



Financial Services Bulletin: Financial Reform Bills Financial Stability Improvement Act and the Federal Insurance Office Act

Business

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On Wednesday, December 2, 2009, the House of Representatives Financial Services Committee passed two significant acts, the Financial Stability Improvement Act and the Federal Insurance Office Act, aimed at further regulation of the financial services sector. Below are brief summaries of the acts and links to the legislative text.

FINANCIAL STABILITY IMPROVEMENT ACT

The Financial Stability Improvement Act (the "FSIA"), which along with the Consumer Financial Protection Agency Act of 2009 and other legislation currently under consideration in the House forms the companion legislation to the Restoring American Financial Stability Act of 2009 released by Senator Dodd to the Senate Banking Committee, aims at reducing systemic risk by providing increased oversight on financial firms that are "too large to fail." The FSIA will allow for the creation of an inter-agency oversight council tasked with identifying, monitoring, and regulating firms that pose a significant risk to the financial system as a whole due to their size and reach. The FSIA provides for a process to shut down and dismantle a failing large and interconnected financial institution so as to lessen the impact of the firm's failure on the financial system as a whole. The cost of dismantling the company, under the FSIA, will be born by the shareholders and creditors of the failed firm, and as a last-resort, by a "dissolution fund" to be funded by large financial institutions with assets exceeding \$50 billion and hedge funds with assets exceeding \$10 billion.

[Read the Financial Stability Improvement Act.](#)

FEDERAL INSURANCE OFFICE ACT

The Federal Insurance Office Act, introduced by Congressman Kanjorski (D-PA), Chairman of the House Financial Services Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises, creates the Federal Insurance Office which allows for the federal government to acquire a knowledge base on the subject of insurance. The Federal Insurance Office will act as a resource for policymakers on issues and questions regarding insurance, while providing a unified U.S. voice on global insurance matters.

[Read the Federal Insurance Office Act.](#)

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