

Financial Services Alert Quarterly

Goodwin Procter LLP, a firm of 700 lawyers, has one of the largest financial services practices in the United States.

New Subscribers, Past Issues and Background:

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 stories listed 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.

Alert on the Web:

Back issues of the *Alert* are available at www.goodwinprocter.com/Publications/Financial%20services%20Alerts.aspx

Disclaimer:

This publication, which may be considered advertising under the ethical rules of certain jurisdictions, is provided with the understanding that it does not constitute the rendering of legal advice or other professional advice by Goodwin Procter LLP or its attorneys.

©2007 Goodwin Procter LLP
All rights reserved.

Issues During The Most Recent Quarter

November 21, 2006 – Overview

- FDIC Approves Change in Control for ILC Despite Moratorium
- Massachusetts Division of Banks Issues Proposed Guidance on Nontraditional Mortgage Product Risks; Part of Effort to Provide Uniform State Guidance
- OTS Issues Memorandum Regarding Securities Related Activities of Federal Savings Association
- Investment Company Institute Publishes Paper on Recordkeeping and Electronic Communications for Funds and Advisers
- FinCEN Issues Advisory on Money Laundering Risks of Shell Company Accounts
- FDIC Issues Final Rule on Late Assessment Penalties

November 28, 2006 – Overview

- SEC Staff Provides Guidance on Pricing in Mutual Fund Cross Transactions
- California Appeals Court Reverses \$1.5 Billion Social Security Deposit Set-Off Judgment
- OCC, CSBS Agree to Share Consumer Complaint Information
- Director of SEC's Division of Investment Management Speaks at Life Insurance Company Products Conference
- Ohio Supreme Court Rules City Predatory Lending Ordinances are Preempted by State Law

December 5, 2006 – Overview

- U.S. Supreme Court Hears Oral Argument in Preemption Case Concerning National Bank Operating Subsidiary
- FRB Issues Final and Proposed Amendments to Regulation E
- OCC Issues Interpretive Letter Concerning Application of Lending Limit to Wind Tower Loans
- IRS Releases Notice 2006-100 on Reporting and Wage Withholding Requirements under Section 409A of the Code
- Recently Issued Financial Services Industry Patent Raises Concerns
- Bank Trade Associations Urge IRS to Withdraw Proposed Rule on Interest Deductions of S Corporation Banks
- OCC Updates Manual on Branches and Relocations

December 12, 2006 – Overview

- Basel IA Proposal for U.S. Banking Organizations Not Adopting Basel II
- SEC Announces Agenda for December 13 Open Meeting
- FDIC Issues Draft Guidelines on Small-Dollar Loans
- FRB Approves Interim Rule Eliminating Certain Regulation O Requirements

- IRS Rules that Income from Commodities-Linked Notes and from a Foreign Subsidiary Investing in Commodities Derivatives Constitutes Qualified Income for RIC Fund

December 19, 2006 - Overview

- SEC and FRB Vote to Publish New Bank Broker Rules: Proposed Regulation R
- OTS Permits Op Sub to Engage in Broad Securities Activities and Pay Interest in Free Credit Balances
- NASD and SEC Discipline Broker-Dealer over Gifts, Travel and Entertainment Provided to Certain Adviser Personnel in Effort to Increase Mutual Fund Brokerage
- OCC Fines Grant Thornton as IAP in Connection with Audit Performed for Failed FNB of Keystone
- SEC Seeks Comment on Staff Economic Papers Analyzing Challenged Fund Governance Requirements
- Banking Agencies Issue Final Guidance on Commercial Real Estate Concentrations and Sound Risk Management Practices
- SEC Adopts Proxy Rule Changes to Permit Delivery Via Website Posting of Proxy Materials and Proposes Making Website Delivery Method Mandatory
- SEC Proposes Eliminating Short Sale Price Tests (“Tick Tests”)
- SEC Votes to Propose Rules Designed to Protect Investors in Hedge Funds and Other Pooled Investment Vehicles
- MSRB Files Proposed Amendments to Municipal Fund Securities Advertising Rule

