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MEMORANDUM

February 8, 2011

To Our Clients and Friends

Re: Federal Reserve Proposed Definitions Under the Dodd-Frank Act

The Federal Reserve Board (“Board”) has issued a proposed rule (“Proposed Rule”) that implements two provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”). The Dodd-Frank Act requires the Board to issue regulations that establish criteria for determining whether a company is “predominately engaged in financial activities” and to define the terms “significant nonbank financial company” and “significant bank holding company” for purposes of designation by the Financial Stability Oversight Council (“Council”) of systemically important nonbank financial companies that may be subject to Board supervision.

The Proposed Rule provides that a company is “predominately engaged in financial activities” if 85 percent or more of the company’s gross revenues or assets are derived by the company or its subsidiaries from activities that are “financial in nature,” as defined under the Bank Holding Company Act and Board regulations. The Proposed Rule also addresses how the revenues and assets attributable to equity investments in other organizations that are not consolidated with the company are to be treated.

Under the Proposed Rule, a firm would be considered a “significant nonbank financial company” or “significant bank holding company” if it has \$50 billion or more in total consolidated assets, or has been designated by the Council as systemically important.

The comment period closes on March 30, 2011.

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.