



INAFP

Inland Northwest Association for Financial Professionals

INAFP NEWS

April 2009

www.inafp.org

March Meeting Recap

The Economy: What's Happening in the Inland Northwest and When Will it Get Better was the topic of the March meeting. Shaun O'L. Higgins of *The Spokesman-Review* delivered the presentation. Mr. Higgins provided attendees with an overview of the regional economy in the Inland Northwest as compared to the rest of the nation.

The recession arrived later in the Inland Northwest in the 3rd – 4th quarter of 2008 whereas with the rest of the nation it was underway during the 4th quarter of 2007. Although the recession arrived later it will not stay longer.

To-date reports indicate that the recession is milder here. Employment has been a bit slower in most of the region, housing prices are much more stable than in most other parts of the country, and we continue to be an economic refuge for those seeking to relocate and preserve wealth.

2009

Forecast looks for improvement in all fronts beginning mid-year and continuing throughout end of the year. A strong dollar will hinder Ag exports and weaken tourism from Canada. Expect a much stronger retail sector in the 4th quarter.

2010

Key Events drive a strong year with Women's Hockey, US Figure Skating, and the Vancouver Olympics.

Housing prices, the market, jobs, and GDP will begin to grow again.

Systemic Risk: How Washington Intends to Address Regulatory Reform

With the nation's attention squarely focused on financial markets reform, Congress has also focused their efforts on repairing a seemingly flawed system. Both the Chairman of the House Financial Services Committee, Rep. Barney Frank (D-MA), and the Chairman of the Senate Banking Committee, Sen. Chris Dodd (D-CT), have identified major regulatory reform as a key priority for their committees. Recently, Treasury Department Secretary Timothy Geithner sent legislative language to Capitol Hill that would allow the Federal Reserve Board (the Fed) to take the lead in determining which institutions pose a systemic risk while the Federal Deposit Insurance Corporation (FDIC) would handle resolution duties.

Acknowledging that the past 18 months has been tumultuous for our nation's capital markets, the Secretary of the Treasury has attempted to craft a framework for major regulatory reform that provides new rules and focuses on containing systemic risk. This plan endeavors to provide stronger tools to prevent and manage future crises while simultaneously rebuilding confidence in the basic integrity of our financial system. The Treasury Department says that it wants to give "a single entity the ability to supervise, examine, and set prudential requirements for these critical parts of our financial system."

The new plan includes provisions to regulate hedge funds, create a central clearinghouse for derivatives transactions and add new oversight for money market mutual funds to reduce risk. Additionally, this new regulatory plan would require banks to set aside extra reserves during periods of economic boom to create a cushion for periods of economic slumps.

Finally, Treasury's program also includes the creation of a mechanism to seize and dismantle large institutions whose failure threatens the nation's financial stability.

The four major components of this comprehensive regulatory reform are:

1. Addressing Systemic Risk: Consistent and conservative regulation of large interconnected firms and markets to avoid major crises.
2. Protecting Consumers and Investors: Providing more transparency and accountability to restore faith in the system.
3. Eliminating Gaps in Our Regulatory Structure: Creating a system where there is clear authority, resources and accountability so that regulation is balanced, effective and meets the needs of the American people.
4. Fostering International Coordination: Creating regulations that keep pace with ever changing global markets and ensuring that U.S. standards are consistent with international rules for financial regulation.

The first priority of the new Treasury financial stability plan is to adequately address systemic risk by creating a single independent regulator with responsibility over systemically important firms and critical payment and settlement systems. During his testimony before the House Financial Services Committee last week, Secretary Geithner attributed some of the current problems to inadequate internal risk management systems, ineffective rating agencies and slow responding regulators who did not address critical behaviors until such behavior had already resulted in catastrophic losses. To respond to this failure, Secretary Geithner is proposing that a new regulator:

- Define a systemically important firm
- Focus on what these institutions do and not the form they take
- Clarify regulatory authority over payment and settlement activities

In general, the first part of the financial stability plan seeks to strengthen prudential oversight for all financial firms regardless of whether they own a depository institution. Conservative and consistent general oversight will allow for more accurate account of the risk that distress of these institutions could impose on our current financial system and the overall economy. Additionally, the current plan not only calls for robust capital requirements for financial firms in order to avert a crisis of this magnitude in the future but, requires that the new systemic regulator impose liquidity, counterparty and credit risk management requirements that are more stringent than ever before.

Along with these stricter standards, the financial stability plan allows for a prompt corrective action regime that would allow the regulator to force protective actions as regulatory capital levels decline, similar to the powers of the FDIC with respect to its covered institutions..