December 26, 2006 – Overview

- Basel IA Comment Period Established
- NASD Issues Report on Examination of Member Gift Practices and Additional Guidance on NASD Gift Rule
- Federal Banking Agencies Issue Policy Statement Regarding the Allowance for Loan and Lease Losses
- FinCEN and Federal Banking Agencies Introduce New Form SAR-DI to Reduce Duplicate Filings

January 2, 2007 – Overview

- SEC Issues Release Proposing a Modified Accredited Investor Standard for Natural Persons Investing in Certain 3(c)(1) Funds and a New Advisers Act Anti-Fraud Rule
- SEC Publishes Staff Economic Papers on Fund Governance Issues in Connection with Reopening Comment Period on Challenged Fund Governance Requirements
- Director of SEC’s Division of Investment Management Discusses Exemptive Applications Process Improvements at ICI Procedures Conference
- SEC OCIE Director Discusses Examinations of Fund and Adviser CCO Annual Reviews

January 9, 2007 – Overview

- Conference Summary: Basel II and Basel IA: Framework, Issues and Opportunities
- SEC Staff Guidance for Investment Company Registrants Clarifies Application of FASB Interpretation Regarding Uncertain Tax Positions and Delays Interpretation’s Effectiveness

January 16, 2007 – Overview

- MBA Publishes Paper on Likely Effects of Basel II on Residential Mortgage Industry
- OCC Determines Lending Limits and Public Welfare Investment Authority Distinct
- SEC Staff Provides No-Action Relief from Affiliated Transactions Prohibitions for Mergers Between Registered Funds and Unregistered Funds Other Than Those Specified in Rule 17a-8
- SEC Staff Grants No-Action Relief to Permit Funds of Funds to Make In-Kind Exchanges Among Affiliated Mutual Funds
- OCC Issues Letter Permitting National Bank to Retain MasterCard, Inc. Stock Received in IPO
- Federal Banking Agencies Issue Interim Rule to Amend and Implement Management Interlock Provision of Regulatory Relief Act

January 23, 2007 – Overview

- Federal Agencies Issue Final Interagency Statement Concerning Complex Structured Finance Transactions
- FinCEN Issues Report to Congress Stating that Reporting of Cross-Border Wire Transfer Data is Technically Feasible but Should be Limited to Approximately 25% of Banks
- Congress Amends Regulatory Relief Act
- FRB Governor Bies Discusses Mortgage Lending Issues

January 30, 2007 – Overview

- SEC Issues Release Adopting Proxy Rule Changes to Permit Delivery of Proxy Materials Via Website
- SEC Issues Release Proposing Proxy Rule Changes Mandating Internet Availability of Proxy Materials
- FDIC Issues Supervisory Policy on Predatory Lending

February 6, 2007 – Overview

- First Circuit Court of Appeals Reverses Certification of Class Seeking Rescission in TILA Action
- FDIC Board Extends Moratorium on ILCs Owned by Commercial Firms
- FDIC Issues Proposed Rules Applicable to Certain Parents of Industrial Loan Companies
- DOL Provides Guidance on Participant Investment Advice
- California Court of Appeal Reverses Trial Court Decision in Suit Brought By California Attorney General Against Mutual Fund Distributor and Adviser Over Revenue Sharing Disclosures
- SEC Proposes Rules for NRSRO Registration, Reporting and Oversight
- SEC Votes to Propose Voluntary Data Tagging of Risk/Return Summary Information in Mutual Fund Prospectus Filings
- SEC Staff Grants No-Action Relief for Rule 22c-2 Agreements that Allow Foreign Intermediaries to Provide Unique Identification Numbers in Lieu of Government Issued Identifiers When Providing Information on Underlying Fund Shareholders

