Legislative and Regulatory

Status Update

Association for Financial Professionals®

AFP—Your Daily Resource

A monthly summary of federal issues

November 2009

Overview

This autumn, a number of issues under consideration all year have begun to move forward. Last month, the House Financial Services Committee marked up and approved a number of critical elements of the efforts to overhaul the financial regulatory system, including a bill on over the counter (OTC) derivatives and a bill to create a Consumer Financial Protection Agency (CFPA). While the House continued its efforts with multiple bills, Senate Banking Committee Chairman Chris Dodd (D-CT) introduced a single 1,136 page comprehensive proposal to reform the financial markets (see page 2).

A few blocks away from Capitol Hill, the Securities and Exchange Commission (SEC) undertook regulatory reform of their own and used powers granted to them under the Credit Rating Agency Reform Act of 2006 to propose new rules to bring new accountability and transparency to credit ratings (see page 4).

Although not part of an attempt to reform financial markets regulation, President Barack Obama signed into a law a measure that would extend and expand a provision from this year's stimulus package on Net Operating Loss (NOL) carryback. The expanded measure would allow businesses to re-claim taxes on NOL as far back as five years prior (see page 1).

On the payments front, the Government Accountability Office (GAO) released their findings from a study conducted this year on the costs incurred by businesses from credit card interchange fees (see page 4). This summer, AFP members took part in the GAO's study and provided information on the costs incurred by their businesses.

This month, AFP's Government Relations Committee (GRC) met in Washington, DC, with legislators, regulators, and White House Staff. GRC members took part in meetings to discuss AFP members' concerns with aspects of the financial markets regulatory overhaul as well as market conditions. For more details on the meetings and all that was discussed, see our Issues Brief this month (see page 7).

Inside this Issue

Legislative Issues

Treasury and Finance

- Senate Banking Committee Chairman Releases Financial Regulatory Reform Bill
- Systemic Risk Regulation
- Expanded NOL Carryback
- Derivatives
- Oversight of Credit Rating Agencies

Pensions and Investments

- Defined Benefit Plan Funding
- Investment Advice in Defined Contribution Plans
- 401(k) Fee Disclosure

Payments & Technology

- Credit Cards Back in Spotlight

Regulatory Issues

Treasury and Finance

- SEC Proposes New Rules for NRSROs
- FINRA Proposing New OTC Trade Rules
- GAO Issues Report on Credit Card Interchange Fees
- AFP Submits on FDIC Prepaid Assessments
- Federal Liquidity Programs
- TALF Credit Ratings

Pensions and Investments

- Investment Advice
- Final PPA Funding Rules
- 401(k) Disclosure
- IAS 19 Amendment on Defined Benefit Plan Interest Rates
- SEC Proposes New Rules on Proxy Access

Financial Accounting and Reporting

- New SEC Deputy Chief Accountant Selected
- Convergence
- Classification and Measurement
- Credit Losses (Impairments)
- Hedging
- Fair Value Measurement
- SEC's Roadmap to Convergence

Issue Summary

- AFP's GRC Meets with Legislators, Regulators, and the White House
  By Michael Griffith, Legislative Analyst, AFP

 Copyright © 2009 Association for Financial Professionals, Inc. All Rights Reserved

11/09 Senate Banking Committee Chairman Releases Financial Regulatory Reform Bill – On November 10, 2009, Senate Banking Committee Chairman Chris Dodd (D-CT) unveiled his bill to reform the financial regulatory structure of the nation's capital markets. The Restoring American Financial Stability Act of 2009, which had not been assigned an official bill number at this time attempts to "restore responsibility and accountability in our financial system to give Americans confidence that there is a system in place that works for and protects them", according to a summary describing the bill.

On November 19, 2009, the Senate Banking Committee began debating Chairman Dodd's proposal. Each Senator serving on the Committee had an opportunity to make statements on the discussion draft. Members of the Committee will have an opportunity to amend the bill after the Thanksgiving break.

Generally, the plan would consolidate financial regulators, impose higher capital requirements on financial institutions, reshape the derivatives industry, and shift consumer protection from an overlapping patchwork of regulators to a single new commission. The legislation would create three agencies aimed at policing threats to the economy, preserving banks in good health and protecting borrowers from abuse. Additionally, it would create an independent agency with a board of regulators to identify, monitor and address systemic risks.

