



CAPITOL TOPICS

FEBRUARY 2016

EXECUTIVE COMMITTEE

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PRESIDENT'S MESSAGE



Hello Chapter Members. It was great seeing everyone at our last monthly CPE luncheon. Catherine Melvin and Susan Oballe from Texas Department of Safety were well received by auditors and non-auditors alike! Breaking down the audit process is a difficult task and Catherine and Susan did an excellent job.

The Chapter Executive Committee met on January 28. The Education and Programs Committee confirmed that Jerry Hill, General Counsel with the Texas State Board of Accountancy will present at the February luncheon to present a topic we all face every day: risk-taking, ethics, and government practice. We also discussed upcoming AGA

regional and national conferences and Austin Chapter representation at these.

Lastly, we still have several Chapter Executive Committee positions open for anyone who may be interested in joining. You can help steer the efforts of the Austin Chapter and work with a dynamic team. Please reach out to me or one of the Board Members if you are interested and would like more information on the roles and responsibilities.

Thank you for your continued support of the chapter.

Bhakti Patel
President, AGA Austin Chapter

UPCOMING EVENTS

Risk-Taking, Ethics, and Government Practice

In our luncheon meeting on Thursday, February 11, 2016, Jerry Hill, the General Counsel from the Texas State Board of Public Accountancy will discuss risk-taking, ethics, and government practice.

Date/Time: Thursday, February 11, 2016 - 11:30 am-1:00 pm

Location: Pappadeaux Seafood at 6319 N I-35, Austin, TX 78752

CPE Credit: 1 Hour

Registration: <http://www.agaaustin.org/aga-austin-reg.html>



Highlights

Guest Speaker Biography

Jerry Hill has been the General Counsel for the Texas State Board of Public Accountancy for 15 years. Previously, he spent 15 years as the General Counsel and a Division Director at the Railroad Commission (which has nothing to do with railroads), for a total of 30 plus years in Texas government. He attended Southwest Texas State University (now Texas State) and received his Doctor of Jurisprudence at St. Mary's University. He flew through the bar exam and obtained his license to practice law in Texas soon after.



At TSBPA, Jerry provides legal advice to the board, its executive director, and its staff and manages enforcement of the Board Rules and Public Accountancy Act. Some of the highly-publicized

cases with which he has been involved include revocation of licenses of Arthur Anderson CPAs involved with the Enron scandal and penalties for the accounting firm for Allen Stanford, perpetrator of a \$7 billion Ponzi scheme.

Membership January Anniversaries

Congratulations to the following members who have reached their anniversary milestone in the month of February 2016.

1 Year:

Robert E. Coleman

25 Years:

Lesli B. Cathey, CGFM

AGA Scholarships

Scholarship money is available for AGA members and their family members pursuing studies in a financial management discipline such as accounting, auditing, budgeting, economics, finance, electronic data processing, information resources management or public administration. Apply by April 15 . For more information click [here](#).

Managing in a Multi-Generational Workforce (Members Only Webinar)

CPE at no cost to AGA members February 3rd from 1-2 pm (central time). There can be up to four generations working in the same organization at the same time — each with different work values, communication and management styles. This webinar will help to bridge the gap or try to reduce generational turbulence and lead to a more productive and harmonious work environment. Individual participation only. Not available for group setting. Learn more and register [here](#).

Luncheon Gift Card Drawings!

Congratulations to **Stanton Martin** for winning the



\$20 gift card during the January 14th luncheon! AGA will continue to have a raffle for attendees during every luncheon event this year! The raffle winner will receive a \$20 gift card (i.e. Starbucks, Target) by drawing the winner from the list of names in attendance (excludes Executive Committee Members).

Highlights (continued)

Minutes

On January 28, 2016, the Austin Chapter held its monthly executive meeting. The key points from the meeting follow.

