

February 5,  
2010



## Government Affairs Bulletin

### Contact Us

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<http://www.fsround.org>

### **Core Beliefs of The Financial Services Roundtable:**

- . *Large, integrated financial companies finance the nation's economy.*
- . *The competitive marketplace should govern the delivery of products and services.*
  - . *Uniform national standards across state lines are critical.*
  - . *The effective use of technology is essential.*

### Legislative:

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### Legislative News

[Hearing: "Limiting Bank's Risky Investment Activity"](#)

Yesterday the Senate Banking, Housing and Urban Affairs Committee held hearings to discuss "Limiting Bank's Risky Investment Activity." Committee Chairman Chris Dodd (D-CT) commented that, "We've been debating the issue of reform and regulation for years now after the collapse of Bear and we still have no changes to the financial regulatory system." Hearing witnesses included Former Citigroup CEO John Reed, Managing Director of Goldman Sachs Gerald Corrigan, Professor of Entrepreneurship at the Sloan School of Management Simon Johnson, Professor of International Financial Systems at Harvard Law School Hal Scott, and Executive Vice President and Chief Risk Officer at JPMorgan Chase Barry Zubrow.

Testimony from witnesses centered on the validity, necessity, potential implementation and overall ramifications to the financial regulatory system with regard to the 'Volker Rule.' Barry Zubrow commented that, "we know enough causes of the financial crisis to know that we need substantive regulatory reform," but stopped short of endorsing the 'Volker Rule.' Under questioning by Senator Bob Corker (R-TN) about his role in building Citigroup in the late 90's, John Reed commented that "I learned a lot during my time. The Travelers and Citi merger created a monster. Providing for separation will make the system stronger." The 'Volker Rule' would separate proprietary lending from commercial banking lending institutions. Reed's testimony indicated he supported the 'Volker Rule.' The Roundtable has serious concerns about the Volker rule.

For more information please contact Peter Freeman, [Peter@fsround.org](mailto:Peter@fsround.org)

#### **Hearing: "Prohibiting Certain High-Risk Activity by Banks and Banking Institutions."**

This week the Senate Banking Committee held a hearing on "Prohibiting Certain High-Risk Activity by Banks and Banking Institutions." The witnesses, Paul Volcker and Treasury Deputy Secretary Neal Wolin, called upon the need for regulatory reform including: prohibiting banking holding companies to engage in prop. trading, and the ownership and sponsorship of hedge funds or private equity funds. In addition, Secretary Wolin asked for limiting the size of any financial institution by imposing a cap limit and end to big to fail.

While Chairman Dodd acknowledged that the administration headed in the right direction and strongly supported the "Volcker Rule", Sen. Shelby was concerned about the specific activities and the associated risk that will be banned by the President's proposal. The Roundtable has serious concerns about the Volker rule.

For more information please contact Peter Freeman, [Peter@fsround.org](mailto:Peter@fsround.org).

#### **Hearing: "Financial Services and Products: the Role of the FTC in Protecting Consumers"**

The Chairman of the Federal Trade Commission, Jon Leibowitz, appeared before the Senate Commerce Committee on Thursday, February 4. Chairman Leibowitz applauded H.R. 4713 (the Wall Street Reform & Consumer Protection Act of 2009) and explained why the FTC needs additional statutory authority to impose civil monetary penalties, litigate cases, and prosecute aiders and abettors. Chairman Leibowitz also requested that Congress replace the FTC's current rulemaking statute, the Magnusson Moss Act, with the Administrative Procedure Act's notice and comment rulemaking process.

At least one member, Sen. Wicker (R-MS), was concerned about giving APA rule making authority to the FTC, and Sen. Klubacher (D-MN) appeared skeptical that giving the FTC additional authority to prosecute aiding and abetting was necessary. No future committee actions were announced regarding Chairman Leibowitz's requests.

For more information please contact Jill Hershey, [Jill@fsround.org](mailto:Jill@fsround.org)

#### **President Releases FY2011 Budget**

Please find below an attempt to summarize many of the issues the Roundtable is tracking in the President's FY2011 budget that was released earlier this week.