The legislative language addresses several areas of interest to AFP members including: reforming the over-the-counter derivatives market, strengthening regulation of credit rating agencies, and protecting against systemic risks.

11/09 Systemic Risk Regulation - In an effort to mitigate the effects of troubled interconnected global financial firms on the rest of the economy, Senate Banking Committee Chairman Chris Dodd's (D-CT) reform bill, the Restoring American Financial Stability Act of 2009, would establish a new office to oversee and monitor systemically risky institutions. The Agency for Financial Stability (AFS) would have the ability to write strict rules for capital, leverage, liquidity, risk management and other requirements for companies that pose systemic risks to the financial system. This new agency would be governed by an independent chairman, appointed by the President and confirmed by the Senate, and be overseen by a board of 9 members, which would consist of the primary federal financial regulators as well as two independent members.

The bill also gives the agency the authority to break up large, complex companies that pose risks to the overall financial system. The newly created AFS would also have the responsibility of identifying systemically important clearing, payments and settlements systems that are presently regulated by the Federal Reserve. Finally, the new agency would collect and analyze data to identify and monitor emerging risks to the economy and report its findings to Congress bi-annually.

11/09 Expanded NOL Carryback – On November 6, 2009, President Obama signed into law an extension and expansion of a Net Operating Loss (NOL) Carryback provision originally introduced as a part of the stimulus package passed earlier in the year. The new law, The Worker, Homeownership, and Business Act (PL 111-92) will allow all businesses, except those receiving funds from the Troubled Asset Relief Program (TARP), with a loss in either 2008 or 2009 to claim refunds of taxes paid within the prior 5 years.

The new law allows for unlimited carrybacks for the first four years and 50% of a company's taxable income for the fifth. The bill was approved by the Senate by a unanimous vote and the House by a wide bi-partisan majority.

11/09 Derivatives – Over-the-Counter (OTC) Derivatives legislation became increasingly complex in November, as the Senate began to take up the issue and the House reconsidered aspects of the bills being combined by committee chairmen.

On November 10, 2009, Senate Banking Committee Chairman introduced a comprehensive financial regulatory overhaul proposal, which includes a more restrictive derivatives regulatory framework than those proposed by the Administration and the House.

The bill would require the clearing of all derivatives, but would allow for exemptions under specified conditions by regulators. In contrast, the House bills would exempt most end-users from clearing, margin, and capital requirements, as long as they are not classified as major swap participants. In addition to requiring more clearing, the Dodd bill would require both parties to report derivatives transactions that could not be cleared to a repository. Regulatory jurisdiction would be shared between the Commodities Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC), with a new Financial Institutions Regulatory Authority (FIRA) deciding on disputed rules.

Meanwhile, on November 18, 2009, the Senate Agriculture Committee held its own hearing on derivatives regulation. At the conclusion of the hearing, Committee Chairman Blanche Lincoln (D-AR) announced her intention to introduce a separate bill to address derivatives regulation.

In the House, derivatives bills approved last month by the Financial Services & Agriculture Committees have yet to be reconciled. In an interview, Financial Services Chairman Barney Frank (D-MA) indicated he would not include an exemption for foreign exchange derivatives and would also narrow an exemption for end-users from clearing, margin, and

 Copyright © 2009 Association for Financial Professionals, Inc. All Rights Reserved

capital requirements for swaps.

Meanwhile, House Agriculture Chairman Colin Peterson (D-MN) held a hearing on proposed legislation to address systemic risk. Since the bill would extend power to the Federal Reserve to consider derivatives as part of a company's systemic risk profile, the Chairman expressed concern over a reduced role for CFTC and SEC's authority over these products.

Although no details have been released, a third committee, the House Energy & Commerce Committee, announced its own hearing on OTC derivatives in early December.

AFP has advocated for exemptions for end-users from mandatory clearing, margin, and capital requirements for hedging risk.

