

May  
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2008



## Government Affairs Bulletin

### Contact Us

[Keosha@fsround.org](mailto:Keosha@fsround.org)

<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

#### **Tax Extenders Include Roundtable Priorities**

The Ways and Means Committee marked-up a package of expired and expiring tax provisions this week and included two provisions the Roundtable supports:

A one-year extension of:

- subpart F, active financing exception
- the CFC look-through rule, contained in Section 954(c)(6) of the IRC.

The bill is headed to the House floor for a vote by the membership. The Senate Finance Committee will move its companion tax extenders bill in June.

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

### **House Judiciary Committee Holds Legislative Hearing on Interchange Bill**

The House Judiciary Antitrust Task Force held a legislative hearing on the *Credit Card Fair Fee Act of 2008* (H.R. 5546), sponsored by Judiciary Committee Chairman John Conyers (D-MI). The Roundtable opposes H.R. 5546, which gives a government appointed three-member panel the ability to institute price controls on payment card interchange fees.

The hearing included three witnesses from the financial services industry, two Roundtable member companies (MasterCard and Visa) and a credit union. The hearing also included two witnesses representing merchants and a witness representing a consumer group. A number of the members of the Committee who attended the hearing were either supportive of the bill or the goal of the bill, but the financial services industry witnesses explained their concerns over H.R. 5546 and effectively challenged arguments being made by the merchants.

In response to a comment by one of the merchants requesting that banks also testify, Chairman Conyers discussed the need for a second hearing to include banks.

The Roundtable sent a letter and did a press statement expressing our opposition – both are available on our website: [www.fsround.org](http://www.fsround.org). Newspaper ads opposing H.R. 5546 were placed in several Capitol Hill publications. The ads were supported by the Roundtable, the Electronic Payments Coalition, and other associations including the American Bankers Association, American Financial Services Association, Consumers Bankers Association, Credit Union National Association, Independent Community Bankers of America, and the National Association of Federal Credit Unions. Copies are available at the following links:

Open Letter Ad - <http://www.fsround.org/policy/pstatements/pdfs/Ad-OpenLetter08.pdf>

Price Controls Ad - <http://www.fsround.org/policy/pstatements/pdfs/Ad-2.pdf>

As a reminder, the Roundtable is hosting a CEO and Executive “Fly-in” on June 19<sup>th</sup>, to raise our concerns with H.R. 5546 with Members of Congress.

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

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### Regulatory

#### **BITS/Roundtable Submit Comment Letter to SEC on Reg S-P**

On May 12, BITS and The Financial Services Roundtable submitted a comment letter to the Securities and Exchange Commission on Regulation S-P: "Privacy of Consumer Financial Information and Safeguarding Personal Information." The letter urged the SEC to:

- Harmonize the amendments to S-P with existing regulations issued by the Federal Banking Agencies
- Apply consistent definitions to key terms such as “personal information” and refrain from expanding the scope beyond consumer customer information
- Not adopt a standard notification form to the SEC as proposed with SP-30, but grant greater flexibility in determining when to notify regulators and the method of notification
- Adopt a more flexible rule governing the disposal of documents that would permit entities to periodically review and document in writing their disposal practices, to verify compliance with the company's policies and procedures
- Provide for at least a 12-month implementation period after publication of the final rule.

To view the comment letter, please click on the following link, <http://www.fsround.org/policy/regulatory/sec.htm>.

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

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Housing Policy Council (HPC)

**Senate Banking Committee Works Toward Agreement on GSE Reform and FHA Refinance Legislation**

After postponing scheduled Committee action on a GSE reform and FHA refinance program bill on Thursday, May 15, the Senate Banking Committee Chairman Chris Dodd (D-CT) and Sen. Richard Shelby (R-AL) stated that they are close to a bi-partisan agreement on the combined bill. They announced that Committee action will resume on Tuesday, May 20.

Differences between Dodd and Shelby primarily focused on the FHA refinance program and its potential cost and budget impact. In addition, Senator Shelby sought clarifications and improvements in the proposed new GSE regulator's authority to set minimum capital standards, review new products, and the portfolios of the GSEs.

