

SCHWARTZ & BALLEN LLP

1990 M STREET, N.W. • SUITE 500

WASHINGTON, DC 20036-3465

(202) 776-0700

FACSIMILE
(202) 776-0720

www.schwartzandballen.com

M E M O R A N D U M

July 8, 2008

To Our Clients and Friends

Re: Federal Reserve and SEC Memorandum of Understanding

The Federal Reserve Board and the Securities and Exchange Commission have entered into a memorandum of understanding (“MOU”) that facilitates the sharing of information about financial institutions, coordination of examinations and visitations and consultations on supervisory expectations. The objective of the MOU is to enhance the agencies’ oversight of the financial services industry. Nothing in the MOU modifies the ability and responsibility of the SEC and the Board to enforce their respective statutes and regulations.

The SEC agreed to provide the Federal Reserve with information and analysis regarding the financial condition, risk management systems, internal controls and capital, liquidity and funding resources of entities subject to the SEC’s jurisdiction, including broker-dealers, investment advisors and registered investment companies, as well as information regarding the financial markets and the SEC’s assessment of the conditions in such markets that may materially affect the operations or financial condition of the entities they supervise. The Federal Reserve agreed to provide the SEC with information and analysis regarding the financial condition, risk management systems, internal controls and capital, liquidity and funding resources of entities subject to the SEC’s jurisdiction and certain bank holding companies affiliated with broker-dealers that it develops in the course of its assessment of those entities, as well as information regarding the financial markets and the Federal Reserve’s assessment of the conditions in such markets that may materially affect the operations or financial condition of these entities.

The MOU further provides that the SEC and the Federal Reserve will collaborate and cooperate in setting supervisory and regulatory expectations, guidelines or rules concerning the capital, liquidity and funding position and

SCHWARTZ & BALLEN LLP

resources, and associated risk management systems and controls of entities subject to the SEC's jurisdiction.

The MOU also addresses coordination and sharing of information relating to the Depository Trust Company, the National Securities Clearing Corporation, the Fixed Income Clearing Corporation and certain transfer agents.

In addition, if either agency identifies a significant violation or deficiency relating to compliance with the Bank Secrecy Act or OFAC sanctions requirements by an entity supervised by the other, the agency will promptly notify the other party.

The agencies also agreed to co-ordinate actions relating to Regulation R, the agencies' joint rules implementing the bank broker provisions of the Gramm-Leach-Bliley Act. The agencies agreed to issue on a joint basis any interpretations and responses to requests for no-action letters or other interpretive guidance concerning the scope or terms of the exceptions in Regulation R.

A copy of the release can be found on our website at http://www.schwartzandballen.com/whats_new.html.

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox or Heidi Wicker at (202) 776-0700.