the problem, which is 'leverage.' Lots and lots of debt. Thirty-, forty-times leverage in financial institutions, and a large part of that is mortgage-backed securities. But there's also derivatives and other instruments, esoteric instruments, complex, leveraged instruments that are still on the books. So, this initiative that they're going to be working on this weekend is the first start in actually attacking part of the cause, as opposed to just the symptoms. But it's going to be a long haul, because the devil's in the details, and so is God in the details. And at what price these securities are going to be moved out of the financial institutions' books, that's going to be the

determining factor as to whether we're going to see more write-downs, or whether we're going to see a smooth transition. It's likely that the government's not going to just take these securities on at par, at good prices, so all these details have to be ironed out first."

Reporter:

"And this morning, Asha, we had a judge in New York has approved Barclays's plans to buy the rump of Lehman Brothers in the States. Is that a good piece of business for Barclays?"

Asha:

"I think it's an excellent piece and they certainly got an excellent price for it, because they waited until after the bankruptcy. They still will have some clean-up to do with the other pieces of Lehman, but Barclays got the good stuff.

Reporter:

"Asha, thank you for talking to us. Asha Joshi there, President of the Chartered Financial Analysts Society of Los Angeles.