Financial Institutions Tax. No surprise here. Budget calls for the financial services industry to pay back taxpayers for TARP program losses through a "Financial Crisis Responsibility" tax on certain liabilities for financial service firms with assets exceeding \$50 billion, as of January 14, 2010. The fee "will last at least 10 years, but longer if necessary." The annual revenue from the new fee is estimated to be \$8 billion for fiscal 2011 and \$90 billion for the ten year period. The fee would be assessed through a 15 basis point tax on the sum of total assets minus tier 1 capital minus insured deposit. Effective date would be July 1.

Day-to-Day Dealer Activities Tax. For dealers in commodities, commodities derivatives dealers, dealers in securities, and dealers in options, income from day-to-day dealer activities (defined as activities in section 1256 contracts) would be taxed at ordinary income as opposed to today's treatment as capital gains.

TRIA. The budget calls for reduced federal support for the terrorism risk insurance program (TRIA). Specifically the proposal would increase deductibles and co-payments for insurers in both 2011 and 2013, before the program expires in 2014. Additionally, the proposal would remove coverage for domestic terrorism attacks.

Elimination of FFELP. The administration restates their plan to eliminate the Federal Family Education Loan Program and compel further use of the Direct Loan program. The proposal budget says "this proposal will be effective for all loans beginning in the 2010-2011 school year, and is expected to save more than \$43 billion over the ten year budget window."

GSE Reform. The proposal included a mere 32 words on the future of Fannie and Freddie: "The Administration continues to monitor the situation of the GSEs closely and will continue to provide updates on considerations for longer term reform of Fannie Mae and Freddie Mac as appropriate." Clearly this is a disappointment, but we believe Congress will still focus energy on this issue, although final legislative action looks less likely this calendar year.

Mortgage Interest Deduction. Similar to a proposal put forward last year. The budget reduces itemized deductions for families filing joint returns with incomes over \$250,000 and single taxpayers with income over \$200,000; it limits the value of itemized deductions for gifts to charities, investment expenses and mortgage interest, to 28% of such expenses, instead of a percentage equal to their top marginal tax rate.

Carried Interest. The budget would tax carried interest as ordinary income for investment managers. Presently, carried interest is taxed at the capital gains tax rate. This will raise just under \$1.5 billion in fiscal 2011 and \$24 billion over the ten year period.

Life Settlements. The proposed budget would expand information reporting on the sale of life insurance contracts and the payment of death benefits on contracts that were sold, and would modify the "transfer-for-value" exceptions to prevent purchasers of policies from avoiding tax on death benefits that are received.

Partial Annuity Conversion. One proposal in the budget, similar to legislation introduced by Earl Pomeroy (D-ND) would allow holders of annuity contracts to trade in their annuities for "partial" annuities. Currently, annuity holders must terminate their annuities to annuitize only a portion of the contract.

Retirement Security Proposals. The budget includes proposals for encouraging 401(k) plan automatic enrollment programs, and the U.S. Department of Labor will "undertake regulatory efforts to reduce barriers to annuitization of 401(k) plan assets." The budget calls for automatic workplace pensions; doubled the Small Employer Pension Plan Startup Credit to \$1,000 per year, from \$500 a year; and modify the Saver's Credit to provide a 50% match on retirement savings, up to \$1,000 in savings, for families that earn less than \$85,000 per year.

Financial Reform. The budget endorses the proposals first introduced in June 2009, as the Administration's white paper. Specifically, mentioning "changes to improve the safety and soundness of the financial sector, especially large and interconnected firms" and the creation of the CFPB. The proposal also includes another call for all federally chartered commercial depository institutions to be consolidated into a new National Bank Supervisor (NBS), doing away with the thrift charter.

Surcharge on Transfer Pricing. US-based multinational companies that transfer intangible assets, like copyrights or patents, to foreign affiliates would pay a surcharge on the excess returns on those assets. Under the proposal, the administration would regard as suspicious a company paying an effective tax rate of less than 10 percent with a rate of return of more than 30 percent.

Disallow Deduction for Certain Reinsurance Transactions. The budget endorses limiting tax deductions for reinsurance premiums that U.S. subsidiaries of foreign insurers and reinsurers cede to affiliates not subject to U.S. tax. This is similar to a legislative proposal sponsored by Rep. Richard Neal (D-MA).

