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FINANCIAL SERVICES LEGISLATIVE AND REGULATORY UPDATE

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It was another week of alphabet soup, ending with the news that Congress is going to take up the "CCB" to appease conservatives who see a vote on a balanced budget amendment to the Constitution as the only way to deal with impending crack in the debt ceiling, which is now less than two weeks away. We are also one week from the start dated for the CFPB, and it is being reported that a Director, not named Elizabeth Warren will be named next week. On the Hill, Bernanke made his semi-annual reports to Congress and floats the possibility of QE3, while a House subcommittee approves a series of bills to overhaul GSEs. And in the Administration, the White House threatens a veto of the financial services appropriations bill for its treatment of the SEC and CFPB while the CFTC issues a final order delaying swaps rulemaking.

Leading the Week – The Road to Dealing with the Debt Ceiling

Throughout the course of the past week drama and tensions were high as both sides appeared to be engaged in a high stakes game of chicken, waiting for the other to blink. While President Obama attempts to channel his inner Rahm Emanuel and push for a "big deal," it is becoming increasingly clear that House Republicans are unwilling or unable to pass any proposal that has tax increases. Complicating negotiations, House Speaker Boehner (R-OH) appears to have ceded, at least publicly to Majority Leader Cantor (R-VA), which has been gladly echoed by the White House who have enjoyed simultaneously elevating and eviscerating Cantor. The growing consensus is that alternatives, such an innovative, if not convoluted proposal offered by Senator McConnell that would allow the President to raise the debt ceiling three separate times between now and the 2012 election, may ultimately win out.

Adding pressure to the situation was the announcement on Wednesday that Moody's placed the AAA rating of the US on review for a possible downgrade, noting that the possibility of a default on interest payments continues to "be low but is no longer *de minimis*." In addition to providing a real world example of how the failure to raise the debt ceiling would impact the United States, it came on the same day that Federal Reserve Chairman Bernanke was testifying before the House Financial Services Committee, where, among other things, he indicated that not only would a recession on the scale of

2008 would be possible if the debt ceiling is breached, but that it would also have "a very adverse effect very quickly on the recovery." Despite these warnings from both private and public experts, there remains a strong group of Republicans who believe that these dire and drastic warnings are nothing more than the Administration bluffing to frighten members into voting for increasing the debt limit.

Adding further to the pressures is the fact that China, the U.S. government's largest foreign creditor, called on U.S. policymakers to take action to protect the interests of investors. Then Friday morning, the dollar fell and 30-year Treasury bonds slid for a third day after Standard & Poor's became the second ratings company to say this week it may cut the U.S.'s top credit grade. Yields on 30-year Treasuries climbed one basis point, indicating that the markets are beginning to get skittish that Washington may not be able to resolve this. Then on Friday, the Treasury announced that it was suspending reinvestment of the Exchange Stabilization Fund, which was the last of the extraordinary measures available to keep the nation under the statutory debt limit.

This week finally saw the results of longstanding calls by the Administration to get the business community involved in lobbying on this issue have paid off, as the Wall Street Journal weighed in this week on the need for Congress to act. This provided much needed cover for McConnell's deal, which immediately began taking flak from the far right, as conservatives such as Tom Coburn denounced the proposal, calling it "a political solution, not a policy solution." With this issue exposing the fractures in the GOP, there is a growing concern that any legislative deal has to be struck this week in order to leave enough runway to get it off the ground.

For that reason, and although the situation is very fluid, it seems like there are two competing proposals emerging. The first is some version of the "big deal" that Obama continues to press for, which we are hearing may look more similar to the Gang of Six proposal (i.e., a framework for future cuts and revenue "modifications") and some version of the McConnell proposal. As it currently stands, under the McConnell plan, Congress would pass a bill that grants the President to raise the debt ceiling on his own authority, so long as he notifies Congress and that notification being subject to a resolution of disapproval. Congress would then likely vote for that resolution, which would require the President to veto that vote. Then only 1/3 of each body would have to vote to sustain the veto and it wouldn't be overridden. As a result, Democrats would get their debt ceiling increase, Republicans wouldn't be tagged with blowing up the economy and Obama would be labeled a chronic debt enabler. This would net very positive results for McConnell's party, but is such a one-sided deal that it will not pass in its current form. However, we anticipate that he will be willing to compromise on his "plan of last resort" alternative because McConnell has acknowledged that, if the debt ceiling is cracked and the economy tanks, blame will likely be put on the Republicans, almost certainly cementing an Obama victory in November.

