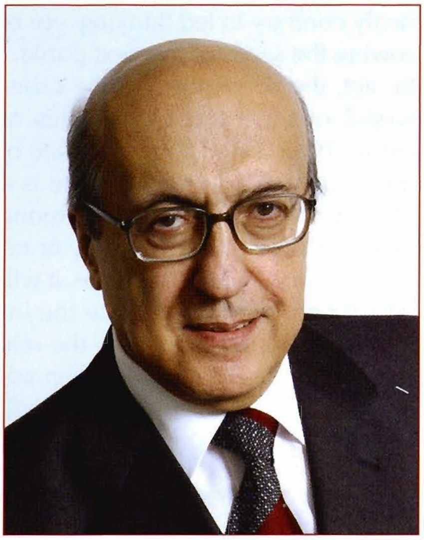

The Financial Crisis
IN A NUTSHELL

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FIRST: THE SYMPTOMS OF THE CRISIS

1. Shortage of liquidity in banks, weakness in financial solvency and their need for external financing.

2. Loss of confidence and the decline in capital markets and stock exchanges.

3. Decrease in investments and increase in the rate of unemployment.

4. Implications of the concrete side in economy and a decrease of consumer indicators.

SECOND: THE CAUSES OF THE CRISIS

1. The turmoil in capital markets, increased speculation on non-economic basis and the rising prices of real estate without justification.

2. Lack of transparency and clarity in the financial statements and failure to meet international standards by U.S. banks.

3. A lack of control and monitoring on companies and investment banks that had access to excess funding used to obtain bad assets.

4. The greed of banks and their rush in financing customers to increase their profits without taking into account the ability of borrowers to repay.

5. Banks relying on credit insurance companies as an alternative to giving credit to only good quality borrowers, without taking into account the concentration in the insurance sector and the dominance of a single company on the market: AIG.

6. The failure of credit rating agencies by giving high ratings to banks and U.S. companies based on reputation without regards to their asset portfolio.

7. Not confining to the norms of good governance, excessive rewarding and compensating to bank managers depending on the numerical financial performance and not the real performance.

8. The inability of the international financial institutions to warn the markets of the increasing risks and to alert investors in a timely manner (the International Monetary Fund, the Bank for International Settlements, etc. ...) because it has no right to do so.

THIRD: THE CONSEQUENCES OF THE CRISIS

So far, it's difficult to identify the consequences of the crisis, however, what has been identified, in addition to the symptoms mentioned in the first part, is the following:

1. The inability of the economy in most countries to deal with the crisis through market forces without the intervention and support of governmental institutions.

2. The spread of the crisis from one country to the other, as well as from each sector to the other automatically.

3. The decrease of private spending, which threatens to lead to a serious recession unless the governments compensate with the governmental expenditure.

4. The decline in the price of oil to record levels after rising to record ones.

5. A general loss of jobs and widespread unemployment in many countries.

6. Confusion in credit policies and techniques in banks due to the fear of borrowers' bankruptcy.

FOURTH: MEANS USED, SO FAR, FOR COUNTERING THE CRISIS

1. Expansionist monetary policy: reducing interest rates, reducing the legal reserve ratio and increasing the monetary base at the central banks to allow monetary and credit expansion.

2. If the available sources by central banks were not sufficient, governments must intervene to provide funding sources to economic sectors (which could create or increase the budget deficit).

FIFTH: MEANS THAT SHOULD BE USED

The financing methods followed so far treat the symptoms of the crisis and not its real causes and that holds pitfalls for the future. The remedies that must be applied are as follows:

1. Reviewing rating companies' techniques to give more credibility to its work.

2. Giving a greater and impartial role for international monetary financial institutions so they could warn investors more efficiently.

3. Reconsidering the concept of transparency, disclosure rules and the responsibility of companies, governments and central banks in doing so.

4. Re-examining the Basel Concords with respect to controlling and monitoring cross border banking transactions, as it is not acceptable for a bank to follow all the agreed international instruments in risk management and still not control its external risks.

5. Equal treatment of countries in terms of rights to prior information.

6. Unifying the monitoring in any country on all financial institutions including insurance companies.

7. Strengthening the supervisory role of central banks and reviewing the second pillar of Basel 2 as required.

8. Reviewing the supervision rules on the financial markets and stock exchanges, and obliging the monitoring bodies to clarify to investors about the risks involved in any new derivative, particularly the complex ones that some experts may be incapable of understanding.

SIXTH: IN THE LIGHT OF WHAT HAS BEEN SAID, WHAT ARE THE FUTURE QUALMS?

In case the real reasons (cited in paragraph 5) were not treated, the results would be:

1. Low performance standards where financial institutions would still grant additional funding without taking into account the real reasons for the decline in demand.

2. Decline the prestige of central banks that compete with commercial banks in some cases. Central banks are bearing risks that they should not bear and therefore, in the future, could lose control on the monetary and credit policies.

3. Imbalance in the standards of foreign trade. While the major developed countries grant concealed aid for the production sectors, they still force developing countries to comply with the standards of free trade and open their markets thus violating the standards of healthy competition.

4. The possibility that states return to adopt protectionist policies, declared or undeclared, which ultimately leads to the lack of efficiency of production and the disruption of the exchange rates in those countries.

5. Last but not least, the lack of confidence in the international standards and returning back again to a financial and monetary system which is unable to cope with the movement of goods and services.