Quarterly Status of Recent Rules/Policy Statements

Rule/Statement (Rules Unless Otherwise Noted)	Proposed/ Final/Interim (P/F/I)	Comment Period Ends (Proposals)/ Compliance/Effective Date (Final)	Alert Description Date
MULTI-AGENCY			
Guidance on Commercial Real Estate Concentrations	F	12/12/06	12/19/06
Basel IA Rules	P	3/26/07	12/26/06
Amend Management Interlock Provision of Regulatory Relief Act	I	1/11/07 Comments Due: 2/12/07	1/16/07
Statement Regarding Complex Structured Finance Transactions	F	1/11/07	1/23/07
FDIC			
Finalizes Rule on Late Assessment Penalties	F	1/1/07	11/21/06
Issues Draft Guidelines on Small-Dollar Loans	P	2/2/07	12/12/06
ILC Moratorium Extended	F	1/31/08	2/6/07
Proposes Rule on ILC Parents	P	5/7/07	2/6/07
FRB			
Finalizes Regulation E Rule on Electronic Check Conversion	F	1/1/07	12/5/06
Approves Interim Rule Eliminating Certain Regulation O Requirements	I	12/11/06 Comments Due: 1/10/07	12/12/06
Proposes New Bank Broker Rules	P	3/26/07	12/19/06
SEC			
Proposes New Bank Broker Rules	P	3/26/07	12/19/06
Seeks Comment on Staff Economic Papers Analyzing Challenged Fund Governance Requirements	P	3/2/07	12/19/06 & 1/2/07
Adopts Final Proxy Rule Changes to Permit Delivery of Proxy Materials Via Website Posting	F	7/1/07	1/30/07
Proposes Proxy Rule Changes to Mandate Delivery of Proxy Materials Via Website Posting	P	3/30/07	1/30/07
Proposes Modified Accredited Investor Standard for Natural Persons and Advisers Act Anti-Fraud Rule	P	3/9/07	1/2/07
Proposes Rules for NRSRO Registration, Reporting and Oversight	P	3/9/07	1/2/07
Proposes Voluntary Data Tagging of Mutual Fund Prospectus Risk/Return Summary Information	P	3/14/07	2/6/07

Rule/Statement (Rules Unless Otherwise Noted)	Proposed/ Final/Interim (P/F/I)	Comment Period Ends (Proposals)/ Compliance/Effective Date (Final)	Alert Description Date
OTHER			
MA Guidance on Nontraditional Mortgage Products	P	12/4/06	11/21/06

Attention: Gregory J. Lyons/Eric R. Fischer/Elizabeth Shea Fries/Jackson Galloway

Facsimile: (617) 523-1231

Please e-mail (circle one) me the issue(s) indicated below:

- November 21, 2006
- November 28, 2006
- December 5, 2006
- December 12, 2006
- December 19, 2006
- December 26, 2006
- January 2, 2007
- January 9, 2007
- January 16, 2007
- January 23, 2007
- January 30, 2007
- February 6, 2007

Your Name: _____

Company Name: _____

Telephone #: _____

E-mail Address: _____

Address: _____

(If mailing desired)

**Goodwin Procter LLP
Financial Services
Partners and Counsel**

Lynne B. Barr
Raymond P. Boulanger
Kay E. Bondehagen
Agnes Bundy Scanlan
Margaret B. Crockett
Eric R. Fischer
Martin J. Flynn
Elizabeth Shea Fries
Jackson B.R. Galloway
Geoffrey R.T. Kenyon
Satish M. Kini
Thomas J. LaFond
Paul W. Lee
Gregory J. Lyons
Robin J. H. Maxwell
William P. Mayer
Philip H. Newman
Anthony R. G. Nolan
Christopher E. Palmer
Regina M. Pisa
Mark S. Raffman
Victoria E. Schonfeld
William E. Stern
Michael P. Whalen
Meryl E. Wiener

To e-mail any of the above attorneys, use first initial of first name, followed by last name, followed by @goodwinprocter.com. For example, the e-mail address for Gregory J. Lyons would be glyons@goodwinprocter.com.

Attention: Gregory J. Lyons/Eric R. Fischer/Elizabeth Shea Fries/Jackson Galloway

Facsimile: (617) 523-1231

Reader Feedback

We would appreciate hearing your comments about the *Financial Services Alert*. Also, if there is anyone whom you would like to be placed on our weekly distribution list, please complete the section below and we would be happy to add them to our list.

Additions to the *Financial Services Alert* distribution list:

Name: _____

Company Name: _____

Telephone #: _____

E-mail Address: _____

Name: _____

Company Name: _____

Telephone #: _____

E-mail Address: _____

Name: _____

Company Name: _____

Telephone #: _____

E-mail Address: _____