11/09 **Oversight of Credit Rating Agencies –** As a part of his efforts to overhaul the financial regulatory system, Senate Banking Committee Chairman Chris Dodd (D-CT) included a provision to strengthen regulation of credit rating agencies. The bill would create a new Office of Credit Ratings (OCR) at the Securities and Exchange Commission (SEC) with compliance staff and authority to levy fines against agencies that violate rules. This newly created OCR will be required to conduct annual examinations and reviews of each nationally recognized statistical rating organization (NRSRO) and make their findings public. Additionally, NRSROs would be required to disclose their methodologies and their ratings track record to the public. Compliance officers at rating agencies will also be prohibited from working on ratings, methodologies or sales. Finally, the bill would give the SEC the authority to deregister an agency for providing bad ratings over time.

By creating a new oversight body that credit rating agencies must report to, the bill intends to foster better internal controls, independent standards, and transparency in the ratings process. Moreover, empowering the new OCR with the authority to levy fines will put into place penalties for poor performance and may address some of the shortcomings of the agencies while having the potential of restoring investor confidence in the ratings produced.

The provision in Senator Dodd's bill is similar to language that passed the House Financial Services Committee in late October. The Financial Services bill, H.R. 3890, the Accountability and Transparency in Rating Agencies Act, would add more transparency to the credit ratings process and allow investors to sue firms that knowingly or recklessly publish inaccurate ratings. The bill also mandates a review of internal processes for determining credit ratings by requiring that all NRSROs document internal controls and due diligence. Additionally, the House version requires all NRSROs to publicly disclose their ratings, methodologies and procedures with an annual report delivered to the SEC.

Pensions and Investments

11/09 **Defined Benefit Plan Funding -** The pension community has spent much of the previous year attempting to get temporary funding relief for defined benefit plans. Many of these plans face large increases in their funding obligations for 2009, 2010 and/or 2011 as a result of the sharp decline in interest rates and asset values at the end of 2008.

Congress continues to consider various options with respect to funding relief. The Fair Disclosure and Pension Security Act of 2009 (HR 2989), which was reported out the House Education and Labor Committee, includes limited relief for defined benefit plan sponsors. The legislation would allow plans to amortize 2008 investment losses over a longer period. Plans would pay interest of their plans' losses for two years, but would not have to start amortizing those losses until 2011.

Reps. Earl Pomeroy (D-ND) and Patrick Tiberi (R-OH), both members of the House Ways and Means Committee, have introduced the Preserve Benefits and Jobs legislation (H.R. 3936). The bill provides funding relief by allowing plan sponsors to use one of two extended schedules to amortize 2008 losses. Sponsors can opt for an extended payment schedule of nine years with payments during the first two years (2009-2010) consisting of interest-only on their 2008 losses or a fifteen year payment schedule. Employers who take advantage of the longer payment schedules would have to continue to offer ongoing retirement benefits or meet other conditions. The bill also includes a number of other provisions related to plan funding and reporting.

All four committees of jurisdiction – House Education and Labor Committee; House Ways and Means Committee; Senate Health, Education, Labor and Pensions Committee (HELP) and Senate Finance Committee, will have held hearings by mid-December.

10/09 **Investment Advice in Defined Contribution Plans -** As discussed in detail below, HR 2989 also includes investment advice - the bill specifically prohibits "conflicted advice". The Pension Protection Act (PPA) allows plan investment managers to provide advice as long as they have notified participants of any potential conflicts of interest. This legislation would repeal those provisions. The status of the Department of Labor's advisory opinion (SunAmerica) 2001-09(A) which facilitates the use of a computer model to provide advice is unclear. Some believe that the bill language, as currently drafted, would limit the reach of the SunAmerica opinion and result in less advice being available to defined contribution plan participants. In September, the House Ways and Means Committee held a hearing on several subjects including investment advice.

