THE
NEW ENGLAND
COUNCIL

April 20, 2010

The Honorable Chris Dodd
United States Senate
448 Russell Senate Office Building
Washington, DC 20510

Dear Senator Dodd:

As you know, the New England Council is proud to represent some of our nation's largest and most well-respected financial services companies – employing thousands of workers and helping New Englanders protect what's important to them and save for the future. We admire your success and perseverance in moving a financial services reform bill through the Senate Banking, Housing and Urban Affairs Committee, and agree with you that our nation's financial structure is in need of modernization. We also appreciate the willingness of one of your senior advisors, Ed Silverman, to meet with us earlier this month and listen to our concerns.

Attached is a series of four Council recommendations that address several concerns raised by our members. As the bill advances to the Senate floor, and perhaps a conference committee, we hope you will heed some of these recommendations and suggestions that will help strengthen and grow New England's financial services sector.

A responsible and sensible reform of the financial services sector will make our economy stronger, our banking, investment, and insurance companies more competitive, and be of tremendous benefit to the American consumer. I hope you will take our suggestions under consideration and pass a bill that will benefit our economy for many years. A always, please don't hesitate to contact me with any questions.

Very Truly Yours,

James T. Brett
President & CEO

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New England Council Principles for Financial Services Regulatory Reform

<u>Financing of Resolution Authority</u> – We agree that there should be parameters for the orderly resolution of institutions posing systemic risk. However, we strongly encourage you to provide an exemption from the resolution funding obligations for companies that are not a source of systemic risk, and did not contribute to the current economic downturn nor are likely to contribute in the future. The Council believes that a better approach is a post-insolvency funded system that spreads financial responsibility among those that present systemic risk based on their counterparty and risk exposure to firms for which resolution funding is used.

<u>Financial Stability Oversight Council</u> – As with an orderly resolution fund, we encourage Congress to focus the scope of the Financial Stability Oversight Council ("FSOC") on firms that in fact pose systemic risk. Specifically, we believe the House of Representatives did an excellent job including a "risk matrix" in its legislation that prudently assesses the holdings and activities of various companies and recognizing how various business units within an organization fit together. Including institutions with no systemic risk would waste resources of both the FSOC and private companies currently overseen by other regulators. We hope that you will include an informal "stress test" similar to the one included in the House bill to better direct the resources of the FSOC. If nonbanks are designated for heightened systemic regulation, the Council believes the FSOC should be required to tap the subject matter expertise of the appropriate primary functional regulators in the both the development and adoption of any new rules.

<u>Consumer Financial Protection Bureau</u> – We recognize that the creation of the Consumer Financial Protection Bureau ("CFPB") has some support in Congress. We are hopeful that lawmakers will recognize the great difficulty companies may have in navigating the web of new regulations instituted by the CFPB, in addition to the existing labyrinth of federal and state regulations. We believe that federal consumer protection legislation, and any regulations issued by the CFPB, should preempt any state regulation in the area of consumer financial services. This preemption standard will further the goal of sustaining a nationwide uniform market for credit products. Without this uniform approach, consumers and lenders will be subject to the hodgepodge of differing consumer protection standards that may create unintended consumer confusion, and increase lender costs.

<u>Bank Tax</u> – The creation and ongoing activities of the Troubled Asset Relief Program ("TARP") have garnered a great deal of criticism on Capitol Hill and from the general public. Without debating the relative merits and effectiveness of TARP, we understand and appreciate the desire of lawmakers to ensure that the public's investment in the financial sector is repaid in full. However, we disagree that a new tax on companies that may not have taken TARP funds, and do not pose systemic risk, is the best way to ensure that TARP funds are repaid. Simply because a company is large and exceeds a certain asset threshold, does not mean that it poses systemic risk, or that it contributed to the economic downturn of the last few years.

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