



CONFIDENTIAL - NOT FOR PUBLIC DISTRIBUTION

Agenda for Financial Crisis Inquiry Commission Telephonic Business Meeting of

Tuesday April 20, 2010

1:00-3:00pm EST

Conference Dial-In Number: 866-692-3582

Participant Access Code: 3387529

<u>Agenda Item</u>	<u>Presentation</u>
1) Call to Order 1:06pm	Chairman Angelides
2) Roll Call	Chairman Angelides

All Commissioners present – also, Tom, Gary, Beneva, Wendy, Scott, Gretchen

3) Approval of Minutes of Telephonic Business Meeting of March 16, 2010 (Attached)	Chairman Angelides
---	---------------------------

Byron moved, Born second – all in favor – motion passes

4) Chairman's and Vice Chairman's Report	Chairman Angelides and Vice-Chairman Thomas
---	--

- 1) Wrap Up for hearing 2/3 – grid indicating all items requested – and there will be a meeting of the working group to take a look at the info requested – what needs to be done to round out research and investigative plan. Reschedule for next week?**
- 2) Omni plan – indication that there would be distributed in April a rough outline of the components of the report – what subject matters may be covered – due to the Commission by Omni deadline!**
- 3) BB – wants to add questions going to witnesses as follow up. Questions for this hearing should be routed to Beneva – supplemental questions from commissioners due Monday (first batch)**

5) Hearing 2 – Debriefing

**Chairman Angelides and
Vice-Chairman Thomas**

- 1) Grid, follow up questions, items that need further work as part of research and investigative plans. W/G will need to hone in on the most important pieces of information that needs to be pursued.**
- 2) Bill: political season and the calendar. House and the Senate holding hearings – swear in guys from Walls Street and beat the crap out of them on TV – they can claim first right. Does our format make sense? Not worthwhile b/c 1) we're in competition with Congress 2) asked to appear more and more about our opinion on issues of engagement between Wall Street and Congress. Rethink about what we're doing post May hearings. (lack of hearing rooms, budget request scoured, people no longer friendly...election cycle) – Asked for serious analysis of revised structure that doesn't clash with Congress – academics/experts analyze our hypotheses and provide opinion. Should we continue with hearings and this structure?
 - a. John: we all knew we would bump into Congress - inevitable that there would be overlap. We are set up as an independent commission to look at the problem. Not sure he would be open to changing our work schedule and work plan. Change would put our work effort more at risk if we change our process midstream.**
 - b. Brooksley – may be reasons to alter work plan we debated at great length – but the fact Congress wants to hold hearings is irrelevant. Obligation to fulfill mandate as outlined in our statute.****

Bill: we did not come to unanimous decision. We tried hearings – time to evaluate if this works. Evaluate from staff if this process is working – better product if we redirect work energy away from hearings. The staff should have a chance for feedback – anonymous drop box.

- c. Peter: hypotheses were intended to structure what we do for the remainder of the study/investigation – he doesn't remember a big debate on the work plan – always thought we were wasting our time by having hearings with senior officials that didn't know things at ground level – should meet privately with correct people – follow through with hypotheses – and change work plan accordingly – then decide if we have public hearings**
- d. PA – work plan wasn't dropped – meetings in October and November – several iterations on the work plan – several discussions on how to proceed. January/February – all items put**

in one memo. Debate on institutions or issue based – talked extensively for 3-4 months.

- e. **Keith** – specific suggestion from Peter on less resources on hearings and instead private meetings – what is Bill’s actual suggestion?
- f. **Bill**: didn’t specify, but here are alternatives – watched staff struggle and amount of paper generated and regurgitated several times which gets left at the dais after we hold the hearing – are we getting the best out of our staff with the time that we have? If we don’t get a hearing room – too complex and burdensome to find alternative location. Test hypotheses in a hearing context – utilize resources to do this. Perp walks. Wasn’t happy with effort extended and product received. Can more properly focus our resources to achieve our goal.
- g. **Tom Greene** – we did do thoughtful process. Staff is looking forward to June already.
- h. **Heather** – getting a check on our work plan and comparing hypothesis is a good idea. Hearings have helped to bring forth new info and crystallize thinking – remain transparent to outside world and public. What is the alternative – what would you have done differently to make last hearing better?
- i. **Bill** – nothing different because it stuck with our work plan and Congress had not yet taken on this subject. We’re not smart to pursue this route – can’t sail it the way before. Doesn’t know what the alternative is at this point. Can the staff be shifted partially to come up with fairly firm hypotheses – bring in experts to present with our arguments. Transition to what they thought could/should have been done better. What is most appropriate – doing this off the top of his head. What was necessary/efficient/factors/objectives. (Wnedey and Beneva nodding heads.)
- j. **Heather** – not a lot of confidence in Congressional hearings and info revealed – not clash or done better.
- k. **Bill** – no expectation that any light will be shed.
- l. **Brooksley** – point of info – disagree with Bill – that Congress has suddenly been interested – of course they are – but for 18 months we’ve had dozens of different hearings from Congress – nothing new.
- m. **Bill** – have been following hearings – but he doesn’t think the Levin and Frank hearings will have a different tone and structure - political.
- n. **Brooksley** – all of us free to ask the types of questions Bill wants – such as Peter and Bill.
- o. **Bob** – observed last hearings from afar – quite constructive – very valuable info – not an academic organization

- p. **Byron – Some of Bill’s points well taken – but significant distinction – creation of Congress but intended to be – hearings have therapeutic and substantive effect.**
- q. **Bill – not concerned about work load. Not that the hearings themselves, but the utilization of staff for hearings. Is the best way to use our resources?**
- r. **Doug – cause for concern about amount of staff work done for hearings. What purpose do hearings serve? Public- not a good argument. Doesn’t believe we investigate topics more thoroughly. Doesn’t totally believe it affords us new info we couldn’t get privately. Let’s step back and think about this.**
- s. **Bill – wants Wendy and Beneva to speak before Phil**
- t. **Phil – no. (Bill upset) We need to do our job independent of Congress. Doesn’t care what Congress is or isn’t doing. We developed omni work plan but process of developing research and investigative plans around these areas very helpful – hearing part of that – not the whole of it. Tip of the iceberg – staff have interviewed hundreds of people behind the hearings – this has been the product of the research and investigation issue – this can serve as building blocks for the final report. Learned an immense amount based on staff product. Management of time – we could have a 1000 person staff and not explore everything – be more aware of time management. Committed to doing quality research and investigative reports. 9/11 Commission had this tension too and they were success in their pursuit. Good to review the work plan and see where we are at. Thought H2/3 went well – helpful**
- u. **Bill: we talk about our production of product – and hearings dictate work product – wendy and Beneva can correct him – they drive work product too much. Not the most effective use of our workforce – free staff of producing voluminous materials.**
- v. **Keith: Beneva and Wendy**
- w. **Wendy – believes that the hearings do focus the staff – we need these sequential timelines in particular to the investigation side. Case study approach also very helpful – so we don’t get lost in theory. Wendy – we’re working hard not to produce voluminous materials. Wendy – the kind of hearings that Bill is talking about is the natural progression of the hearings throughout the year as he gather more info/case studies. And test hypotheses. We now have hypotheses on Citi and why they did what they did. Paulson and Geithner at next hearing – what questions we will ask will look more like hypotheses – hopeful to give them that go-ahead. Horizontal issues. Vast majority of materials produced is for the report.**
- x. **Beneva – agrees with Wendy and nodded head because this is a natural progression – should integrate research and investigative**

teams when forming questions. Basing some of these questions in a hypothetical way. Likes hearings because they are artificial deadlines that forces product. Likes them because it puts these issues in front of the public.

