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FINANCIAL SERVICES UPDATE - JULY 22, 2011

Jul 22, 2011

DEBT LIMIT NEGOTIATIONS CONTINUE

On Tuesday, the House passed its "Cut, Cap and Balance" legislation which would cut government spending now, cap it in the future and approve a constitutional amendment to balance the federal budget. On Friday, the Senate voted to table a motion to consider the measure. However, a**fter another tense week of negotiations between the Senate Republicans, Senate Democrats, House Republicans, House Democrats, and the President Obama, the outline of a purported deal seemed to emerge late Thursday.** Congressional Democrats reported that President Obama discussed with them a deal he had reached with Speaker John Boehner to raise the debt ceiling by $2.4 trillion, enough to get through the 2012 elections, with at least as much in immediate spending cuts and a promise of "tax reform" in 2012. On Friday, in response to the news of a "deal," Speaker Boehner told the House Republican Conference there was "no deal," but that he will continue to negotiate with the White House over the weekend. The most important questions remaining are how many House Republicans will vote for a deal that does not include immediate tax increases but does include the promise of broader "tax reform" next year and how many House Democrats will vote for a deal with no tax increases.

GREECE GETS ANOTHER BAILOUT

On Thursday, European finance ministers agreed to a new $157 billion financial aid package for Greece in exchange for forcing Greece's bond holders to accept a bond exchange that gives them less than originally promised. The new plan for Greece will provide for the euro zone's bailout fund and the International Monetary Fund to lend Greece $157 billion over the next three years at 3.5% interest. Private creditors who hold Greek debt that matures in the coming years will "voluntarily" turn in their bonds and accept new ones that mature far in the future.

The EU also agreed Thursday to an expansion of its bailout fund. That vehicle, once restricted to lending to countries near the brink of collapse, will now be able to buy euro-zone bonds on secondary markets to move prices and lend directly to countries even before they lose access to private funding and could even include lending to finance bank recapitalizations. The leaders also agreed to cut the once-lofty interest rates that the bailout fund charges and extend to as much as 30 years the maturities of the loans it provides. Ireland and Portugal, both currently receiving

European aid, will get breaks on their interest rates to 3.5%. Ireland was paying around 6% on the EU portion of its euro 67.5 billion bailout.

TREASURY SELLS OFF REMAINING STAKE OF CHRYSLER

On Thursday, the Treasury Department sold its remaining stake in Chrysler losing a total of $1.3 billion. Italian automaker Fiat purchased the U.S. government's remaining 6% stake in Chrysler for $560 million, formally concluding the $12.5-billion bailout.

SUIT AGAINST GOLDMAN DISMISSED

On Thursday, former Australian hedge fund Basis Yield Alpha's legal challenge to Goldman Sachs' infamous Timberwolf 2007-1 collateralized debt obligation was dismissed by Judge Barbara Jones of the U.S. District Court for the Southern District of New York. Jones cited a Supreme Court decision that held that U.S. securities-fraud laws apply only to domestic transactions.

SENATE BANKING HEARING ON ONE YEAR ANNIVERSARY OF DODD-FRANK

On Thursday, in a hearing before the Senate Banking Committee, federal banking regulators testified on the implementation of the Dodd-Frank Wall Street Reform Act. Regulators said they are moving fast enough to give markets certainty, but slow enough to get hundreds of new rules right. A handful of regulatory agencies are writing hundreds of new rules to police the swaps market, reduce risk at the biggest financial firms, and bring the so-called shadow banking system -- which includes hedge funds and non-traditional lenders -- into the traditional regulatory framework. The SEC and CFTC have struggled to keep pace with the swift rule-writing timeline laid out in Dodd-Frank, and are months behind schedule on many key rules. However, in a surprising move, Federal Reserve Chairman Ben Bernanke said federal bank regulators may rethink their crackdown on derivatives if a global agreement cannot be reached on margin requirements thereby acknowledging that U.S. banks would be at a significant competitive disadvantage if their foreign rivals do not have to demand margin, or collateral, for derivatives trades.

More Information:

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

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