Chairman Dodd and Senator Shelby have reportedly reached a tentative agreement to utilize the new GSE Affordable Housing Fund to offset part of the estimated \$1.7 billion five year cost of the FHA refinance program. The Housing Policy Council supports the core GSE reforms in the legislation as a significant improvement over current law and supports the FHA refinance program as a voluntary, temporary option to help certain at-risk homeowners. HPC supports efforts to reach a compromise on the outstanding issues.

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

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BITS

**OCC Guidance on Payment Processors (OCC 2008-12)**

On May 15, the OCC briefed the BITS Vendor Management Working Group on recent guidance to national banks for due diligence, underwriting, and monitoring of entities that process payments for telemarketers and other merchant clients. The guidance states that certain merchants, such as telemarketers, pose a higher risk than other merchants and require additional due diligence and close monitoring. The bulletin supplements existing guidance related to Automated Clearing House (ACH) risk management, merchant processing, and remotely-created checks (RCCs). The OCC issued the guidance in response to growing concerns with cross-channel risk based on examinations of national banks and the Federal Trade Commission's experience with processors.

The discussion included:

- Ways a processor uses a bank account relationship to process payments for merchant clients
- Heightened risks due to inadequate due diligence from merchants for which the banks or processors are originating payments
- Due diligence and underwriting controls, including background checks of processor's credit worthiness and business practices
- Monitoring high levels of unauthorized returns and suspicious or unusual patterns of activity
- Actions in response to improper activity, including filing a Suspicious Activity Report (SAR), terminating the bank's relationship with the processor, or requiring the processor to cease processing for a specific merchant
- Increased coordination with the Federal Trade Commission and Federal Banking Agencies.

To view the comment letter, please click on the following link, <http://www.fsround.org/policy/regulatory/sec.htm>.

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

**OCC Issues Guidance on Application Security**

The OCC released Bulletin 2008-16 on the importance of application security as an integral part of an information security program. The guidance focuses on the risks associated with web-based applications, but the principles are applicable to all types of software. BITS recently held a forum on web-based application security.

To view the bulletin, please click on the following link, <http://www.occ.treas.gov/ftp/bulletin/2008-16.html>.

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



“Simplifying Regulation for Agents and Brokers...”

### **The Agents for Change Legislative Conference: Less than Four Weeks Away**

This year's Agents for Change legislative conference will be held on June 10-11 in Washington, D.C. Hailed as National Co-Sponsor Day, the goal of this year's conference is to urge members of Congress to co-sponsor the National Insurance Act of 2007 (S. 40 and H.R. 3200).

Participants will attend meetings on Capitol Hill with members of Congress to discuss the need to modernize insurance regulation and enact an OFC. They will also hear from high level guest speakers, network with peers, and enjoy private tours of Washington, D.C. landmarks.

Agents for Change has held eight in-district meetings in 2008 bringing our total to 34 in less than two years. Our next in-district meeting is with Rep. Gary Miller (R-CA) in Brea, CA on July 1.

Please invite producers to attend both our in-district meetings and legislative conference.

Agents for Change has exhibited at three trade shows this year. These recruiting opportunities, coupled with initiatives by member companies, have increased our membership to over 5,500 agents and brokers.

Membership in Agents for Change includes producers across all lines of insurance in 50 states, the District of Columbia, Puerto Rico, and Guam. We continue to recruit producers 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 at [Peter@agents4change.net](mailto:Peter@agents4change.net) or 202-589-1929.

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THE FINANCIAL SERVICES ROUNDTABLE



**COMMUNITY SERVICE 2008**

FOCUS: FINANCIAL EDUCATION

Co-Chairs: Richard K. Davis, U.S. Bancorp • Don J. McGrath, BancWest Corporation

### **Community Service 2008 Update**

This week, GE Money joined Community Service 2008 as a Participating Company!

This brings the total number of involved companies to 65 of 97 member companies. CS08 Chairs Richard K. Davis (U.S. Bancorp) and Don J. McGrath (BancWest) have a goal of 100% membership participation.

**ACTION REQUIRED:** Please register your community service activities ASAP (<https://registration.fsround.org/>), and please note:

**To invite a Member of Congress to an event, please submit COMPLETE activity information by May 31.**

Be sure to register every community service activity that is taking place during the Community Service 2008 timeframe (July 01-September 30).