- y. Keith – doesn't care about the politics of the folks on the hill – but this doesn't feel efficient. Interesting that Wendy/Beneva thinks there is overlap and is advancing ball intellectually. Agrees with Bill – not efficiently using Commissioner time and Staff time. Best answer is Peter.
- z. Peter: we didn't learn about any other institutions – not enough to form any conclusions – we didn't learn anything new – Fannie and Freddie failure - did it have any effect on the crisis – one focus should be what has this got to do with the causes of the financial crisis – wasting time – we tried to come up with a definition – haven't even done that.
- aa. Phil: good healthy discussion. Hard thinking about broader questions. **Time management and effective use of resources – report back to the Commissioners.** We are going through a period of exploration. **What is the most effective form of public forum we can engage in – think about it. Home and Home forum** (Bakersfield and Sacramento) if valuable and makes an impact. **Put into the work plan how we have horizontal reviews and cross fertilization and tie different lines of inquiries together – think hard about how to do this.**
- bb. Bill: get people to think about where we are and how we can improve with limited resources.
- cc. Phil – critical thinking from senior staff about issues put on the table
- dd. Keith – I don't think this is an issue of management – but what direction we tell the staff to go. Implementation of Peter's idea? Uncomfortable proceeding on current track – get this group back together again in a week to discuss this concept and hash it out. Bill – inefficiently using staff time on hearings and instead drive hypotheses to privately and they relate to hearings. (1:23)
- ee. PA: proposal – we are moving along with it – something should be in the hopper. If alternative suggestion – Peter/Keith/Bill – put together alternative solution on paper.
- ff. PW: list of what we are supposed to be doing here on out. **GKN – send omni plan to everyone!**
- gg. BB – all meet - **GKN to renew effort to find dates!**
- hh. PA: move forward with H4/May 5th and 6th. Form for moving forward – **BT/PW to put something together – does think we should have a mid-course review of the business plan – Staff to review that business plan with eye to how it can be improved to put something before the Commissioners– renew push to have a**

Commissioner meeting in person re: hypotheses sooner than later around the plan review.

- ii. BT – New shift in preparation materials and questions available at next hearing – less prosecutorial.
- jj. PA: questions that are micro and macro – mix. (Bill – yes, both should be accommodated, but we’ve focused too much on the micro.
- kk. PW – **when Shadow plan comes out - have a paragraph on the connection between shadow banking and the financial crisis**

6) Executive Director’s Report

Tom Greene, Executive Director

TG: covered all items. Summer interns – four unpaid – send resumes (finance or law) by Wednesday of next week.

7) Comments and Questions from Commissioners

All Commissioners

None

8) Report to Commission re: Legislative And Regulatory Update
(Attached)

Tom Greene/ Scott Ganz, Special Assistant

No comment.

9) Other Items of Business

All Commissioners

a) RESOLUTION: To Establish A Process For Issuance, Execution and Enforcement of Subpoenas
(Attached)

Motion – Born; second – by Murren

Roll Call Vote

- Born: yes*
- Byron: yes*
- Graham: yes*
- Keith Hennes: aye*
- Doug: Aye*
- Heather: yes*
- John : yes*
- Peter Wallison: yes*
- Bill: Yes*
- Phil: Yes*

**b) RESOLUTION: To Establish A Process
For Action By the Commission
Without a Meeting
(Attached)**

Motion: Byron: second: Born
Motion passes -

10) Adjournment

Chairman Angelides

Murren; second by Peter Wallison. Approved – 10-0



Financial Crisis Inquiry Commission
Agenda Item 3 for Telephonic Business Meeting of April 20, 2010
Minutes of Telephonic Business Meeting of
March 16, 2010

Agenda Item 1: Call to Order

Chairman Angelides called the telephonic business meeting to order at 12:06pm EST.

Agenda Item 2: Roll Call

Chairman Angelides asked Gretchen Newsom to call the roll of the Commissioners: Present were Phil Angelides, Bill Thomas, Brooksley Born, Byron Georgiou, Doug Holtz-Eakin, Heather Murren, John W. Thompson and Peter Wallison. Commissioner Graham was absent, and Commissioner Hennessey did not join the call until Agenda Item 8.

Also participating in the meeting were: Tom Greene, Executive Director; Beneva Schulte, Deputy Director; Wendy Edelberg, Deputy Director and Research Director; Gary Cohen, General Counsel; Gretchen Newsom, assistant to Chairman Angelides; and Scott Ganz, assistant to Vice Chairman Thomas.

Agenda Item 3: Approval of Minutes of Meeting, February 17, 2010

Chairman Angelides introduced the minutes from the FCIC meeting of February 17, 2010.

MOTION: Thompson moved and Holtz-Eakin seconded the motion to adopt the meeting minutes (attached).

APPROVED: 7-0 (Georgiou abstained (he was absent from the meeting on February 17th) and Graham and Hennessey were absent.)

Agenda Item 4: Chairman's and Vice Chairman's Report

Chairman Angelides and Vice Chairman Thomas spoke on the topic working groups – at the moment all Commissioners are involved in at least one working group and Commissioner feedback on the proceedings of the working groups has been generally positive.

On a related topic, staff was directed to keep working group members apprised of upcoming witness interviews – also, staff will continue to update the master witness list on a regular basis. Should a Commissioner wish to join an interview, he/she should inform Beneva or Wendy. The time, place, and manner of each interview will be set by staff. Commissioners can provide suggested interview questions to Wendy or Beneva to be included in the overall questioning. If one working group member decides to join a witness interview, a notice will be sent to other members on working group. The Chairman noted that he is personally not inclined to join an interview wherein the witness will also appear at an upcoming hearing.

Agenda Item 5: Executive Director’s Report

Mr. Greene informed the Commission that there have been no major changes in personnel. Mr. Greene also provided Commissioners with an update on document requests (a total of 75 requests which has yielded over 583,000 documents thus far), document retention letters, and confidentiality agreements with public agencies (HUD).

Mr. Greene informed the Commission of their “work space” and “upload space” on NetDocuments and the types of FCIC documents to be found within this online data storage system. Mr. Cohen was directed to notice the Commissioners on a weekly basis of significant uploads/changes to NetDocuments, and to provide a folder for legislative links and matters pertinent to the Commission.

Mr. Greene referenced the ongoing dialogue with the Sloan Foundation and their donation of services to FCIC. Mr. Cohen has informed the Commission with a summary email on this matter, and he noted that it is within our policy for the Chair, in consultation with Vice Chair, to act upon this matter.

Mr. Greene and Mr. Cohen spoke of a potential leak of sensitive information to the press. Mr. Cohen will investigate this matter and will remind all staff of the strict confidentiality policy of FCIC.

Agenda Item 6: Executive Director’s Report Comments and Questions from Commissioners

Commissioner Holtz-Eakin noted that he has received feedback from various industry contacts informing him that our document requests are onerous and unreasonable. Commissioner Born noted that she has heard similar grumblings, but noted that they subsided after FCIC staff was in direct contact. Chairman Angelides asked that these notices be sent to Mr. Cohen.

Commissioner Born requested that future FCIC media advisories include a standard paragraph on what areas/topics will be the subject of future hearings.

Agenda Item 7: Renewal of Delegation to Execute Agreements and Contracts on Behalf of FCIC *(Attached)*

Mr. Greene and Mr. Cohen introduced the delegation (attached).

MOTION: Holtz-Eakin moved and Wallison seconded the motion to adopt the delegation (attached).

APPROVED: 8-0 (Graham and Hennessey absent)

Agenda Item 8: Initial Discussion: Hypotheses re: the Causes of the Crisis

Chairman Angelides stated that this agenda item is a start to building consensus around hypotheses on the causes of the crisis. Each Commissioner discussed their goals and insights for this item of discussion and staff provided input on where they saw broad lines of consensus. An in-person meeting was requested as the next step to this discussion. Commissioners agreed to individually submit a paragraph description on the definition of the crisis and what would constitute a cause and to share their initial hypotheses with one another.

Agenda Item 9: Report to Commission re: Legislative And Regulatory Update

Mr. Ganz presented the Commission with an update on legislative and regulatory matters.

Agenda Item 10: Other Items of Business

No other items of business were brought up before the Commission

Agenda Item 11: Adjournment

Chairman Angelides requested a motion to adjourn the meeting.

MOTION: Wallison moved and Georgiou seconded a motion to adjourn the meeting.

APPROVED: 8-0 (Graham and Thomas absent)



**Financial Crisis Inquiry Commission
Agenda Item 3 for Telephonic Business Meeting of April 20, 2010
Minutes of Telephonic Business Meeting of
March 16, 2010**

**ATTACHMENT
Approved Minutes of Telephonic Business Meeting of
February 17, 2010**

Agenda Item 1: Call to Order

Chairman Angelides called the telephonic business meeting to order at 12:03pm EST.

Agenda Item 2: Roll Call

Chairman Angelides asked Gretchen Newsom to call the roll of the Commissioners: Present were Phil Angelides, Bill Thomas, Brooksley Born, Bob Graham, Doug Holtz-Eakin (joined during Agenda Item 3), Heather Murren, John W. Thompson and Peter Wallison. Commissioners Georgiou and Hennessey were absent.

Also participating in the meeting were: Tom Greene, Executive Director; Beneva Schulte, Deputy Director; Wendy Edelberg, Deputy Director and Research Director; Gary Cohen, General Counsel; Gretchen Newsom, assistant to Chairman Angelides; and Scott Ganz, assistant to Vice Chairman Thomas.

