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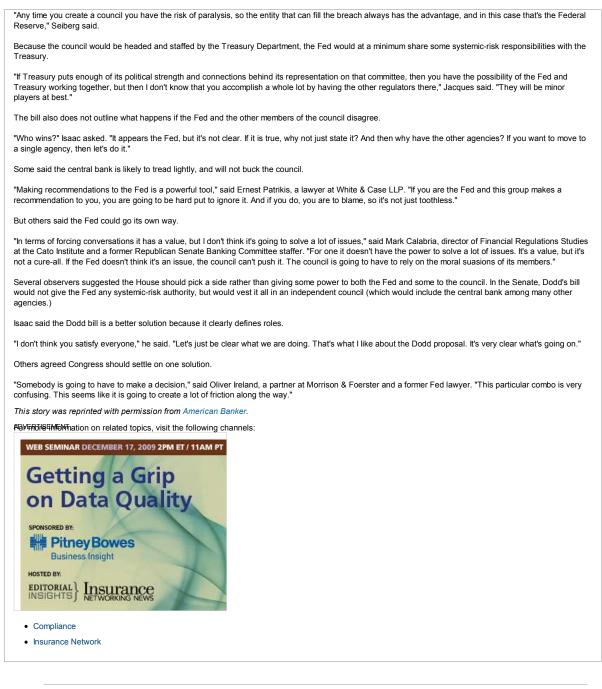
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For Fed and Council, Two Is a Crowd		Printer Friendly
Insurance Networking News, November 24, 2009		Email
Cheyenne Hopkins		Reprints Reader Comments
How to oversee systemically important financial companies is one of the toughest questions facing policymakers trying t reform the regulatory regime.)	Redder Gomments
The Obama administration has proposed concentrating this authority in the Federal Reserve Board, while Senate Banki wants to hand the job to a council of regulators.	ng Commit	tee Chairman Chris Dodd
House Financial Services Committee Chairman Barney Frank tried to find a middle ground and legislation the panel exp power: an interagency council would recommend standards for firms that pose a risk to the financial system, and the Fer		
But that hybrid approach is being panned by critics who argue it sets up a confusing system that won't work. They said t the council should interact or what happens if they don't agree.	ne bill doe	s not lay out how the Fed ar
"It's a mess," said William Isaac, chairman of LECG Global Financial Services and a former chairman of the Federal Dep who is going to do what. We have too much confusion now and this just makes more of it."	osit Insura	nce Corp. "It is very unclear
Under the Frank bill, the systemic-risk council, which includes the heads of the Fed, FDIC, Securities and Exchange Count the Currency and Commodity Futures Trading Commission, would be able to designate which companies are systemical decide disputes among regulators on the council, offer recommendations on systemic risk and report to Congress period amendment passed last week, it would also have the power to break up institutions that it determines are a threat to the	ly importar ically on th	nt, make binding decisions to
But many observers said the council is still too weak, especially compared with the Fed.		
Though it could make recommendations to the Fed on rules for systemic risk, it would still be up to the central bank to do how to do so.	ecide if it w	ould adopt those rules, and
One of the council's strongest powers appears to be its ability to decide which institutions are systemic.		
Once that identification is made, however, the Fed would regulate the company and the council would have little power	over any in	dividual institution.
Many observers said the lines of power are not clear enough. While the council, for example, could break up an institution, could use its own authority to break apart a financial services company's proprietary trading unit if it poses a threat the company or the stability of the country.		
"It doesn't seem as though the Fed and the council have well-defined responsibilities," said Gil Schwartz, a partner at Sc lawyer. "It sounds like the Fed is supposed to take advice from the council and the council is supposed to take advice fro hodgepodge of responsibilities."		
Observers also said the Fed would have the upper hand because it has a seat on the interagency council.		
"The Fed is not just an implementer; it's a member of the council," said Doug Landy, a partner in Allen & Overy LLP and	Overy LLP and formerly a lawyer at the New York Fed.	
the council tried to stop a Fed action, "what's likely is the Fed would object, then the action would just stall," Landy said.		
Kevin Jacques, Boynton D. Murch chair in finance at Baldwin-Wallace College and a former Treasury official, said that s rest with the Fed.	ystemic-ris	k regulation would ultimatel
"When you take the SEC, OCC, FDIC, CFTC and Fed in a room, the fact of the matter is the Fed is going to lead that dia you bring the agencies together, the Fed is viewed as the most powerful and having the most intellectual firepower."	cussion a	nyway," Jacques said. "Whe
Jaret Seiberg, an analyst with Washington Research Group, a division of Concept Capital, said that unless the members on, it would be inefficient.	of the cou	incil assert a clear role earl



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