NASACT National Association of State Auditors, Comptrollers and Treasurers

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Washington Update

SEC ANNOUNCES RATING AGENCY SETTLEMENT: TWO STATES GET FUNDS

The U.S. Securities and Exchange Commission announced last week that a settlement was reached with Standard & Poor's Ratings Services involving fraudulent misconduct in its ratings of certain commercial mortgage-backed securities (CMBS). S&P agreed to pay more than $58 million to settle the SEC's charges, plus an additional $19 million to settle parallel cases with New York ($12 million) and Massachusetts ($7 million). In announcing the settlements, Andrew Ceresney, director of the SEC's Enforcement Division, stated:

> "Investors rely on credit rating agencies like Standard & Poor's to play it straight when rating complex securities like CMBS, but Standard & Poor's elevated its own financial interests above investors by loosening its rating criteria to obtain business and then obscuring these changes from investors. These enforcement actions, our first-ever against a major ratings firm, reflect our commitment to aggressively policing the integrity and transparency of the credit ratings process."

A press release on the settlement (#2015-10) can be viewed at www.sec.gov/news/pressreleases.

HOUSE FINANCIAL SERVICES OVERSIGHT PLAN INCLUDES MSRB AND GASB

In an organizational meeting last week, the House Financial Services Committee unveiled its oversight plan for the 114th Congress. The plan includes areas in which the committee and its subcommittees expect to conduct oversight during this Congress. The plan contains oversight initiatives that will be undertaken for the purpose of identifying cuts to or the elimination of programs that are inefficient, duplicative, outdated, or more appropriately administered by state and local government. Financial Services Committee Chairman Jeb Hensarling (R-TX) delivered the following statement after the adoption of the committee's oversight plan:

> "We will do everything within our power to make sure the agencies under our jurisdiction treat the funds they are appropriated, the funds they have at their disposal, taxpayer funds - that they treat them with respect… By no means is the oversight plan that we are submitting today, in no way is it exhaustive. There is no way a good, realistic plan could be. But as noted in the plan's preamble, that does not preclude us from investigating other programs or issues that are not specifically mentioned in the plan."

Areas of note for investigation include:

- Payment System Innovations/Mobile Payments: Review government and private sector efforts to achieve greater innovations and efficiencies in the payments system.
- Payment Cards: Monitor payment card industry practices.
- Financial Literacy: Take action to promote greater financial literacy among investors, consumers, and the general public.
- Credit Rating Agencies: Examine the role that credit rating agencies, also known as Nationally Recognized Statistical Ratings Organizations (NRSROs), play in the U.S. capital markets, and review the effectiveness of the SEC's oversight of NRSROs.
- Fixed Income Market Structure: Review recent developments in the U.S. corporate and municipal bond markets and the SEC's response to those developments.
- Municipal Securities Rulemaking Board: Review the operations, initiatives and activities of the Municipal Securities Rulemaking Board.
- Government Accounting Standards Board: Review the initiatives of the Government Accounting Standards Board.
- Convergence of International Accounting Standards: Review efforts by the SEC, the Financial Accounting Standards Board, and the International Accounting Standards Board to achieve robust, uniform international accounting standards.

The full oversight plan can be viewed at http://financialservices.house.gov/uploadedfiles/114thcongressovplan.pdf.

DEFINITION OF FULL-TIME EMPLOYEE UNDER THE ACA DEBATED

Last Thursday, the Senate Health, Education, Labor and Pensions (HELP) Committee held a hearing entitled "Examining Job-Based Health Insurance and Defining Full-Time Work." The focus of the hearing was on the recent introduction of S. 30, the Forty Hours Is Full Time Act of 2015. The bill would amend the Internal Revenue Code to modify what constitutes a "full-time employee" for purposes of the employer mandate in the Patient Protection and Affordable Care Act (ACA). The bill raises the definition of a full-time employee from 30 hours to 40 hours.

Supporters of the bill, including HELP Committee Chairman Sen. Lamar Alexander (R-TN), point out that employers are currently cutting workers hours below the 30-hour level to avoid providing insurance:

> "Many businesses can't afford Obamacare's mandate and must reduce their number of full-time employees. The result of all this is that thousands of workers are getting a pay cut. Their work schedules are being reduced to 29 hours a week and below. This is not enough money for these workers to earn a living."

S. 30 currently has 34 cosponsors. The hearing can be viewed at www.help.senate.gov/hearings/hearing/?id=4f3d1ecc-5056-a032-52c7-70b79de20bb1.

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