Agenda Item 3: Approval of Minutes of Meeting, January 20, 2010

Chairman Angelides introduced the minutes from the FCIC meeting of January 20, 2010.

MOTION: Wallison moved and Born seconded the motion to adopt the meeting minutes (attached).

APPROVED: 8-0 (Georgiou and Hennessey absent)

Agenda Item 4: Chairman's and Vice Chairman's Report

Chairman Angelides and Vice Chairman Thomas spoke on the topic of FCIC's upcoming research symposium on February 26th and 27th to take place at American University Washington College of Law. Logistics and a draft schedule were discussed and support materials will be forthcoming from staff.

Chairman Angelides and Vice Chairman Thomas spoke on the topic of working groups. A memo outlining working group composition was recently distributed to the Commission, and the first working group is currently underway. Ms. Edelberg noted that a suggested reading list for our housing hearing has been distributed and advised the Commission that an online FCIC library will be available to the Commission in the near future. Chairman Angelides informed the Commission that working groups would have initial review and input on research and investigative plans prior to being distributed to the Commission.

Chairman Angelides and Vice Chairman Thomas spoke on the topic of an FCIC master witness/interview list which will soon be distributed to the Commission in a confidential manner (password protected and watermarked) for their review and feedback. This document will be constantly evolving and updated weekly.

On the topics of potential donations to the Commission, Commissioner Wallison brought up the Sloan Foundation which has offered to provide research assistance to FCIC. This matter was referred to Gary Cohen to check for consistency with FCIC's adopted protocol and, in consultation with the front office staff, to make a recommendation on this matter.

Agenda Item 5: Executive Director's Report

Mr. Greene provided an update on personnel with news that the number of FCIC staff amounts to nearly 50 persons. Mr. Greene also provided Commissioners with an update on document requests, document retention letters, and confidentiality agreements with public agencies. Mr. Greene was directed by the Commission to establish an easy method for the Commissioners to avail themselves of the responses received from the Hearing 1 follow-up letters/questions, as well as other Commission data/reports, by the next business meeting. Mr. Greene noted that the revised Omni Work Plan was recently sent to Commissioners.

Agenda Item 6: Comments and Questions from Commissioners

Commissioner Wallison inquired about the level of responsiveness to the Hearing 1 follow-up letters/questions. Mr. Greene replied that FCIC had received one response thus far. It was expected that other responses would be received on the due date, February 26th, although a few witnesses requested and received brief extensions of time within which to file their responses. Format and protocol were also discussed in regard to these letters.

Commissioner Holtz-Eakin inquired about the plan to write the report. The Chairman referred the Commission to the timeline for drafting the report contained within the Omni Work Plan, and informed Commissioners that they would be privy to drafts of the report and be expected to provide feedback.

**Agenda Item 7: Archive Requirements and Mandates/Document Preservation Protocol/
Proposed Records Management Policy**

Mr. Cohen informed the Commission that the draft FCIC Records Management Policy had been approved by the National Archives and Records Administration (NARA). There have been few changes to the information previously given to the Commission previously; changes of note include the conclusions that personal notes to oneself can be discarded, and notes from Commissioners to Staff are treated as records. Mr. Cohen noted that the Commission will decide at a later time what our disclosure schedule will be and what records will be public. Mr. Cohen was instructed by the Commission to add a section to the Records Management Policy concerning FCIC's disclosure schedule and timelines.

MOTION: Holtz-Eakin moved and Murren seconded a motion to adopt the Records Management Policy with the caveat that staff will add a provision making clear that the public disclosure process will be established by the Commission at the end of our work (attached).

APPROVED: 8-0 (Georgiou and Hennessey absent)

(At this time, Commissioner Graham departs the call)

Agenda Item 8: Delegation to Administer Oaths – Resolution

Mr. Cohen introduced both measures regarding the Delegation to Administer Oaths – the resolution and the amendment to the Rules of Procedure. Interview protocol was also discussed.

MOTION: Born moved and Thompson seconded a motion to adopt the Resolution for the Delegation to Administer Oaths with the caveat that a provision be incorporated to the effect that the Chair and Vice Chair be notified when the oath is to be administered (attached).

APPROVED: 7-0 (Georgiou, Graham and Hennessey absent)

Agenda Item 9: Delegation to Administer Oaths – Amendment to Rules of Procedure

MOTION: Holtz-Eakin moved and Murren seconded a motion to adopt the Amendment to the Rules of Procedure for the Delegation to Administer Oaths (attached).

APPROVED: 7-0 (Georgiou, Graham and Hennessey absent)

Agenda Item 10: Report to Commission re: Legislative and Regulatory Update

Mr. Ganz presented the Commission with an update on legislative and regulatory matters.

Agenda Item 11: Other Items of Business

No other items of business were brought up before the Commission

Agenda Item 12: Adjournment

Chairman Angelides requested a motion to adjourn the meeting.

MOTION: Thompson moved and Thomas seconded a motion to adjourn the meeting.

APPROVED: 7-0 (Georgiou, Graham and Hennessey absent)



**Financial Crisis Inquiry Commission
Agenda Item 3 for Telephonic Business Meeting of April 20, 2010
Minutes of Telephonic Business Meeting of
March 16, 2010**

**ATTACHMENT
Delegation to execute agreements and contracts
on behalf of the Financial Crisis Inquiry Commission**

Pursuant to the authority set forth in Public Law 110-21(d)(3) that allows the Financial Crisis Inquiry Commission to enter into contracts to enable the Commission to conduct its business; and,

Now after a quorum of the Financial Crisis Inquiry Commission has been established; and,

After a vote of the Commissioners present and voting; it is

Hereby delegated to the Chairman of the Commission the authority to enter into agreements on behalf of the Financial Crisis Inquiry Commission in order to facilitate the work of the Commission. This delegation is effective until June 30, 2010, unless revoked earlier.

The Chairman may delegate this authority to the Vice-Chairman in order to expedite the business of the Commission. If the Chairman does delegate to the Vice-Chairman, the delegation shall remain in effect until June 30th, unless revoked earlier.

In addition, any actions taken by the Chairman and the Vice-Chairman in order to establish the Commission, and agreements signed by the Chairman or the Vice-Chairman, are hereby ratified by the Commission.

Approved 7-0 on March 16, 2010



Financial Crisis Inquiry Commission
Agenda Item 8 Telephonic Business Meeting of April 20, 2010
SUMMARY OF MAJOR LEGISLATION AND REGULATIONS AS OF
APRIL 19, 2010

Table of Contents

In the News	19
House	19
Senate	19
Regulatory Agencies	20
Summary Table	21
Financial Firm Regulation	25
Executive Compensation and Corporate Governance	25
House Financial Services Committee Hearing: “Compensation in the Financial Industry,” January 22, 2010.	25
S. 3217: “Restoring American Financial Stability Act of 2010”	25
Municipal Securities	25
S. 3217: “Restoring American Financial Stability Act of 2010”	25
Private Investment Funds.....	25
H.R. 3818: “The Private Fund Investment Advisors Registration Act of 2009”	25
SEC Reform.....	26
H.R. 3817: “The Investor Protection Act”	26
S. 3217: “Restoring American Financial Stability Act of 2010”	26

Securitization	27
S. 3217: “Restoring American Financial Stability Act of 2010”	27
Financial Market Regulation.....	28
Credit Rating Agencies	28
H.R. 3890: “Accountability and Transparency in Rating Agencies Act”	28
S. 3217: “Restoring American Financial Stability Act of 2010”	28
Hedge Funds	29
S. 3217: “Restoring American Financial Stability Act of 2010”	29
Insurers.....	29
H.R. 2069: “Federal Insurance Office Act of 2009”	29
S. 3217: “Restoring American Financial Stability Act of 2010”	29
OTC Derivatives	30
H.R. 3795: “The OTC Derivatives Markets Act of 2009”	30
S. 3217: “Restoring American Financial Stability Act of 2010”	30
“Wall Street Transparency and Availability Act of 2010” (Sen. Lincoln’s Derivatives Legislation)	30
Regulatory Structure	31
S. 3217: “Restoring American Financial Stability Act of 2010”	31
Consumer and Investor Protection.....	32
Consumer Financial Protection Agency	32
H.R. 3126: “The Consumer Financial Protection Agency Act of 2009”	32
S. 3217: “Restoring American Financial Stability Act of 2010”	32
Credit Cards	32
H.R. 3639: “The Expedited CARD Reform for Consumers Act of 2009”	33
Overdraft Protection.....	33
H.R. 3904: “Overdraft Protection Act”	33
Government Crisis Response.....	34
Systemic Risk Regulation.....	34
H.R. 3126: “The Consumer Financial Protection Agency Act of 2009”	34
S. 3217: “Restoring American Financial Stability Act of 2010”	34

