

Financial Services Alert Quarterly

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Issues During the Most Recent Quarter

New Subscribers, Past Issues and Background

Material: If you would like anyone else to receive issues of the Financial Services Alert, would like to receive any past issues, or would like the background materials for any of the matters discussed in this issue, please contact **Greg Lyons, Eric Fischer, Elizabeth Shea Fries** or **Jackson Galloway** at 617.570.1000 or at the e-mail addresses referenced at the end of this newsletter.

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May 20, 2008

- SEC Staff Provides No-Action Relief from 1940 Act Affiliated Transaction Prohibitions to Permit Restructuring of Asset Allocation Funds into Fund-of-Funds Through In-Kind Transfers
- IRS Issues Guidance Concerning Modification of Mortgage Loans Held by REMICs and Trusts
- FRB Discusses Bank Risk Management Concerns and Responses
- FinCEN Clarifies Anti-Money Laundering Obligations for Foreign Exchange Service Providers
- SEC to Consider Mandatory Interactive Data Tagging of Risk/Return Summary in Mutual Fund Prospectuses
- FRB and FTC Propose Risk-Based Pricing Notice
The Comment Period on the Proposal Expires August 18, 2008.
- U.S. Supreme Court Rejects Challenge to States' Income Tax Exemption for Interest from Their Own Bonds

May 27, 2008 – In Depth Analysis

- Private Equity Investment in Banking Institutions

June 3, 2008

- Seventh Circuit Rejects Gartenberg Analysis in Affirming District Court's Dismissal of Excessive Fee Suit Against Mutual Fund Adviser
- OCC Responds to Agreements between OFHEO, the NYAG, and Fannie Mae and Freddie Mac
- European Commission Reexamines Supervision of Securities, Banking and Insurance Sectors
- FDIC Proposes Amendments to its Guidelines for Appeals of Material Supervisory Determinations

June 10, 2008

- Ninth Circuit Decision Permits Wider Scope for SEC-DOJ Cooperation in Parallel Civil and Criminal Proceedings
- A Recap of Goodwin Procter and Navigant Consulting's Breakfast Briefing on AML and OFAC Compliance
- Ninth Circuit Rules Against FDIC on Capital Guarantees by Parent Company of Federally Insured Bank
- FINRA Files Proposed Amendments to NASD Rule 2821 Governing Variable Annuity Sales and Exchanges
- FINRA Shares Examination Priorities and Frequently Found Deficiencies

June 17, 2008

- Federal District Court Enjoins Further Violations of Section 13 Ownership Reporting Requirements by Hedge Funds After Finding Scheme to Avoid Them
- FDIC Issues Guidance on Managing Third-Party Risk
- SEC Proposes Additional Rulemaking for Credit Rating Process
- Financial Crimes Enforcement Network Issues Guidance on "Money Services Businesses" for Purposes of the Bank Secrecy Act
- Division of Supervision and Consumer Protection of the FDIC Publishes Article on Transparency in the Structured Finance Market

June 24, 2008

- U.S. Supreme Court Holds That an Insurer which Both Decides Eligibility for ERISA Benefits and Is Responsible for Paying Eligible Claims Has a Structural Conflict of Interest which Should Be Determined on a Case-by-Case Basis
- FDIC Approves ILC Establishment Subject to Numerous Conditions
- Eighth Circuit Rules State Law Securities Claims Brought by Trust Account Beneficiaries Preempted by SLUSA
- FinCEN Issues Guidance on Clearing Broker-Dealers' Bank Secrecy Act ("BSA") Obligations in Relationships with Foreign Financial Institutions
- SEC Proposes to Make Filing of Prospectus Risk/Return Summary Information in Interactive Data Format Mandatory for Mutual Funds
- SEC Staff Provides No-Action Relief for Family Investment Vehicles to Maintain Qualified Purchaser Status Despite Non-Family Member Investor

July 1, 2008

- US Banking Agencies Publish Basel II "Standardized" Risk Capital Proposal for Non-Core Banks
The Comment Period on the Proposal Expires October 27, 2008.
- SEC Proposes to Eliminate Specific Credit Rating Standards in 1940 Act and Advisers Act Rules
The Comment Period on this Proposal Expires September 5, 2008.
- SEC Proposes New Rules Regarding Indexed Annuities that Modify 1933 Act Exclusion with Respect to Annuity Contracts and Create Related Exclusion from 1934 Act Reporting for Certain Annuity Contracts
The Comment Period on this Proposal Expires September 10, 2008.
- Closed-End Funds Receive No-Action Relief for Preferred Stock with Liquidity Features and File Application for Exemptive Relief from 1940 Act Asset Coverage Requirements
- IRS Issues Guidance on Treatment of Closed-End Fund Auction Rate Preferred Stock
- Basel Committee Issues Proposal on Management of Liquidity Risk
- FDIC and U.K.'s Financial Services Authority Agree to Share Information, Cooperate and Consult on Cross-Border Banking

