

The Dodd-Frank Wall Street Reform and Consumer Protection Act Achieves the Core Goals Laid Out by the Obama Administration Last June

June 2009 Obama Administration White Paper Proposal	June 2010 Wall Street Reform and Consumer Protection Act	Alignment?
CONSTRAIN GROWTH AND RISK TAKING OF THE LARGEST FINANCIAL FIRMS		
<i>“We’ve got to close the loopholes that were at the heart of the crisis. Where there were gaps in the rules, regulators lacked the authority to take action. Where there were overlaps, regulators often lacked accountability for inaction. These weaknesses in oversight engendered systematic, and systemic, abuse.”</i>		
<i>— President Obama, September 14, 2009</i>		
<ul style="list-style-type: none"> • <i>“A new Financial Services Oversight Council of financial regulators to identify emerging systemic risks and improve interagency cooperation.”</i> • <i>“New authority for the Federal Reserve to supervise all firms that could pose a threat to financial stability, even those that do not own banks.”</i> • <i>“Stronger capital and other prudential standards for all financial firms, and even higher standards for large, interconnected firms.”</i> • <i>“Tighten the supervision and regulation of potential conflicts of interest generated by the affiliation of banks and other financial firms, such as proprietary trading units and hedge funds.”</i> • <i>“A new National Bank Supervisor to supervise all federally chartered banks. Elimination of the federal thrift charter and other loopholes that allowed some depository institutions to avoid bank holding company regulation by the Federal Reserve.”</i> • <i>“The registration of advisors of hedge funds and other private pools of capital with the SEC.”</i> 	<ul style="list-style-type: none"> • Creates a new statutory Financial Stability Oversight Council with an Office of Financial Research within Treasury to monitor risk and respond to emerging threats. • Mandates strong, consolidated supervision and regulation of all large, interconnected financial firms. • Strengthens capital, liquidity and other prudential standards for the largest financial firms: <ul style="list-style-type: none"> ○ Concentration limits on largest firms ○ Accountable, consolidated supervision ○ Additional disclosures required ○ Lending limits to a single firm ○ Ban on management interlocks ○ Prompt, corrective action ○ Higher risk-based capital requirements • Volcker rule prohibits banking firms from engaging in proprietary trading or investing in private equity or hedge funds. Provides the Council authority to force a firm to cease or divest activities that threaten financial stability. • Merges OCC and OTS, and eliminates regulatory arbitrage between Federally chartered depositories. <ul style="list-style-type: none"> ○ Applies capital rules to thrift holding companies ○ Levels playing field for banks and thrifts ○ Requires all holding companies of a depository institution to be a “source of strength” • Requires advisors of hedge funds and other private pools of capital to register with the SEC 	<ul style="list-style-type: none"> ✓ ✓ ✓ ✓ ✓ ✓

June 2009 Obama Administration White Paper Proposal	June 2010 Wall Street Reform and Consumer Protection Act	Alignment?
<p>BRING DERIVATIVES MARKETS INTO THE LIGHT AND FIX THE PLUMBING OF THE FINANCIAL SYSTEM <i>“Part of what led to this crisis was firms like AIG and others who were making huge and risky bets, using derivatives and other complicated financial instruments, in ways that defied accountability, or even common sense.... That’s why reform will rein in excess and help ensure that these kinds of transactions take place in the light of day.”</i> — President Obama, April 22, 2010</p>		
<ul style="list-style-type: none"> • <i>“Comprehensive regulation of all over-the-counter derivatives.”</i> 	<ul style="list-style-type: none"> • Includes transparency, enforcement, and conservative standards in a comprehensive approach : <ul style="list-style-type: none"> ○ Capital, margin, and business conduct for all dealers and major market participants ○ Mandatory clearing for standard contracts ○ Transparent trading for standard contracts ○ Narrow end-user exemption for commercial purposes ○ Enforcement, anti-fraud, and anti-manipulation authority 	<p>✓</p>
<ul style="list-style-type: none"> • <i>“Enhanced regulation of securitization markets.”</i> 	<ul style="list-style-type: none"> • Strengthens supervision and regulation of securitization markets including requiring financial companies to retain “skin in the game” 	<p>✓</p>
<ul style="list-style-type: none"> • <i>“SEC should continue its efforts to strengthen the regulation of credit rating agencies ... [and] promote the integrity of the ratings process.”</i> 	<ul style="list-style-type: none"> • Creates a new office of SEC oversight, required rulemaking to assign structured credit ratings while avoiding conflicts of interest, full disclosure of the risks that ratings are designed to assess. Institutes new accountability for rating agencies to be liable to investors. 	<p>✓</p>
<ul style="list-style-type: none"> • <i>“Regulators should reduce their use of credit ratings in regulations and supervisory practices, wherever possible.”</i> 	<ul style="list-style-type: none"> • Requires regulators to remove all references to credit ratings from Federal regulations. 	<p>✓</p>
<ul style="list-style-type: none"> • <i>“New authority for the Federal Reserve to oversee payment, clearing and settlement systems.”</i> 	<ul style="list-style-type: none"> • Provides clear authority for robust, coordinated risk management standards for payment, clearing, and settlement systems, and back up monitoring authority by the Federal Reserve to maintain consistency and high standards . 	<p>✓</p>
<p align="center">END TOO BIG TO FAIL</p> <p><i>“With so much at stake, we should not be forced to choose between allowing a company to fail into a rapid and chaotic dissolution that threatens the economy and innocent people, or, alternatively, forcing taxpayers to foot the bill.”</i> — President Obama, September 14, 2009</p>		
<ul style="list-style-type: none"> • <i>“A new regime to resolve nonbank financial institutions whose failure could have serious systemic effects.”</i> 	<ul style="list-style-type: none"> • Creates a strong resolution regime modeled on the current FDIC process for banks; prohibits taxpayer bailouts; and requires “living wills” to plan out orderly liquidation. 	<p>✓</p>
<ul style="list-style-type: none"> • <i>“Revisions to the Federal Reserve’s emergency lending authority to increase accountability.”</i> 	<ul style="list-style-type: none"> • Increases accountability for Federal Reserve’s emergency lending, including approval from the Treasury and new transparency requirements. 	<p>✓</p>