“Too Big to Fail”	34
H.R. 3996: “Financial Stability Improvement Act of 2009”	35
S. 3217: “Restoring American Financial Stability Act of 2010”	35
Investigations	36
House Oversight and Government Reform Committee Hearings:	36
“Factors Affecting Efforts to Limit Payments to AIG Counterparties”	36
“Bank of America and Merrill Lynch: How Did A Private Deal Turn Into a Federal Bailout? Parts I-V”	36
House Financial Services Committee Hearings:.....	36
“Public Policy Issues Raised by the Report of the Lehman Bankruptcy Examiner”	36
Senate Permanent Subcommittee on Investigations	36
“Wall Street and the Financial Crisis”	36
Regulation	38
Securities and Exchange Commission	38
“Unfiltered” Access	38
“Alternative Uptick Rule”	38
Investor Protections in Asset-Backed Securities	39
Large Trader Reporting System.....	39
Federal Reserve.....	40
CRA Oversight.....	40
Department of Treasury	41
Financial Fraud Enforcement Task Force.....	41
Special Master for TARP Executive Compensation Rules on Compensation Structures	41
Financial Crisis Responsibility Fee	42
Basel Committee on Banking Supervision	43
Proposals to Strengthen Resilience of Banking Sector.....	43

In the News

House

On April 15, the House Financial Services Committee (HFSC) Subcommittee on Financial Institutions and Consumer Credit held a hearing on “Perspectives and Proposals on the Community Reinvestment Act,” and heard testimony from the following panelists: John Taylor, National Community Reinvestment Coalition; Cy Richardson, National Urban League; Eric Rodriguez, National Council of La Raza; William Askew, Financial Services Roundtable; Calvin Bradford, National People’s Action; Mark Willis, Furman Center for Real Estate and Urban Policy, NYU; Eugene Ludwig, Promontory Financial Group, LLC; and Vincent Reinhart, AEI.

In addition, the HFSC will hold a hearing on April 20 on “Public Policy Issues Raised by the Report of the Lehman Bankruptcy” featuring testimony from Treasury Secretary Timothy Geithner, Federal Reserve Chairman Ben Bernanke, court appointed examiner Anton Valukas and former Lehman Brothers executives, and on April 21, HFSC subcommittee on Capital Markets, Insurance, and GSEs will hold a hearing on “Corporate Governance and Shareholder Empowerment.

(Updated 4/11)

Senate

On March 22, the Senate Banking, Housing and Urban Affairs Committee reported to the full Senate broad financial reform legislation similar to the legislation proposed by Chairman Christopher Dodd (D-CT) in mid-March in a party-line vote, 13-10. The bill will proceed to a vote in the Senate if Senate Democrats believe they can overcome a filibuster, which would require one Republican senator to vote to allow debate to begin.

On April 16, Chairman of the Senate Agriculture, Nutrition and Forestry Committee Blanche Lincoln (D-AR) introduced derivatives regulation legislation. Committee mark-up is expected to begin this week. Lincoln’s legislation is substantially more stringent than the derivatives legislation proposed in the Dodd legislation, and requires that all firms with access to FDIC insurance or the Federal Reserve’s discount window cease derivatives dealing activities. Dodd has said that he is speaking with Lincoln about final derivatives legislation text that would incorporate some elements of Lincoln’s proposal. The potential also exists that the Lincoln bill would be introduced as an amendment to Dodd’s bill on the Senate floor.

In addition, the Senate Permanent Subcommittee on Investigations has begun a series of hearings on “Wall Street and the Financial Crisis,” which will focus on the causes and consequences of the financial crisis through the lens of the policies and practices of

Washington Mutual Bank. The first two hearings were held on April 13 and April 16 and focused on lending practices.

(Updated 4/19)

Regulatory Agencies

March 25, 2010

The **SEC** staff is conducting a review to evaluate the use of derivatives by mutual funds, exchange-traded funds (ETFs) and other investment companies. The review will examine whether and what additional protections are necessary for those funds under the Investment Company Act of 1940.

March 29, 2010

The **Department of Treasury** announced that it would dispose of its 7.7 billion shares of Citigroup, Inc. over the course of 2010 subject to market conditions.

April 1, 2010

The **Commodity Futures Trading Commission** approved a final rule that seeks to better protect customers' over-the-counter derivatives positions and collateral in the event their futures broker goes bankrupt. The rule will create a separate new "account class" for over-the-counter derivatives, many of which may be routed into clearinghouses if the financial overhaul bill is approved by Congress this year.

April 15, 2010

Comptroller Dugan of the **OCC** lauded the Administration's Supervisory Capital Assessment Program (SCAP – otherwise known as "stress tests") of last year, but warned against the danger of future routine stress tests in that they may lead to unnecessary "confidence problems."

April 16, 2010

The SEC charged Goldman Sachs and a vice president, Fabrice Tourre, for defrauding investors by misstating and omitting key facts about a financial product tied to subprime mortgages as the U.S. housing market began to falter. The SEC's civil fraud complaint alleges that Goldman allowed hedge fund Paulson & Co to help select securities in the CDO."

(Updated 4/16)

Summary Table

Issue	House	Senate
<u>Financial Firm Regulation</u>		
<i>Executive Compensation and Corporate Governance</i> (p. 10)	Hearing: “Compensation in the Financial Industry.” (Financial Services Committee, January 22, 2010)	S. 3217: “Restoring American Financial Stability Act of 2010” (Dodd, Passed Senate Banking, Housing & Urban Affairs Committee (13-10), April 15, 2010)
<i>Municipal Securities</i> (p. 10)		S. 3217: “Restoring American Financial Stability Act of 2010” (Dodd, Passed Senate Banking, Housing & Urban Affairs Committee (13-10), April 15, 2010)
<i>Private Investment Funds</i> (p. 10)	H.R. 3818: “The Private Fund Investment Advisors Registration Act of 2009” (Kanjorski, Passed House Financial Services Committee (67-1), October 27, 2009); rolled into regulatory reform legislation, H.R. 4173 “The Wall Street Reform and Consumer Protection Act of 2009,” week of December 7, 2009	
<i>SEC Reform</i> (p. 11)	H.R. 3817: “The Investor Protection Act” (Kanjorski, Passed House Financial Services Committee (41-28), November 4, 2009); rolled into regulatory reform legislation, H.R. 4173 “The Wall Street Reform and Consumer Protection Act of 2009,” week of December 7, 2009	S. 3217: “Restoring American Financial Stability Act of 2010” (Dodd, Passed Senate Banking, Housing & Urban Affairs Committee (13-10), April 15, 2010)
<i>Securitization</i> (p. 11)		S. 3217: “Restoring American Financial Stability Act of 2010” (Dodd, Passed Senate Banking, Housing & Urban Affairs Committee (13-10), April 15, 2010)
<u>Financial Market Regulation</u>		
<i>Credit Rating Agencies</i> (p. 12)	H.R. 3890: “Accountability and Transparency in Rating Agencies Act” (Kanjorski, Passed House Financial Services Committee (49-14), October 28, 2009); rolled into regulatory reform legislation, H.R.	S. 3217: “Restoring American Financial Stability Act of 2010” (Dodd, Passed Senate Banking, Housing & Urban Affairs Committee

	4173 “The Wall Street Reform and Consumer Protection Act of 2009,” week of December 7, 2009	(13-10), April 15, 2010)
<i>Hedge Funds</i> (p. 13)		S. 3217: “Restoring American Financial Stability Act of 2010” (Dodd, Passed Senate Banking, Housing & Urban Affairs Committee (13-10), April 15, 2010)
<i>Insurers</i> (p. 13)	H.R. 2609: “Federal Insurance Office Act” (Kanjorski, Passed House Financial Services Committee (unanimous voice), December 2, 2009); rolled into regulatory reform legislation, H.R. 4173 “The Wall Street Reform and Consumer Protection Act of 2009,” week of December 7, 2009	S. 3217: “Restoring American Financial Stability Act of 2010” (Dodd, Passed Senate Banking, Housing & Urban Affairs Committee (13-10), April 15, 2010)
<i>OTC Derivatives</i> (p. 13)	H.R. 3795: “The OTC Derivatives Markets Act of 2009” (Frank, Passed House Financial Services Committee (43-26), October 15, 2009; Passed Agriculture Committee (voice vote), October 21, 2009); will be offered as amendments to regulatory reform legislation, H.R. 4173 “The Wall Street Reform and Consumer Protection Act of 2009,” week of December 7, 2009	S. 3217: “Restoring American Financial Stability Act of 2010” (Dodd, Passed Senate Banking, Housing & Urban Affairs Committee (13-10), April 15, 2010) “Wall Street Transparency and Accountability Act of 2010” (Lincoln, Introduced to Senate Agriculture, Nutrition and Forestry, April 16, 2010)
<i>Regulatory Structure</i> (p. 14)		S. 3217: “Restoring American Financial Stability Act of 2010” (Dodd, Passed Senate Banking, Housing & Urban Affairs Committee (13-10), April 15, 2010)
<u>Consumer and Investor Protection</u>		
<i>Consumer Financial Protection Agency</i> (p. 16)	H.R. 3126: “The Consumer Financial Protection Agency Act of 2009” (Frank, Passed House Financial Services Committee (39-29), October 22, 2009; Passed Energy and Commerce Committee (33-19), October 29, 2009); rolled into regulatory reform legislation, H.R. 4173 “The Wall Street Reform and Consumer Protection Act of 2009,” week of December 7, 2009	S. 3217: “Restoring American Financial Stability Act of 2010” (Dodd, Passed Senate Banking, Housing & Urban Affairs Committee (13-10), April 15, 2010)