Copyright © 2009 Association for Financial Professionals, Inc. All Rights Reserved

06/09 **401(k) Fee Disclosure -** The House Education and Labor Committee voted out the 401(k) Fair Disclosure and Pension Security Act of 2009 (HR 2989). The legislation has three major parts – 401(k) disclosure, investment advice and defined benefit plan provisions. Rep. George Miller (D-CA) Chairman of the Committee is the chief sponsor of the legislation. The legislation covers disclosure about costs and fees by service providers to plan sponsors; greatly expanded disclosure to participants; and a requirement for all plans to offer at least one very broad index fund (stocks or bonds). The bill calls for detailed information on investment expenses, administrative and transaction fees and any other charges that may be deducted from a participant's account. Bundled services would have to 'unbundled' for purposes of fee disclosure. The bill would require all plans to offer a passively managed investment that is "…representative of the U.S. investable equity market (including representation of small, mid, and large cap stocks) or the U.S. investment grade bond market … or a combination thereof …"

Payments and Technology

10/09 **Credit Cards Back in Spotlight -** Although Congress passed a major overhaul of credit card regulations in May, the issue was again in the spotlight in October. On October 8, , the House Financial Services Committee held hearings on legislation to enhance and expedite the *Credit Card Accountability, Responsibility, and Disclosure (CARD) Act* (PL 111-24), as well as, on legislation to regulate credit card interchange fees, *The Credit Card Interchange Fee Act of 2009* (HR 2382). The Interchange Fee Act would prohibit additional charges on merchants for premium cards, chargebacks to merchants, requirements to meet a minimum transaction volume, and require card companies to fully disclose their terms.

Regulatory Issues

Treasury and Finance

11/09 **SEC Proposes New Rules for NRSROs –** On November 23, 2009, the Securities and Exchange Commission (SEC) proposed rule amendments and a new rule that would impose additional requirements on nationally recognized statistical rating organizations (NRSROs). The proposed amendments and rule would require an NRSRO:

(1) To furnish a new annual report describing the steps taken by the firm's designated compliance officer with respect to compliance reviews, identifications of material compliance matters, remediation measures taken to address those matters, and identification of the persons within the NRSRO advised of the results of the reviews;
(2) To disclose additional information about sources of revenues on Form NRSRO; and
(3) To make publicly available a consolidated report containing information about revenues of the NRSRO attributable to persons paying the NRSRO for the issuance or maintenance of a credit rating.

11/09 **FINRA Proposing New OTC Trade Rules –** The Financial Industry Regulatory Authority, Inc. (FINRA) is proposing to amend FINRA trade reporting rules to

(1) Require that members report over-the-counter (OTC) equity transactions to FINRA within 30 seconds of execution;
(2) Require that members report secondary market transactions in non-exchange-listed direct participation program (DPP) securities to FINRA within 30 seconds of execution; and
(3) Make certain conforming changes to the rules relating to the OTC Reporting Facility .

11/09 **GAO Issues Report on Credit Card Interchange Fees –** On November 19, 2009, the Government Accountability Office (GAO) issued a report titled Rising Interchange Fees Have Increased Costs for Merchants, but Options for Reducing Fees Pose Challenges. The report found that, despite claims by the card networks, that interchange fees have remained flat, merchants' acceptance costs have been increasing as a result of interchange rates.

The report examines a number of options for reforming interchange fees, including legislative efforts underway today as well as attempts by foreign governments to regulate interchange fees. The report considers the pros and cons of the different options. It is unclear how legislators and regulators will address the issues brought to light by the report.

The report was mandated as a provision of the Credit Card Accountability, Responsibility, and Disclosure (CARD) Act signed into law by President Obama in May of 2009 (PL 111-24). Members of AFP's Government Relations Committee, Payments Advisory Group, and Board of Directors participated in the study. To read the full report, click here.

10/09 **AFP Submits Comments on FDIC Prepaid Assessments -** On October 28, 2009, AFP provided formal comments to the Federal Deposit Insurance Corporation (FDIC) in response to their proposal to require insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012.

In the comments, AFP Government Relations Committee Chairman Maureen O'Boyle and Financial Markets Task Force Chairman Joe Meek expressed concerns regarding the impact that these assessments could have on corporate bank clients. "Some consideration must be given to the impact of these pass-through charges on commercial depositors and the balances they choose to maintain in FDIC-insured depositories", said O'Boyle and Meek. They went on to request that, "the FDIC encourage banks to collect assessments from depositors at a pace no more rapid than that at which they will recognize

Copyright © 2009 Association for Financial Professionals, Inc. All Rights Reserved

the expense". To read the comments in their entirety, click here.

10/09 Federal Liquidity Programs - Signaling that the financial markets have regained a measure of stability, several federal agencies have announced the end of a number of liquidity programs that were created in late 2008. When the markets began to fail last September, federal agencies created a number of guarantee programs to restore public confidence in our nation's financial markets.