June 2009 Obama Administration White Paper Proposal	June 2010 Wall Street Reform and Consumer Protection Act	Alignment?
<p>ENACT THE STRONGEST CONSUMER FINANCIAL PROTECTIONS EVER</p> <p><i>“This plan would enact the strongest consumer financial protections ever.... With a dedicated agency setting ground rules and looking out for ordinary people in our financial system, we will empower consumers with clear and concise information when they’re making financial decisions.”</i></p> <p>— President Obama, April 22, 2010</p>		
<ul style="list-style-type: none"> • <i>“A new Consumer Financial Protection Agency to protect consumers across the financial sector from unfair, deceptive, and abusive practices.”</i> 	<ul style="list-style-type: none"> • Creates an independent Consumer Financial Protection Bureau (CFPB) to consolidate core authorities and regulate unfair, deceptive, and abusive practices in consumer financial services markets. 	✓
<ul style="list-style-type: none"> • <i>“A level playing field and higher standards for providers of consumer financial products and services, whether or not they are part of a bank.”</i> 	<ul style="list-style-type: none"> • Authorizes the CFPB to examine the most critical financial services providers – large banks and credit card companies, mortgage companies, payday lenders, private student lenders, and other larger nonbank financial services providers. 	✓
<ul style="list-style-type: none"> • <i>“Stronger regulations to improve transparency, fairness, and appropriateness of consumer and investor products and services.”</i> 	<ul style="list-style-type: none"> • Builds on the Credit CARD Act of 2009 by strengthening rules governing mortgages, money transfers, and other consumer financial products and services. 	✓
<ul style="list-style-type: none"> • <i>“The SEC should be given expanded authority to promote transparency in investor disclosures... [and] to increase fairness for investors by establishing a fiduciary duty for broker-dealers offering investment advice.”</i> 	<ul style="list-style-type: none"> • Gives the SEC authority to require pre-sale disclosure for mutual funds and other investment products; and to establish a fiduciary duty for all broker-dealers when providing investment advice. 	✓
<ul style="list-style-type: none"> • <i>“Financial firms and public companies should be accountable to their clients and investors by expanding protections for whistleblowers , ... and requiring non-binding shareholder votes on executive pay plans.”</i> 	<ul style="list-style-type: none"> • Strengthens investor protection and enforcement: <ul style="list-style-type: none"> ○ Includes strong whistleblower protection ○ Requires “say on pay” vote and increased disclosure 	✓
<p>COORDINATE INTERNATIONALLY TO START A RACE TO THE TOP IN FINANCIAL REGULATION</p> <p><i>“We know that abuses in financial markets anywhere can have an impact everywhere; and just as gaps in domestic regulation lead to a race to the bottom, so do gaps in regulation around the world. What we need instead is a global race to the top, including stronger capital standards.”</i></p> <p>— President Obama, September 14, 2009</p>		
<ul style="list-style-type: none"> • <i>“International reforms to support our efforts at home.”</i> 	<ul style="list-style-type: none"> • Displays America’s strong commitment, providing leadership for significant international negotiations. 	✓