News Bulletin

December 27, 2012

Out of the Shadows and Into the Light

For the last four years, regulators and law makers have been focusing extraordinary efforts on ensuring that financial regulation is adequate to protect the financial system from risks emanating from the banking sector. However, it is only more recently that policy makers have turned their attention towards possible systemic risk related to entities which carry out similar functions to the banking sector or to which the banking sector is otherwise exposed. Such entities have, for convenience, been grouped under the heading of "shadow banks", although no precise definition or description of shadow banking has yet been agreed upon by policy makers.

At their November 2010 Seoul Summit, the leaders of the G20 nations requested that the Financial Stability Board (FSB) develop recommendations to strengthen the oversight and regulation of the shadow banking system in collaboration with other international standard setting bodies, and in response to such request, the FSB formed a task force with the following objectives:

- to clarify what is meant by the term "*shadow banking system*" and its role and risks in the wider financial system;
- to set out potential approaches for monitoring the shadow banking system; and
- to explore possible regulatory measures to address the systemic risk and regulatory arbitrage concerns posed by the shadow banking system.

Following its publication of a background note in April 2011[1], setting out its initial thinking on how best to meet the objectives listed above, and its October 2011 report[2], the FSB has recently released several consultative documents which set out its final policy recommendations on shadow banking,[3] and this client alert examines the approach of the FSB, as well as those of other international policymakers, to shadow banking.

---

[1] *Shadow Banking: Scoping the Issues*, 12 April 2011.
[2] *Shadow Banking: Strengthening Oversight and Regulation*, http://www.financialstabilityboard.org/publications/r_111027a.pdf.
[3] *An Integrated Overview of Policy Recommendations*, 18 November 2012, http://www.financialstabilityboard.org/publications/r_121118.pdf;
Policy Framework for Strengthening Oversight and Regulation of Shadow Banking Entities, 18 November 2012, http://www.financialstabilityboard.org/publications/r_121118a.pdf; and
Policy Recommendations to Address Shadow Banking Risks in Securities Lending and Repos, 18 November 2012, http://www.financialstabilityboard.org/publications/r_121118b.pdf.

The scope of "shadow banking"

In terms of defining what is meant by the shadow banking system, the FSB uses the broad description of "credit intermediation involving entities and activities (fully or partially) outside the regular banking system" or, in short, "non-bank credit intermediation". It acknowledges that such credit intermediation can provide a valuable alternative to bank funding that can support the "real economy", but is concerned that the activities of some non-bank entities can create bank-like risks to financial stability.

In particular, where the shadow banking system conducts leveraged maturity transformation transactions (such as using short term borrowing to fund the extension of long term credit), this can make the shadow banking system vulnerable to "runs", which can in turn risk spreading contagion to the broader financial system. In addition, the FSB is worried about the pro-cyclical effect (displayed between 2007 and 2009) resulting from such entities increasing credit supply in the financial system and driving up asset prices in times of economic growth, yet being highly vulnerable to losses of confidence in financial downturns, causing exaggerated falls in asset prices and in the amount of credit available in the financial system. In particular, the FSB has in mind the problems experienced in the early stages of the financial crisis by asset-backed commercial paper markets, by structured investment vehicles (SIVs) and conduits, by investor runs on money market funds and the effect of sudden changes in the terms demanded by participants in the security lending and repo markets.

Monitoring shadow banking

As well as making its final policy recommendations for global lawmakers, the FSB highlights the continuing need for regulatory authorities to monitor transactions and arrangements that can give rise to systemic risk outside the regular banking system. In this regard it has also released the results of its second annual monitoring exercise, conducted over the summer of 2012.[4]

In the 2012 monitoring exercise, 25 jurisdictions were monitored, representing 83% of global GDP and 90% of global financial system assets. From this exercise, the FSB has concluded that:

- non-bank financial intermediation grew from US$26 trillion in 2002 to US$62 trillion in 2007 and to US$67 trillion in 2011. Broadly speaking, the aggregate size of the shadow banking system is around half the size of the regular banking system;

- the Netherlands and the U.S. have the largest shadow banking sectors in comparison to their regular banking sectors, yet the jurisdictions with the largest shadow banking sectors relative to their GDP are Hong Kong, the Netherlands, the UK, Singapore, and Switzerland; and

- understanding of the risks created by different types of institutions and activities is hampered by the lack of granular information based on categories of activity (as opposed to the types of institutions), since institutional descriptions such as "finance companies" and "investment funds" can encompass a very broad range of business models.

