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FINANCIAL SERVICES UPDATE - APRIL 22, 2011

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JAPAN ANNOUNCES DISASTER RELIEF FUND

On Friday, Japanese Finance Minister Yoshihiko Noda announced a 4 trillion yen ($48.5 billion) emergency budget for disaster relief in the wake of the nuclear crisis triggered by the March tsunami. Noda said the government would not issue new bonds to pay for the fund, and the cabinet plans to submit the emergency budget to parliament on April 28. Given that the material damage alone from the disaster could top $300 billion, the government is expected to seek additional future disaster funding that will likely require tax increases and debt financing.

JUSTICE DEPARTMENT EXAMINES NYSE/NASDAQ/ICE MERGER

On Wednesday, Nasdaq-OMX CEO Robert Greifeld and ICE CEO Jeffrey Sprecher disclosed in a letter to NYSE Euronext's board that they are in discussions with the antitrust division of the Justice Department (DOJ) after buying NYSE Euronext stock which triggered the DOJ's antitrust review. The letter also disclosed that Nasdaq-OMX and ICE are willing to pay NYSE Euronext $350 million if DOJ blocks their proposed takeover, an offer they say is now based on "fully committed financing" of $3.8 billion.

On April 10, NYSE Euronext 's board rejected the Nasdaq/ICE unsolicited $11.3 billion proposal and affirmed its February agreement to merge with Deutsche Boerse AG for $9.5 billion in stock. The agreement with Deutsche Boerse includes a payout of 250 million euros ($358 million) should that deal fall apart. NYSE Euronext acknowledged that it had received the Nasdaq/ICE reverse break up free proposal and that its board is reviewing the matter.

S&P CHANGES U.S. LONG TERM RATING FROM STABLE TO NEGATIVE

On Monday, Standard & Poor's Ratings Services (S&P) changed its outlook on the U.S. long-term credit rating from stable to negative because " the U.S. has relative to its 'AAA' peers very large budget deficits, rising government indebtedness, and the path to addressing these is not clear." While the S&P affirmed the U.S. 'AAA' long-term and 'A-1+' short-term sovereign credit ratings, it also predicted at least a one-in-three chance that it could lower its long-term rating on the U.S. within two years because of the increased risk that the political negotiations over when and how to address both the medium and long-term fiscal challenges will persist until at least after the elections in 2012.

HOUSE REPUBLICANS INTRODUCE LEGISLATION TO DELAY NEW DERIVATIVE REGULATIONS

On Wednesday, four House Republican lawmakers on the Financial Services and Agriculture committees introduced legislation to delay for eighteen months all rulemakings involving derivatives by the Securities and Exchange Commission and Commodity Futures Trading Commission called for in the Dodd-Frank financial regulation law. While most of the new rules required by the law are due by mid-July, the House Republican legislation would delay the timing of the new rules to coincide with the Group of 20 finance ministers' agreement to finalize rules by December 2012. The proposed legislation would also require agencies to hold public round-tables and solicit comments from the financial industry about the time and resources it would take to comply with the regulations. The House Financial Services Committee is tentatively scheduled to mark up the derivatives legislation on May 12. While the House will likely pass such legislation, the Senate is not expected to pass the bill before the regulations take effect.

More Information

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

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