<i>Credit Cards</i> (p. 16)	H.R. 3639: “The Expedited CARD Reform for Consumers Act of 2009” (Frank and Maloney, Passed House (331-92), November 4, 2009)	
<i>Overdraft Protection</i> (p. 17)	H.R. 3904: “Overdraft Protection Act” (Frank and Maloney, currently awaiting markup, December 7, 2009)	
<u>Government Crisis Response</u>		
<i>Systemic Risk Regulation</i> (p. 18)	H.R. 3996: “Financial Stability Improvement Act of 2009” (Frank, Passed House Financial Services Committee (31-27), December 2, 2009); rolled into regulatory reform legislation, H.R. 4173 “The Wall Street Reform and Consumer Protection Act of 2009,” week of December 7, 2009	S. 3217: “Restoring American Financial Stability Act of 2010” (Dodd, Passed Senate Banking, Housing & Urban Affairs Committee (13-10), April 15, 2010)
<i>“Too Big to Fail”</i> (p. 18)	House Financial Services and Treasury Draft Legislation: “Financial Stability Improvement Act of 2009” (Frank, Passed House Financial Services Committee (31-27), December 2, 2009); rolled into regulatory reform legislation, H.R. 4173 “The Wall Street Reform and Consumer Protection Act of 2009,” week of December 7, 2009	S. 3217: “Restoring American Financial Stability Act of 2010” (Dodd, Passed Senate Banking, Housing & Urban Affairs Committee (13-10), April 15, 2010)
<u>Investigation</u>		
<i>AIG</i> (p. 20)	Hearing: “Factors Affecting Efforts to Limit Payments to AIG Counterparties.” (House Oversight and Government Reform, January 27, 2010)	
<i>Bank of America and Merrill Lynch</i> (p. 20)	Hearings: “Bank of America and Merrill Lynch: how did a private deal turn into a federal bailout?” (House Oversight and Government Reform)	
<i>Lehman Brothers</i> (p. 20)	Hearing: “Public Policy Issues Raised by the Report of the Lehman Bankruptcy.” (House Financial Services, April 20, 2010)	
<i>Washington Mutual</i> (p. 20)		Hearings: “Wall Street and the Financial Crisis.” (Senate Permanent Subcommittee on Investigations)

<u>Regulation (SEC)</u>	
<i>“Unfiltered” Access</i> (p. 22)	Proposed Rule – Would prohibit naked access to exchanges and ATS
<i>Alternative Uptick Rule</i> (p. 22)	Adopted Rule (February 24, 2010) – Places certain restrictions on short selling when there is downward price pressure.
<i>Investor Protections in ABS</i> (p. 22)	Proposed rule - would revise disclosure, reporting, and offering process for ABS to better protect investors.
<i>Large Trader Reporting System</i> (p. 23)	Proposed Rule – would enhance SEC’s ability to oversee markets and protect investors by identifying and tracking “large” traders.
<u>Federal Reserve</u>	
<i>CRA Oversight</i> (p. 23)	Adopted Rule (December 4, 2009)
<u>Treasury</u>	
<i>Financial Fraud Task Force</i> (p. 25)	Establishment of Task Force (November 17, 2009)
<i>TARP Executive Compensation Rules</i> (p. 25)	Proposed Rules - new round of Executive Compensation Rules that effect AIG, Citigroup, GM and GMAC
<i>Financial Crisis Responsibility Fee</i> (p. 26)	Proposed Rule - would require largest and most highly levered Wall St. firms to repay taxpayers for TARP assistance.
<u>Basel Committee</u>	
<i>Basel Committee on Banking Supervision</i> (p. 27)	Proposed rule - to strengthen resilience of banking sector.

Financial Firm Regulation

Executive Compensation and Corporate Governance

House Financial Services Committee Hearing: “Compensation in the Financial Industry,” January 22, 2010.

S. 3217: “Restoring American Financial Stability Act of 2010”

Summary

“Giving shareholders a say on pay and proxy access, ensuring the independence of compensation committees, and requiring public companies to take back executive compensation based on inaccurate financial statements are important steps in reining in excessive executive pay and can help shift management’s focus from short-term profits to long-term growth and stability.” (Dodd Legislation Summary: executive compensation and corporate governance, March 15, 2010)

Congressional Actions

Passed Committee on Banking, Housing, and Urban Affairs on April 15, 2009 (13-10).

Municipal Securities

S. 3217: “Restoring American Financial Stability Act of 2010”

Summary

“Municipal securities will have better oversight through the registration of municipal advisers and increased investor representation on the Municipal Securities Rulemaking Board.” (Dodd Legislation Summary: municipal securities, March 15, 2010)

Congressional Actions

Passed Committee on Banking, Housing, and Urban Affairs on April 15, 2009 (13-10).

Private Investment Funds

H.R. 3818: “The Private Fund Investment Advisors Registration Act of 2009”

Summary

“Under this legislation, private investment funds would become subject to more scrutiny by the SEC. It also mandates the registration of private advisers to private pools of capital regulators. New record keeping and disclosure requirements for private advisers.”

Advisers to hedge funds, private equity firms, single-family offices, and other private pools of capital will have to obey some basic ground rules. Regulators will have the authority to examine the records of these previously secretive investment advisers.” (Rep. Paul Kanjorski Press Release, October 27, 2009; House Financial Services Press Release, October 27, 2009)

Congressional Actions

Passed House Financial Services Committee on October 27, 2009 (67-1); has been rolled into H.R. 4173, the “Wall Street Reform and Consumer Protection Act of 2009.”

SEC Reform

H.R. 3817: “The Investor Protection Act”

Summary

“Regulatory bill that reforms the SEC to strengthen its powers, better protect investors, and regulate securities markets. Independent and comprehensive study of the entire securities industry by a high caliber body to identify reforms and force the SEC and other entities to put in place further improvements designed to ensure investor protection. Doubles SEC funding over 5 years and provides dozens of new enforcement powers and regulatory authorities. Creates a whistleblower bounty program and ends mandatory arbitration, giving the SEC power to bar these clauses in customer contracts. Also closes loopholes and shortcomings in the Public Company Accountability Oversight Board and in the Securities Investor Protection Act, the law that returns money to the customers of insolvent fraudulent broker-dealers.” (Rep. Paul Kanjorski Press Release, November 4, 2009; House Financial Services Press Release, November 4, 2009)

Congressional Actions

Passed House Financial Services Committee on November 4, 2009, (41-28); has been rolled into H.R. 4173, the “Wall Street Reform and Consumer Protection Act of 2009.”

S. 3217: “Restoring American Financial Stability Act of 2010”

Summary

“Every investor – from a hardworking American contributing to a union pension to a day trader to a retiree living off of their 401(k) – deserves better protections for their investments. Investors in securities will be better protected by improving the competence of the SEC.” (Dodd Legislation Summary: SEC and improving investor protections, March 15, 2010)

Congressional Actions

Passed Committee on Banking, Housing, and Urban Affairs on April 15, 2009 (13-10).

Securitization

S. 3217: “Restoring American Financial Stability Act of 2010”

Summary

“Companies that sell products like mortgage-backed securities are required to retain a portion of the risk to ensure they won’t sell garbage to investors, because they have to keep some of it for themselves.” (Dodd Legislation Summary: securitization, March 15, 2010)

Congressional Actions

Passed Committee on Banking, Housing, and Urban Affairs on April 15, 2009 (13-10).