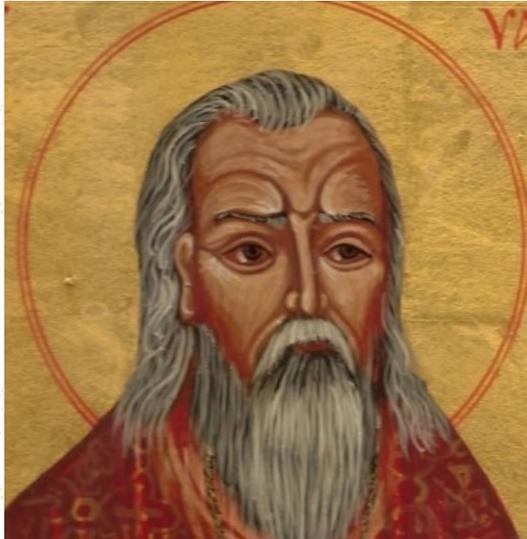
- Debrief of January luncheon including attendance, survey responses, and table arrangement.
- Menu options at Pappadeaux
 - February luncheon will be Mixed Grill, Salmon, Pasta along with Salad and a Chicken option
 - March luncheon will be the Sampler Platter, Salmon, Pasta along with the Salad and the Chicken option
- March luncheon speaker will be Corrie Stokes, City Auditor, City of Austin
- Finding another venue for the April 14th luncheon with Austin Police Chief Art Acevedo
- Upcoming networking event for April
- Refunds for nonattendance
- Recruitment Efforts
 - Members - 114 members as of 12/2015
 - Vacant Committee positions (Secretary, Bylaws and Procedures Chair, Early Careers Chair', Membership Chair)

February 15th is Presidents Day!

Presidents' Day, officially Washington's Birthday, in the United States, holiday popularly recognized as honoring George Washington and Abraham Lincoln. The day is sometimes understood as a celebration of the birthdays and lives of all U.S. presidents.



Fun Fact



How did St. Valentine become associated with love and romance?

One legend contends that Valentine was a priest who served during the third century in Rome. When Emperor Claudius II decided that single men made better soldiers than those with wives and families, he outlawed marriage for young men. Valentine, realizing the injustice of the decree, defied Claudius and continued to perform marriages for young lovers in secret. When Valentine's actions were discovered, Claudius ordered that he be put to death.

During his imprisonment, Valentine actually sent the first "valentine" greeting himself after he fell in love with a young girl—possibly his jailor's daughter—who visited him during his confinement. Before his death, it is alleged that he wrote her a letter signed "From your Valentine," an expression that is still in use today.

Although the truth behind the Valentine legends is murky, the stories all emphasize his appeal as a sympathetic, heroic and—most importantly—romantic figure.



Treasurer's Report

For the period ending 12/31/15

Beginning Bank Balance 11/30/2015		\$6,587.71
<i>Revenue:</i>		
12/24/2015	ACH Square Luncheon	\$48.62
12/23/2015	ACH - DFPS 11/2015	\$30.00
12/23/2015	ACH - DFPS 11/2015	\$25.00
12/23/2015	ACH - DFPS 12/2015	\$25.00
12/14/2015	Luncheon Cash Deposit	\$25.00
12/14/2015	Luncheon Check Deposit	\$25.00
12/11/2015	ACH Square Luncheon	\$199.34
12/2/2015	ACH Square Luncheon	\$24.31
12/1/2015	Dividend through 11/30/2015	\$0.54
	Total Revenue	\$402.81
Funds Available		\$6,990.52
<i>Expenditures:</i>		
<i>Date</i>	<i>Check No./Credit Card</i>	
12/11/2015	2177 TSBPA - CPE Sponsorship Renewal	\$400.00
12/11/2015	Debit card Clay Pit - Luncheon	\$133.00
12/4/2015	Debit card Amazon - Raffle Gift Card Purchases	\$40.00
	Total Expenditures	\$573.00
Ending Bank Balance 12/31/2015		\$6,417.52
Check Register Reconciliation:		
Ending Bank Balance 12/31/2015		\$6,417.52
<i>Outstanding Checks:</i>		
<i>Date</i>	<i>Check No.</i>	<i>Description</i>
Total Outstanding Checks		
		\$0.00
<i>Outstanding Deposits:</i>		
<i>Date</i>	<i>Description</i>	
Total Outstanding Deposits		
		\$0.00
Adjusted Ending Bank Balance 12/31/2015		<u>\$6,417.52</u>
Total Chapter Cash Available Per Check Register 12/31/2015		<u>\$6,417.52</u>
<i>Cash On Hand:</i>		
	CU Min Savings Balance	\$5.00
	Luncheon Bank	\$40.00

Community Service

2016 Spring Seeds to Start Workshop part 2

Hosted by: Green Corn Project
When: Sat Feb 06, 2016, 09:00 AM - 12:00 PM
Where: 1210 Rosewood Ave, Austin, TX 78702
Sign-Up Here: <http://www.greencornproject.org/volunteer>

Come help Green Corn Project transplant our starts from part 1 of the workshop and learn more about this important part of the gardening process. These will be used to plant in gardens for people in need. Participants will be able to take home some starts of their own.