On June 15th, Republican leaders announced they will be bringing a bill to the House floor next week that would make an increase in the debt ceiling conditional on Congressional passage of a constitutional balanced budget amendment. The bill is being pushed by a group of 36 anti-spending members of the Republican conference and also includes a provision to limit the ability of Congress to raise taxes. While passage of a constitutional amendment is highly unlikely, the balanced budget option remains popular within the Republican Party. However, Democrats are likely to be resistant to limits on tax increases and will oppose the measure—making it impossible to reach the supermajority needed to pass constitutional amendments. Of course, this balanced budget amendment is the ultimate in political

theater, because even if passed by Congress, it would still require ratification by the states, which could take years.

Ultimately, our concern is that while politicians and pundits have continuously focused on the August 2nd deadline as the *de jure* drop-dead date, the reality is that no one really knows when the *de facto* deadline will be, because it will be the day that the market finally begins to panic about a possible default. In this regard, the Tea Party is accurate that the August 2nd date doesn't matter; however, if any of the large foreign holders in U.S. Treasuries begins to get overly skittish, as the Chinese have begun to do, the impacts of this problem will begin to reverberate immediately. This lack of a "hard date" has complicated negotiations since neither side has a firm wall to push the other party against. While both the President and Congressional leaders indicated they would have liked to have reached agreement on a proposal by Friday, July 15—a short 17 days before August 2nd— the 15th came and went with no such deal.

Legislative Branch

House of Representatives

Oversight Committee grills Elizabeth Warren: On Thursday, the House Oversight and Government Reform Committee held a hearing titled "Consumer Financial Protection Efforts: Answers Needed," at which Chairman Darrell Issa (R-CA) presided over a particularly antagonistic panel, which was not surprising given the treatment Warren received at a subcommittee hearing chaired by Patrick McHenry earlier this year. Special Advisor Elizabeth Warren testified and legislators examined how the Consumer Financial Protection Bureau (CFPB) is being established and what policies it intends to pursue. Issa was focused on the new agency's lack of oversight, because under Dodd-Frank the CFPB is independently funded and thus will not be subjected to the congressional appropriations process. Other Republicans asked Warren about plans for the CFPB budget, and how Warren was involved with mortgage servicing settlements. Democrats present at the hearing made efforts to swing the conversation back to the need for reforms in the mortgage industry. At times, the legislators threw barbs that were perhaps more suited for a playground, leading Rep. Jim Cooper (D-TN) to state that he didn't want to be part of a committee that treated Warren with "more rudeness and disrespect than I have ever seen any witness treated…"

House subcommittee passes a series of bills to overhaul GSEs: On July 12, the House Financial Services Subcommittee on Capital Markets and Government Sponsored Entities (GSEs) began marking up a package of six Republican measures to do away with Fannie Mae and Freddie Mac. Three of the bills passed by voice vote while three were put off due to time constraints. Two of the three successful bills were passed without extensive debate and with no amendments: H.R. 463, the Fannie Mae and Freddie Mac Transparency Act of 2011 and H.R. 2436, the Fannie Mae and Freddie Mac Taxpayer Payback Act of 2011. The third successful bill was H.R. 2440, the Market Transparency and Taxpayer Protection Act which would require GSEs to sell or otherwise dispose of all assets not relevant to their missions. Representative Barney Frank (D-MA) introduced an amendment to allow the administrator of the GSE six months to undertake the sale of assets to minimize losses and maximize return. Frank's amendment was agreed to. The committee also agreed to an amendment offered by Representative Gary Peters (D-MI) which would allow for the public release of GSE loan data.