Workstreams of the FSB

In its October 2011 report, the FSB decided on five specific areas in which to develop its policy recommendations:

- the interaction of the regular banking system with the shadow banking system;

---

[4] *Global Shadow Banking Monitoring Report 2012*, http://www.financialstabilityboard.org/publications/r_121118c.pdf.

- the susceptibility of money market funds to runs;

- the assessment and mitigation of the systemic risks posed by shadow banking entities other than money market funds;

- the assessment of incentives associated with securitisation and consideration of regulatory policies to limit the creation of excessive leverage in the financial system through the use of such techniques; and

- the limitations on the risks and pro-cyclical effect associated with secured financing transactions such as securities lending and repos.

In each of these five specific areas, the FSB has now put forward specific policy recommendations and, in some cases, commenced a consultation process, as discussed below.

Workstream 1: The regulation of banks' interactions with shadow bank entities (indirect regulation)

Various measures have already been taken, or are being taken, by different jurisdictions to protect the financial system from some of the risks posed by shadow banks, mainly through the implementation of the Basel II.5 and Basel III provisions, for example:

- increased capital requirements for the re-securitisation exposures of banks and for short term liquidity facilities provided to securitisation vehicles;

- under the internal ratings-based approach, increased capital requirements for exposures to unregulated financial institutions and to large regulated financial institutions (total assets of $100 billion or greater);

- enhanced internal capital adequacy assessment processes for securitisation risk, reputational risk and implicit support; and

- enhanced Pillar 3 disclosure requirements in relation to securitisations.

In addition to the above, the Basel Committee on Banking Supervision (BCBS) in July 2012 set out its plans to develop policy recommendations in the following areas, by the middle of 2013:

- guidance to develop global consistency as to the scope of prudential regulatory consolidation, intended to limit the number of opportunities for regulatory arbitrage;

- development of a large exposure regime that takes into account the risks that it feels typically arise from the shadow banking system such as the inter-connected and opaque nature of shadow banking transactions; and

- development of a more consistent international approach to the capital treatment of banks' investment in funds, to reflect the risks associated both with the funds' underlying investments and the leverage employed.

The BCBS had also been requested to examine capital requirements related to short term liquidity facilities provided by banks to shadow banking entities outside the scope of the Basel III securitisation framework, for instance money market funds. However, the BCBS has decided not to recommend further policy changes in this regard, noting that the future introduction of the Basel III liquidity coverage ratio may make such changes unnecessary.

The FSB has also requested that the BCBS ensure that money market funds and any other sponsored vehicles are included within the guidance being developed as to prudential regulatory consolidation.

Workstream 2: The regulatory reform of money market funds

The FSB considers that money market funds (MMFs) are an important part of the shadow banking system, since they perform maturity and liquidity transformation functions and are important sources of short-term funding, particularly for banks.

Prior to the financial crisis, there was a widely-held view among investors that an investment in a money market fund which offered a stable or constant net asset value (NAV) to investors was effectively akin to making a deposit with a bank. However, during the financial crisis when some MMFs experienced large losses due to holdings of asset-backed securities and other financial instruments, this caused the net asset values of those MMFs to drop below par, prompting investor redemptions across many MMFs and destabilising that sector. As a result the International Organisation of Securities Commissions (IOSCO) was requested by the FSB in October 2011 to develop policy recommendations for MMFs.

IOSCO's consultation report in April 2012[5] provided a preliminary analysis of the possible risks that money market funds could pose to financial stability and proposed a broad range of possible policy options to address those risks. Its final report in October 2012[6] considered the inputs received during the consultation, and recent insights from the discussions taking place in the U.S. regarding MMF reform.

IOSCO's findings are that MMFs still present vulnerabilities which could have broader consequences for the financial system, notably:

- the stable NAV feature giving an impression of safety even though MMFs are subject to credit, interest rate and liquidity risk;
- the "first mover advantage", i.e. where investors have an incentive to redeem shares in troubled MMFs at the first sign of market distress, since investors who redeem shares early will redeem them on the basis of the stable NAV leaving the cost of any loss to be borne by the shareholders who remain;
- the discrepancy between the NAV published and the realisable value of assets, due to the use of amortised cost accounting and rounding methods;
- the implicit support from sponsors that causes investors to perceive MMFs as less risky than they actually are; and
- the importance of ratings in MMF regulations and the perceived over-reliance on those ratings by investors, reducing the levels of managers' and investors' diligence in the selection of the funds, and possibly creating cliff effects or triggering investor runs.