Volunteer for Austin Marathon Aide Station #5 with Family Eldercare

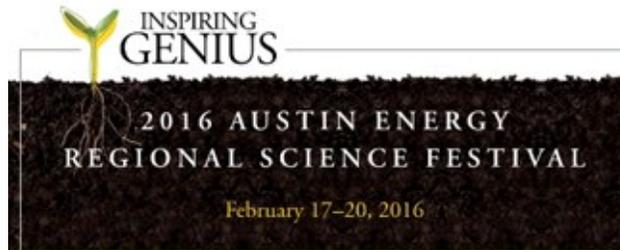
When: Sun Feb 14, 2016, 05:30 AM - 10:30 AM
Where: 3135 Lake Austin Blvd; Austin, TX 78703
Sign-Up Here: <https://cloud.emos1.com/austin/volunteer/RegisterVolunteer.aspx?code=eldercare&eid=1029&JScript=1>

Family Eldercare is an Austin Gives Miles charity for the 2016 Austin Marathon and Half Marathon! We need LOUD and PROUD volunteers to assist with passing fuel and hydration to runners at Aide Station #5, located at University High School.

Volunteers receive a t-shirt and snacks, as well as the satisfaction of knowing they helped make a difference with our organization as we support our community partners. This race would not be possible without volunteers! To sign up, click the link above! Minors are allowed as long as a parent or guardian volunteers with them.



Community Service (continued)



2016 Austin Energy Regional Science Festival

When: Wed Feb 17, 2016 07:00 AM - Sat Feb 20, 2016 09:45 PM
Where: 900 Barton Springs Road, Palmer Events Center, Austin, TX 78704
Contact: Email ingrid.weigand@austinscience.org and complete forms at <http://www.sciencefest.org/volunteers>

The Austin Energy Regional Science Festival serves students from 23 school district in 12 surrounding counties. Science Fest takes place from February 17-20, 2016 at the Palmer Events Center on Barton Springs Road. We are looking for volunteers to help with student project registration and set-up, monitor students' well-being during judging and assist with the judging process and with the awards ceremonies.

Beauty & Healthcare Volunteers for Mom's Night Out

Hosted by: Any Baby Can Child & Family Resource Center
When: Sat Feb 20, 2016, 02:30 PM - 07:30 PM
Where: 300 South Congress Ave., Austin, TX 78704
Contact: Volunteer events coordinator Annessa Lewis at: Annessa.Lewis@anybabycan.org

Calling all beauty and healthcare professionals and baby sitters! Any Baby Can is throwing a night of relaxation and pampering for the mothers in our Candle-lighter's program, a support program for childhood cancer. This event takes place downtown at the Embassy Suites Hotel.

We need hair stylists, manicurists, massage therapists, and other health/beauty professionals/students. We will also need childcare volunteers and coordinators to help organize the event that night.

*Childcare volunteers MUST submit a background check from found here: <http://anybabycan.org/volunteer/> Registration is required at least one week beforehand, no night-of registrants, please.



Community Service (continued)

Central Texas African American Family Support Conference

Hosted by: Austin Travis County Integral Care (MHMR)
When: Thu Feb 25, 2016 07:45 AM - Fri Feb 26, 2016 05:00 PM
Where: Renaissance Hotel, 922 Arboretum Blvd, Austin, TX 78752
Contact: Tommie Calfee 512-440-4036

The Central TX African American Family Support Conference is a large educational conference supporting the African American Community of central Texas by providing culturally relevant educational workshops on topics of mental health, developmental disabilities, services and supports.

The conference is seeking 2 volunteers per educational session to greet guest, distribute and collect evaluations, introduce the speaker, assist with seating and assist the speaker as needed. Training will be held Wednesday, Feb. 17th at 2 pm located at Austin Travis County Integral Care (the host agency) at 1430 Collier St., Austin 78704, Conference room 3 or on Tuesday, Feb. 16th at 3 pm, same location. An electronic/phone training can also be provided if you cannot physically attend the training. Also seeking volunteers as educational breakout monitors for one or both days, Feb. 25th and 26th from 8 am to noon and/or 1 pm to 5 pm. The conference is free to volunteers and a very nice lunch time meal is provided both days.



