

## **The US\$ 700 Billion Challenge:**

*Oliver Wyman Study in Collaboration with World Economic Forum  
Suggests Ways to Manage and Exit Government Investments in Financial Institutions*

**NEW YORK, NY, December 2, 2009**—Oliver Wyman and the World Economic Forum have released a joint working paper titled, *Governments as Shareholders: Navigating the Challenges of Newly Held Interests in Financial Institutions*, which explores the challenges governments face in managing and resolving newly acquired equity interests in financial institutions. Over 150 leaders in public policy, academia, and business collaborated as part of the year-long study.

The six key suggested guidelines for governments are:

1. Address equity stakes separately from other types of crisis intervention
2. Aim for a rapid exit while protecting investment value
3. Establish an independent process to manage ownership stakes
4. Restrict government influence on owned institutions to board-level issues
5. Be realistic about securing and incentivizing the best available talent
6. Raise transparency beyond public disclosure of financial performance

In addition, the paper highlights three important themes:

- **Transparency** – OECD and IMF work relating to Sovereign Wealth Funds offers potential models for governments looking to increase accountability and transparency in their role as shareholders. Opening communication between the complex network of stakeholders is not only important to maintain trust and confidence, but also to minimize market distortions and increase accountability for government managers of investments in financial institutions.
- **Governance** – Appropriate governance can ensure independence of government managers of investments in financial institutions, business focus and political accountability.
- **Leadership** – Strong management teams and managers of government investments will be needed to run these institutions and protect taxpayer investments. Governments must seek out managers with skills appropriate to the task, incentivizing them for their work and empowering them to be successful.

“Through our work this year with the World Economic Forum and over 100 thought leaders in this space, we have examined the unique challenges facing governments as shareholders and identified a set of six critical recommendations” said Scott McDonald, Managing Partner of Oliver Wyman’s Financial Services business. “Just as governments grapple with how best to instill principles of sound governance, good management, and high levels of transparency in the

private sector organizations they oversee, a higher degree of introspection and self-regulation by governments is likely warranted.”

Max von Bismarck, Director and Head of Investors at the World Economic Forum added: “As the global economy recovers, governments find themselves transitioning from a focus on crisis containment to a focus on managing its interventions towards eventual resolution. With over US\$ 700 billion of new equity investments in financial institutions, governments and the taxpayers they represent, have a strong vested interest in ensuring that these investments are properly managed.”

“The challenges governments face in managing their equity stakes in financial institutions are largely new but there are very clear ‘do’s and don’ts’ to be learned from history as well as private sector analogues,” adds Julia Hobart, Partner at Oliver Wyman and Senior Adviser to the report. “In particular governments must ensure that the same principles that define good management in the private sector are applied in this current public sector situation, namely strong transparency, governance and leadership. While the task may be difficult, getting it right is crucial: not only is considerable taxpayer money at stake, but so is the long-run soundness of the financial system.”

To learn more and download the paper, please go to:

<http://www.weforum.org/pdf/financialinstitutions/governmentpaper.pdf>

### **About Oliver Wyman**

With more than 2,900 professionals in over 40 cities around the globe, Oliver Wyman is an international management consulting firm that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, organizational transformation, and leadership development. The firm helps clients optimize their businesses, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is part of Marsh & McLennan Companies [NYSE: MMC]. For more information, visit [www.oliverwyman.com](http://www.oliverwyman.com).

### **Media Contact:**

Jung Kim, Oliver Wyman, (646) 364-8355, [jung.kim@oliverwyman.com](mailto:jung.kim@oliverwyman.com)

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