[5] *Money Market Fund Systemic Risk Analysis and Reform Options*, 27 April 2012.
[6] *Policy Recommendations for Money Market Funds*, October 2012.

Consequently, IOSCO in its final report has made 15 policy recommendations, covering the following topics:

- MMFs should be explicitly defined in regulation of collective investment schemes (as they present some unique features) and specific limitations should apply to the types of assets in which MMFs may invest and the risks they may take. Regulators should closely monitor the development and use of other vehicles similar to MMFs to limit the possibility of regulatory arbitrage;

- MMFs should comply with the general principle of fair value when valuing the securities held in their portfolio, and the amortised cost method should only be used in limited circumstances. MMF valuation practices should be reviewed by a third party as part of their periodic reviews of the fund's accounts;

- MMFs should establish sound policies and procedures to know their investors (for example, their cash needs and their sophistication) and MMFs should hold a minimum amount of liquid assets to reinforce their ability to meet redemption requests and prevent fire sales. MMFs should periodically conduct appropriate stress testing and should have tools in place to deal with exceptional market conditions and redemption pressures;

- MMFs that offer a stable NAV should be subject to measures designed to reduce the specific risks associated with their stable NAV feature and to reinforce their resilience. Regulators should require, where workable, a conversion to floating NAV;

- MMF regulation should strengthen the internal credit risk assessment practices and prevent any mechanistic reliance on external credit ratings. In addition, credit rating agency supervisors should seek to ensure that the agencies make more explicit their current rating methodologies for MMFs;

- MMF documentation should include a specific disclosure drawing investors' attention to the absence of a capital guarantee and the possibility of principal loss and should also include all necessary information regarding the funds' practices in relation to valuations and the applicable procedures in times of financial stress; and

- When necessary, regulators should develop guidelines strengthening the framework applicable to the use of repos by MMFs, taking into account the outcome of current work on repo markets (see Workstream 5 below).

Of reference to the same subject of possible MMF reforms, Morrison & Foerster also recently published alerts relating to the IOSCO proposals and the reaction of the SEC Commissioners to those proposals, and also relating to MMF reforms proposed in the US by the Financial Stability Oversight Council (FSOC).[7]

Workstream 3: The regulation of other shadow banking entities

The third workstream set up by the FSB is examining the extent to which non-bank financial entities (other than MMFs) pose systemic risks and has published policy recommendations intended to allow authorities to identify and assess those risks and apply appropriate policy measures. Its findings are that, due to the diversity in business models and risk profiles which exist both across the various sectors and also within the same types of entity, it is necessary to approach shadow banking issues based on the economic functions carried out by non-bank entities, rather than looking purely at legal names or forms.

[7] *See the Morrison & Foerster client alerts*: "*IOSCO Calls For More Regulation of Money Market Funds*; *Majority of SEC Commissioners Object*," http://www.mofo.com/files/Uploads/Images/121015-IOSCO.pdf; and "*Money Market Funds: FSOC Proposes Reforms*," http://www.mofo.com/files/Uploads/Images/121113-FSOC-Reforms.pdf.

This workstream will therefore assess the current regulation of other shadow banking entities such as structured investment vehicles, finance companies, mortgage insurance companies and credit hedge funds that could pose systemic risks and/or provide opportunities for regulatory arbitrage, based on their economic functions, and will develop appropriate policy recommendations.

The five economic functions on which the third workstream is focusing its efforts are:

- The management of client cash pools with features that make them susceptible to investor runs (for instance, investment funds with stable NAV features and leveraged credit hedge funds);
- The provision of loans that are dependent on short term funding (such as may be carried out by finance companies using deposits or other short term funding)
- The intermediation of market activities where that intermediation relies on short term funding or on funding secured by client assets (for instance, by the use of repos or re-hypothecation);
- The facilitation of credit creation (such as financial guarantee insurers that write insurance on financial products); and
- Securitisation and the funding of financial entities. As examples, the FSB lists securitisation entities that are used to fund long term liquid assets by raising shorter term funds, and also investment funds that are used by banks or other financial entities to fund illiquid assets by raising funds from the markets. Examples include exchange traded funds (ETFs) used by financial entities to raise funding against illiquid assets on the financial entity's balance sheet that could not otherwise be financed in the wholesale market, such as through the use of repo financing.