Despite the success of these bills in the Subcommittee, Chairman of the full committee, Spencer Bachus (R-AL) said that no hearings or markups are scheduled on the package of bills. Bachus may be delaying a full committee markup due to a meeting he had with Treasury Secretary Geithner and Housing and Urban Development Secretary Shaun Donovan in April. This week, Bachus said that Obama Administration officials are asking him to wait to advance the package of overhaul bills because the Administration is hoping to release a comprehensive overhaul plan in "the next week or two."

***Barney Frank defends risk retention rules, addresses eased QRM down payments*:** On July 11, in remarks at the National Press Club, Representative Barney Frank (D-MA) came to the defense of the new risk retention rules for mortgage lenders that were passed in the Dodd-Frank Act. The Act requires firms that package and sell mortgage-backed securities to retain at minimum a 5 percent exposure to the loans included in the security. The goal of the rules was to provide 'skin in the game' and decrease risky loan making. Opponents of the risk retention provisions assert that the rules will be costly and disruptive to the mortgage finance industry. However, Frank said the rules should be disruptive because they "had to disrupt a rotten system."

Frank also addressed the qualified residential mortgages (QRM) down payment rules. In March, regulators proposed a 20 percent down payment for qualified borrowers. Critics say that the high down payment level will make it difficult for even credit worthy families to own a home. Frank agreed that down payments of 20 percent are too high but said that it is crucial to keep the QRM rule narrow so that it serves as the "exception and not the rule" for mortgage finance. Frank's comments on the QRM come after thirty-nine senators sent letters to regulators asking them to revise the rule. Under pressure, regulators extended the deadline for public comment on the proposed QRM rules from June 10 to August 1.

House to bring up Dodd-Frank improvement bill on anniversary of enactment: This week, the House Rules Committee announced that the week of July 18th, it may meet to consider a rule for bringing H.R. 1315, the Consumer Financial Protection Safety and Soundness Improvement Act of 2011 to the floor for a vote. The bill is the first of several "technical corrections" measures to the Dodd-Frank Act. It is unsurprising that the Republican House is attacking the FSOC and CFPB on the one year anniversary of the signing of the Dodd-Frank Act. The measure is unlikely to gain traction in the Senate and will remain a largely symbolic showing of the Republican House's opposition to the financial reform.

Joint hearing on debt and equity in the tax code yields little progress due to concerns over debt ceiling: On July 13, the House Ways and Means Committee with the Senate Finance Committee—in their first joint tax policy session since 1940—met to discuss the tax code's treatment of corporate and household debt in advance of an overhaul of the tax code. As if to mirror the debate going on about the national debt, the hearing focused on how to reform the tax code to disincentive the accumulation of debt. Members stressed that changes in how debt is treated could affect a number of things including: mortgage interest and student loans.

However, it seems as if the battle over the debt ceiling will stall progress on reforming the tax code. Representative Sander Levin (D-MI) said the 'ideological' divides over the debt ceiling will hamper the ability of lawmakers to negotiate in other areas. Levin went onto say that he fears the "progress today will be washed away if the debt ceiling is not raised and we suffer the momentous consequences."

House Financial Services Committee raises concerns over OFR security and budget: On July 14, the House Financial Services Committee held a hearing to scrutinize the new Office of Financial Research (OFR) created by the Dodd-Frank Act and housed within the Treasury. Republican members were vocal in their concerns, saying that the OFR has overbroad power to collect data from financial firms which will be at risk from hackers and cyber attacks. Members were also critical of the Office's independent budget process and its subpoena power. Richard Berner, a counselor to Secretary Geithner, sought to ease lawmakers concerns over the Office saying that the OFR will not be collecting data for "data collections sake" and that data security will be a top priority. The OFR has received relatively little oversight attention from Congress which has primarily set its sights on the CFPB as the most egregious example of regulatory overreach. However, the year anniversary of the signing of Dodd-Frank Act has caused additional attention to be paid to all aspects of the reform.

Senate

Senator Boxer introduces bill to allow underwater borrowers to refinance: While a House subcommittee debated bills to overhaul the public mortgage lending market, Senator Barbara Boxer introduced a bill designed to help homeowners whose homes are worth more than their mortgages to refinance at a lower rate. S. 170, the Helping Responsible Homeowners Act would require Fannie and Freddie to back these refinanced loans, waive risk based fees, and allow loan-to-value ratios of over 125 percent.