Research Article

Bail-Ins Begin: a Crisis Worse than ISIS?

By Ellen Brown

(reprinted with permission)

At the end of November, an Italian pensioner hanged himself after his entire €100,000 savings was confiscated in a bank “rescue” scheme. He left a suicide note blaming the bank, where he had been a customer for 50 years and had invested in bank-issued bonds. But he might better have blamed the EU and the G20’s Financial Stability Board, which imposed an “Orderly Resolution” regime to keep insolvent banks afloat by confiscating the savings of investors and depositors. Some 130,000 shareholders and junior bond holders suffered losses in the “rescue.”

The pensioner’s bank was one of four small regional banks that had been put under special administration over the past two years. The €3.6 billion (\$3.83 billion) rescue plan launched by the Italian government used a newly-formed National Resolution Fund, which was fed by the country’s healthy banks. But before the fund could be tapped, losses had to be imposed on investors; and beginning this January, EU rules now require that they also be imposed on depositors.

According to a December 10th article on BBC.com: The rescue was a “bail-in” – meaning bondholders suffered losses – unlike the hugely unpopular bank bailouts during the 2008 financial crisis, which cost ordinary EU taxpayers tens of billions of euros. Correspondents say [Italian Prime Minister] Renzi acted quickly because in January, the EU is tightening the rules on bank rescues – *they will force losses on depositors holding more than €100,000, as well as bank shareholders and bondholders. Letting the four banks fail under those new EU rules next year would have meant “sacrificing the money of one million savers and the jobs of nearly 6,000 people”*. That is what is predicted for 2016: massive sacrifice of savings and jobs to prop up a “systemically risky” global banking scheme.

Bail-in Under Dodd-Frank

This is happening in the EU. Is there reason for concern in the US? According to former hedge fund manager Shah Gilani, writing for *Money Morning*, there is. In a November 30th article titled “Why I’m Closing My Bank Accounts While I Still Can,” he writes: It is entirely possible in the next banking crisis that depositors in giant too-big-to-fail failing banks could have their money confiscated and turned into equity shares.

If your too-big-to-fail (TBTF) bank is failing because they can’t pay off derivative bets they made, and the government refuses to bail them out, under a mandate titled “Adequacy of Loss-Absorbing Capacity of Global Systemically Important Banks in Resolution,” approved on Nov. 16, 2014, by the G20’s Financial Stability Board, they can take your deposited money and turn it into shares of equity capital to try and keep your TBTF bank from failing. Once your money is deposited in the bank, it legally becomes the property of the bank. Gilani explains: Your deposited cash is an unsecured debt obligation of your bank. It owes you that money back.

If you bank with one of the country’s biggest banks, who collectively have trillions of dollars of derivatives they hold “off balance sheet” (meaning those debts aren’t recorded on banks’ GAAP balance sheets), those debt bets have a superior legal standing to your deposits and get paid back before you get any of your cash. Big banks got that language inserted into the 2010 Dodd-Frank law meant to rein in dangerous bank behavior. The banks inserted the language and the legislators signed it, without necessarily understanding it or even reading it. At over 2,300 pages and still growing, the Dodd Frank Act is currently the longest and most complicated bill ever passed by the US legislature.

Research Article (Continued)

Propping Up the Derivatives Scheme

Dodd-Frank states in its preamble that it will “protect the American taxpayer by ending bailouts.” But it does this under Title II by imposing the losses of insolvent financial companies on their common and preferred stockholders, debtholders, and other unsecured creditors. That includes depositors, the largest class of unsecured creditor of any bank. Title II is aimed at “ensuring that payout to claimants is at least as much as the claimants would have received under bankruptcy liquidation.” But here’s the catch: under both the Dodd Frank Act and the 2005 Bankruptcy Act, derivative claims have super-priority over all other claims, secured and unsecured, insured and uninsured.

Derivative claims are considered “secured” because collateral is posted by the parties. For some inexplicable reason, the hard-earned money you deposit in the bank is not considered “security” or “collateral.” It is just a loan to the bank, and you must stand in line along with the other creditors in hopes of getting it back. State and local governments must also stand in line, although their deposits are considered “secured,” since they remain junior to the derivative claims with “super-priority.”

