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MEMORANDUM

January 18, 2011

To Our Clients and Friends

Re: FSOC Proposed Rule Regarding Nonbank Financial Companies

The Financial Stability Oversight Council (“FSOC”) has issued a proposed rule setting forth the framework by which it will determine whether certain nonbank financial companies will be subject to supervision by the Federal Reserve Board (“Board”). Comments on the proposed rule are due within 30 days after publication in the Federal Register.

Under the Dodd-Frank Act (“DFA”), FSOC may subject a nonbank financial company that poses a threat to the financial stability of the U.S. to Board supervision. FSOC’s proposed rule establishing the framework for such designation incorporates the following statutory factors mandated by the DFA:

- Leverage
- Off-balance-sheet exposures
- Transactions and relationships with significant nonbank financial companies and bank holding companies
- Importance as a source of credit for households, businesses and State and local governments and as a source of liquidity
- Importance as a source of credit for low-income, minority or underserved communities
- Extent to which assets are managed
- Nature, scope, size, scale, concentration, interconnectedness and mix of the activities
- Degree of existing regulation
- Amount and nature of financial assets
- Amount and types of liabilities

FSOC will begin assessing the systemic significance of nonbank financial companies under this framework promptly after it adopts a final rule.

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A copy of the proposed rule can be found at our website at
<http://www.schwartzandballen.com/news.html>

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