

**BankBCLP**

## **FINANCIAL SERVICES UPDATE - MARCH 4, 2011**

Mar 07, 2011

### *FEBRUARY UNEMPLOYMENT FALLS TO 8.9%*

On Friday, the Department of Labor reported that the nation added 192,000 jobs in February, up from a gain of 63,000 in January. The unemployment rate was down to 8.9 percent, falling below 9 percent for the first time in nearly two years. Altogether, 13.7 million people are unemployed and actively looking. A broader measure of unemployment, which includes people working part-time because they could not find full-time jobs and those so discouraged that they have given up searching, was listed at 15.9 percent in February, down from 16.1 percent in January.

### *CONGRESS PASSES STOPGAP FUNDING MEASURE*

This week the House and Senate passed a continuing resolution funding the government until March 18, thereby avoiding a government shutdown and cutting \$4 billion from current fiscal year spending. House Majority Leader Eric Cantor (R-VA) said Thursday that House Republicans plan to keep cutting spending at a rate of \$2 billion a week, through two-week spending bills, until the Senate makes clear its position on a budget for the rest of FY 2011. House Republicans last month passed a bill to finish out the fiscal year, cutting \$61 billion from 2010 levels. However, President Obama has issued a veto threat on that bill, saying House Republicans' cuts are unacceptable. Senate Democrats have said that the non-spending "policy" provisions of the House Republicans' bill regarding the environment and healthcare will also have to be struck before an agreement can be reached.

### *SEC VOTES TO RESTRICT BONUSES*

On Thursday, the Securities and Exchange Commission voted to pass new restrictions on bonuses at large brokers and investment advisers, including hedge funds. The new restrictions are nearly identical to rules proposed by the Federal Deposit Insurance Corp. (FDIC) last month that apply to the banks that the FDIC oversees. The Dodd-Frank Wall Street Reform Act, which mandates the bonus rules, requires seven federal banking regulators to write the rules jointly. The SEC's proposal will require brokers and advisers with more than \$1 billion in assets to disclose the bonus arrangements of their executives, directors and lower-rung employees to the SEC annually. The proposal will also require firms with at least \$50 billion in assets to hold half of the bonuses of top executives and heads of business units for three years. Any bonuses would have to be adjusted for

losses at the firm after the pay was awarded. A 45-day public comment period follows Wednesday's vote. A second vote by the commission is required before the proposal can be made final.

### *SEC VOTES TO LOOSEN RESTRICTIONS ON MONEY MARKETS*

On Wednesday, the SEC also voted to overturn a requirement that money-market funds invest only in securities that have certain minimum credit ratings or securities of comparable credit quality to maintain their status as money-market funds. The SEC's proposal will replace the credit ratings standard with a new test based on the fund manager's assessment that the security presents minimal credit risks and the fund's board of directors' judgment that each security's issuer has the strongest ability to meet its short-term financial obligations. Money market funds would not be barred from referring to credit ratings when making such determinations. As with the bonus restrictions proposal, a 45-day public comment period will now take place before a second and final vote by the Commission is made on the proposed new rules.

### *HOUSE FINANCIAL SERVICES COMMITTEE PASSES TERMINATIONS OF MORTGAGE RELIEF PROGRAMS*

The House Financial Services Committee voted Thursday to pass bills that terminate the Federal Housing Administration's (FHA) Short Refi Program and Emergency Homeowner Loan Program. The FHA Short Refi program launched in September, but the EHL program was not set to accept applications until this Spring. Both bills that propose ending these programs are expected to reach the House floor next week. The Committee also heard testimony Wednesday on whether to continue funding the Home Affordable Modification Program and the Neighborhood Stabilization Program. The House committee will hold votes on discontinuing those programs next week.

### **More Information**

If you have any questions regarding any of these issues, please contact:

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