On October 20, 2009, the FDIC established a limited, six-month emergency guarantee facility upon expiration of the Debt Guarantee Program. Under this emergency guarantee facility, certain participating entities can apply to the FDIC for permission to issue FDIC-guaranteed debt during the period starting October 31, 2009 through April 30, 2010.

AFP has compiled a comprehensive list of many of the liquidity programs that includes a brief description as well as expirations/sunset date. To view this document, click here:

10/09 TALF Credit Ratings – On Monday, October 5, 2009, the Federal Reserve announced a proposed change in its methodology for accepting Asset Backed Securities (ABS) for its Term Asset –Backed Loan Facility (TALF). The proposed rule lays out criteria for credit rating agencies to determine the eligibility of ABS for the program. The proposal separated the ABS market into four categories and requires a credit rating agency to have previously rated a minimum of ten transactions within a category for its rating to be considered. The categories include:

- Auto loans, floorplan loans, and equipment loans;
- Credit card receivables and insurance premium finance loans;
- Mortgage Servicing Advance Receivables; and
- Student loans.

Earlier in the year, the Federal Reserve announced that only ABS that received AAA-ratings from two of the three major ratings agencies would be accepted. AFP called for the Federal Reserve to use its authority to broaden the credit rating agency market, rather than perpetuate the duopoly that exists today. By parsing asset classes and creating a reasonable threshold for entry, this new rule should help to facilitate the entry of new rating agencies and increase their credibility in the market place. The comment period is open until November 9, 2009.

Pensions and Investments

11/09 Investment Advice - The Department of Labor has withdrawn proposed rules related to the investment advice provisions of the Pension Protection Act (PPA). The rules, drafted in the Bush Administration, were very controversial. Some argued that the proposal went beyond the PPA provision allowing investment managers to offer advice directly to participants in limited circumstances.

10/09 Final PPA Funding Rules - On October 15, 2009, the Internal Revenue Service (IRS) issued final rules implementing the funding requirements of the Pension Protection Act (PPA). The rules focus on determining the value of plan assets and liabilities, the use of credit balances and applying benefit restrictions in underfunded plans. There were no major surprises in the final rule since there had been vigorous debate about these proposals over the past 18 months. However, the rules did clarify that plan sponsors could change the method for calculating the interest rate used to measure liabilities in 2009 and 2010 without approval of the IRS. Plan sponsors who used the one-month yield curve to calculate 2009 liabilities will be able to use the 24-month average yield curve in 2010.

10/09 401(k) Disclosure - The Department of Labor (DOL) proposed rules for increased disclosure of investment-related information and fees for participants and required disclosures from service providers to plan sponsors are under review. Revised proposed rules are expected before the end of the year. The original proposed rules were drafted in the Bush Administration.

10/09 IAS 19 Amendment on Defined Benefit Plan Interest Rates - The International Accounting Standards Board (IASB) issued an exposure draft on Discount Rate for Employee Benefits that would have eliminated the requirement that plan sponsors use government bond rates to calculate their obligations when there is no deep market in high quality corporate bonds. On September 30, 2009, the Committee on Investment of Employee Benefit Assets (CIEBA), the voice of AFP on employee benefit plan asset management and investment issues, filed a comment letter with IASB expressing support for the rule change. The letter pointed out that use of the government bond often leads to an exaggeration of benefit obligations and makes comparability across jurisdictions difficult. However, on October 22, 2009, the IASB voted not to proceed with the amendment.

09/09 SEC Proposes New Rules on Proxy Access - The Securities and Exchange Commission (SEC) has proposed new rules that would allow shareholders to have their nominees for boards of directors included in company proxy materials. The proposal would affect all publicly traded companies and registered investment advisors, such as mutual fund companies. Under this proposal, shareholders could nominate up to 25% of the total number of seats on a corporate board. The proposal calls for certain minimum ownership thresholds for nominating directors and requires nominating shareholders to have held the requisite number of share for at least one year prior to proposing a director or slate of directors.