Financial Market Regulation

Credit Rating Agencies

H.R. 3890: “Accountability and Transparency in Rating Agencies Act”

Summary

“Expands on the initial credit rating agency legislation proposed by the Obama Administration in that it creates accountability by imposing liability by enhancing the accountability of Nationally Recognized Statistical Rating Organizations (NRSROs) by clarifying the ability of individuals to sue NRSROs. Duty to supervise an NRSRO’s employees and authorizes the SEC to sanction supervisors to failing to do so. Requires each NRSRO to have a board with at least one-third independent directors to oversee policies and procedures aimed at preventing conflicts of interest and improving internal controls. Also contains new requirements to mitigate conflicts of interest that arise out of the issuer-pays model for compensating NRSROs. Investors will gain access to more information of NRSRO operations, and will learn more about how they get paid. NRSROs will be required to conduct a 1-year look-back into the ratings which the employee was involved to make sure that its procedures were followed and proper ratings were issued. NRSROs will be required to report to the SEC and for the SEC to make such reports public”. (Rep. Paul Kanjorski Press Release, October 28, 2009; House Financial Services Press Release, October 28, 2009)

Congressional Actions

Passed House Financial Services Committee on October 28, 2009 (49-14); has been rolled into H.R. 4173, the “Wall Street Reform and Consumer Protection Act of 2009.”

S. 3217: “Restoring American Financial Stability Act of 2010”

Summary

“Establishes a new Office of Credit Rating Agencies at the Securities and Exchange Commission to strengthen regulation of credit rating agencies. New rules for internal controls, independence, transparency and penalties for poor performance will address shortcomings and restore investor confidence in these ratings.” (Dodd Legislation Summary: credit rating agencies, March 15, 2010)

A new Office of Credit Ratings at the SEC would be established to supervise and will be given the authority to fine agencies. Additionally, the SEC will examine NRSROs at least annually and make key findings public.

Congressional Actions

Passed Committee on Banking, Housing, and Urban Affairs on April 15, 2009 (13-10).

Hedge Funds

S. 3217: “Restoring American Financial Stability Act of 2010”

Summary

“Hedge funds worth over \$100 million will be required to register with the SEC as investment advisers and to disclose financial data needed to monitor systemic risk and protect investors.” (Dodd Legislation Summary: hedge funds, March 15, 2010)

The bill would require hedge funds to register with the SEC as investment advisers and provide information about their trades and portfolios necessary to assess systemic risk. Additionally, it would shift regulation from the federal to state level for medium size funds.

Congressional Actions

Passed Committee on Banking, Housing, and Urban Affairs on April 15, 2009 (13-10).

Insurers

H.R. 2069: “Federal Insurance Office Act of 2009”

Summary

Introduced by Rep. Paul Kanjorski, this legislation would create a Federal Insurance Office to provide policymakers with access to information and resources needed to respond to crises and mitigate systemic risk. It will also provide a unified voice on insurance matters of the United States in global deliberations.

Congressional Actions

Passed House Financial Services Committee on December 2, 2009, by unanimous voice vote; has been rolled into H.R. 4173, the “Wall Street Reform and Consumer Protection Act of 2009.”

S. 3217: “Restoring American Financial Stability Act of 2010”

Summary

“Office of National Insurance: Creates a new office within the Treasury Department to monitor the insurance industry, coordinate international insurance issues, and requires a study on ways to modernize insurance regulation and provide Congress with recommendations.” (Dodd Legislation Summary: insurance, March 15, 2010)

Congressional Actions

Passed Committee on Banking, Housing, and Urban Affairs on April 15, 2009 (13-10).

OTC Derivatives

H.R. 3795: “The OTC Derivatives Markets Act of 2009”

Summary

“All standardized swap transactions between dealers and large market participants would have to be cleared and must be traded on an exchange or electronic platform. Parallels regulatory frameworks for the regulation of swap markets, dealers and major swap participants. Rulemaking authority is held jointly with the CFTC, which has jurisdiction over swaps, and the SEC, which has jurisdiction over security-based swaps. Treasury is given the authority to issue final rules if the CFTC and SEC cannot decide on a joint approach within 180 days.” (House Financial Services Press Release, October 15, 2009)

Congressional Actions

Passed House Financial Services and Agriculture Committees and OTC Derivatives Market legislation will be offered as an amendment to regulatory reform legislation, H.R. 4173, the “Wall Street Reform and Consumer Protection Act of 2009.”

S. 3217: “Restoring American Financial Stability Act of 2010”

Summary

“Common sense safeguards will protect taxpayers against the need for future bailouts and buffer the financial system from excessive risk-taking. Over-the-counter derivatives will be regulated by the SEC and the CFTC, more will be cleared through centralized clearing houses and traded on exchanges, uncleared swaps will be subject to margin and capital requirements, and all trades will be reported so that regulators can monitor risks in this large, complex market.” (Dodd Legislation Summary: creating transparency and accountability for derivatives, March 15, 2010)

The draft notes that Senators Jack Reed (D-RI) and Judd Gregg (R-NH) are working on a substitute amendment to this title that may be offered at full committee.

Congressional Actions

Passed Committee on Banking, Housing, and Urban Affairs on April 15, 2009 (13-10).

“Wall Street Transparency and Availability Act of 2010” (Sen. Lincoln’s Derivatives Legislation)

Summary

The proposed legislation give the Commodity Futures Trading Commission exclusive jurisdiction over derivatives regulation and would mandate that all derivatives be traded through a centralized clearinghouse, except for those which are being used to hedge “legitimate commercial risk.” In addition, the bill would prohibit institutions with deposit

insurance or access to the Federal Reserve's discount window from engaging in the derivatives trading business.

Congressional Actions

Introduced April 16, 2010.

Regulatory Structure

S. 3217: "Restoring American Financial Stability Act of 2010"

Summary

"The bill will streamline bank supervision with clear lines of responsibility, reducing arbitrage and improve consistency and accountability. For the first time there will be clear lines of responsibility among bank regulators." (Dodd Legislation Summary: improving bank regulation, March 15, 2010)

FDIC will regulate banks and thrifts of all sizes and bank holding companies of state banks with assets below \$50 million.

OCC will regulate national banks and federal thrifts of all sizes and the holding companies of national banks and federal thrifts with assets below \$50 million. The Office of Thrift Supervision is eliminated, existing thrifts will be grandfathered in, but no new charters will be given to federal thrifts.

Federal Reserve will regulate bank and thrift holding companies with assets of over \$50 billion, where the Fed's capital market experience will enhance its supervision. The Vice Chair of the Federal Reserve will be responsible for supervision and will report semi-annually to Congress.

Congressional Actions

Passed Committee on Banking, Housing, and Urban Affairs on April 15, 2009 (13-10).

Consumer and Investor Protection

Consumer Financial Protection Agency

H.R. 3126: “The Consumer Financial Protection Agency Act of 2009”

Summary

“Transfers consumer protection authority from the Federal Reserve and other banking regulators to the Consumer Financial Protection Agency (CFPA), which would be created in this legislation. The CFPA will closely monitor the marketplace for any new financial products or services that could potentially harm consumers as well as the larger economy. Once the agency identifies these threats or abuses, it will have the power to write rules that can regulate, restrict or ban them. The CFPA will also have the power to establish guidelines so that companies issue clear and fair disclosures to customers on products such as credit cards and mortgages.” (House Financial Services Press Release, October 22, 2009; Committee on Energy and Commerce Press Release, October 29, 2009)

Congressional Actions

Passed House Financial Services Committee on October 22, 2009 (39-29), and passed Energy and Commerce Committee on October 29, 2009 (33-19); has been rolled into H.R. 4173, the “Wall Street Reform and Consumer Protection Act of 2009.”

S. 3217: “Restoring American Financial Stability Act of 2010”

Summary

“The new independent Consumer Financial Protection Bureau will have the sole job of protecting American consumers from unfair, deceptive and abusive financial products and practices and will ensure people get the clear information they need on loans and other financial products from credit card companies, mortgage brokers, banks and others.” (Dodd Legislation Summary: strong consumer financial protection watchdog, March 15, 2010)

The bureau will be housed at the Federal Reserve and will consolidate the consumer protection responsibilities currently handled by the Office of the Comptroller of the Currency, Office of Thrift Supervision, Federal Deposit Insurance Corporation, the Federal Reserve, the National Credit Union Administration, and the Federal Trade Commission.

Congressional Actions

Passed Committee on Banking, Housing, and Urban Affairs on April 15, 2009 (13-10).

