



FOR IMMEDIATE RELEASE

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President Obama Signs Financial Reform Bill; FEA Calls New Law a Good Start Toward Federal Regulation of Exchange Facilitators

§1031 Qualified Intermediary trade association, Federation of Exchange Accommodators, supports strong regulation of its industry

The Federation of Exchange Accommodators ("FEA") is pleased to announce that the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") was signed by President Obama today.

The Dodd-Frank Act authorizes the creation of a Bureau of Consumer Financial Protection to be housed within the Federal Reserve. The Bureau is charged with regulating consumer financial products and services. The new law requires the Director of the Bureau to conduct a study and propose legislation and/or regulations to protect consumers using exchange facilitators, also known as Qualified Intermediaries, who facilitate tax-deferred exchange transactions under Internal Revenue Code §1031. The study and recommendations must be completed within 1 year after the new law takes effect, and a program or proposed regulations must be implemented within 2 years after the Director's report.

The FEA, the trade association representing the exchange facilitator industry, believes that this is an important first step toward assuring comprehensive protection for all consumers. "The FEA especially thanks House Financial Services Committee Chairman Barney Frank and Rep. Mike Michaud and for proposing this provision in the financial reform bill. We are enthusiastic about working with the Bureau of Consumer Financial Protection to develop regulations, especially with respect to the security of client funds held by exchange facilitators," commented Suzanne Goldstein Baker, chairperson of the FEA's Federal Legislative Committee.

FEA President David Gorenberg echoed this sentiment, "This is a great beginning. However, there is much work to be done to achieve our goal of comprehensive federal regulation that will cover all exchange clients and transactions." During the legislative process, the FEA communicated to legislators its support for the bill, along with technical concerns that many transactions will not fit the definitional scope of the Consumer Financial Protection Act of 2010, incorporated within the Dodd-Frank Act, and the need for a broad solution. "We are looking forward to working with the Director and the legislative sponsors to identify and suggest regulations or legislation that will not be limited to transactions solely involving individuals engaged in exchanges for 'personal, family or household use,'" stated Ms. Goldstein Baker.

“The FEA will work to ensure that all taxpayers, regardless of whether they are individuals or business entities, benefit from the same mandatory safeguards that protect consumers,” added Mr. Gorenberg.

The FEA is a robust supporter of federal regulation of its industry to require prudent funds management standards and other protections for its clients. In 2007 the FEA petitioned the FTC for regulatory oversight and submitted to it a comprehensive draft regulation. The FTC denied the petition, opining that there was no evidence of pervasive fraud throughout the industry and thus, the burdens of regulation would outweigh the potential benefits. The FEA has since been actively involved in passing state legislation to regulate exchange facilitators. The FEA drafted a “model law” which the states of California, Colorado, Maine, Nevada, Oregon, Virginia and Washington have adopted with slight variations. The FEA has also submitted to the Secretary of the Treasury and the Internal Revenue Service a proposed amendment to Treasury Regulations which would impose reasonable, understandable standards of prudent funds management requiring that funds held by Qualified Intermediaries be invested in a manner that maintains liquidity and preserves principal.

About the FEA

The Federation of Exchange Accommodators (“FEA”) is the industry association for exchange facilitators. FEA member companies facilitate tax-deferred exchanges of investment and business use properties under IRC §1031 for taxpayers of all sizes, from individuals of modest means to high net worth taxpayers and business entities. Members range from small, privately held businesses to large, publicly traded companies and banks. Transactions range from less than \$100,000 to hundreds of millions of dollars involving commercial and residential real estate, aircraft, trucks, trailers, containers, railcars, heavy equipment and other assets. To comply with tax rules, exchange facilitators typically hold proceeds from the sale of relinquished assets until they can be reinvested in replacement assets to complete the exchange. Section 1031 exchanges must be completed within 180 days. More information is available on the FEA’s website, www.1031.org.