

Before the 113th Congress adjourned on December 16, Congress adopted the [Consolidated and Further Continuing Appropriations Act of 2015](#), which ensures the federal government operates with budget certainty until September 2015.

Among the provisions included in the last-minute budget agreement was an amendment to a provision in the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) that will provide banks with the ability to serve their customers and hedge associated risk by expanding the categories of allowable derivative transactions that can take place within a covered institution. These changes will narrow the types of derivatives transactions required to be "pushed out" from the depository institution and into affiliates not backed by the bank-supported FDIC deposit insurance fund.

Other Dodd-Frank Act provisions were submitted for inclusion in the budget package, but failed to make it to the Senate floor, including changes to the Consumer Financial Protection Bureau's funding.

Before adjourning, Congress also adopted the [Insurance Capital Standards Clarification Act of 2014](#), which provides flexibility to the Federal Reserve in its application of capital requirements to insurance companies designated as systemically important. The legislation clarifies Section 171 of the Dodd-Frank Act, giving room for regulators to tailor their rules to particular business models rather than broadly applying bank-centric standards.

Congress failed, however, to renew the Terrorism Risk Insurance Act (TRIA). After weeks of negotiations between the two chambers, the [House passed](#) a six-year extension of TRIA with a provision amending the Dodd-Frank Act's application to commercial end-users who rely on derivatives to hedge risk by exempting certain energy and agricultural companies from posting collateral. As with the budget package, House Republicans tried to attach provisions to ease mortgage regulations and pare back the application of the "Volcker Rule," which restricts banks proprietary trading activity and ownership in or sponsorship of certain hedge and private equity funds. However, these provisions were not included in the House-passed bill.

Ultimately, TRIA renewal failed because Senators could not resolve objections from retiring Senator Tom Coburn (R-OK) over an unrelated provision regarding multi-state licensing for insurance agents and brokers. House Speaker John Boehner (R-OH) has indicated TRIA will be one of the first issues the 114th Congress will address when it convenes in January, though the substance of the legislation may change to reflect the transition to a Republican-controlled House and Senate. Consideration of TRIA reauthorization early next year may soften the potential impact that the expiration may have on the insurance and other relevant industries relying on TRIA.

The maneuvers taken during the last days of the 113th Congress certainly preview the policy debates and legislative trajectory for the 114th Congress. Indeed, after passage of the spending bill, Senator Sherrod Brown (D-OH), incoming Ranking Member of the Senate Banking Committee, stated that "what happened this week shows that Wall Street never gives up, that Wall Street isn't contrite about what it did six, seven, eight, nine years ago and that we will have to stick together and work hard to protect the public." As Senator Elizabeth Warren (D-MA) challenged Senators during a floor debate, "does [Congress] work for the millionaires, the billionaires, the giant companies with their armies of lobbyists and lawyers? Or does it work for all of us."

The 114th Congress will feature a Republican-controlled House and Senate, with a change in leadership in the Senate and a new set of policy priorities from a new slate of Chairmen. Of course, President Barack Obama retains veto power over any legislation. As noted in our [post-election analysis](#), the Congressional-Executive relationship will continue to have significant implications for financial services policy formulation in 2015.

Contact

Micah S. Green

T +1 202 457 5258

E micah.green@squirepb.com

Carolyn Walsh

T +1 202 457 6531

E carolyn.walsh@squirepb.com

Matthew B. Kulkin

T +1 202 457 6056

E matthew.kulkin@squirepb.com

Mara C. Giorgio

T +1 202 457 6522

E mara.giorgio@squirepb.com

Brandon C. Román

T +1 202 457 5330

E brandon.roman@squirepb.com