Credit Cards

H.R. 3639: “The Expedited CARD Reform for Consumers Act of 2009”

Summary

“Originally passed last by Congress and signed by the President in the spring, the Credit CARD Act had three staged implementation dates: August 2009, February 2010 and August 2010. H.R. 3639 moves up the remaining dates by which banks and credit card issues would have to comply and applies to the largest credit card issuers that control over 80% of the credit card market. Bill has been sent to the Senate.” (Bill Summary Language)

Congressional Actions

9/24/2009

Introduced in House

10/26/2009

Reported (Amended) by the Committee on Financial Services

11/4/2009

Passed/agreed to in House: On passage Passed by recorded vote: 331 – 92.

11/5/2009

Received in the Senate

Overdraft Protection

H.R. 3904: “Overdraft Protection Act”

Summary

This legislation would require *“banks to receive consumer’s permission before charging overdraft fees, and cap the number of overdrafts banks can charge consumers if they opt-in to just six overdraft fees per year. It would amend the Truth in Lending Act to require notification if a transaction at an ATM would trigger an overdraft fee and offer the chance to cancel the transaction before a fee; would require that overdraft fees relate to the ‘actual cost’ of processing the overdraft, as defined by bank regulators; and would stop the ‘re-ordering’ of transactions in a way that maximizes fees to the financial institution.”* (Rep. Carolyn Maloney Press Release, October 22, 2009)

Congressional Actions

Currently in the House Financial Services Committee awaiting markup.

Government Crisis Response

Systemic Risk Regulation

H.R. 3126: “The Consumer Financial Protection Agency Act of 2009”

Summary

The bill creates a Financial Services Oversight Council made up of the Treasury secretary, Federal Reserve chairman and heads of regulatory agencies to monitor the financial markets for potential threats to nation's system.

It would identify firms and activities that should be subject to heightened standards, including requirements that they place more money in reserve. The government could dismantle even healthy firms if they were considered a grave risk to the economy. Large firms with assets of more than \$50 billion, and hedge funds with at least \$10 billion in assets, would pay into a \$150 billion resolution fund that would cover the costs of dismantling such a company. (House Financial Services Press Release, December 11, 2009).

Congressional Actions

Passed House Financial Services Committee on October 22, 2009 (39-29); Passed House Energy and Commerce Committee on October 29, 2009 (33-19); Has been rolled into H.R. 4173, the “Wall Street Reform and Consumer Protection Act of 2009.”

S. 3217: “Restoring American Financial Stability Act of 2010”

Summary

“The newly created Financial Stability Oversight Council will focus on identifying, monitoring and addressing systemic risks posed by large, complex financial firms as well as products and activities that spread risk across firms. It will make recommendations to regulators for increasingly stringent rules on companies that grow large and complex enough to pose a threat to the financial stability of the United States.” (Dodd Legislation Summary: addressing systemic risks, March 15, 2010)

Congressional Actions

Passed Committee on Banking, Housing, and Urban Affairs on April 15, 2009 (13-10).

“Too Big to Fail”

H.R. 3996: “Financial Stability Improvement Act of 2009”

Summary

Introduced by Chairman Barney Frank and Rep. Carolyn Maloney. This legislation aims to help consumers by bringing overdraft plans under the purview of the Truth in Lending Act, to require financial institutions to get the permission of consumers before enrolling them in any overdraft program. Caps the number of overdraft fees banks can charge at one per month and six per year. Requires notification if a transaction at an ATM would trigger an overdraft fee and offer the chance to cancel the transaction before a fee is incurred. Requires that overdraft fees related to the actual cost of processing the overdraft, as defined by bank regulators, and stops the practice of re-ordering transactions posted to accounts in a way that maximizes fee income to the bank.

Congressional Actions

Passed House Financial Services Committee on December 2, 2009 (31-27); has been rolled into H.R. 4173, the “Wall Street Reform and Consumer Protection Act of 2009.”

S. 3217: “Restoring American Financial Stability Act of 2010”

Summary

“Preventing another crisis where American taxpayers are forced to bail out financial firms requires strengthening big companies to better withstand stress, putting a price on excessive growth that matches the risks they pose to the financial system, and creating a way to shutdown big companies that fail without threatening the economy.” (Dodd Legislation Summary: ending too big to fail bailouts, March 15, 2010)

The legislation would impose heightened capital, leverage, and liquidity requirements as companies grow larger and more complex. In addition, it require regulators to implement regulations for banks, their affiliates and bank holding companies, to prohibit proprietary trading, investment in and sponsorship of hedge funds and private equity funds, and to limit relationships with hedge funds and private equity funds. Further, it would compel companies to submit plans for their rapid and orderly shutdown and create an FDIC mechanism to unwind systemically significant financial companies.

Congressional Actions

Passed Committee on Banking, Housing, and Urban Affairs on April 15, 2009 (13-10).

Investigations

House Oversight and Government Reform Committee Hearings:

“Factors Affecting Efforts to Limit Payments to AIG Counterparties”

January 27, 2010

“Bank of America and Merrill Lynch: How Did A Private Deal Turn Into a Federal Bailout? Parts I-V”

Part V: December 11, 2009: Examined events surrounding Bank of America’s acquisition of Merrill Lynch and receipt of billions of dollars of Federal financial assistance.

Part IV: November 17, 2009: Featuring testimony from Bank of America employees: Brian Moynihan, President, Consumer and Small Business Banking; Timothy J. Mayopoulous, General Counsel; Charles “Chad” Gifford, Member, Board of Directors; and Thomas May, Member, Board of Directors

Part III: July 16, 2009: Featuring testimony from former Treasury Secretary Henry Paulson

Part II: June 25, 2009: Featuring testimony from Chairman of the Federal Reserve, Ben Bernanke.

Part I: June 11, 2009: Featuring testimony from Bank of America CEO Ken Lewis.

House Financial Services Committee Hearings:

“Public Policy Issues Raised by the Report of the Lehman Bankruptcy Examiner”

April 20, 2010: Featuring testimony from Members of Congress Anna Eshoo (D-CA) and Ed Perlmutter (D-CO); Treasury Secretary Timothy F. Geithner; Chairman of the Board of Governors of the Federal Reserve Ben S. Bernanke; Chairman of the U.S. Securities and Exchange Commission Mary L. Schapiro; Anton R. Valukas, Court appointed examiner; Richard S. Fuld, Jr., former Chairman and CEO, Lehman Brothers; Thomas Cruikshank, former member of the Board of Directors and chair of Lehman Brothers’ Audit Committee; William K. Black, Associate Professor of Economics and Law, University of Missouri-Kansas City School of Law; and Matthew Lee, former Senior Vice President, Lehman Brothers.

Senate Permanent Subcommittee on Investigations

“Wall Street and the Financial Crisis”

“The Permanent Subcommittee on Investigations is holding a series of hearings in order to examine some of the causes and consequences of the crisis. The goals of the hearings are threefold: to construct a public record of the facts to deepen public understanding of what

happened and to try to hold some of the perpetrators accountable; to inform the current legislative debate about the need for financial reform; and to provide a foundation for building better defenses to protect Main Street from the excesses of Wall Street.”

Hearing One: The Role of High Risk Home Loans: April 13, 2010

Hearing Two: The Role of Bank Regulators: April 16, 2010

Hearing Three: The Role of Credit Rating Agencies: April 23, 2010

Hearing Four: The Role of Investment Banks: April 27, 2010

Regulation

Securities and Exchange Commission

“Unfiltered” Access

January 13, 2010

Summary

The Securities and Exchange Commission voted unanimously to propose a new rule that would effectively prohibit broker-dealers from providing customers with "unfiltered" or "naked" access to an exchange or alternative trading system (ATS).

The SEC's proposed rule would require brokers with market access, including those who sponsor customers' access to an exchange, to put in place risk management controls and supervisory procedures. Among other things, the procedures would help prevent erroneous orders, ensure compliance with regulatory requirements, and enforce pre-set credit or capital thresholds.

“Alternative Uptick Rule”

February 24, 2010

Summary

On Wednesday, February 24, the SEC voted to adopt a new rule to place certain restrictions on short selling when a stock is experiencing significant downward price pressure. Otherwise known as the “alternative uptick rule,” the design is to restrict short selling from further driving down the price of a stock that has triggered a circuit breaker by dropping more than 10% in a day. The Commission voted 3-2 in favor of the rule.

