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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.*

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Legislative News

[Treasury Announces Plan for TARP 2](#)

On Monday February 9, the Treasury Department will announce the details of its plan to spend the remaining \$350 billion in TARP.

The plan will focus on creating a ring fence around potential losses by financial services companies. It is also expected to create a small "bad bank" to buy illiquid or non-performing assets at a discount.

For more information, please contact Scott Talbott, Scott@fsround.org.

Retroactive TARP Restrictions

The Senate attached two amendments to its version of the stimulus bill that would apply retroactive restrictions to TARP recipients. The Roundtable opposes the amendments, one offered by Chairman Christopher Dodd (D-CT) and the other by Senator Claire McCaskill (D-MO). We will work to prevent the language from being part of the final package.

For more information, please contact Scott Talbott, Scott@fsround.org.

President Offers TARP Restrictions

The President offered a proposal to place restrictions on executive compensation by limiting it to \$500,000. His restrictions are prospective only. While the Roundtable has concerns with the long-term implications of the President's proposal, it is more measured than the Senate language.

For more information, please contact Scott Talbott, Scott@fsround.org.

Stimulus Plan Offers Housing Incentive

The Senate is completing its work on an \$800-plus billion dollar stimulus plan. Included in the plan is a provision offering homebuyers a \$15,000 tax credit. The Roundtable supports the provision to help restart the housing market.

For more information, please contact Scott Talbott, Scott@fsround.org.

Hearing: House Financial Services Subcommittee Holds Hearing on the Madoff Ponzi Scheme

A House Financial Services Subcommittee held a hearing to examine the regulatory failures that allowed for the \$50 billion investment fraud engineered by Bernard Madoff. Harry Markopolos, an independent financial fraud investigator for institutional investors testified regarding the Securities and Exchange Commission's (SEC) failure to investigate Madoff, despite many warnings. Committee members expressed frustration with SEC panelists and their reluctance to provide an understanding of what went wrong.

For more information, please contact Paul Begey, Paulb@fsround.org.

FSU 2009 A Success

The Roundtable hosted the 4th annual Financial Services University (FSU) this week. The educational program presented the basics of banking, insurance, securities, regulatory restructuring and retirement security to more than 100 Hill staff and member company representatives. Highlights of each session include:

- Housing:
 - Jack Konyk of National City provided a brief overview of the development of mortgage lending.
 - Francis Pickney of HSBC explained the challenges facing the subprime market and the current state of the housing and mortgage markets.
 - Ted Foster of Wells Fargo Home Mortgage explained the role of the Federal Housing Agency (FHA) and its increasing importance in the current market.
 - Ed Hill of Bank of America discussed the current role and future of GSEs.
 - Dana Dillard of JPMorgan Chase closed with an explanation of servicers' efforts to assist homeowners and the joint outreach and counseling efforts between servicers and non-profits through the HOPE NOW Alliance.
- Banking:
 - Jim Sivon of Barnett, Sivon and Natter provided an overview of the banking industry's structure and regulation and credit card lending.
 - Leigh Williams of BITS spoke on privacy and security practices and priorities.
- Securities

- Ron Long of Wachovia Securities gave a basic overview of the securities industry's structure and regulation.
- Jeff Brown of Charles Schwab & Co. discussed short selling and the uptick rule.
- Bradley Hunkler of Western & Southern Financial Group closed with a review of current accounting standards, including fair value accounting and international convergence.
- Insurance
 - Ed Collins of Allstate discussed property and casualty insurance.
 - Mark West of Principal provided a discussion of life insurance.
 - Kathellen Mellody of the House Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises shared a view from the House Financial Services Committee.
- Regulatory Restructuring
 - Ray Natter of Barnett, Sivon & Natter provided information on the current regulatory system and proposals for reform.
- Retirement Security
 - Mike Simonds of Unum and Joni Tibbetts of Principal provided the basics of retirement security.
 - Pamela Everhart of Fidelity discussed the accumulation phase and retirement security 201.
 - Bill Waldie of Transamerica closed the session with an overview of the distribution phase.

Thanks to Dr. Ed Harper of Assurant for serving as the Chairman and to Assurant, Unum, HSBC, Key Bank, US Bank, Fidelity, Principal Financial Group, and Barclays Capital for sponsoring.

On behalf of Dr. Harper and the Roundtable staff, we thank you for your support and attendance of Financial Services University.

For more information, please contact Brenda Bowen, Brenda@fsround.org



A Hill staffer talks to Principal Financial Representatives Joni Tibbetts and Stacy Kirer.



