



Investing in Financial Institutions

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Hot Legislative Issues in the Banking Industry

Legislative Calendar/Procedure

- Health care is issue Number One.
- Climate change is issue Number Three.
- Financial services regulatory reform is competing with other legislation to be considered as issue Number Two.
- Theme = More regulation in financial services sector; deregulation discussion is out of favor.



House Side

- **House Financial Services Committee is moving first on most of financial services legislation. (e.g., HR 3126 = CFPA).**
- **House will put disparate bills (e.g., derivatives market regulation, hedge fund regulation and credit rating agency regulation) into one financial services reform bill crafted by the House Rules Committee. House has other committees of jurisdiction (e.g., Energy and Commerce; Agriculture) to consider.**
- **Could occur in 2009.**



Senate Side

- **Senate is moving more slowly than House.**
- **Senate likely to move ahead with one comprehensive bill, not multiple bills like the House. Dodd has such a bill.**
- **Senate Banking Committee likely will act on a comprehensive reform bill in a December 2009 markup. Expected to cover financial services plus improving insurance oversight, regulating derivatives, reforming the credit rating agencies.**
- **Full Senate action should not be expected until the first quarter in 2010.**



Hot Topics

- **Consumer Financial Protection Agency. House Energy and Commerce wants 5 person commission, not a single appointee.**
- **Systemic risk resolution/too big to fail.**
- **Systemic risk regulatory authority. (Dodd-Council of regulators headed by a presidential appointee; Frank-Fed)**
- **Systemic risk funding mechanism.**
- **Regulatory agency consolidation—OTS merge with OCC, but Dodd is pushing one single regulator.**
- **Fed credibility.**
- **Other issues? Overdraft fees? Credit Card Act accelerated implementation?**



What's Flying Under the Radar Screen?

- **Mortgage finance stability/reform. Effect of Fannie Mae and Freddie Mac GSEs.**
- **Will prepaid FDIC deposit insurance premiums be enough or will it just postpone the need for more money from industry? Will FDIC have to borrow from Treasury?**
- **PPIP**
- **TARP**



Prospects for Bank Investments

- **Buy from the government, if you are already a bank, these will be attractive deals.**
- **FDIC will be looking to do whole bank purchase and assumption transactions which do not draw down the FDIC insurance fund.**
- **If you are a non-bank investor, there will be attractive deals if you wish to be a passive investor in a bank.**
- **If you are a non-bank investor and interested in control of a bank, the FDIC will need to talk with you.**
- **WARNING: Congressional oversight, least cost resolution, 1988 deals, rerun of S&L bailout waste, fraud and abuse?**