

October 3, 2008

Moving Forward with the “Bailout” – The Emergency Economic Stabilization Act of 2008 Becomes Law

On October 1, the Senate overwhelmingly approved a bill, H.R. 1424, that included an expanded version of the “Emergency Economic Stabilization Act of 2008” (the “Act”).¹ The current version of the Act grew out of legislation proposed by the Administration, working with U.S. Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke, that would enable the U.S. government to purchase \$700 billion of illiquid mortgage and other assets currently held by U.S. financial institutions. Finally, this afternoon, following a week of intense negotiation, the House of Representatives gathered enough votes to approve the landmark bill,² by a vote of 263 in favor to 171 opposed. The new bill passed by the Senate and the House of Representatives, and signed by the President, included the expanded version of the Act that we reported on earlier this week,³ with new Federal Deposit Insurance Corporation (“FDIC”) provisions as well as several tax incentives.

Leading up to today’s vote, Congressional leaders had expressed concern about the bill’s passage since the members of the House unexpectedly voted down a prior version of the Act on Monday, September 29. Opposition remained for a variety of reasons including the cost of the bailout and several of the new tax incentives that were added to the bill but would not be offset by other budget cuts. After the unusual procedural move of introducing the bill in the Senate prior to the House, where it passed 74 to 25, the Speaker of the House of Representatives took the uncommon step of calling for a vote on the rules of debate for the bill. The approved rules of the debate prohibited amendment to the bill ensuring that if passed, it would not have to go back to the Senate for another vote. This second unusual procedural move demonstrates the importance of the bailout bill and signals the intent of members of Congress to make sure it would pass this time around.

Immediately after passage in the House of Representatives, the President signed the momentous bill.

Sutherland Regulatory Reform Task Force

In the wake of the recent credit crisis, regulators and Congress are accelerating their efforts to address the governmental oversight of U.S. financial markets. The current bailout and adverse economic conditions have assured action by Congress as it questions whether our existing regulatory regime can adequately maintain the competitiveness and integrity of our financial system and provide appropriate protection to investors and consumers. To help our clients respond to this ever-changing marketplace and evolving regulatory landscape, we formed a Regulatory Reform Task Force in June of this year that is made up of a diverse group of lawyers with experience in banking, securities, insurance, energy regulation and enforcement. Please click [here](#) for more information on Sutherland’s Regulatory Reform Task Force.



¹ For a copy of our prior legal alert that discusses the Act as approved by the Senate, please see:

<http://www.sutherland.com/files/News/b2630ff2-7565-4a66-ad8d-210f7fe687a5/Presentation/NewsAttachment/62d3571e-476a-4ad0-9f57-ebc9ba0510fc/CORPAlertProgressonBailout10208.pdf>.

² The final bill is the same as H.R. 1424 and the full text of the bill is available at <http://financialservices.house.gov/>.

³ For a copy of our prior legal alert that discusses an earlier version of the Act, please see:

<http://www.sutherland.com/files/News/fd62a747-e198-4669-be5d-0598509712aa/Presentation/NewsAttachment/4285c534-ed36-4088-a997-ef5a0078e548/CORPAlertEvolvingBailoutUpdate92908.pdf>.

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