

President Obama Proposes Size and Activities Limits for Financial Institutions

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President Barack Obama's announcement that his Administration would seek to limit both the activities and size of U.S. financial institutions (the "Obama Proposal") immediately generated a burst of media and political commentary both in the United States and abroad. It also produced a significant drop in the share prices of many U.S. and European financial institutions. The Obama Proposal, which will need to pass both the Senate and House to become law, is virtually certain to generate intense debate in Congress this spring. Senator Richard Shelby and other Senate Banking Committee Republicans have already sent a letter to Chairman Christopher Dodd requesting hearings on the Obama Proposal. This memorandum describes how the Obama Proposal compares to the Glass-Steagall Act, existing law and other proposals, such as the Wall Street Reform and Consumer Protection Act of 2009 (the "House Bill"), passed by the U.S. House of Representatives on December 11, 2009, the approach being taken by the United Kingdom's Financial Services Authority (the "FSA"), and the "narrow" banking concept being advocated by Mervyn King, the Governor of the Bank of England.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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