Jeff Brown, Charles Schwab & Co., Inc., discusses Short Selling.



Bill Waldie, Transamerica, answers questions about retirement security with a Hill staffer.

FSR Political Action Committee (PAC)

The Roundtable and PAC Boards of Directors approved a voluntary solicitation of \$5,000 from sources available to Roundtable member companies for 2009. All Roundtable CEOs have received a solicitation for 2009. Thanks to the following Roundtable members who have contributed for 2009: Northwestern Mutual, Compass Bancshares, and Huntington Bancshares.

For more information, please contact Scott Talbott, Scott@fsround.org.

Regulatory

FDIC Issues Final Rule on Processing of Deposit Accounts Upon Bank Failure

The FDIC published its [final rule](#) on processing deposit accounts in the Federal Register on Monday, Feb. 2. There are essentially no changes from the interim rule issued July 17, 2008, but the final rule contains express examples of sweep accounts and how they would be treated. This rule is effective July 1, 2009.

- A failed institution's own internal cutoff rules will be used to determine whether certain funds are insured deposits, as the Roundtable preferred in its comment letter.
- The FDIC retains the authority to establish its own cutoff point, i.e., the point at which the FDIC as receiver stops

- deposit transactions.
- The FDIC Cutoff point is likely to be rarely used, except when necessary for the orderly resolution of a failed institution.
 - In the event the FDIC cutoff point is imposed, the institution's normal cutoff point is still used if it is the earlier of the two times.
 - The FDIC retains the authority to make corrections to the ledger as necessary, such as when it unsuccessfully stops the flow of funds in and out of a failed institution.
- Internal Account-to-Account Sweeps: MMDA and NOW accounts are technically sweeps, but as the sweep is not regular, these accounts will be treated as a single account.
 - External Investment Vehicle Sweeps: any funds swept into an offshore account are not considered "deposits" under the FDIC Act and are accordingly uninsured. Other types of investments will depend on the nature and location of the account into which funds are swept.
 - Repurchase Sweeps: the FDIC stated that whether the repurchase was treated as an outright sale of securities or as a secured lending, the customer would essentially have the right to the collateral upon institution failure. However, the rule cautions that an improperly executed repo could result in an unperfected security interest and the customer could be unprotected.
 - Money Market/Mutual Fund Sweeps: depending on whether the sweep is executed on the same or next day, the point at which an institution is closed could either be before or after the sweep.
 - Insured depository institutions are required to give an annual notice to their sweep account customers informing them of whether swept funds are considered deposits and if not, how they would be treated in an FDIC receivership. No specific requirements are given for disclosure, reflecting the Roundtable's comment that overly prescriptive uniform disclosure requirements would be burdensome.
 - For example, if funds are swept to a non-deposit account (i.e., foreign funds), the customer must have notice that they do not have deposit insurance on those funds in the event of that institution's failure.
 - Note as described above, that internal sweeps from account to account are not considered sweeps for this disclosure. Only external sweeps or internal investment vehicle sweeps are subject to the disclosure.

For more information, please contact Melissa Netram, Melissa@fsround.org.

SEC Extends IFRS Comment Period

This week, the Securities and Exchange Commission (SEC) extended the comment period for its [proposed rule](#) on the roadmap on the use of international financial reporting standards (IFRS) from February 19 to April 20. Under the proposal, the SEC must make a decision in 2011 on whether or not to require a mandatory switch for domestic U.S. filers to IFRS, beginning with the largest companies in 2014.

The Roundtable will be working closely with its members to prepare comments on this proposal.

For more information, please contact Melissa Netram, Melissa@fsround.org.

Hearing: Regulatory Restructuring

Congressional focus on regulatory reform started in earnest this week with House Financial Services Committee and Senate Banking Committee hearings. Senate Banking Committee Chairman Christopher Dodd (D-CT) has scheduled two hearings per week for February and March.

The Roundtable intends to meet with *20 Congressional Offices and Administration officials during February to have Roundtable regulatory reform principles and policy questions raised during upcoming Congressional hearings.

On the House side, Chairman Barney Frank (D-MA) indicated that he intends to address regulatory restructuring in two parts, Systemic-Risk regulator for products and institutions and additional reforms measures separately. The Chairman is leaning toward the Federal Reserve being regulator for systemic risk. Senate Banking Committee Chairman Christopher Dodd (D-CT) appears to have reservations with a systemic risk regulator. The Obama Administration intends to have its reform proposal out in early April.

