

**To:** [REDACTED]  
**From:** Jeffrey Epstein  
**Sent:** Wed 3/31/2010 12:48:43 PM  
**Subject:** Re: Fw: Summers/CX readout

the current language is after review the regulators SHALL, it needs to be MAY decide to limit...

On Wed, Mar 31, 2010 at 8:43 AM, <[REDACTED]> wrote:

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**From:** "[REDACTED]" <[REDACTED]>  
**Date:** Wed, 31 Mar 2010 13:38:43 +0100  
**To:** <petermandelson@btinternet.com>  
**Subject:** Summers/CX readout

#### Summers/CX readout

CX was grateful for your intelligence ahead of the meeting.

#### Financial Services reform

- LS gave similar position on substance of **Volcker** as at Davos. Focus of concern is more on prop trading than size of banks or breaking them up. Dodd Bill requires the regulatory authorities to consider Volcker's proposals and bring forward options for delivering them. So more room for regulatory discretion than one might imagine. The Dodd Bill is the template for reform. US competition law already limits any one bank to having no more than 10% of retail deposits. Some discussion on whether to introduce a similar cap on the level of liabilities held by any one bank
- On **derivatives**, US continues, like us, to think that in principle they should be traded through a clearing house but also recognise there are circumstances where direct contracts are appropriate. Drawing the dividing line is difficult.

- On bank **living wills**, US position similar to ours
  
- On **systemic levy**, US position not far apart from us. CX reminded LS that at Finance Ministers meeting in Canada there was a move away from a global insurance fund to a global levy. LS did not dispute. CX noted that because US Govt taxes American banks on worldwide basis there was a real risk of double taxation of UK banks e.g. Barclays. This an issue of design of a global levy, not of principle, but very important for the UK nonetheless
  
- There is a hot debate going on domestically in US on whether the Fed should continue to **regulate consumer finance** or not - Obama has proposed setting up an FSA-style agency taking it out of the Fed (obvious UK domestic debate resonances)
  
- LS asked CX on whether and how US should **engage with European allies** (mutual blaming of Fr and Ge stances). LS didn't want to make the position worse by provoking further hostility. CX said US did need to engage actively with EU and European capitals. But they should try to be more consensual, and start from a common position with European countries as far as possible.

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