

AGENCIES AND AGENCY OVERSIGHT REFORM (as of March 23, 2010)

The various government agencies regulating the financial industry with their varying rules and standards have led to certain entities not being regulated at all, with others subject to less oversight than their peer financial firms organized under different charters. The House passed legislation last November outlining each agency's authority and increasing the types of entities subject to agency oversight. The Senate discussion draft bill overhauls the existing system. The Senate bill recently released by Senator Dodd adds to the changes provided in the House legislation.

	The Wall Street Reform and Consumer Protection Act of 2009, passed by the House on December 11, 2009	Senate Discussion Draft released by Senator Dodd on November 10, 2009	The Restoring American Financial Stability Act of 2010, released by Senator Dodd on March 15, 2010
Major Agency Changes	<ul style="list-style-type: none"> - Office of Thrift Supervision (OTS) to become a division of the Office of the Comptroller of the Currency (OCC) - Creation of the Consumer Financial Protection Agency (CFPA) - Creation of Federal Insurance Office (FIO) 	<ul style="list-style-type: none"> - Creation of the Financial Institutions Regulatory Administration (FIRA) - Limits role of Federal Deposit Insurance Corporation (FDIC) and Federal Reserve - Creation of Agency for Financial Stability (AFS) - Creation of the Office of National Insurance within Treasury (ONI) 	<ul style="list-style-type: none"> - Creation of the Financial Stability Oversight Council (Council) - Creation of the Office of Financial Research within the Treasury to support the Council - Creation of an independent Bureau of Consumer Financial Protection (Bureau) - Creation of the Office of National Insurance within the Treasury - Creation of the Office of Credit Rating Agencies within the SEC
Major Changes in Agency Oversight	<ul style="list-style-type: none"> - OTS division to regulate federal savings associations - FDIC to regulate state savings associations - Federal Reserve to regulate savings and loan holding companies and their non-savings association subsidiaries - CFPA to oversee markets for consumer financial products and services and protect investors from abuses and strip rulemaking power relating to these matters from agencies who currently have such power under the Truth in Lending Act, Fair Credit Reporting Act, Equal Credit Opportunity Act, and Real Estate Settlement Procedures Act; CFPA will have examination and enforcement powers 	<ul style="list-style-type: none"> - FIRA to combine the functions of the OCC and OTS, the state bank supervisory functions of the FDIC and the Federal Reserve, and the bank holding company supervisory authority from the Federal Reserve - FDIC to focus on its jobs as deposit insurer, resolver of failed institutions and overseer of troubled banks - Federal Reserve to focus on monetary policy - AFS consists of members from other agencies that monitor systemic risk and make recommendations relating to capital adequacy, liquidity, etc. - ONI to monitor all aspects of the 	<ul style="list-style-type: none"> - Federal Reserve Board to regulate bank and thrift holding companies with assets of \$50 billion or more - OCC to regulate (i) national banks and federal thrifts of all sizes; and (ii) holding companies of national banks and federal thrifts with assets below \$50 billion - FDIC to regulate (i) state banks and thrifts of all sizes; and (ii) bank holding companies of state banks with assets below \$50 million - OTS to be eliminated - SEC to require registration of hedge funds that manage over \$100 million as investment advisers; threshold for

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	<ul style="list-style-type: none"> - FIO to monitor and study insurance industry/issues and the adequacy of state insurance laws 	<p>insurance industry, including identifying issues or gaps in the regulation of insurers that could contribute to a systemic crisis in the insurance industry or the financial system</p>	<p>investment advisers subject to federal regulation to be raised from \$25 million to \$100 million</p> <ul style="list-style-type: none"> - SEC to require registration of municipal financial advisers, swap advisers and investment brokers; Municipal Securities Rulemaking Board rules to be enforced by the SEC
Other	<ul style="list-style-type: none"> - Definition of the following entities revised to bring more entities under supervision/regulation: <ul style="list-style-type: none"> - Savings and Loan Holding Company - Bank Holding Company - Creation of the Financial Services Oversight Council, which is not an agency, but can provide recommendations relating to systemic risk, capital adequacy, liquidity, etc. to the various agencies 	<ul style="list-style-type: none"> - Certain financial entities may be designated as “specified” and subject to registration with FIRA and increased oversight by AFS 	<ul style="list-style-type: none"> - Regulators required to implement regulations that prohibit banks, bank holding companies and certain nonbank financial institutions from proprietary trading and investments and sponsorships of hedge funds and private equity funds. - Federal Reserve Board to have rule-making authority (and to act upon recommendations of the Council) with respect to rules prohibiting proprietary trading and investments and sponsorships of hedge funds and private equity funds - Large complex companies required to periodically submit “living wills” to regulators in the event of financial distress.