Boxer argues that her bill will make it easier for homeowners with second mortgages to refinance in addition to requiring borrowers to "receive a fair interest rate, comparable to that received by any other borrower in good standing who has not suffered a drop in home value and has stayed current with their mortgage payments." Mark Zandi, the chief economist at Moody's Analytics, joined Boxer in support for the bill, saying that allowing non-delinquent homeowners to refinance will decrease foreclosure rates, preserve and boost property values and increase homeowner spending.

While neither Boxer nor the bill's cosponsor Representative Johnny Isakson (R-GA) are members of the Senate Banking Committee—to which the bill has been referred—Boxer says she has discussed the bill with Senator Tim Johnson, Chairman of the Banking Committee. While Boxer appears optimistic that her measure will move forward, the bill resembles a proposal in the House (H.R. 170, the Helping Responsible Homeowners Act) which has been introduced in three sessions of Congress without success.

Senate Banking hears testimony on improving investor protection measures: On July 12, the Senate Banking Committee heard testimony on the SEC's progress toward implementing the Dodd-Frank Act investor protection provisions. Notably, former SEC Chairman Harvey Pitt testified that the Dodd-Frank Act is "unduly complex" and only adds to the "bloated" regulatory system. Pitts criticism comes near the year anniversary of the signing of the Dodd-Frank Act and was just ne of the man voices this week calling out with increased fervor against (and for) the reforms.

Meanwhile, Barbara Roper, director for investor protection at the Consumer Federation of America said her organization has long pressed Congress to provide the additional resources needed for increased SEC responsibility; however, with the prospect of sufficient funding dim she stressed the importance of a self-regulatory organization for investment advisors. This, she and other panelists

argued, would "significantly enhance the protection for those investors who invest with an investment adviser."

Executive Branch

Treasury

Treasury official stresses importance of full Dodd-Frank Implementation: On July 13, Mary Miller, the current Assistant Treasury Secretary for Financial Markets and nominee for Undersecretary for Domestic Finance, said that not fully implementing and funding the Dodd-Frank Act could expose the economy to future financial crises. As the anniversary of the signing of Dodd-Frank nears, financial industry officials and lawmakers have stepped up their criticism of the Act. Miller responded to dissenters saying that any further delay of Dodd-Frank provisions is a "risk we cannot take" and that the reforms are necessary for revitalizing the economy. She urged Congress to provide appropriate funding to agencies responsible for implementing Dodd-Frank.

Delivering remarks a Securities Industry and Financial Markets Association (SIFMA) event, Miller touched on a number of other topical issues including the debt ceiling and the need for international harmonization. Miller expressed optimism that both parties recognize the need to raise the debt ceiling no later than August 2 but stressed that Congress must act as soon as possible. On the subject of international coordination, Miller said the Treasury continues to encourage other governments to enact similar reforms in order to avoid regulatory arbitrage and ensure international consistency.

White House

Obama administration opposes financial services appropriations bill: On July 7th, the House Appropriations Committee voted in favor of H.R. 2434, making appropriations for financial services and general government for FY2012. In response, the White House released a Statement of Administration Policy (SAP) asserting that the bill would undermine the Dodd-Frank Act and related regulations by underfunding certain federal agencies and offices. In particular, the SAP stated concerns with the funding level for the Financial Research Fund (FRF), which supports the new Financial Stability Oversight Council and the Office of Financial Research (OFR) created under Dodd-Frank. In defense of this provision, the Committee stated in a report that Dodd-Frank provided no congressional oversight for the OFR, and no agency should have an unregulated ability to charge fees for administrative expenses. Obama's SAP was also critical of cuts in the funding structure for the Consumer Financial Protection Bureau, as well as limits on expenditures for the Office of Financial Stability (which administers the Troubled Asset Relief Program), and the termination of the Home Affordable Modification Program and concluded that staff would recommend that the President veto this appropriations bill if it remains unchanged.