For each of these five economic functions, the FSB has suggested a menu of optional policies (which it calls a policy toolkit), from which authorities can choose based upon the non-bank financial entities concerned, the structure of the markets in which they operate, and the degree of risks posed by such entities in the relevant jurisdiction.

The proposed policy toolkits for each economic function are as follows:

- *Management of client cash pools susceptible to runs* – restrictions on the maturity of portfolio assets, limits on leverage employed, limits on asset concentration, limits on investments in illiquid assets, the imposition of liquidity buffers and tools for managing redemption pressures in stressed market conditions (such as so-called side pockets, redemption gates and a suspension of redemptions, as well as the imposition of redemption fees or other restrictions on redemption);
- *Loan provision dependent on short term funding* – imposing prudential regulatory regimes on deposit-taking non-bank loan providers, including minimum capital requirements, liquidity buffers, leverage limits, asset concentration limits, monitoring of maturity mis-matches between assets and liabilities and the monitoring of links with banks and other groups;
- *Intermediation of market activities dependent on secured funding of client assets or on short term funding* – imposing prudential regulatory regimes equivalent to bank regulatory regimes, liquidity requirements, capital requirements and restrictions on the use of client assets;
- *Facilitation of credit creation* – minimum capital requirements, restrictions on the scale and scope of business, liquidity buffers, enhanced risk management practices and mandatory risk-sharing between the

insurer/guarantor and the insured/guaranteed, for instance through the use of deductibles or co-insurance; and

- *Securitisation and funding of financial entities* – restrictions on maturity/liquidity transformation, restrictions on eligible collateral and restrictions on exposures to more funding from banks or other financial entities.

The FSB envisages that authorities in different jurisdictions will share information through the FSB process, to ensure a consistent approach in applying the policy framework.

Workstream 4: The regulation of securitisation

Following the onset of the financial crisis, the FSB considered that global regulatory reforms needed to address two problems encountered with certain types of securitisation – firstly, the misalignment of incentives to securitise assets, as between originators and investors, and secondly, the opaqueness and complexity of some securitisations.

In respect of these two goals, IOSCO, in coordination with the BCBS, conducted a stock-taking exercise on the implementation of (a) risk retention requirements and (b) measures that enhance transparency and standardisation of securitisation products within its member jurisdictions, and has recently published its policy recommendations for this workstream.[8]

IOSCO recommends the following:

- *Differences in approaches to risk retention:* enhanced monitoring by IOSCO of retention requirements and the impact of the differences it has identified in regulatory approaches between jurisdictions (e.g., the U.S. (where the onus to retain exposure is placed on the securitiser) and the EU (where the onus is put on investors to ascertain whether an originator/sponsor is retaining a certain level of risk)) as to the forms of retention and the exemptions;

- *Improvements in transparency:* improving disclosures by issuers on matters such as stress testing and scenario analysis of pooled assets; and

- *Standardisation in product disclosure:* encouraging industry to develop standard detailed disclosure templates and to work with their counterparts in other jurisdictions to ensure consistent and harmonised approaches.

Workstream 5: The regulation of securities lending and repos

The FSB acknowledges that securities lending and repo markets play vital roles in supporting secondary market liquidity and price discovery for many types of securities. At the same time the use of securities lending and repos can lead to bank-like activities such as carrying out maturity/liquidity transformation and obtaining leverage. The FSB splits these risks to financial stability into two categories – firstly "pure" shadow banking risks (such as maturity/liquidity transformation and leverage outside the banking sector), and secondly those risks that apply to both banking and shadow banking.

In respect of the first category, the FSB is focused on the accumulation of excessive leverage and maturity transformation outside the reach of the capital and liquidity requirements that apply to the banking sector. It

[8] *Global Developments in Securitisation Regulation – Final Report, November 2012*, http://www.iosco.org/library/pubdocs/pdf/IOSCOPD394.pdf.

proposes that the relevant competent authorities should have sufficient visibility on the build-up of leverage and illiquidity so that the consequent risks to financial stability can be limited or managed. Secondly, the FSB is concerned about the reinvestment of cash collateral given for securities lending. According to data from the Risk Management Association, in the third quarter of 2008, the total value of U.S. dollar cash collateral reinvestment globally stood at US$1 trillion, largely facilitated by custodian banks as agents for their clients. The risk the FCB is concerned about is that cash collateral reinvestment may involve maturity and liquidity transformation, presenting risks to entities other than the custodian bank or its client in a stress event. It therefore proposes to impose regulatory limits on cash collateral reinvestment, in terms of liquidity and leverage risk.

