



PF2 SECURITIES EVALUATIONS, INC.

Accounting, Tax, Legal and  
Regulation Panel



Opal Financial Group  
CLO & Structured Products Summit  
Dana Point, CA  
December 8, 2008

# Agenda

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- Panel Discussion
- Audience (and Moderator) Questions

and if we have time...

- Panelists Debate on Topical Regulation Issues



# PANEL DISCUSSION

Regulation We're Seeing

Regulation We're Expecting

Regulation We're Hoping For



# Panel Discussion

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## MNPI / Informational Barriers

- Chinese Wall
  - Restrictions governing the access to, and usage of, material nonpublic information (MNPI)
- Informational Barriers
  - Individual or “Cone of Silence” barriers
  - Control Room or Wall Monitor structure
  - Group or division carve out structure
- Key Sources of MNPI
  - Personal relationships
  - Clients/Investors
  - Participation in private deals; bank loans
  - Seats on boards; bankruptcy, restructuring committees
  - Information technology



# Panel Discussion

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## CDS Regulation...Coming Soon?

- Pressure to Regulate CDS market
  
- FAS 133-1 & FIN 45-4
  - Protection sellers to disclose more details of financial positions under credit derivatives (beginning 11/15/08)
  
- “Covered” CDS Contracts
  - NY state will regulate sellers of certain contracts (beginning Jan. 2009)
  - Contracts constitute insurance contracts under certain qualifying conditions (circular letter No. 19)



# Panel Discussion

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## Exchange-traded CDS?

- The private sector, including the ISDA, has been warning against irrational action to over-regulate CDS contracts
- Private clearinghouses are working to put together exchange trading platforms for CDS contracts: hoping to provide the “self-regulation” answer
- Regulators have generally responded positively to the idea of a central clearinghouse structure to settle trades

# QUESTIONS



# PANEL DEBATE





# Panel Debate

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## Policies, Procedures, Disclosures

- Dynamic (adaptive?) procedures vs. consistent application
- Flexible vs. tight (accurate?) procedures
- Less is more vs. more is more

-- An Example --

