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# FINANCIAL SERVICES UPDATE - SEPTEMBER 16, 2011

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*GEITHNER MEETS WITH EUROZONE FINANCE MINISTERS*

On Friday, Treasury Secretary Timothy Geithner met with seventeen European finance ministers in Poland to discuss the eurozone's debt crisis. Jean-Claude Juncker, president of the Eurogroup, announced the group decided to delay till October a decision on whether to pay out the next tranche of a multi-billion euro loan to Greece. The two-day meeting of Europe's Economic and Financial Affairs (ECOFIN) Council -- hosted by Polish Finance Minister Jacek Rostowski and the president of the National Bank of Poland -- comes ahead of G20 and IMF meetings later this month. The European Central Bank, along with the Fed, the Bank of England, the Bank of Japan and the Swiss National Bank, also announced that three U.S. dollar auctions would be held between October and December.

*SENATE COMMITTEE PASSES INCREASED FUNDING FOR SEC AND CFTC*

On Thursday, the Senate Appropriations Financial Services Subcommittee passed its FY 2012 funding bill giving banking and commodities regulators large budget increases to help them implement sweeping new financial regulations. The bill, which will now go to the full U.S. Senate for a vote, gives the Securities and Exchange Commission a fiscal 2012 budget of $1.407 billion, an increase of roughly 19 percent from its current fiscal 2011 budget of $1.185 billion and the Commodity Futures Trading Commission an estimated 19 percent increase in its funding, jumping from $202 million to $240 million for fiscal 2012. That bill would also split oversight of the nearly $600 trillion over-the-counter derivatives market between the two regulators and give the SEC greater authority to regulate hedge funds, credit-rating agencies and municipal advisers. However, the fate of the bill remains uncertain because House Republicans oppose many of the Dodd-Frank provisions which increase the need for expanded SEC and CFTC budgets. Earlier this year, the House Appropriations Financial Services Subcommittee passed a bill that would reduce the CFTC's budget to $171.9 million but maintain the SEC's funding at its FY 2011 level. With the end of the year approaching, House and Senate leaders are bracing themselves for another omnibus bill that combines all the unpassed appropriations bills into one major bill. The House and Senate will most likely fail to pass similar Financial Services Appropriations bills which will cause the bill to be wrapped into the omnibus thereby reducing the chance of large increases for the SEC or CFTC.

*FITZPAYNE NOMINATED FOR TREASURY LEGISLATIVE AFFAIRS CHIEF*

On Wednesday, the White House announced that President Obama intends to nominate Alastair Fitzpayne as the next assistant secretary of Treasury for legislative affairs. Fitzpayne has been Treasury's deputy chief of staff since January 2009. He was a legislative assistant to former Sen. Evan Bayh (D-Ind.) from 2001 to 2006. From 2007 to 2009, he served as a senior policy adviser to Rep. Rahm Emanuel (D-Ill.).

*HOUSE REPUBLICANS INTRODUCE DISASTER FUNDING BILL*

On Wednesday, House Republican leaders introduced a stopgap spending bill to keep the government operating though mid-November and provide $3.65 billion in short-term federal assistance to replenish strained disaster reserves. The funding resolution would impose a 1.4 percent cut on most agencies and Cabinet departments, including Defense, to stay within 2012 spending caps set in August. FEMA and the Corps of Engineers would immediately benefit from a first installment of $1 billion in emergency funds to avoid any disruption in aid for these last weeks of the 2011 fiscal year ending September 30. The second $2.65 billion represents a down payment toward FEMA's 2012 budget. With two weeks left in fiscal 2011, FEMA's disaster reserve fund has dwindled to $377 million and the agency has been operating since late August on an "immediate needs" basis, forcing delays in longer-term recovery projects around the nation. Senate Democrats, who have been pursuing their own much larger $6.9 billion disaster aid package, said they did not support the current House approach, but left open the possibility of agreement if House Republicans consider more disaster aid. The House is schedule to vote on its bill next week.

*FDIC APPROVES NEW SYSTEMATIC RISK RULES*

On Tuesday, the FDIC approved new sets of rules that the largest banks will have to follow in drafting plans in the event of their own collapse. The panel also approved contingency planning guidelines for insured banks. The new rules, which were authorized in the Dodd-Frank Act, are designed to eliminate the need for bailouts by giving the FDIC power to liquidate large firms whose failure could threaten the financial system. Banks with at least $50 billion in assets will have to file such plans, as will any firm designated as systemically important by the Financial Stability Oversight Council. The final rule changes the filing timeline from an April draft proposal released by the FDIC and Fed, moving toward a tiered phase-in based on the total of non-bank assets held by firms. Companies with more than $250 billion in non-bank assets are required to file the plans by July 1, 2012. Firms with non-bank assets between $100 billion and $250 billion would be required to file by July 1, 2013, and all other firms would be required to submit plans by December 2013. The agency also approved unanimously a separate rule dictating resolution plans for FDIC-insured banks with more than $50 billion in assets. The rule, which the agency began drafting before the completion of the Dodd-Frank Act, would apply to 37 banks and thrifts. Thirty four of those firms would be required to file resolution plans with the Fed because of the size of their parent company. The rule takes effect January 1, 2012, and would be subject to a 60-day public comment period.

**More Information**

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

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## MEET THE TEAM

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