As to the second category of risk, spanning both banking and shadow banking, the FSB is concerned about securities financing causing more pro-cyclicality in the banking system, due to the direct relationship of funding levels to fluctuating asset values, and the volatility caused by the levels of valuation discounts (or haircuts) applied. Its policy goal in this regard is to reduce the potential for excessive leverage to build up by limiting secured borrowing against assets which are subject to pro-cyclical changes in valuation.

It is concerned also that the tendency of creditors in the repo and securities lending sectors to sell collateral securities immediately upon a counterparty default leads to severe price falls, in turn resulting in mark-to-market losses to holders of those securities, and in turn leading to more fire sales by other firms and creating an asset valuation spiral. It therefore proposes to introduce policies to try and mitigate the risk of large forced sales of collateral arising in one market segment, as a result of risk emanating from another market segment.

The FSB also cites the re-hypothecation of client assets as causing risks to financial stability if there is uncertainty about the treatment of re-hypothecated assets in the case of an insolvency or if clients are uncertain as to the extent to which their assets have been re-hypothecated. The FSB is also aiming to improve collateral valuation standards, citing the case of a number of financial institutions in the early stages of the financial crisis failing to mark their positions in sub-prime mortgage-backed securities to their true market value.

The FSB has therefore suggested thirteen policy recommendations to address the above issues, covering the following specifics:

- improving regulatory reporting by extending existing international initiatives to capture more granular data on securities lending and repo exposures;
- improving market transparency by establishing trade repositories to collect data on securities lending and repo trades;
- improving corporate disclosure by introducing obligations for financial institutions to publicly disclose their securities lending, repo and collateral management activities;
- improving reporting by fund managers to end investors;
- introducing minimum standards for haircut practices, in particular to limit the extent to which haircuts are reduced in favourable market conditions, and possibly introducing a framework of binding numerical floors on haircuts, in order to limit the build-up of pro-cyclicality and excessive leverage;
- limiting the liquidity risk arising from cash collateral reinvestment activities;
- addressing the risks associated with the re-hypothecation of client assets, in particular requiring financial intermediaries to provide sufficient information to their clients in relation to the re-hypothecation of their assets so that they can understand their exposure in the event of the financial intermediary’s failure;

- preventing the re-hypothecation of client assets for the purpose of financing the financial intermediary's own account activities, and only permitting re-hypothecation of client assets by entities which are subject to regulations concerning their liquidity risks. In addition, it proposes that an appropriate expert group on client asset protection should examine the possible harmonisation of different jurisdictions' client asset rules with respect to re-hypothecation;

- adopting minimum regulatory standards for collateral valuation and management for market participants; and

- evaluating the costs and benefits of proposals to introduce central clearing counterparty requirements for securities lending and repo markets.

In addition, the FSB notes that under the bankruptcy laws of the U.S. and a number of other jurisdictions, repos are exempt from the "automatic stay" of legal/enforcement proceedings, which is an integral part of many insolvency proceedings. The repo counterparties of a bankrupt financial institution in these circumstances are allowed to exercise their contractual rights to terminate the contract and set off mutual debts and claims, as well as liquidating and collecting any collateral they hold, rather than waiting for the insolvency proceedings to conclude, as is the case for many other creditors. This special treatment for securities financing contracts was intended to reduce the risk of contagion in the repo market.

However, the FSB argues that this "safe harbour" status for repos may actually increase systemic risk, on the basis that it may (1) increase the resemblance of repos to cash assets and therefore lead to a rapid increase in potentially unstable short-term funding, (2) facilitate a quick fire sale of collateral upon a default, thereby exaggerating pro-cyclicality, and (3) have the effect of reducing incentives for creditors to properly monitor the credit quality of their repo counterparties.

