

FED ORDERS NEW STRESS TESTS

One of the things the Congressional Oversight Panel recommended the other day was new stress tests for banks, given the mounting evidence that botched securitization may make them insolvent (okay – that last bit is my shorthand).

Today, the Fed ordered up those stress tests.

The Fed, in guidance issued today, said all 19 banks must submit capital plans by early next year showing their ability to absorb losses under a set of conditions to be determined by the central bank. The request is part of the Fed's effort to step up supervision at the nation's largest financial firms.

While new stress tests are a no-brainer – at some point we're all going to have to admit that Bank of America is insolvent and should be wound down – I've got zero confidence these new stress tests will be anything different than the kabuki stress tests the banks had in the last go-around: that is, a "test" designed to ensure everyone passes.