July 8, 2008

- SEC Proposes Changes to Money Market Fund Regulations and Other 1940 Act and Advisers Act Rules by Removing References to NRSRO Ratings
- OCC Issues Interpretive Letter Jointly with FRB Providing Guidance on Risk-Based Capital Charges for Liquidity Facilities that Support ABCP Conduits
- FDIC Reiterates Standards for Other Real Estate
- FRB and SEC Agree to Share Information, Collaborate and Coordinate Efforts to Oversee Financial Services Firms

July 15, 2008

- US Banking Agencies Publish Interagency Guidance on Advanced Basel II Qualification Process
- FRB Chairman Bernanke, Secretary of the Treasury Paulson Testify Before House Committee Regarding Oversight of Investment Banks and Revisions to Financial Regulation
- BIS Publishes Study on Lessons Learned in the Recent Failure of Structured Finance Ratings and Provides Recommendations

July 19, 2008 – Special Edition

- SEC Amends Emergency Order Regarding Short Sales of Securities of Certain Financial Firms and Provides Additional Guidance and FAQs

July 22, 2008

- Banking Agencies Publish Final Supplemental Guidance on Basel II – Supervisory Review Process
The Supervisory Review Guidance becomes Effective on September 2, 2008.
- Department of Labor Explains Changes to ERISA Plan Annual Reporting Requirements Concerning Service Provider Compensation, and Grants Limited Transition Relief
- SEC Staff Indicates that Advisers Act Cash Solicitation Rule Not Applicable When Solicitation/Referral Solely with Respect to Adviser’s Fund Offerings
- First Circuit Court of Appeals to Entertain Amicus Briefs in Case Involving Conflicts of Interest in Denying ERISA Benefits Claims
- SEC Staff Denies No-Action Relief for “3(c)(1) Plus Fund”
- SEC Proposes to Expand the Broker-Dealer Registration Exemptions under Rule 15a-6 for Foreign Broker-Dealers

The Comment Period on this Proposal Expires September 8, 2008.

July 29, 2008

- DOL Issues Proposed Regulation on Disclosure Requirements for Participant-Directed ERISA Plans
The Comment Period on this Proposal Expires September 8, 2008.
- Basel Committee, in Conjunction with IOSCO, Publishes Proposals on Capital for Incremental Risk in Trading Book and Value-at-Risk Models
- ICI and IDC Publish White Papers on Proxy Voting by Mutual Funds
- IRS Issues Private Ruling to Treat a Regulated Investment Company’s Receipt of Settlement Fund Income as Qualifying Income
- FDIC Board Approves Final Policy Statement on Covered Bonds
- New York Governor Signs Law that Permits Interstate *De Novo* Branching

July 30, 2008 – Special Edition

- SEC Extends Emergency Short Sale Order and Announces Intentions for Future Rulemaking Regarding Naked Short Selling

August 5, 2008

- SEC Votes to Propose Guidance for Fund Boards in Overseeing Best Execution and Adviser Soft Dollar Usage
The Comment Period on the Proposal Expires October 1, 2008.
- IRS Issues Guidance Regarding the Deductibility of Management Fees of a Fund of Funds
- FINRA Proposes To Update and Consolidate Rules Governing Marketing of Variable Annuities and Variable Life Insurance
The Comment Period on the Proposal Expires September 30, 2008.
- SEC and DOL Enter Into Information-Sharing Memorandum of Understanding to Formalize Regulatory Cooperation
- SEC Staff Grants No-Action Relief to Permit Fund to Rely on Rule 15a-4 under the 1940 Act to Enter into Interim Sub-Advisory Contract Following Sub-Adviser Resignation
- FASB Delays Effective Date for Revised FAS 140 Concerning Securitizations

- OTS Amends Mutual Holding Company Regulations Applicable to Minority Stock Ownership Limitations of MHC Subsidiaries
- American Bankers Association Seeks to Protect Bank Interest Expense Deduction
- SEC Reopens Comment Period on Mutual Fund Summary Prospectus Proposal
The Reopened Comment Period Expires August 29, 2008.

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