Simultaneously, Secretary Geithner has suggested that all hedge funds and other private pools of capital, including private equity funds and venture capital funds, register with a federal financial regulator. In most instances, that regulator would be the SEC but the plan recognizes that some funds that trade commodity derivatives might fall under the Commodity Futures Trading Commission (CFTC). In addition to registration, the stability plan requires that all registered funds mandate investor and counterparty disclosure, provide information necessary to assess threats to financial stability and share reports with the systemic risk regulator. This is something of a non sequitor. Recent events with Ponzi scheme mastermind Bernard Madoff exposed wide gaps and significant weaknesses in the regulation and enforcement of broker- dealers, investment advisors and the funds they manage, these reforms are attempting to close those gaps.

The financial stability plan proposes a comprehensive framework of oversight, protections and disclosure for the Over-the-Counter (OTC) Derivatives Market. The current financial crisis has been amplified by excessive risk-taking and little transparency which threatened the stability of these products. To respond to need for greater oversight in this area, the recommendations under the plan are:

- To regulate all credit default swaps and OTC derivatives for the first time
- To institute a strong regulatory and supervisory regime
- To clear all contracts through designated central counterparties
- To require that all non-standardized derivatives be subject to robust standards
- To make aggregate data on trading volumes and positions available
- To apply robust eligibility requirements to all market participants

Along with the mandates for greater regulation and supervision also comes a mandate from Treasury for greater disclosure. Under the new plan, regulators will introduce disclosure and suitability requirements where all market participants will be required to meet recordkeeping and reporting requirements.

AFP Position

As the debate around regulatory reform continues to unfold, AFP will monitor the actions of the House and Senate and report back to our members on the specific reforms that directly impact corporate finance and treasury professionals. AFP continues to be a vocal advocate for clear and transparent practices in the regulatory process and we will continue to take that message to legislators as they consider the plans to fix our nation's capital markets.

AFP fully supports effective regulation and oversight of our nation's capital markets and we will advocate for disclosure requirements that are responsible and sensible. On behalf of our members, AFP will advocate that proposed regulations do not stymie the ability of businesses to do daily cash management and other necessary transactions.

*By Jeanine H. Arnett, Government Relations Manager, AFP
From the Association for Financial Professionals*

Earliest Tax Freedom Day in 42 years!

Taxes are due as usual, on April 15th. But for the first time in decades, Tax Freedom Day – the day that Americans will have earned enough money to pay their federal, state, and local tax bill for the year – falls before the tax due date. This year, it's on April 13th. The last time Tax Freedom Day occurred earlier in the year, on April 12th to be exact, Lyndon Johnson was president, and the year was 1967.

Why is Tax Freedom Day so early this year? A mixture of reasons, according to the [Tax Foundation](#), the not-for-profit organization that tracks this event annually. The recession has reduced tax collections faster than it has reduced income. And, the *American Recovery and Reinvestment Act of 2009* includes two temporary tax cuts that lower the threshold we have to clear.

Even so, the Tax Foundation says that taxes in 2009 will amount to more than the combined totals Americans will spend on food, clothing, and housing.

Tax Freedom Day in history

Tax policy, social policy, and wars have moved Tax Freedom Day up and down the calendar over the last 109 years.

- Back in 1900, when Americans paid only 5.9 percent of their income into the tax coffers, Tax Freedom Day was January 22. From 1900 to 1917, tax rates rose steadily to about 6.7 percent, pushing it forward to January 25th.
- Then came World War I, when the tax burden doubled and by 1921 Tax Freedom Day jumped to February 22nd. After the war taxes were reduced, but not to prewar levels.
- In the throes of the Depression, Franklin Roosevelt and his New Deal programs came with higher taxes and Tax Freedom Day moved into March for awhile. Then it receded back into February.
- Once World War II hit, Tax Freedom Day was propelled forever forward past March. By 1960 it was April 11th.
- John Kennedy's tax cuts curtailed rising tax rates and Tax Freedom Day rolled back a bit, to April 9th in 1964. Then came the Vietnam War coupled with Lyndon Johnson's Great Society both of which forced taxes up, and Tax Freedom Day shot forward to April 24th.
- In 1984 Ronald Reagan's tax cuts once again pushed Tax Freedom Day back on the calendar, to April 17th. Then economic growth and a hike in payroll taxes sent it the other way, to April 22nd in 1989.
- In the mid 1990s, Bill Clinton's higher tax brackets increased our tax burden significantly, forcing Tax Freedom Day to a new late date of April 28th, and a string of "record-setting tax burdens," according to the Tax Foundation. In Clinton's last year, 2000, Tax Freedom Day fell on May 3rd, the latest date ever.

