



## ML Strategies Update

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## Financial Services Legislative and Regulatory Update

### Leading the Past Week

With both the House and Senate on recess this past week, the President stepped into the void to take full advantage of his bully pulpit and attempted to hammer the Republicans on the sequester. By the end of the week, with the general consensus in Washington coalescing around the inevitability of sequester both sides had degenerated into a he said / she said blame game.

Look for the mud to keep slinging as we will reach the March 1<sup>st</sup> target date on Friday. However, unlike the debt ceiling or the debate about funding the government, the impact of the sequester will be felt in its entirety on Friday, as the impact can be mitigated, at least initially. That is why the real \$64,000 question is how long the sequester will last – especially as it is likely to get ensnared in the debate about funding the government. The CR runs out on March 27<sup>th</sup>, which will offer both sides at least a few more weeks to try to pin the blame for this mess on the other.

Even in the shadow of the sequester and the potential uncertainty as to the validity of Director Cordray's appointment, the CFPB continues to push forward announcing several new initiatives this past week.

### Legislative Branch

#### **Senate**

##### *Finance Committee to Vote on Lew Nomination*

On Sunday afternoon, Senate Finance Committee Chairman Baucus announced that the Senate Finance Committee will meet at 10:00am on Tuesday, February 26<sup>th</sup>, in order to vote on the nomination of Jack Lew to be Treasury secretary. The vote will occur before an already scheduled hearing entitled "The Budget and Economic Outlook: Fiscal Years 2013 to 2023."

#### **House of Representatives**

*House Financial Services Members Send Bipartisan Letter Regulators to Reexamine Basel III Requirements*

On February 19<sup>th</sup>, Representatives Shelley Moore Capito (R-WV) and Carolyn Maloney (D-NY) wrote to the Federal Reserve, OCC and FDIC expressing their continued concern with the current approach to implementation of the Basel III capital requirements. Capito and Maloney told regulators they fear compliance costs associated with the new capital rules will force smaller financial institutions out of business and called on the regulators to ensure that the requirements are “appropriate for the wide range of institutions that comprise our financial system.” The ABA posted a copy of the letter [here](#).

#### *Waters Reiterates Request for More Information on Foreclosure Settlement Deal*

On February 19<sup>th</sup>, Ranking Member Maxine Waters (D-CA) [wrote](#) to the Federal Reserve and OCC, requesting additional details about the Independent Foreclosure Review and the \$9.3 billion settlement deal made with mortgage servicers. Waters previously [wrote](#) regulators at the end of January seeking information about the settlement’s terms and requesting they include provisions concerning a minimum amount for principal reductions and other measures to assist borrowers who remain in their homes. In last week’s letter, Waters told regulators new information has surfaced since she made the request in January. In addition, she requested documents created by the independent consultants hired by the banks outlining how loan files were to be reviewed by analysts, information on error rates of reviewed loan files, guidelines issued by the regulators to independent consultants relating to the foreclosure notice process, and other pertinent information.

#### Executive Branch

##### **CFPB**

#### *CFPB Consumer Advisory Board Asks Bureau to Address Payday Loans*

On February 20<sup>th</sup>, members of the CFPB’s [Consumer Advisory Board](#) urged the Bureau to consider rules to enhance protections for small-dollar payday loans. During the Board’s second meeting, members of the body requested the CFPB examine limiting the number of times a borrower may roll over loans, mandating longer-loan repayment periods and requiring lenders to verify borrowers’ ability to repay. Others suggested also requiring payday loan repayments to be reported on consumer credit reports. In his comments before the Board meeting, CFPB Director Cordray [said](#) there is a demand for short-term credit products such as payday loans and the Bureau wants “to make sure that consumers can get the credit they need without jeopardizing or undermining their finances.”

#### *CFPB Looks to Alternative Repayment Options for Student Loans*

On February 21<sup>st</sup>, the CFPB announced that it is [gathering information](#) to develop options for policymakers to make repayment of private student loans more manageable for struggling borrowers. The Bureau is looking into more flexible repayment options and seeking input on several issues related to affordability, including: how student loans impact the broader economy and access to mortgage and automobile loans; how distressed borrowers manage student loan obligations; what options exist for lowering monthly payments on private loans; examples of successful alternative payment programs; and the best mechanisms for communicating with distressed borrowers.

#### *ABA Submits Comments to CFPB on Impact of CARD Act*

On February 19<sup>th</sup>, the American Bankers Association (ABA) submitted a [letter](#) to the CFPB in response to the Bureau’s request for comment on how the CARD Act has affected consumers and the availability of credit. In the letter, the ABA outlines how the CARD Act has yielded higher consumer costs and less access to credits, especially for those with little or poor credit

history. The ABA wrote that “credit card interest rates have increased by more than 72 basis points, a 5 percentage increase,” while availability and use of cards have decreased. The group commended the CFPB for attempting to gauge the effects of the law and requested that the CFPB further explore the impact on consumers.