Former Federal Reserve Chairman and President Obama advisor, Paul Volker, Co-Chair of G-30 report, a broad international report on regulatory reform principals, testified before the Senate Banking Committee this week at a hearing titled "Modernizing the U.S. Financial Regulatory System." The general consensus of the Senators present was that modernization is necessary, but the Senators did not indicate how this process would occur. Chairman Dodd, though, did say that during the reform process certain questions need to be answered, including: which structures would best protect the consumer, how regulations should be enhanced, how to ensure regulators are independent and effective, and how to

regulate companies that pose a risk to the whole. Also, this week, Senior Banking Committee member Senator Charles Schumer (D-NY) indicated he opposes the bank solution to buying banks' troubled assets, but favors guaranteeing these assets and having a 3rd party value the assets at a future price.

Moreover, Paul Volcker said fundamental changes are needed in the financial system, but acknowledged this would take some time. He said he'd like to see restrictions on activities that provide risk. Additionally, he discussed the need for greater transparency and suggested a registry of hedge and equity funds. In response to Senator Jack Reed's (D-RI) question of which two systemic risks need to be dealt with first, Volcker stated that they were protecting institutions such as banks and limiting what they can do while ensuring they can compete, and that current accounting problems need to be looked at. Regulators must decide what changes to make. Volcker also said yes to Senator Schumer's question that credit agencies need to change, but did not offer a reason how. He also told Chairman Dodd that systemic risk needs to be dealt with carefully and aggressively, and with deliberate speed.

For more information, please contact, Irving Daniels, Irving@fsround.org or Melissa Netram, Melissa@fsround.org.



The Housing Policy Executive Council Quarterly Meeting

The Housing Policy Executive Council met on Thursday, February 5 and Friday, February 6 to discuss the public policy priorities of the Housing Policy Council. During this meeting, Ginnie Mae President, Joe Murin, US Senator Bob Corker and FHFA Director James Lockhart spoke to the Executive Council.

For more information, please contact Paul Leonard, Paul@fsround.org.

Hearing: House Financial Services Committee Acts on legislation “Promoting Bank Liquidity and Lending Through Deposit Insurance, Hope For Homeowners, and other Enhancements”

On Tuesday, February 3, the House Financial Services Committee held a hearing entitled "Promoting Bank Liquidity and Lending Through Deposit Insurance, Hope For Homeowners, and other Enhancements." John Bovenzi, Deputy to the Chairman and Chief Operating Officer, FDIC, and Meg Burns, Director to the Office of Single Family Program Development, U.S. Department of Housing and Urban Development testified before the Committee. Mr. Bovenzi discussed expanding the FDIC's deposit insurance authority and requested additional support for the FDIC by extending their line of credit to \$100 billion. Ms. Burns discussed proposed changes to the FHA Hope for Homeowners intended to increase participation in the program by borrowers and lenders. On Wednesday, February 4, the Committee approved the three bills discussed at the hearing. The Bills approved are H.R. 787, to make improvements in the Hope for Homeowners Program; H.R. 788, to provide a safe harbor for mortgage servicers who engage in specified mortgage loan modifications, and for other purposes; and H.R. 786, to make permanent the temporary increase in deposit insurance coverage.

For more information, please contact Paul Leonard, Paul@fsround.org.

BITS

FINANCIAL SERVICES
ROUNDTABLE

BITS Meets with ICANN Officials

BITS and a coalition of business groups met with senior policy officials from the Internet Corporation for Assigned Names and Numbers (ICANN) on February 6 at the US Chamber of Commerce in Washington, DC. The agenda included discussions on the new top level domain policy and draft applicant guidebook, Whois access, and “Fast Flux” hosting concerns.

Leigh Williams, BITS President, presented key points of BITS comment letters, which include:

- Importance of ICANN to the financial services industry and their customers.
- Necessity of Whois database to eliminate fraudulent websites.
- Advantages and concerns of the financial industry associated with global Top Level Domains.

Over the years, BITS has submitted several comment letters to ICANN and the US Commerce Department outlining the concerns of our member companies. The letters are available on the BITS website:

http://www.bits.org/p_comment_letters.html

For more information, please contact John Carlson, John@fsround.org.

Other



“Simplifying Regulation for Agents and Brokers...”