The Committee on Investment of Employee Benefit Assets (CIEBA), the voice of AFP on employee benefit plan asset management and investment issues filed a comment letter

Copyright © 2009 Association for Financial Professionals, Inc. All Rights Reserved

with the SEC. The CIEBA letter expressed concern that the low thresholds in the proposed rules may encourage actions that are not in the interests of long-term investors or retirement plan participants. Specifically, CIEBA called for the SEC to consider raising the minimum ownership thresholds and increase the required holding period from one year to at least two years.

Some members of Congress have expressed strong support for the proposed changes and urged the SEC to act expeditiously in implementing them.

Financial Accounting and Reporting

11/09 **New SEC Deputy Chief Accountant Selected -** The Securities and Exchange Commission (SEC) announced that Paul A. Beswick has been named the Deputy Chief Accountant overseeing the Accounting group within the agency's Office of the Chief Accountant. Mr. Beswick fills the position vacated by Jim Kroeker, who was recently named SEC Chief Accountant. Mr. Beswick will be responsible for resolution of accounting issues, rulemaking projects, and oversight of private sector accounting standard-setting efforts. Mr. Beswick has been serving as Deputy Chief Accountant for Professional Practice in the SEC's Office of the Chief Accountant since September 2008. He joined the SEC staff in October 2007 as a Senior Advisor to the Chief Accountant. Prior to joining the SEC staff, Mr. Beswick was a Partner with Ernst & Young LLP, where he worked in the firm's Professional Practice and Risk Management Group. Mr. Beswick previously served as a practice fellow at the Financial Accounting Standards Board (FASB) from July 2005 to June 2007.

11/09 **Convergence -** The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) reaffirmed their commitment to improve International Financial Reporting Standards (IFRS) and U.S. Generally Accepted Accounting Principles (U.S. GAAP) and to bring about their convergence. The Boards also agreed to intensify their efforts to complete the major joint projects described in their 2006 Memorandum of Understanding (MoU), as updated in 2008. In the memo the Boards committed:

· To complete each major project by the end of June 2011, consistent with the milestones established by the 2008 update of the MoU.

· To improve IFRS and US GAAP for financial instruments and to achieve their convergence by issuing standards by the end of 2010 that represent a comprehensive and improved solution to this complex and contentious area and that provide international comparability.

11/09 **Classification and Measurement –** The International Accounting Standards Board (IASB) published a new International Financial Reporting Standard (IFRS) on the classification and measurement of financial assets. Publication of the IFRS represents the completion of the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement with a new standard - IFRS 9 Financial Instruments. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39. IFRS 9 improves comparability and makes financial statements easier to understand for investors and other users.

The Financial Accounting Standards Board (FASB) expects to publish additional proposals for classification and measurement in the first quarter of 2010 in a comprehensive exposure draft that also addresses impairment and hedge accounting.

11/09 **Credit Losses (Impairments) –** On November 5, 2009, the International Accounting Standards Board (IASB) proposed an impairment model for those financial assets measured at amortized cost. The proposal is the second part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement with a new standard, to be known as IFRS 9 Financial Instruments. Currently both the Financial Accounting Standards Board (FASB) and the IASB use an incurred loss model to measure impairment. An incurred loss model assumes that all loans will be repaid until evidence to the contrary (known as a loss or trigger event) is identified. Only at that point is the impaired loan (or portfolio of loans) written down to a lower value. The proposals in the exposure draft Financial Instruments: Amortised Cost and Impairment are open for comment until June 30, 2010. The IASB plans to issue a final standard in 2010 that would become mandatory about three years later with early application permitted.

The FASB is developing a model for accounting for credit losses for financial assets that the FASB has tentatively decided should be measured at fair value through other comprehensive income. That model will, once it is fully developed, be included in the exposure draft the FASB expects to publish in the first quarter of 2010. The IASB will publish a request for views on the FASB's model at the same time that the FASB publishes its proposals. The Boards will consider the comments received on the FASB model and the IASB model together.

Copyright © 2009 Association for Financial Professionals, Inc. All Rights Reserved

11/09 **Hedging -** The Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) agreed to coordinate the release of new hedge accounting rules.

FASB plans to include hedging as part of a comprehensive exposure draft it expects to publish in the first quarter of 2010. The IASB decided to delay the publication of its hedge accounting proposals until the first quarter of 2010 to coincide with the FASB release in order to coordinate adoption of the new standard.

