

INVESTORS' WORKING GROUP RECOMMENDATIONS	OBAMA ADMINISTRATION PROPOSALS
Strengthening Existing Federal Regulators	
<ul style="list-style-type: none"> • Congress and the Administration should develop and protect regulators' commitment to fully exercising their authority. • Regulators should have enhanced independence through stable, long-term funding that meets their needs. • Regulators should acquire a deeper knowledge and expertise. 	<ul style="list-style-type: none"> • Create a coordinating council of federal and state agencies to address potential gaps in consumer and investor protection and to promote best practices across different markets. • Expand sanctions available in enforcement actions and harmonize liability standards.
OTC Derivatives	
<ul style="list-style-type: none"> • Standardized (and standardizable) derivatives should trade on regulated exchanges and clear centrally. 	<ul style="list-style-type: none"> • Clearing of all standardized OTC derivatives through regulated central counterparties (CCPs) • Move standardized parts of derivatives markets onto regulated exchanges • Encouraged greater use of regulated exchange-traded derivatives • OTC derivatives accepted for clearing by at least one CCP are presumed standardized and thus must be cleared centrally.
<ul style="list-style-type: none"> • OTC trading in derivatives strictly limited to customized contracts for highly sophisticated parties, one of which hedges business risks • Robust federal regulation including: <ul style="list-style-type: none"> • Greater transparency • Dealer registration • Record keeping and reporting • Capital requirements • Strong business conduct standards • Inspections • Positions limits as deemed necessary 	<ul style="list-style-type: none"> • More conservative capital requirements for OTC derivatives • Robust margin requirements as well as other needed risk controls • Tighten limits or impose additional disclosure requirements or standards of care to market derivatives to certain counterparties • Develop a system for timely reporting of trades and prompt dissemination of prices and other trade information • Recordkeeping and reporting requirements on all OTC derivatives • Public disclosure of aggregate data on open positions and volume • Data on any individual counterparty's trades and positions confidentially available to regulators
<ul style="list-style-type: none"> • The Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) must improve accounting for derivatives. 	<ul style="list-style-type: none"> • No comparable recommendation.

Securitized Products	
<ul style="list-style-type: none"> New accounting standards for off-balance sheet transactions and securitizations should be implemented without delay 	<ul style="list-style-type: none"> GAAP should be changed to require many securitizations to be consolidated on the originator’s balance sheet Asset performance to be reflected in the originator’s consolidated financial statements.
<ul style="list-style-type: none"> SEC to develop a regulatory reporting regime for asset-backed securities that requires issuers to make prospectuses available for potential investors in advance of their purchasing decisions. 	<ul style="list-style-type: none"> SEC be authorized to require summary prospectus for investors at or before sale, if it finds that would improve investor understanding. SEC should continue to increase transparency and standardization of ABS markets and have authority to require robust ABS reporting
Hedge Funds, Private Equity and Investment Companies, Advisers and Brokers	
<ul style="list-style-type: none"> All investment managers of funds available to U.S. investors, including managers of hedge funds and private equity funds should: <ul style="list-style-type: none"> Register with the SEC as investment advisers, and Disclose positions to regulators on real-time basis, and to their investors and the market on a delayed basis. 	<ul style="list-style-type: none"> Advisers report to regulators information on the funds they manage to assess potential threat to financial stability. Requirements for RIA-advised investment funds on recordkeeping and disclosures to regulators, investors, and counterparties, SEC should share reports with the Federal Reserve.
<ul style="list-style-type: none"> All Institutional investors—including pension funds, hedge funds and private equity firms—make timely, public disclosures about <ul style="list-style-type: none"> Proxy voting guidelines and votes cast, Investment guidelines, and Holdings and performance (annually). 	<ul style="list-style-type: none"> No comparable recommendation.
Non-Bank Financial Institutions	
<ul style="list-style-type: none"> Congress should give regulators resolution authority, analogous to the FDIC’s authority for failed banks, to wind down or restructure troubled, systemically significant non-banks. 	<ul style="list-style-type: none"> Create a resolution regime to avoid the disorderly resolution of failing bank holding companies that would have serious adverse effects on the financial system or the economy. Bankruptcy will remain the dominant tool for handling the failure of a BHC, unless the special resolution regime is triggered.