GAO

Senators assail GAO report on proprietary trading: As required under Section 989(b) of Dodd-Frank, the Government Accountability Office (GAO) put out a report on Wednesday calling for more data on proprietary trading before federal financial regulators can issue final Volcker Rule regulations this October. The report stated that "without such data, regulators will not know the full scope of such activities outside of stand-alone proprietary trading desks and may be less able to ensure that the firms

have taken sufficient steps to curtail restricted activity. As a reminder, the Volcker Rule is intended to prohibit deposit-taking financial institutions from trading for their own accounts.

In response, Senators Carl Levin (D-MI) and Jeff Merkley (D-OR) (authors of the Dodd-Frank Volcker provision) strongly criticized the nature of the report, because it failed to *broadly* examine proprietary trading, as required by statute. In a letter to the GAO, the legislators called the study "a major disappointment" and urged the agency to "re-examine the statutory mandate" and "complete its study" because the stand-alone proprietary desks examined are in the process of being shut down. House Financial Services Chairman Spencer Bachus (R-AL), on the other hand, stated that "The GAO report confirms that neither European nor Asian regulators or legislators will establish similar proprietary trading restrictions that the Dodd-Frank Act imposed on U.S. financial institutions. This will unquestionably harm the ability of American companies to compete and create jobs."

DOL

DOL extends applicability date for fee disclosure rules: On July 13, the Department of Labor's Employee Benefits Security Administration (ERISA) issued a final rule providing an extension to applicability date for the Department's interim final rule on plan service provider fee disclosure to plan fiduciaries. Providers lauded the extension saying that the delay will provide for "a better quality of compliance." In a statement on the delay, Assistant Secretary of Labor for ERISA, Phyllis Borzi said that the extension and alignment of applicability dates "gives plan fiduciaries an appropriate amount of time to get all required fee and investment information from their covered service providers so they can then disclose, by the date required, complete and accurate information about retirement plan and investment costs to their workers." The previous effective date would have been July 16th and is extended to April 1, 2012.

Federal Reserve

Bernanke hints at possibility of additional economic stimulus and then backtracks: Since the 1978 passage of the Humphrey-Hawkins Employment Act (enacted in response to growing unemployment and inflation in the 1970s), the Board of Governors of the Federal Reserve is required to provide Congress with a Monetary Policy Report two times per year. On Wednesday Bernanke was before the House Financial Services Committee, where he cautioned that it would be "calamitous" for the U.S. to go into default, and Congress must create more fiscal sustainability for the economic health of the country. Importantly, he also stated that he would be open to another round of quantitative easing if deflation could become a problem and growth decelerates. Other options on the table for the Fed include decreasing the rate of interest paid to banks on their reserves, publicizing how long the federal funds rate will stay this low and the balance sheet will remain expanded, or increasing the average maturity of Fed holdings. Bernanke did not state which option would be most likely, and he noted that each "would entail potential risks and costs." Then on Thursday, Fed Chairman Ben Bernanke testified before the Senate Banking Committee, though on the heels of Moody's Investors Service announcement that it would review the United States' triple-A bond rating for a potential downgrade if Congress fails to raise the debt ceiling. Bernanke spoke about this potentially devastating news, explaining that any positive effects of its recent monetary policies will be "immediately offset," and the Fed will be almost helpless in mitigating the financial catastrophe that will ensue. Bernanke stated that he wants to "eliminate any expectation that the Fed through any mechanism could offset the impact of a default on the government debt."

On July 12, the Fed's Federal Open Market Committee (FOMC) released minutes from their most recent meeting which indicate that FOMC members are also considering the possibility of additional monetary stimulus. Members "noted that, depending on how economic conditions evolve, the Committee might have to consider providing additional monetary policy stimulus, especially if economic growth remained too slow to meaningfully reduce the unemployment rate in the medium run."

SEC

Republican lawmakers introduce legislation to alter SEC whistleblower provisions: Section 21F of the Dodd-Frank Act created an SEC whistleblower programs that provides a bounty to eligible whistleblowers who come forward voluntarily with original information about violations of federal securities laws. On May 25, the SEC issued a final rule for implementing the whistleblower provisions of Dodd-Frank which does not require employees to report first to their employers. However, this week Representative Michael Grimm (R-NY) and three House Republican cosponsors introduced legislation to require employees to tell employers of possible illegal activities before being eligible for bounty under the SEC's whistleblower program. While the legislation does not require employees to report to their employers if the lawbreaking is occurring at "the highest level of management" or in the event of "other evidence of bad faith on the part of the employer" it also makes the program more stringent by disallowing bounty to go to individuals deemed culpable.

