

## CAPIS 2010 DC Public Policy Investor Forum Recap:

On June 29, 2010, CAPIS hosted their 2010 Investor DC Public Policy Forum with analysts from two independent research firms – Andrew Taylor of Political Alpha™ and Jeb Mason of Cypress Advisory. Below is an overview of the conference:



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### Financial Reform Bill

#### ● Passage of the bill:

Passage of the Financial Reform Bill is “on hold” because of lack of votes to pass it in its current form.

Both analysts expected that the “bank tax” would be taken out of the bill. A revised version that is expected to pass will increase FDIC assessment fees to fund the bill.

#### ● Derivatives in the bill:

- 70% will still be traded at banks.
- 30% will now be traded on exchanges.

#### ● Additional information:

- Hedge funds with more than \$150 million in assets under management will have to register.
- Big banks’ capital requirements most likely will go up. Smaller banks will not be hit by these same requirements.
- Interchange fees for debit cards will be limited. This wasn’t expected to be in the final version of the bill.
- The cost of compliance for banks will be going up substantially.

#### *Unintended consequences of the bill:*

- Both analysts expect a severe credit crunch as a result of the bill.
- They also believe the legislation will slow the growth of the economy.

- Additionally, it is their opinion that unless margin requirements are raised, the shift of swaps and derivatives to exchanges will significantly concentrate risk on those exchanges where these instruments are traded. Exchanges could be the next big “problem.”
- Implementation of FASB 166 and 167 could cause a major hit to the system’s available capital.

## Energy Policy

- Minerals Management Service (MMS) is not currently issuing permits for drilling in shallow water.
- Neither analyst believes that there is any chance there will be a bill on Cap and Trade/Carbon Tax by the mid-term elections.
- They believe there could be a bill increasing off-shore drilling safety standards and increasing oil companies’ liabilities for off-shore accidents. However, this has to be a stand-alone bill because it wouldn’t pass if coupled with a Cap and Trade bill.

## Taxes

- Upper income tax bracket tax cuts will be left to expire.
- Congress is likely to do something to keep lower income tax cuts in place (10% bracket).
- Expect a compromise on estate taxes with a likely increase in the amount exempted from taxes.

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