**Spotlight on Activities: Capital One “Financial Education with Freedom House”**

Beginning July 2, Capital One will be hosting a financial education initiative with Freedom House in Richmond, VA. Freedom House provides a clear voice for democracy and freedom around the world. Capital One will also be partnering with Habitat for Humanity in Richmond, VA to rehabilitate a home in the metropolitan area. For more information, please contact Matt Hines, [Matthew.Hines@capitalone.com](mailto:Matthew.Hines@capitalone.com).

The following link provides you with contact information and overviews of each Community Service 2008 National Partner. New to this document is an affiliate listing by Rebuilding Together. If your company is interested in working with a CS08 National Partner on a community service initiative, please feel free to contact them directly to begin a project.  
<http://www.fsround.org/hyperlink/Partnerslist-detail.pdf>

**CS08 Media Contact:** Please be sure to specify in the registration, someone from your company for the CS08 Media Working Group. This person would be involved in reaching out to the press about your company's activities.

As of today, May 16, 2008:

National Sponsors: AEGON USA, Inc., The Allstate Corporation, American General Financial Services, AXA Equitable, BancWest Corporation, The Bank of New York Mellon Corporation, Barclays Capital, Inc., Capital One Financial Corporation, The Charles Schwab Corporation, Edward Jones, GMAC Financial Services, HSBC – North America, MasterCard Worldwide, Nationwide, The PMI Group, Inc., Principal Financial Group, Protective Life Corporation, Raymond James Financial, Inc., Regions Financial Corporation, State Farm Insurance Companies, Toyota Financial Services, UnionBanCal Corporation, Unum, U.S. Bancorp, Washington Mutual, Inc., and Wells Fargo & Company (26)

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Other

### **2008 Lawyers Council Spring Meeting**

More than 70 lawyers from member companies of The Financial Services Roundtable gathered this week in Washington, DC for the 2008 Lawyers Council Spring Meeting. They discussed important legal and policy topics affecting the financial services industry, from subprime to attorney-client privilege to global competitiveness. Featured speakers included, Tommy Wells, President-Elect of the American Bar Association, Mark Filip, Deputy U.S. Attorney General, Adam Szubin, Director of OFAC, and Honorable Kathy Casey, SEC Commissioner.



Tommy Well, President-Elect of the American Bar Association and Rich Whiting, Executive Director and General Counsel of the Roundtable



Mark Filip, Deputy U.S. Attorney General and  
Steve Bartlett, President and CEO of the  
Roundtable

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Roundtable Calendar

<b>Date</b>	<b>What</b>	<b>Where</b>	<b>Contact</b>
May 21-22, 2008	Housing Policy Council Annual Meeting	Ritz-Carlton Washington, D.C.	Tanya Bailey, <a href="mailto:Tanya@fsround.org">Tanya@fsround.org</a>
June 10-11, 2008	Agents for Change Legislative Conference	Capitol Hill Washington, D.C.	Peter Ludgin, <a href="mailto:Peter@Agents4Change.net">Peter@Agents4Change.net</a>
June 19, 2008	Executive Fly-in on Interchange	Roundtable Offices Washington, D.C.	Paul Begey, <a href="mailto:Paulb@fsround.org">Paulb@fsround.org</a>
July 1, 2008	Agents for Change In-District Meeting with Rep. Gary Miller	Brea, CA	Peter Ludgin, <a href="mailto:Peter@Agents4Change.net">Peter@Agents4Change.net</a>
July 1, 2008	Community Service 2008 Kickoff	Nationwide	Aleksia Ilic, <a href="mailto:Aleksia@fsround.org">Aleksia@fsround.org</a>
August 26, 2008	Democratic National Convention Brunch Event	Denver, 2008 Democratic National Convention	Scott Talbott, <a href="mailto:Scott@fsround.org">Scott@fsround.org</a>
September 2, 2008	Republican National Convention Brunch Event	Minneapolis/St. Paul, 2008 Republican National Convention	Scott Talbott, <a href="mailto:Scott@fsround.org">Scott@fsround.org</a>
September 30, 2008	Community Service 2008 Concludes	Nationwide	Aleksia Ilic, <a href="mailto:Aleksia@fsround.org">Aleksia@fsround.org</a>

***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.*