For more information please contact Peter Freeman, [Peter@fsround.org](mailto:Peter@fsround.org)



### **Housing Policy Council holds Congressional briefing on Mortgage and Housing Issues**

On Friday, February 5, the Housing Policy Council (HPC) participated in The Financial Services Roundtable's Financial Services University (FSU) program. FSU is a two day education session where Roundtable member company executives come to Washington to brief Congressional staff on the fundamentals of financial services issues such as mortgages; banking; retirement security and insurance. HPC member company executives explained the mortgage origination process; regulation; securitization and mortgage servicing and foreclosure prevention to an audience of Congressional staff. Bill Dyson of CitiMortgage; Molly Sheehan of JPMorgan Chase; Tuck Reed of Sun Trust and Dana Dillard of GMAC provided presentations on these key topics. Presenters also took questions from staff.

For more information, please contact Paul Leonard, [Paul@fsround.org](mailto:Paul@fsround.org).

### **HOPE NOW Assists 1,829 Distressed Homeowners in Florida**

HOPE NOW held two Homeownership Preservation workshops in Florida last week on January 27th and 29th. 1,829 borrowers met face to face with their mortgage servicer and/or a HUD approved non-profit housing counselor in Fort Meyers and Coral Spring FL. Just over 25% of the borrowers that attended these events were able to receive a mortgage workout solution on site. HOPE NOW will be holding Homeownership Preservation Workshops in Houston TX, and Sacramento CA later this month.

For additional information on HOPE NOW, please contact Joseph Putney, [Joseph@hopenow.com](mailto:Joseph@hopenow.com).



### **Intelligence Chief Warns of Cyberthreats**

Director of National Intelligence Dennis C. Blair underscored the importance of cybersecurity this week to the Senate Intelligence Committee, warning members that the threat of a crippling attack on computer and telecommunications networks is increasing.

"Malicious cyberactivity is occurring on an unprecedented scale with extraordinary sophistication," Blair told the committee, calling the surge in cyberattacks a "wake-up call."

BITS and FSTC staff continue to work with US government officials on cybersecurity and other aspects of critical infrastructure protection through participation and leadership roles in the Financial Services Sector Coordinating Council (FSSCC).

For more information please contact John Carlson, [John@fsround.org](mailto:John@fsround.org)



### **ITAC Sponsoring Javelin 2010 Identity Theft Report**

ITAC, the Identity Theft Assistance Center, is a co-sponsor of the Javelin Strategy & Research 2010 Identity Theft Identity Fraud Survey Report, to be published February 10. Now in its seventh year, the survey reports on the sources and cost of identity theft, victim demographics, and the effectiveness of current prevention efforts. All ITAC member companies will receive a complimentary copy of the report next Wednesday. "ITAC is sponsoring the survey because consumers, policymakers and the industry need facts, not anecdotes, to fight identity crime," said ITAC President Anne Wallace.

For more information please contact Anne Wallace, [Anne@fsround.org](mailto:Anne@fsround.org)

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"Simplifying Regulation for Agents and Brokers..."

### **Agents for Change Producer Recruitment**

On February 3, Peter Ludgin spoke at Edward Jones' Silver Anniversary Meeting in Washington, D.C. The meeting provided a forum for producers to learn about recent developments in our effort to modernize insurance regulation.

Wikipedia now features a web page devoted to Agents for Change. Click [here](#) to visit the site.

The Agents for Change legislative conference will be held from May 18-20 in Washington, D.C. Lauded as "Making an Impact," attendees will have the opportunity to further their relationships with their elected officials, hear from high level guest speakers, and network with their peers. Please urge your agents and brokers to attend.

Agents for Change is proud to travel the country to speak with insurance producers and/or executives about the benefits inherent in insurance regulation reform. Please consider inviting Agents for Change to speak with your colleagues as opportunities to educate insurance professionals are paramount to our success

If you are not a member company of Agents for Change, we welcome your support. Insurance regulation is receiving a significant amount of attention in the 111<sup>th</sup> Congress.

Membership in Agents for Change includes 7,500 producers in 50 states, the District of Columbia, Puerto Rico, and Guam. Members learn about Agents for Change at trade shows, by word of mouth, via the press and our website, and through member companies.