Agents for Change Co-Hosts Breakfast for Congresswoman Bean

Agents for Change is proud to support Rep. Melissa Bean, an original sponsor of the “National Insurance Act of 2007” (H.R. 3200). Accordingly, we are serving as a co-host at a breakfast for the Congresswoman on March 9, in Schaumburg, IL. Please let us know if you have producers or executives in the greater-Chicago area who may be interested in attending this event.

As the planning season is among us, consider inviting Agents for Change to speak with your producers and/or executives about the benefits inherent in an OFC. Opportunities to educate insurance professionals are paramount to our success.

The 2009 Agents for Change legislative conference will be held June 23-24. The conference will provide producers with opportunities to further their relationships with elected officials, network with peers, hear from high level guest speakers, and engage in substantive conversation on insurance regulation reform. There will also be opportunities to go on personal tours of Washington, D.C. landmarks. Please consider inviting your producers to join us in June.

Agents for Change recently launched a new Website. To piggyback on the theme of change that is sweeping through Washington, DC, the enhanced website offers updated news articles, academic and government studies, and tools for insurance producers to write their legislators. Members of Agents for Change will also be able to sign up for our annual legislative conference and in-district meetings directly on the site. Please click [HERE](#) to visit the NEW Agents for Change Website (be sure to bookmark it as well).

If you are not a member company of Agents for Change, we welcome your support. Insurance regulation reform is poised to receive a significant amount of attention in the 111th Congress.

Membership in Agents for Change includes over 6,600 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 – 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; 202-589-1929.

THE FINANCIAL SERVICES ROUNDTABLE



COMMUNITY SERVICE 2009

FOCUS: FINANCIAL EDUCATION

Co-Chairs: Don McGrath, BancWest Corporation • Larry Zimpleman, Principal Financial Group

Community Service 2009

On this Saturday, February 7, KeyCorp will be holding a financial literacy event, "Super Refund Saturday" in Cleveland, Ohio. In partnership with Cleveland Housing Network, Inc., this event will provide free tax return preparation and filing for 2008 EITC qualifying individuals.

To register your company's community service projects, please use the following database: <https://registration.fsround.org/>

There are currently 93 members of Congress on the Honorary Congressional Host Committee. For a complete list of members, please click here: <http://www.fsround.org/community/pdfs/HCHC.pdf>

If your company is interested in hosting a member at a community service event, please contact Aleksia@fsround.org.

As of February 6, 2009:

CS09 National Sponsors: AEGON USA, Inc., The Allstate Corporation, AXA Equitable, Bank of America Corporation, BancWest Corporation, Barclays Capital, Inc., Capital One Financial Corporation, Charles Schwab Corporation, Edward Jones, GMAC Financial Services, ING, MasterCard Worldwide, The NASDAQ OMX Group, Inc., Nationwide, Northern Trust Corporation, The PMI Group, Inc., Principal Financial Group, Protective Life Corporation, Raymond James Financial, Inc., Regions Financial Corporation, State Farm Insurance Companies, Toyota Financial Services, Union Bank of California, N.A., U.S. Bancorp, Visa, Inc., Wells Fargo & Company

CS09 Participating Companies:

BancorpSouth Inc., The Bank of New York Mellon Corporation, Brown & Brown Insurance, Caterpillar Financial Service Corporation, Comerica Incorporated, Harris Bankcorp, Inc., KeyCorp, M&T Bank Corporation, Mutual of Omaha, SunTrust, Unum

CS09 Partners: Council for Economic Education, Habitat for Humanity, Hands on Network, Junior Achievement, March of Dimes, NeighborWorks® America, Operation HOPE, Rebuilding Together, Society for Financial Education and Professional Development

Roundtable in the News

Roundtable President and CEO, Steve Bartlett, appeared on the "News Hour with Jim Lehrer" Wednesday to discuss President Obama's proposed cap on executive compensation.

"The public should want healthy companies to take this capital so they can make more loans. If you put additional capital into unhealthy companies, you don't get that much more lending. So it's the healthy companies. This isn't aid. It's called assistance, but, in fact, it's capital so that they'll convert it into loans. So what you want is for the healthy institutions to take this capital so they can make more loans. That's good for the public."

Please click here to view the whole segment:

<http://www.pbs.org/newshour/video/module.html?mod=0&pkg=4022009&seg=1>

For more information, please contact Elise Brooks, Elise@fsround.org

Public Affairs Working Group

The Public Affairs Working Group will host its next call on Friday, February 13 from 2-3 p.m. EST.

For more information, please contact Scott Talbott, Scott@fsround.org or Elise Brooks, Elise@fsround.org.

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.