## **SEC**

### *Chairman Outlines Regulations for High Frequency Trading*

In a February 19<sup>th</sup> [speech](#) at American University, Chairman Elisse Walter announced that she has directed agency staff to “accelerate” work on regulations intended to improve electronic trading systems. The rule, known as, “Reg SCI,” will require that the basic technology of exchanges, trading systems and clearing agencies meet a set of standards. The regulation also would provide for entities operating in this space conduct business continuity testing and provide certain notifications regarding systems disruptions and other events. Walter also touched on the SEC’s new Market Information Data Analytics System (MIDAS) and ways in which the SEC is attempting to make trade data public. Walter said the goal of these initiatives is to “protect investors with technology whose precision and sophistication reflects the markets in which they invest today.”

### *Outlook for SEC Political Disclosure Rule Uncertain*

In a February 20<sup>th</sup> [statement](#), Commissioner Aguilar emphasized the importance of robust proxy disclosure to shareholders and endorsed a proposal to require public companies to disclose all political activity to investors. The SEC included the disclosure proposal on its agenda for 2013 but it is unclear whether the SEC will be successful in advancing the rule. Aguilar noted that investors have been “clamoring” for additional information on how corporations use resources for political reasons and agreed that “this information would enhance the ability of shareholders to make informed voting and investment decisions.” Consensus seems that the fate of the disclosure rule will fall to incoming Chairman Mary Jo White, who can either choose to pursue the rule or put it aside to avoid a political fight in lieu of other pressing regulations. Despite Aguilar’s support, Commissioners Gallagher and Paredes have said they have “no interest” in pursuing the measure.

## **Treasury**

### *FSOC Meeting February 28<sup>th</sup> in Closed Session*

On February 28<sup>th</sup>, Acting Secretary Neal Wolin will chair a regularly scheduled closed session of the Financial Stability Oversight Council (FSOC). In its press [release](#) to announce the meeting the Treasury did not provide details on an agenda.

### Upcoming Hearings

On Tuesday, February 26<sup>th</sup> at 9:30am, in 1300 Longworth, the House Agriculture Committee will meet to consider its budget “Views and Estimates” report to the House Budget Committee.

On Tuesday, February 26<sup>th</sup> at 10am, in 2128 Rayburn, the House Financial Services Committee will meet to consider its budget “Views and Estimates” report to the House Budget Committee.

On Tuesday, February 26<sup>th</sup> at 10am, in 2154 Rayburn, the House Oversight and Government Reform Subcommittee on Economic Growth, Job Creation and Regulatory Affairs will hold a hearing titled “Bailout Rewards: The Treasury Department’s Continued Approval of Excessive

Pay for Executives at Taxpayer-Funded Companies.”

On Tuesday, February 26<sup>th</sup> at 10am, in 106 Dirksen, the Senate Banking, Housing and Urban Affairs Committee will hold an executive session to vote on organizational matters including subcommittee assignments, committee rules, and its budget for the 113th Congress. Immediately following the vote, Federal Reserve Board Chairman Ben Bernanke will appear before the Committee to deliver the central bank’s Semiannual Monetary Policy Report to the Congress.

On Tuesday, February 26<sup>th</sup> at 10am, in 215 Dirksen, the Senate Finance Committee will hold a hearing on the budget and economic outlook for fiscal years 2013 to 2023.

On Tuesday, February 26<sup>th</sup> at 10:30am, in 608 Dirksen, the Senate Budget Committee will hold a hearing titled “The Impact of Federal Investments on People, Communities, and Long-Term Economic Growth.”

On Wednesday, February 27<sup>th</sup> at 10am, in 2128 Rayburn, the House Financial Services Committee will meet to receive the semi-annual monetary policy report from the Chairman of the Federal Reserve System.

On Wednesday, February 27<sup>th</sup> at 9:30am, in 328-A Rayburn, the Senate Agriculture, Nutrition and Forestry Committee will hold an oversight hearing on the Commodity Futures Trading Commission, focusing on implementation of legislation that overhauled regulation and supervision of Wall Street and on the agency’s proposed agenda for the coming year. It will also consider the collapse of MF Global and look at efforts to protect both customers and the integrity of the markets.

On Thursday, February 28<sup>th</sup> at 10am, in Dirksen 538, the Senate Banking, Housing and Urban Affairs Committee will meet for a hearing titled “Addressing FHA’s Financial Condition and Program Challenges, Part II.”

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