



SIFMA 2013 Annual Meeting

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New York City

Highlighted presentation of:

Paul Purcell,
Chairman, President and CEO, Robert W. Baird & Co.
with Gerri Willis, Fox Business

PAUL PURCELL: It is really important the theme of this conference is we need to restore trust and confidence. The industry has a long ways to go, but it is the key to efficient capital formation, especially here in the U.S.

We have the deepest, most efficient capital markets in the world and they operate better with trust and confidence. It is absolutely critical to global growth, productivity and ultimately what the entire globe needs, which is more job creation. It's important we accomplish that as an industry and hopefully this will come loud and clear throughout this entire conference. So thanks for having me here. I'm going to go over and have a conversation with Gerri.

GERRI WILLIS: I thought it was so great what you were saying about trust and confidence in markets. Every night on The Willis Report on the Fox Business Network I'm talking to real Americans about their investments and I'm hearing from them on Twitter and by e-mail, they contact me all the time, and they have serious questions about the financial markets, are they safe. They are worried even now five years after what was a devastating market tumult, the mortgage meltdown, Paul, tell me, should they still be worried and what needs to happen?

PAUL PURCELL: I think they should be less worried for a couple reasons, but they still should be worried. They should be less worried because there's been a significant reduction of leverage throughout the world, but especially in the U.S. The U.S. banks are much better capitalized and much more liquid than they were five and a half years ago at the time of the Lehman bankruptcy. So globally it's better. It is much, much better in the U.S.

I think Europe is behind us in terms of that. I think the larger financial institutions in Europe still have a ways to go both in terms of deleveraging and getting their business models right. As you look across some of the many larger global financial institutions, many still have too much leverage or not enough capital, many are not earning a required and decent return on their capital, and I think there's going to be quite a bit more restructuring done to get the institutions down to a size where they can get better returns on capital, and frankly, manage the risk better.

But there is no question that the system is better capitalized than it was in 2008 and 2009.

GERRI WILLIS: It's the industry but it's also the volatility of the markets themselves, when the markets can go down 37% in a very short period of time at the beginning of the crisis, people wonder is this a place I should be. How does the industry work with, talk to, encourage confidence directly with the American people?

PAUL PURCELL: I think there's a number of things that we need to do. Number one is, we really do need to behave better, and I hate to be over-simplistic about it, but we need to get out of the newspaper so that people actually think that there's some integrity in the industry.

Two, we need to do a better job of explaining to everybody the good that the industry does, and that's why I made the comments about the capital formation process. Especially the U.S. markets are absolutely the most liquid, the deepest, the most efficient markets in the world, and the world needs capital to grow, and we're really good at that. We need to articulate better how important that is and our role in that and our very, very important role, whether it's IPO's, secondary, transactions, venture capital, but entrepreneurs need capital to grow their businesses and this country is all about entrepreneurs and giving entrepreneurs access to capital to take their ideas and turn them into reality. And Wall Street plays an incredibly important part in

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that process and ultimately that does create more companies, more jobs, and more prosperity for everyone involved, and we play a really important role in that, and we need to do that.

We also need to educate investors. SIFMA does a great job at educating investors; and the more we educate investors, we get a better and more efficient marketplace. That's what we need to do to get after and earn some of the trust back, and it will take time.

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