11/09 **Fair Value Measurement –** The Financial Accounting Standards Board (FASB) is holding joint roundtable discussions with the International Accounting Standards Board (IASB) in Asia, Europe and North America. In May 2009 the IASB published an exposure draft of an IFRS on fair value measurement. The exposure draft is largely consistent with the FASB requirements. The Boards agreed to a goal of making US GAAP and IFRS fair value measurement requirements the same other than minor necessary differences in wording or style.

The FASB and the IASB will consider the comments received on the IASB's Exposure Draft together, and the FASB and will propose amendments to US GAAP fair value measurement requirements, if necessary, to achieve that goal by third quarter 2010. A marked up text showing wording differences between the exposure draft and SFAS 157 is available here.

10/09 **SEC's Roadmap to Convergence –** The G-20 issued a recommendation to the Securities and Exchange Commission (SEC) and the International Accounting Standards Board (IASB) during their recent meeting held in Pittsburgh urging them to complete convergence of accounting standards by 2010. This is one year ahead of schedule according to the SEC's roadmap. The SEC has indicated while they take all recommendations under consideration, the Commission has not made plans to change their timeline for adoption.

Issue Summary

A Productive Month for the House Financial Services Committee

By Michael Griffith, Legislative Analyst, AFP

On November 5, 2009, the AFP Government Relations Committee (GRC) met in Washington, DC with legislators, regulators, and White House staff to discuss new regulatory proposals and how conditions in the financial markets are affecting American businesses.

Members of the GRC, along with the Chairman of AFP's Board, Ira Birns and AFP President and CEO Jim Kaitz, met with Diana Farrell, Deputy Director of the National Economic Council (NEC), to discuss business conditions. Ms. Farrell asked that AFP and its members keep in touch with the NEC, since our members are in a key position to assess market and business conditions in ways that economists and regulators cannot.

Members of the GRC's Financial Markets Taskforce met with Commodities Futures Trading Commission (CFTC) Chairman, Gary Gensler, to discuss pending derivatives legislation. While the CFTC Chairman and AFP members did not agree on the extent to which end-users of derivates should be exempt from clearing, margin, and capital requirements, the Chairman expressed appreciation for our members' understanding of the issue. He promised to work with AFP when legislation is passed and the details of regulations are being considered.

The GRC's Financial Accounting and Investor Relations (FAIR) task force met with senior staff from the Security and Exchange Commission's (SEC) Office of the Chief Accountant to discuss a number of issues, including convergence of U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Accounting Standards (IFRS). Members of the task force expressed concern about the availability of IFRS expertise in the U.S.

GRC members also took part in a number of meetings on Capitol Hill with legislators and staff to discuss key issues for AFP members, including derivatives regulation, payments issues such as data security and credit card interchange fees, and credit rating agency reform.

Given the prominence of financial regulatory reform and economic recovery on the Hill, AFP's GRC members were given unprecedented attention as they discussed their concerns about the practical implications of financial markets reform for business and suggestions for improving economic conditions.

This month's meeting marked the final meeting for Maureen O'Boyle as the GRC's Chairman. Maureen has worked tirelessly for the past three years as the Chairman of the GRC. In 2010, Joseph C. Meek, CTP, Vice President & Treasurer of Health Management Associates, Inc. will take over as Chairman. Joe is presently the Chairman of the GRC's Financial Markets Taskforce and AFP's Derivatives Task Force.

2009 was a busy year for the GRC, as AFP was consulted regularly on key issues for policymakers. While a great deal of progress was made this year, 2010 promises to be even more exciting as aspects of the financial regulatory overhaul are passed and regulators see their roles change. AFP will continue to advocate for the interests of financial professionals and insure our members' voices are heard during this critical time.

AFP's GRC meets twice annually in Washington and is consulted on legislative and regulatory issues throughout the year. If you're interested in being involved with the GRC, contact Jeanine Arnett, AFP's Government Relations Manager at jarnett@afponline.org.

Copyright © 2009 Association for Financial Professionals, Inc. All Rights Reserved

 Copyright © 2009 Association for Financial Professionals, Inc. All Rights Reserved