Visit the Agents for Change website – [www.agents4change.net](http://www.agents4change.net) – for additional information, updates, background material, FAQ's, and more. To receive periodic e-mail updates from Agents for Change please contact Peter Ludgin , [Peter@agents4change.net](mailto:Peter@agents4change.net); 202-589-1929.

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**Community Service 2010 Company of the Week: The Transamerica Insurance & Investment Group of AEGON USA, LLC**  
**Week of January 31, 2010**

**TIIG and TRS Employees Dig Deep at the Holidays to Help Feed Local Families in Need**



Transamerica Insurance & Investment Group (TIIG) has a special relationship with a local elementary school—20<sup>th</sup> Street Elementary. In addition to annual grants, the company and its employees are actively engaged in activities—such as weekly mentoring through the Big Brothers/Big Sisters program and hosting the entire second grade for an annual “Trick-or-Treat” tour of the building—that help give a boost to this school, which is one of the 10 poorest in all of Los Angeles Unified School District.

In December, TIIG’s employees joined forces with employees of Transamerica Retirement Services (TRS), and together donated 75 toys and 175 food care packages (plus 124 frozen turkeys, courtesy of the executive leadership teams) to the neediest families at the school. These donations helped provide several meals to more than 750 people.

In addition to donating food, many TIIG and TRS employees stepped up and helped pack it, transport it and set it up at the school.

Congratulations Transamerica Insurance & Investment Group of AEGON USA, LLC!

For more information on Company of the Week, please contact Aleksia Ilic, [Aleksia@fsround.org](mailto:Aleksia@fsround.org).

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## Financial Services University 2010 a Success



The Roundtable hosted the 5<sup>th</sup> annual Financial Services University (FSU) this week. The educational program presented an overview of the financial services industry along with the basics of banking, insurance, retirement security, housing and derivatives to more than 100 Hill staff and member company representatives.

Deb Burke, 2010 FSU Co-Chair, began the sessions with welcoming remarks, followed by special guests, Steve Bartlett, CEO & President, The Financial Services Roundtable; Richard Davis, CEO, U.S. Bancorp; Bob Kelly, CEO, Bank of New York Mellon; and Jim Smith, CEO, Webster Bank.

Highlights of the session included educational and informative presentations on Captive Finance; Investment Advisers & Broker Dealers; Property & Casualty Insurance, and Life Insurance and Reinsurance, followed by briefings on retirement security, planning and management.

The Roundtable thanks Deb Burke, U.S. Bank for serving as the 2010 Co-Chair and also thanks the following sponsors who have made this all possible:

**Aegon - Assurant - Barclays Capital - Fidelity - Key Bank - PMI Group - Popular - Principal - Prudential - RenaissanceRe - US Bank - Visa**

For more information, please contact Brenda Bowen, [Brenda@fsround.org](mailto:Brenda@fsround.org).

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### Roundtable in the News

#### Clip of the Week

This week, the Associated Press interviewed financial executives Richard Davis, Robert Kelly and James Wells on efforts to contribute to effective financial reform.

To read the full story, please click [here](#).

For more information please contact Elise Brooks, [Elise@fsround.org](mailto:Elise@fsround.org).

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### Success Stories

The industry is working hard to rebuild the communities in which we live and work. Since good news is few and far between but there is certainly no shortage of good work, the Roundtable will look to highlight success stories weekly.

Below is a letter addressed to Faith Schwartz, executive director of the HOPE NOW Alliance, which works aggressively to help homeowners stay in their homes and out of foreclosure. Learn more at [www.hopenow.com](http://www.hopenow.com).

Ms. Schwartz,

I want to thank you for your kind intervention in getting me through to the right people at the bank. I was able to work out a permanent modification that I don't think I would have otherwise been able to without your help. It was a long and arduous process and I am glad it has finally concluded (I was informed the bank is sending me the new loan docs next week).

Thank you so much for reading and responding to my e-mails and connecting me with your colleagues. I don't know how often you hear thank you, but from the bottom of my heart, I truly am grateful for all you've done. Thank you, dear lady, thank you.

Very Respectfully,  
Michael

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***The Mission of The Financial Services Roundtable:***  
*To be the premier executive forum of the financial services industry.*  
*To provide powerful legislative and regulatory advocacy.*  
*To enhance the industry's reputation.*  
*Led by BITS, to promote best practices and a strong infrastructure in technology.*

