

AFP Advocacy 2010 and Beyond

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AFP Advocacy



- The Advocate for Treasury and Financial Professionals
- AFP communicates on behalf of our members with policy makers and opinion leaders including:
 - Congress;
 - Administration and Federal Agencies;
 - Rule-Making Bodies such as the SEC, Public Company Accounting Oversight Board & NACHA; and
 - The Media.

- AFP identifies issues and advocates on behalf of its members through a series of groups:
 - Government Relations Committee
 - AFP’s Political Action Committee (PAC)
 - Committee on Investment of Employee Benefit Assets (CIEBA)
 - Payments Advisory Group (PAG)
 - AFP’s Board of Directors
 - Staff and Subject Matter Experts
- These groups are member-driven and rely heavily on member input in determining issues, priorities, and representing the profession.

AFP's Government Relations Committee (GRC)



- AFP's Government Relations Committee (GRC) meets twice a year in Washington, DC to meet with policy makers and discuss AFP's Public Policy Agenda
- The GRC consists of senior-level corporate practitioners from a diverse range of businesses and backgrounds.
- The GRC is divided into three broad task forces:
 - Financial Markets
 - Payments & Technology
 - Financial Accounting & Investor Relations (FAIR)

AFP's Political Action Committee (AFP PAC)



- AFP's PAC contributes to the campaigns of incumbent federal legislators that are supportive of finance and treasury professionals.
- 100% of donations come from AFP members and AFP Staff.
- AFP PAC's Board of Trustees Consists of Senior AFP Corporate Practitioners and AFP Staff.
 - All donations are approved by the Board of Trustees.
 - AFP PAC balances donations between political parties.
- AFP PAC serves a valuable purpose in raising our members' profile on Capitol Hill.

AFP Advocacy, cont.



- Some Major Accomplishments in 2009 & 2010:
 - AFP Vice Chairman Michael Connolly Testified before the first joint hearing of the SEC & CFTC.
 - AFP GRC members met with CFTC Chairman Gary Gensler.
 - AFP President & CEO Jim Kaitz testified before the SEC on Credit Rating Agency Reform.
 - AFP GRC Members met with White House National Economic Council Staff.
 - AFP GRC & Payments Advisory Group (PAG) took part in a conference call with the Government Accountability Office (GAO) on Interchange Fees and took part in a follow up meeting.
 - AFP GRC Members Met with the Department of Justice on Interchange Fees.
 - AFP and our members have played a key role in formulating derivatives policy in the current legislative effort.

Where We Are Today



- Maintaining recovery and fostering growth:
 - With the market no longer in a tail spin, the focus is on maintaining stability and growing the economy at a pace that will create jobs.
 - With sky-rocketing productivity, the demand for labor has decreased.
 - Creating a new financial markets regulatory regime to prevent a future collapse is the goal for 2010.

Priorities & Time Horizons



- **Immediate**
 - Prevent Relapse
 - Address Unemployment / Needs of Jobless
 - Stabilize Housing
 - Finish/implement financial markets regulatory reform
- **Medium-Term/Regulatory**
 - Create sustainable jobs, avoid new asset bubbles
 - Bring accountability to Wall Street
- **Long-Term/Strategic**
 - Address deficit/debt
 - Address long-term global competitiveness

What's Been Done So Far?



- Emergency Programs
 - Emergency Economic Stabilization Act
 - Provided funds for regulators to prevent economic collapse
 - Most of the funds went to purchasing interests in financial institutions
 - Other funds went to auto-industry, AIG, and Housing
 - Created program to buy/guarantee toxic assets
 - These funds have largely been paid back and these programs are in the process of winding down

What's Been Done So Far, Cont.



- American Recovery & Reinvestment Act
 - The Recovery Act contained a limited Net-Operating Losses (NOL) Carryback provision
 - This has been extended and expanded to all businesses not receiving money from the EESA to reclaim taxes on profits for the past 5 years
 - Provides money for businesses to “go green” and invest in energy saving and low-carbon technology
- Jobs Bills
 - Focus on short-term hiring tax incentives

Programs Ended



- Federal Reserve Programs
 - Commercial Paper Funding Facility
 - Interest on Excess Reserves
 - TALF
- Treasury Programs
 - Money Market Guarantee Program (expired)

What's Been Done So Far, Cont.



- Treasury Programs
 - **IRS Allows Companies to Borrow from Foreign Subsidiaries**
 - Eases rule under tax code section 965, which allows U.S. corporations to access funds “trapped” in overseas subsidiaries

Regulatory Reform



- The two main Committees of jurisdiction on Financial Markets, Senate Banking & House Financial Services, have been working on regulatory reform since 2009.
- The House passed its bill in December of 2009.
- The Senate is currently debating its bill, it will likely pass this week or next.
- Leaders want to have the final bill approved by July 4 of this year.

Regulatory Reform, cont.



- The main aspects of regulatory reform include:
 - Systemic Risk Regulation/Mitigation
 - Hedge Fund Regulation
 - Consumer Financial Protection
 - National Insurance Regulation
 - Derivatives Regulation
 - “The Volker Rule”

Regulatory Reform, cont.



