

Federal Reserve and SEC issue memorandum of understanding to deepen information sharing and cooperation

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Securities and Exchange Commission Chairman Christopher Cox and Board of Governors of the Federal Reserve System Chairman Ben Bernanke today signed a memorandum of understanding (MOU) between the two agencies that will deepen their information sharing and cooperation, permitting both agencies to better perform their responsibilities. Under the MOU between the two agencies, the SEC and the Board would share information and cooperate across a number of important areas of common interest, including anti-money laundering, bank brokerage activities under the Gramm-Leach-Bliley Act, clearance and settlement in the banking and securities industries, and the regulation of transfer agents. The MOU specifically covers bank holding companies and so-called Consolidated Supervised Entities that own securities firms. It builds on and formalizes the long-standing cooperative arrangements between the SEC and the Board, as well as the more recent cooperation on matters including banking and investment banking capital and liquidity following the Board's emergency opening of credit facilities to primary dealers. "I am pleased with this agreement," said Federal Reserve Board Chairman Ben Bernanke. "It formalizes and strengthens the ongoing cooperation between our two agencies to enhance the stability of the financial system. I look forward to continuing this productive collaboration with Chairman Cox and his staff." "This agreement represents a valuable coordination of the roles of the SEC and the Fed in our capital markets," said SEC Chairman Cox. "Years ago, when the dividing lines between commercial and investment banking were bright, the high level of coordination we are establishing today was not a priority for the U.S. government. But today, the interconnectedness of mortgage and lending markets, credit derivatives, securitizations, and counterparty relationships requires the U.S. government to adopt a more coherent and coordinated approach. Just as with our similar arrangement with the CFTC, this agreement will permit the expanded sharing of information on a confidential basis, and help ensure that regulated entities receive a coherent message from Uncle Sam. This is smart

government. We look forward to enhancing our collaborative relationship with the Fed within the formal framework covered by the agreement."The MOU will improve the ability of the SEC to perform its role as primary supervisor of Consolidated Supervised Entities and Primary Dealers, and improve the ability of the Federal Reserve to perform its role in overseeing the stability of the financial system. The importance of this deepened cooperation is highlighted by the recent stress in the financial markets affecting commercial and investment banks, as well as many other market participants.The SEC recently entered into a similar MOU with the Commodity Futures Trading Commission. An agreement between the SEC and the Department of Labor is anticipated later this summer.

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