Turning Bankruptcy on Its Head

Under the old liquidation rules, an insolvent bank was actually “liquidated” – its assets were sold off to repay depositors and creditors. Under an “orderly resolution,” the accounts of depositors and creditors are emptied to keep the insolvent bank in business. The point of an “orderly resolution” is not to make depositors and creditors whole but to prevent another system-wide “disorderly resolution” of the sort that followed the collapse of Lehman Brothers in 2008. The concern is that pulling a few of the dominoes from the fragile edifice that is our derivatives-laden global banking system will collapse the entire scheme. The sufferings of depositors and investors are just the sacrifices to be borne to maintain this highly lucrative edifice.

In a May 2013 article in *Forbes* titled “The Cyprus Bank ‘Bail-In’ Is Another Crony Bankster Scam,” Nathan Lewis explained the scheme like this: At first glance, the “bail-in” resembles the normal capitalist process of liabilities restructuring that should occur when a bank becomes insolvent. The difference with the “bail-in” is that the order of creditor seniority is changed. In the end, it amounts to the cronies (other banks and government) and non-cronies. The cronies get 100% or more; the non-cronies, including non-interest-bearing depositors who should be super-senior, get a kick in the guts instead.

In principle, depositors are the most senior creditors in a bank. However, that was changed in the 2005 bankruptcy law, which made derivatives liabilities most senior. Considering the extreme levels of derivatives liabilities that many large banks have, and the opportunity to stuff any bank with derivatives liabilities in the last moment, other creditors could easily find there is nothing left for them at all.

Research Article (Continued)

As of September 2014, US derivatives had a notional value of nearly \$280 trillion. A study involving the cost to taxpayers of the Dodd-Frank rollback slipped by Citibank into the “cromnibus” spending bill last December found that the rule reversal allowed banks to keep \$10 trillion in swaps trades on their books. This is money that taxpayers could be on the hook for in another bailout; and since Dodd-Frank replaces bailouts with bail-ins, it is money that creditors and depositors could now be on the hook for. Citibank is particularly vulnerable to swaps on the price of oil. Brent crude dropped from a high of \$114 per barrel in June 2014 to a low of \$36 in December 2015.

What about FDIC insurance? It covers deposits up to \$250,000, but the FDIC fund had only \$67.6 billion in it as of June 30, 2015, insuring about \$6.35 trillion in deposits. The FDIC has a credit line with the Treasury, but even that only goes to \$500 billion; and who would pay that massive loan back? The FDIC fund, too, must stand in line behind the bottomless black hole of derivatives liabilities.

Exiting While We Can

How can you avoid this criminal theft and keep your money safe? It may be too late to pull your savings out of the bank and stuff them under a mattress, as Shah Gilani found when he tried to withdraw a few thousand dollars from his bank. Large withdrawals are now criminally suspected. You can move your money into one of the credit unions with their own deposit insurance protection; but credit unions and their insurance plans are also under attack. So writes Frances Coppola in a December 18th article titled “Co-operative Banking Under Attack in Europe,” discussing an insolvent Spanish credit union that was the subject of a bail-in in July 2015. When the member-investors were subsequently made whole by the credit union’s private insurance group, there were complaints that the rescue “undermined the principle of creditor bail-in” – this although the insurance fund was privately financed. Critics argued that “this still looks like a circuitous way to do what was initially planned, i.e. to avoid placing losses on private creditors.”

In short, the goal of the bail-in scheme is to place losses on private creditors. Alternatives that allow them to escape could soon be blocked. We need to lean on our legislators to change the rules before it is too late. The Dodd Frank Act and the Bankruptcy Reform Act both need a radical overhaul, and the Glass-Steagall Act (which put a fire wall between risky investments and bank deposits) needs to be reinstated. Meanwhile, local legislators would do well to set up some publicly-owned banks on the model of the state-owned Bank of North Dakota – banks that do not gamble in derivatives and are safe places to store our public and private funds.

Note: Click [here](#) to see how much the top 9 banks currently have in derivatives. This graphic is awesome and scary.

**It's About the Process!
CPE Event
-January 14, 2016-**



**A special thank you to
Sharita Jefferson for taking
time out of her day to
take photos!**



**CPE Event
-January 14, 2016-**