- AFP is focusing on a few key aspects of regulatory reform:
 - Derivatives Regulation
 - Credit Rating Agency Reform
 - Financial Accounting & Reporting
 - Payments Regulation

Derivatives

- Legislative efforts are attempting to maximize exchange trading, clearing, and market & capital requirements to mitigate systemic risk.
- AFP has played a key role in educating legislators and regulators of the critical needs of end-users and the potential effects of stringent derivatives legislation.
- We continue to push that message and are already forging relationships with future regulators on sensible implementation.

Derivatives in Retirement Plans



- CIEBA has been at the forefront for advocating sensible regulations for derivatives in pension investment and 401(k) plans.
- CIEBA has highlighted the extensive use of derivatives in risk management in pension investment and highlighted their use in Stable Value products (a popular option for 401(k) plan participants).
- While successful in exempting plans for consideration as “major swap participants,” an inadvertent provision for dealers may result in severely limiting plans access to swaps. CIEBA is actively working with the drafters of the language to address this issue.

Derivatives Status



- The House bill has fewer restrictions on derivatives and a better end-user exemption, but may still cause retirement plan investments to face regulation.
- The Senate bill, as it stands today, is much more restrictive on regulating derivatives, but largely exempts end-users.
 - As it stands today, the Senate bill also includes language that would force banks with access to FDIC insurance to roll-off their derivatives desks.
 - The administration has come out against this measure.
- AFP is working with allies to ensure that end-users maintain access to their swaps as the bill heads to conference.

Credit Rating Agencies



- AFP has been sounding warnings about the role of rating agencies for years.
- Congress and regulators view rating agencies as a key problem to be addressed.
- A number of harsh provisions have recently been added onto the Senate bill against rating agencies.
- AFP is working with legislators for the best methods to ensure ratings are timely and reliable.
 - Continue to be a leader in reforming credit rating agencies to ensure transparent and efficient markets;
 - Advocate for systemic reforms that promote accountability, competitiveness and transparency;
 - Continue to educate policy makers on these issues and encourage action.

“The Volker Rule”



- A proposal that would prohibit proprietary trading and forbid depository institutions from owning hedge funds and private equity.
- A version of this rule is currently being debated in the Senate.
- Seeks to undo some of the deregulation from the 2000 *Graham-Leach-Bliley Act*, but would *not* reinstate the same strict *Glass-Steagall* provisions.
- Similar language is not present in the House bill, but leaders have expressed they would consider such a provision favorably

Other Issues



- **Payments**
 - Interchange
 - Data Security
 - Wire Transfer
- **Accounting**
 - Rules
 - Convergence
- **Retirement**
 - DB Funding Relief
 - 401 (k) Fee Disclosure

Payments



- Interchange Fees

- AFP has been meeting with legislators and regulators on this issue
- Participated in the 2009 Government Accountability Office (GAO)
- An amendment to regulate debit card fees and restrict abusive card rules was included in the Senate version of Financial Regulatory Reform

- Data Security

- AFP has taken a number of meetings to discuss concerns about the lack of federal standards for data security and merchant liability.
- The Data Accountability and Transparency Act (DATA) was approved by the House in December.
 - This bill would set national standards for reporting a data breach and preempt state laws.

Payments, cont.



• Wire Transfer Standards

- Wire remittances have been delayed by a year, primarily to accommodate foreign banks
 - Allows more time to develop specs and include status notification for the first time.

• NACHA

- NACHA has been reconsidering provisions preventing business check conversion.
 - » While AFP supports the concept, we want to be assured that security measures, such as positive pay, are in place.
- NACHA is testing two major new services in the market, EBIDS & SVP

• The Fed

- The Fed began its same-day ACH settlement service. We will be tracking its progress.

- **DB Funding**
 - This has been a top priority for CIEBA
 - CIEBA Members testified before the PBGC Advisory Board in December to stress the need for relief
 - CIEBA Members have met with legislators & their staff to convey the urgency for funding relief and its possible impact on plans & job creation
- **401 (k) Fee Disclosure**
 - Congress did not take action last year, but has active legislation in the 111th Congress
 - Department of Labor's fee disclosure rules were not finalized under the Bush Administration; Labor will be releasing new regulations "soon."

2010 and Beyond



- Financial Regulatory Reform is likely to be signed into law this year.
 - AFP will work closely with regulators to ensure rules take into account the needs of corporate practitioners.
- AFP will continue to communicate with regulators and legislators about access to credit.
 - AFP surveys are a key tool for AFP advocacy to successfully communicate the needs of our members.

Questions?



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- What are your priorities?
 - What do you think should be done to increase access to credit?
 - What are your concerns about regulatory reform?
 - How can AFP better represent your interests in DC?
 - Thank you!

Get Involved!



- Feel free to contact AFP's Government Relations Staff with your input
- We are *your* advocate in Washington, DC
 - Jeanine Arnett, Government Relations Manager
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