The FSB has therefore put forward certain possible changes that could be made to bankruptcy law to address these risks, including that:

1) repos backed by "risky or illiquid collateral" should not be exempt from the automatic stay, or alternatively

2) repos could remain exempt, but be subject to a tax capable of being varied as a macro-prudential tool, or alternatively

3) such repos could remain exempt from the automatic stay but lenders under such repos should be able to sell collateral only to a repo resolution authority (RRA) at market prices minus pre-defined haircuts, with the RRA seeking to achieve an orderly liquidation of the collateral, and the eventual difference between an initial payment from the RRA and the realised value of the collateral being paid to or by the repo lenders.

The FSB is, however, conscious that there are major practical obstacles that would arise in trying to implement any of these policy proposals and therefore agrees that these should not be a priority compared to their other policy proposals.

European developments

In March 2012, the European Commission (the Commission) published a consultation paper intended to provide an overview of the current developments with respect to shadow banking initiatives, while simultaneously providing details of its own analysis and views as to appropriate policies (the Green Paper). The Green Paper focuses on attempts to define the meaning of shadow banking, considers the risks and benefits of the sector, as well as the regulatory challenges for authorities, and reviews what regulatory measures already apply to shadow banking in the EU. The Commission subsequently organised a shadow banking conference in Belgium in April 2012 and has recently published a summary of the responses received to the Green Paper.[9] The Commission's activities run in parallel with the initiatives of the FSB and it is therefore hoped that the resulting EU legislative proposal will ultimately be closely aligned with the legislative proposals of other jurisdictions resulting from the FSB's activities, in order to ensure that the EU does not risk becoming uncompetitive.

The Commission plans to issue a further communication on shadow banking in the first quarter of 2013, including further details on the areas on which it expects to develop legislative proposals.

Market views

Following invitations by the FSB and the Commission to provide comments in respect of their publications, various sub-committees of the International Capital Market Association have been particularly active in providing feedback. The European Repo Council (ERC), in particular, has made a number of points relating to the potential changes to the regulation of repos and securities lending. It points out that while enhanced transparency through increased reporting obligations may be helpful for regulators and the market, a careful analysis should be made of the extent of such disclosure, in order to ensure that the value of the information received justifies the cost of extracting it. The ERC also requests that similar levels of analysis be performed in respect of other proposals, including the use of mandatory minimum haircuts. Its concerns include (amongst others) the fact that minimum haircuts will extract large volumes of liquidity from the market and may not be successful at preventing further liquidity being withdrawn from the market during a crisis, since lenders may simply take other action such as reducing existing credit lines.

Buy-side market participants have largely been supportive of many of the suggested measures of the FSB and European Commission, such as improved transparency in areas such as MMF and ETF markets, so long as such measures are tailored carefully to ensure that there is no impairment of liquidity or stifling of growth.

Conclusion

The development of shadow banking regulation is still at an early stage but in this 2012 Holiday Season, most market participants likely to be affected by such regulation, if allowed one wish, ought to be closing their eyes and hoping for the European Commission and other global law makers and regulators to adopt a consistent definition of "shadow banking". Any significant variation in the definition or scope of such regulation ultimately applied by different jurisdictions will inevitably lead to uncertainty and disruption, as well as the opportunity for regulatory arbitrage, as amply demonstrated in respect of the recent regulation of over-the-counter derivatives.

Authors

Peter J. Green
London
4420 7920 4013
pgreen@mofo.com

Jeremy C. Jennings-Mares
London
4420 7920 4072
jjenningsmares@mofo.com

Lewis Lee
London
4420 7920 4071
lewislee@mofo.com

[9] *European Commission – Summary – Responses Received to the Commission's Green Paper on Shadow Banking,* http://ec.europa.eu/internal_market/consultations/docs/2012/shadow/replies-summary_en.pdf.

MORRISON | FOERSTER

About Morrison & Foerster

We are Morrison & Foerster—a global firm of exceptional credentials. Our clients include some of the largest financial institutions, investment banks, Fortune 100, technology and life sciences companies. We've been included on *The American Lawyer*'s A-List for nine straight years, and *Fortune* named us one of the "100 Best Companies to Work For." Our lawyers are committed to achieving innovative and business-minded results for our clients, while preserving the differences that make us stronger. This is MoFo. Visit us at www.mofo.com.

For more updates, follow Thinkingcapmarkets, our Twitter feed: www.twitter.com/thinkingcapmkts.

Because of the generality of this update, the information provided herein may not be applicable in all situations and should not be acted upon without specific legal advice based on particular situations.