- With the country's opposition to tax growing, George W. Bush was elected and immediately cut taxes. That year, though most of the Bush tax cuts were not yet in effect, Tax Freedom Day receded a bit to
- April 30th. In 2001, it fell to April 19th, then to April 16th by 2003. After that, Tax Freedom Day drifted forward again, till it reached April 27th in 2007. Since then, a combination of stimulus cuts and a weaker economy have caused it to roll backwards.
- Now in 2009, April 13th is the day we can theoretically breathe a sigh of relief. It's the earliest Tax Freedom Day in 42 years, but with the federal budget deficit at 10 figures for the first time ever, any sense of relief is blurred by questions about our ability to rebound under the weight of such debt.

Tax Freedom Day varies by state. The Tax Foundation uses a formula which first looks at taxes borne by residents of each state - paid to the federal government, their own state or local governments, or other state governments - and then combines the results to come up with a national Tax Freedom Day.

From AccountingWEB.com Apr 2009

April's Meeting Topic

Please join us and our speaker Stephen Prince from Merchant-e Solutions for a presentation on Interchange, Merchants and the Acquiring Industry – a peak at how the other side of the credit card business runs!

As a Financial Institution Service and Sales Manager with Merchant-e Solutions, Stephen was bitten by the credit card bug over 20 years ago. With experience in both the Issuing and Acquiring sides of the industry, he has a unique perspective.

His responsibilities have included credit card underwriting, personal card customer service, business card account set-up and servicing, financial reporting on both merchant and business card products, merchant underwriting and risk management, as well as merchant customer service.

Currently he is charged with managing existing Financial Institution relationships as well as developing new relationships. He enjoys the opportunity to stay in touch with Financial Professionals. “I love this business, as it allows me the opportunity to learn something new, every day!”

Stephen has been on the Board of the INAFP for almost 2 years now. In addition is a Board Member for the NW Card Association and is the Co-Chair of the Northwest Summit.

2009 Northwest Summit for Financial Professionals – Save the Date!

The Northwest Summit for Financial Professionals presents in the Emerald City, “Staying Ahead of the Curve” the Twentieth Annual Conference which will be held on May 20 – 22, 2009 at the Seattle Westin. This two-and-a-half day conference is designed for all levels of treasury management expertise including Treasury Managers, CFO's, Controllers, Accountants, Lawyers and providers of treasury management services in both practitioner and managerial roles.

The agenda is tailored to fit your needs, from speakers that cover a broad spectrum of treasury topics including risk management, BCP, electronic payments, short-term investments, international ACH, global treasury, compliance and virtual vaults. Also built into the program are basic classes that help prepare individuals for the Certified Treasury Professional (CTP) Exam. Enjoy earning continuing education credits for CPA, CTP, CCM, and CLE during two-and a-half days of networking and educational fun.

For more information, please visit <http://www.northwestsummit.org>.

President's Message

Greetings!

As we gladly welcomed spring last month, it was also refreshing to hear some not so bad news about the regional economy at our March meeting. Thank you again to Shaun O'L. Higgins from *The Spokesman-Review* for a great presentation. It was also interesting to hear about how *The Spokesman-Review* is fairing in light of some recent developments in the newspaper business.

This month at our April 29 meeting our own Stephen Prince from Merchant-e Solutions will be presenting on *Interchange, Merchants and the Acquiring industry – a peak at how the other side of the credit card business runs!* Stephen just got back from an industry conference so he should have information on some of the latest developments.

Also, it's not too late to register for the Northwest Summit in Seattle. As members of the INAFP, there is still a registration fee discount even though the early registration discount no longer applies. Please let me know if you are planning on attending the summit and I will be sure to get you the discount code by the next business day. I can be reached by e-mail me at beldred@urmstores.com. Visit <http://www.northwestsummit.org> for more information and online registration.

Make sure to attend the April meeting to enter another drawing for \$250 towards costs of attending the conference. Only members who plan on attending the conference will be entered in the drawing so the odds are **VERY** good!

We are still looking for a new member for the board. The term would be for two years starting in August. Please make sure that you let me know if you are interested. Have a wonderful month and hope to see you at the meeting.

Sincerely,

Brian Eldred

2008 – 2009 Board of Directors:

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