Side by Side Analysis of Key IWG Recommendations and Obama Administration Proposals for Financial Regulatory Reform

Mortgage Originators	
<ul style="list-style-type: none"> Banks and other mortgage originators should comply with minimum underwriting standards, including documentation, verification, and suitability requirements. 	<ul style="list-style-type: none"> CFPA to ensure alternative mortgages obtained only if understand the risks and able to manage those risks. Originators and purchasers of “plain vanilla” mortgages should enjoy a strong presumption that the products are suitable.
Nationally Recognized Statistical Rating Organizations	
<ul style="list-style-type: none"> Congress and the Administration should consider ways to encourage alternatives to the issuer-pays NRSRO business model. <ul style="list-style-type: none"> Fees should vest based on the performance of the original ratings and changes to those ratings over time relative to the credit performance of the bonds. Credit rating agencies that continue to operate under the issuer-pays model should be subject to the strictest regulation. 	<ul style="list-style-type: none"> Credit rating agencies should be required to maintain robust policies and procedures for managing and disclosing conflicts of interest and otherwise ensuring the integrity of the ratings process.
<ul style="list-style-type: none"> NRSROs should be held to a higher standard of accountability. 	<ul style="list-style-type: none"> No comparable recommendation
<ul style="list-style-type: none"> Credit rating agencies should only rate instruments for which they have adequate information and should be legally vulnerable if they do otherwise. 	<ul style="list-style-type: none"> No comparable recommendation
<ul style="list-style-type: none"> Reliance on NRSRO ratings should be greatly reduced by statutory and regulatory amendments. Market participants should reduce their dependence on ratings in making investment decisions. 	<ul style="list-style-type: none"> Regulators should reduce their use of credit ratings in regulations and supervisory practices, wherever possible.
Corporate Governance	
<ul style="list-style-type: none"> Directors elected by a majority of votes cast in contested elections. 	<ul style="list-style-type: none"> No comparable recommendation.
<ul style="list-style-type: none"> Shareowners’ right to put director nominees on company’s proxy. 	<ul style="list-style-type: none"> No comparable recommendation.
<ul style="list-style-type: none"> Boards of directors encouraged to separate chair and CEO roles, or explain why adopted another method for independent leadership. 	<ul style="list-style-type: none"> No comparable recommendation.

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<ul style="list-style-type: none"> Exchanges adopt listing standards requiring boards' compensation advisers are independent of management. 	<ul style="list-style-type: none"> No comparable recommendation.
<ul style="list-style-type: none"> Companies should give shareowners an annual advisory vote on executive compensation. 	<ul style="list-style-type: none"> Require non-binding shareowner votes on executive compensation packages.
<ul style="list-style-type: none"> Strengthen federal clawback provisions on unearned incentive pay. 	<ul style="list-style-type: none"> No comparable recommendation.
<p>Systemic Risk Oversight Board</p>	
<ul style="list-style-type: none"> Congress should create a Systemic Risk Oversight Board with full-time members who are independent of governmental agencies and financial institutions. 	<ul style="list-style-type: none"> Federal Reserve authority to oversee and regulate: <ul style="list-style-type: none"> Any financial firm whose size, leverage, and interconnectedness could pose a threat to financial stability if it failed, and Systemically important payment, clearing and settlement systems, and activities of financial firms. New Financial Services Oversight Council ("FSOC") - 8 financial regulators and officials to: <ul style="list-style-type: none"> Facilitate information sharing and coordination, Identify emerging risks, Advise Fed on identification threats to financial stability Act as a forum to discuss issues among regulators
<ul style="list-style-type: none"> The board reports findings on systemic pressures to relevant regulators and recommends how to address systemic threats Functional regulators comply and implement changes based on the SROB's findings or explain to Congress why they did not. The board periodically reports to Congress and the public on the status of systemic risks. 	<ul style="list-style-type: none"> The Financial Services Oversight Council ("FSOC") should: <ul style="list-style-type: none"> Facilitate information sharing and coordination among federal financial regulators; Forum to discuss cross-cutting issues; and Identify gaps in regulation and annually report to Congress. Market regulator (CFTC/SEC) primary authority of market systems. If Fed and the market regulators cannot agree, the Fed has emergency authority to compel action after consultation with FSOC.