GAO report cites possibility for SEC private fund SRO: On July 11, the GAO released a report which found that a self-regulatory organization (SRO) for SEC private fund advisors would be possible but not without additional legislation and challenges. The report stated that a "private fund adviser SRO could supplement SEC's oversight of investment advisers and help address SEC's capacity challenges… However, such an SRO would oversee only a fraction of all registered investment advisers. Specifically, SEC would need to maintain the staff and resources necessary to examine the majority of investment advisers that do not advise private funds and to oversee the private fund adviser SRO." The GAO report went onto warn that "fragmenting" regulation could lead to regulatory gaps, duplications and inconsistencies.

The hedge fund industry is opposed to the creation of an SRO to regulate hedge fund and private fund advisors and caution that an SRO would lack the experience necessary to successfully regulate the industry. The SEC adopted new rules required by Dodd-Frank for the hedge fund industry in June and will assume responsibility for regulation of private investment advisors on July 21. The GAO report echoes concerns that the agency will not have the capacity for such expanded oversight—a concern which the SEC and members of Congress have voiced for weeks.

CFTC

CFTC issues order to delay effective date of swaps rulemaking: On July 14, the CFTC issued an order to provide temporary relief from certain provisions of the Dodd-Frank Act that would have become effective on July 16. The temporary relief efforts were announced in June in recognition of the fact that the Commission has yet to finish key rulemakings. The order applies primarily to swap dealers

and rules that rely on a definition of swaps and will delay the effective date for the agency's swaps rulemaking to December 31, 2011 or when the final rules are completed. The order also provides relief from several provisions of the Commodity Exchange Act that were amended by Dodd-Frank and rely on the definition of swaps to be completed.

Hearing scheduled to consider Wetjen for CFTC; Barney Frank calls for recess appointment: This week, Chairman of the Senate Agriculture Committee, Debbie Stabenow (D-MI) announced that the Committee will be holding a hearing on July 21 to consider the nomination of Mark Wetjen to the CFTC. Wetjen currently serves as counsel and senior policy advisor to Majority Leader Reid. President Obama nominated Wetjen in May to replace outgoing CFTC Commissioner Michael Dunn. While a nomination hearing is a positive step towards confirmation, it is not a guarantee. In 2008, Republican members of the Senate blocked Scott O'Malia's first nomination to the CFTC—despite having been approved by the Senate Agriculture Committee.

Given the pressure to fill crucial banking regulatory positions, Representative Barney Frank called for President Obama to make a recess appointment for Wetjen. Frank expressed fears that Wetjen's appointment would be politicized on the Senate floor to protest the financial overhaul. Frank went onto hint that Wetjen is needed on the Commission to move forward with key regulatory initiatives such as position limits on delivery commodities. CFTC Chairman Gensler is said to be wary to take up various Dodd-Frank proposals because they do not currently have sufficient support with the Commissioners.

CFTC to consider four Dodd-Frank Act rules: On July 12, the CFTC announced that the agency will meet July 19 to consider four final rules and one proposed rule mandated by the Dodd-Frank Act. These rules include: the process for reviewing swaps for mandatory clearing; provisions relating to registered entities; whistleblower rules and a rule to remove reliance on credit ratings in crafting Commission regulations. The Commission will also consider a proposed rule for customer clearing documentation and timelines for clearing and clearing member risk management. This hearing is the second CFTC meeting to consider final Dodd-Frank rules.

CFPB

A week away from start date, CFPB releases details of process for regulation of large banks: On July 12, the CFPB outlined the agency's process for overseeing large depository institutions to ensure compliance with new consumer protection regulations. This supervision will begin on July, 21 2011—the effective date for the Bureau to begin its operations. The large bank supervision program will oversee 111 depository institutions whose assets total over $10 billion. These institutions—and their subsidiaries which are also subject to CFPB supervisions—together hold over 80 percent of assets in the banking industry. The actual supervision entails a "process of pre-examination scoping and review of information, data analysis, on-site examinations, and regular communication with regulated entities, prudential regulators, and as well as follow-up monitoring."