The rule includes the following features:

- *Short Sale-Related Circuit Breaker: The circuit breaker would be triggered for a security any day in which the price declines by 10 percent or more from the prior day's closing price.*
- *Duration of Price Test Restriction: Once the circuit breaker has been triggered, the alternative uptick rule would apply to short sale orders in that security for the remainder of the day as well as the following day.*
- *Securities Covered by Price Test Restriction: The rule generally applies to all equity securities that are listed on a national securities exchange, whether traded on an exchange or in the over-the-counter market.*

- *Implementation: The rule requires trading centers to establish, maintain, and enforce written policies and procedures that are reasonably designed to prevent the execution or display of a prohibited short sale.*

Investor Protections in Asset-Backed Securities

April 7, 2010

Summary

The Securities and Exchange Commission proposed rules that would revise the disclosure, reporting and offering process for asset-backed securities (ABS) to better protect investors in the securitization market. The proposed rules seek to “better align the interests of issuers and investors by creating a retention or "skin in the game" requirement for certain public offerings of ABS,” according to the press release issued by the SEC.

The proposed rules would seek to do the following:

- Require the filing of tagged, computer-readable standardized loan-level (as opposed to just pool-level) information.
- Require the filing of a computer program that gives effect to the waterfall, giving a more complete picture to users of how payments and losses would be distributed among investors.
- Provide investors with more time to consider transaction-specific information by imposing limits on the time before a sponsor of an ABS can conduct the first sale in a shelf offering (currently an issuer can sell ABS almost immediately).
- Repeal the investment grade ratings criterion for ABS shelf eligibility → to enhance the type of securities that are being offered and the accountability of participants in that securitization chain.
- Increase transparency in the private structured finance market.
- Make other various revisions to the regulation of ABS.

Large Trader Reporting System

April 14, 2010

Summary

The Securities and Exchange Commission today voted to propose the creation of a large trader reporting system that would enhance its ability to identify large market participants, collect information on their trades, and analyze their trading activity.

"This rule is designed to strengthen our oversight of the markets and protect investors in the process," said SEC Chairman Mary L. Schapiro. "It would give us prompt access to trading information from large traders so we can better analyze the data and investigate potentially illegal trading activity."

Federal Reserve

CRA Oversight

December 4, 2009

Adoption of final rule establishing a process to determine the eligibility of Credit Rating Agencies for the Term Asset-Backed Securities Loan Facility (TALF).

Summary

The Federal Reserve Board on Friday, December 4 announced the adoption of a final rule that would establish a process by which the Federal Reserve Bank of New York may determine the eligibility of credit rating agencies for the Term Asset-Backed Securities Loan Facility (TALF).

The rule establishes criteria for determining the eligibility of agencies to issue credit ratings on asset-backed securities (ABS), other than those backed by commercial real estate, to be accepted as collateral for the TALF. The criteria include registration as a nationally recognized statistical rating organization (NRSRO) with the Securities and Exchange Commission and experience issuing credit ratings specific to the types of assets accepted as collateral in the TALF. The final rule is substantively the same as the proposed rule announced on October 5, 2009.

Department of Treasury

Financial Fraud Enforcement Task Force

November 17, 2009

Summary

The Obama Administration has established by Executive Order an interagency Financial Fraud Enforcement Task Force to strengthen efforts to combat financial crime. The Department of Justice will lead the task force, and the Department of Treasury, HUD, and the SEC will serve on the steering committee. The task force's leadership, along with representatives from a broad range of federal agencies, regulatory authorities and inspectors general, will work with state and local partners to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, address discrimination in the lending and financial markets and recover proceeds for victims.

Special Master for TARP Executive Compensation Rules on Compensation Structures

December 11, 2009

Summary

The Special Master for TARP Executive Compensation, Kenneth R. Feinberg, released his second round of rulings on executive compensation packages for firms that received exceptional Troubled Asset Relief Program (TARP) assistance. These determinations cover compensation structures for the 26 – 100 most highly compensated employees plus executive officers who were not subject to the Special Master's October 22, 2009, decisions. Unlike the October rulings, which addressed specific amounts payable to "Top 25" executives, Treasury regulations require the Special Master to address compensation structures for executives in this second round of decisions.

The determinations cover four companies: AIG, Citigroup, GM, and GMAC. Chrysler and Chrysler Financial were exempt from the Special Master's review during this round because total pay for their executives does not exceed the \$500,000 "safe harbor" limitation in Treasury's compensation regulations. Because Bank of America repaid its TARP obligations on December 9, 2009, its 26 – 100 most highly compensated employees plus additional executive officers are not subject to the Special Master's review.

The following are the basic features of this second round of rulings:

- *Reform compensation to protect long-term value creation and financial stability*
- *Restrict the use of short-term cash compensation*

- *Forbid incentive compensation without real achievement of objective goals*
- *Restructure pay to focus executives on the long term*
- *End pay practices that are not aligned with shareholder and taxpayer interests*

Financial Crisis Responsibility Fee

January 14, 2010

Summary

The President announced his intention to propose a Financial Crisis Responsibility Fee that would require the largest and most highly levered Wall Street firms to pay back taxpayers for the extraordinary assistance provided so that the TARP program does not add to the deficit. The fee the President is proposing would:

- *Require the Financial Sector to Pay Back For the Extraordinary Benefits Received*
- *Responsibility Fee Would Remain in Place for 10 Years or Longer if Necessary to Fully Pay Back TARP*
- *Raise Up to \$117 Billion to Repay Projected Cost of TARP*
- *Apply to the Largest and Most Highly Levered Firms*

**The fee would be applied to only firms with more than \$50 billion in consolidated assets. It would cover banks and thrifts, insurance and other companies that own insured depository institutions, and broker-dealers.*

Basel Committee on Banking Supervision

Proposals to Strengthen Resilience of Banking Sector

December 17, 2009

Summary

The Basel Committee on Banking Supervision (the Committee) released for comment new proposals that aim to strengthen the resiliency of the banking sector through new capital and liquidity standards. Following the Basel II enhancements released in July 2009, these proposals represent part of the Committee's ongoing effort to apply lessons learned from recent market events to enhance regulation, supervision, and risk management of global banks. Proposed changes include introduction of new standards for liquidity risk management, the addition of a leverage ratio to the Basel II framework, improvements to the quality and consistency of capital, and strengthening of capital requirements for counterparty credit risk.

**The Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision, which are members of the Committee, encourage interested persons to review and comment on the proposals.*



Financial Crisis Inquiry Commission
Agenda Item 9-a for Telephonic Business Meeting of April 20, 2010

RESOLUTION: To Establish A Process For Issuance, Execution and Enforcement of Subpoenas

Delegation of Authority to Senior Staff to Execute Previously Approved Subpoenas on Behalf of the Commission.

Among the powers of the Commission are to require, by subpoena or otherwise, the attendance and testimony of witnesses and the production of books, records, correspondence, memoranda, papers and documents. Such compulsory process may be issued by the agreement of the Chairman and the Vice Chairman, or by the affirmative vote of a majority of the Commission, including the affirmative vote of at least one member appointed by the House or Senate minority leadership. The Commission has authority to enforce its subpoenas in any United States district court by counsel designated by it.

It is contemplated that our investigators may find it necessary to use compulsory process to obtain information required to fulfill our mandatory statutory investigatory mission in a timely fashion. To assure that such information is expeditiously available, I recommend that the Commission adopt the following resolution:

RESOLVED, That the Chairman and the Vice Chairman, acting together, or the Commission, by majority vote including the affirmative vote of at least one member appointed by the House or Senate minority leadership, have the power to delegate to the Executive Director or the General Counsel the power to execute, on behalf of the Commission, subpoenas approved as above, such power to be exercised only upon written or e-mail confirmation by the Chairman and Vice Chairman to the Executive Director or the General Counsel, as applicable, on a case-by-case basis; and

RESOLVED, FURTHER, That the Executive Director or the General Counsel shall be allowed to authorize a staff member or an agent of the Commission to serve an approved subpoena; and

RESOLVED, FURTHER, That the Commission authorizes the Executive Director or the General Counsel to request the General Counsel of the House of Representatives to render

assistance and represent the Commission, on a continuing basis, in enforcing and defending a previously approved subpoena.



**Financial Crisis Inquiry Commission
Agenda Item 9-b for Telephonic Business Meeting of April 20, 2010**

**RESOLUTION: To Establish A Process For Action By the Commission
Without a Meeting**

Occasions may arise where it is necessary for the Commission to take action promptly, but where due to scheduling or other matters, all or a quorum of the Commissioners cannot be secured for a meeting in a timely manner. On those occasions it may be appropriate to adopt a resolution or approve a Commission action by unanimous written consent of all of the Commissioners.

Therefore it is recommend that the following resolution be adopted:

RESOLVED, that the Commission's Rules of Procedure be amended to add the following:

ACTION WITHOUT MEETING. Any action required or permitted to be taken by the Commission at a duly called meeting may be taken without a meeting if all Commissioners shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Commission. Such action by written consent shall have the same force and effect as a unanimous vote of such Commissioners at a duly called meeting.