While the date the CFPB will go live is less than a week away, large banks will not immediately be subject to examination. The CFPB has stated that it will work to first become familiar with eligible banks, coordinate with regulators, finalize supervisory plans and conduct informational roundtables before the oversight process officially begins. .

International News

International group calls for sovereign debt and banking reforms: In a report released on July 11, the Global Financial System Study Group found that increased debt and uncertainty over whether governments will be able to meet their debt obligations are leasing to further global financial instability and undermining the balance sheets of prominent banks. The report warns that the deterioration of sovereign creditworthiness could limit the ability of banks with high exposure to debt to get funding and provide loans. The report gave a number of recommendations to improving the global economic outlook including: directing governments to move quickly to stabilize debt and increasing transparency about government debt levels and bank exposure. The report reflects the increased concern over sovereign debt and comes as nine European banks fail stress tests and major credit rating agencies consider down-grading US debt.

UPCOMING HEARINGS

On Tuesday, July 19th at 10am, in 538 Dirksen, the Senate Banking, Housing and Urban Affairs Committee will hold a hearing titled "Enhanced Consumer Financial Protection After the Financial Crisis."

On Wednesday, July 20th at 10am, in 538 Dirksen, the Senate Banking, Housing and Urban Affairs Subcommittee on Economic Policy will hold a hearing titled "Access to Capital: Fostering Job Creation and Innovation Through High-Growth Start-ups."

On Wednesday, July 20th at 10am, in 2128 Rayburn, the House Financial Services Committee will meet to markup pending legislation.

On Thursday, July 21st at 10am, in 538 Dirksen, the Senate Banking, Housing and Urban Affairs Committee will hold a hearing titled "Enhanced Oversight After the Financial Crisis: The Wall Street Reform Act at One Year."

On Thursday, July 21st at 10am, in G-50 Dirksen, the Senate Agriculture Committee will hold a hearing to consider the nomination of Mark Wetjen to the Commodity Futures Trading Commission.

On Thursday, July 21st at 2pm, in 1300 Longworth, the House Agriculture Committee will hold a hearing titles "Derivatives Reform: The View From Main Street."

On Tuesday, July 26th at 10am, in 2128 Rayburn, the House Financial Services Financial Institutions and Consumer Credit Subcommittee will hold a hearing on the rent-to-own industry.

On Tuesday, July 26th at 2pm, in 2128 Rayburn, the House Financial Services Domestic and Monetary Policy Subcommittee will hold a hearing on the impact of monetary policy on the economy.

On Wednesday, July 27th at 10am, in 2128 Rayburn, the House Financial Services International and Monetary Policy Subcommittee will hold a hearing to examine the relationship between the health of the U.S. housing finance system and global financial stability.

On Wednesday, July 27th at 2pm, in 2128 Rayburn, the House Financial Services Oversight and Investigations Subcommittee will hold a hearing on credit rating agencies.

On Thursday, July 28th at 9:30am, in 2128 Rayburn, the House Financial Services Committee will hold a hearing with Treasury Secretary Timothy Geithner on the state of the international financial system and the first annual report of the Financial Stability Oversight Council.

In Thursday, July 28th at 2pm, in 2128 Rayburn, the House Financial Services Insurance, Housing, and Community Opportunity Subcommittee will hold a hearing on the Federal Insurance Office.

On date TBD, in 2128 Rayburn, the House Financial Services Committee will hold a hearing to receive the Treasury's annual report on the state of the international financial system.

On a date TBD, in 2128 Rayburn, the House Financial Services Committee will hold a hearing on the independent study conducted by the Boston Consulting Group on a proposal to overhaul the Securities and Exchange Commission.

On a date TBD, in 2128 Rayburn, the House Financial Services Subcommittee on Financial Institutions and Consumer Credit will hold a hearing on the Small Business Lending Fund. This was initially scheduled for April 6th.