

## **IMPLEMENTATION OF THE DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT: DEADLINES CREATED BY THE STATUTE FOR SELECT REGULATORY MILESTONES**

### **Effective Immediately:**

- **Resolution Authority.** The resolution authority will immediately fill a regulatory gap by providing an emergency tool to ensure the orderly liquidation of a failed or failing large, interconnected financial company when the stability of the financial system is threatened. *As soon as practicable after enactment, the FDIC (with the concurrence of Treasury) is required to establish certain policies and procedures with respect to the operation of an FDIC receivership under the new resolution authority.*
- **Federal Office of Insurance (FIO).** FIO will gather information about the insurance industry, including access to affordable insurance products by underserved communities, and monitor the insurance industry for systemic risk purposes. FIO will be established in Treasury, and its Director will be appointed by the Secretary. *FIO's first annual report to Congress on the insurance industry must be submitted September 30, 2011.*
- **Proxy Access Rulemaking.** The Securities and Exchange Commission's (SEC's) authority to issue rules that grant shareholders proxy access to nominate directors is affirmed. *The SEC has a pending proposed proxy access rule that was released for public comment in June 2009.*

### **Within 3 Months:**

- **Financial Stability Oversight Council (Council).** The Council, made up of 9 federal financial agencies and an independent insurance member, and 5 nonvoting members will be charged with identifying and responding to emerging risks throughout the financial system, including the designation of systemically significant firms. The Council will be chaired by the Treasury Secretary. *The Council's first quarterly meeting will be conducted in October 2010.*
- **Ability to Break-up Firms that Pose a "Grave Threat".** Upon enactment, the Council is authorized to approve a Federal Reserve decision to require a large, complex company to divest some of its holdings if it poses a grave threat to the financial stability of the United States.

### **Within 6 Months:**

- **Say on Pay and Golden Parachutes.** Shareholders will be granted a say on pay with the right to a non-binding vote on executive pay and golden parachutes. This gives shareholders a powerful opportunity to hold accountable executives of the companies they own, and a chance to disapprove where they see the kind of misguided incentive schemes that threatened individual companies and in turn the broader economy. *At a public company's first shareholder meeting following the end of the 6-month period after enactment, management must give shareholders the opportunity to vote on how frequently shareholders will have a "say on pay" (i.e., annually, every 2 years, or every 3 years).*

### **Within 9 Months:**

- **"Skin in the Game" Risk Retention.** Companies that sell mortgage-backed securities will be required to retain at least 5 percent of the credit risk, unless the underlying loans meet standards determined by regulators that reduce riskiness. That way if the security loses substantial value, the company that packaged and sold the security would lose along with the investors they sold it to. *The federal banking agencies, SEC, HUD, and FHFA, must prescribe final rules for credit risk retention no later than 270 days after enactment.*
- **Protect Small Businesses from Unreasonable Interchange Fees.** Within 9 months of enactment, the Federal Reserve Board must write rules that will limit the fees that debit issuers can charge merchants and other card acceptors for debit transactions to levels that are reasonable and related to the issuers' actual costs. *Rules may become effective 12 months after enactment.*

**Within 12 Months:**

- **Consumer Financial Protection Bureau (CFPB).** A new independent watchdog will be created with the authority to ensure American consumers get the clear, accurate information they need to shop for mortgages, credit cards, and other financial products, and protect them from hidden fees, abusive terms, and deceptive practices. *Functions currently handled by existing agencies are expected to be transferred to the CFPB and the CFPB is expected to assume full authority for consumer financial protection no later than 1 year after enactment.*
- **Closure of the Office of Thrift Supervision.** The OTS will be shut down and its authorities transferred mainly to the Office of the Comptroller of the Currency, but the thrift charter will be preserved. *Within 180 days following enactment, the Federal Deposit Insurance Corporation (FDIC), Federal Reserve Board, Office of the Comptroller of the Currency (OCC) and Office of Thrift Supervision (OTS) must submit to Congress a plan for transferring most of the authorities of the OTS to the OCC and its other authorities to the FDIC and Federal Reserve Board. The transfer date will be 1 year after enactment.*
- **Derivative Clearing and Swap Dealer Regulation.** Requires central clearing and exchange trading for derivatives that can be cleared and provides a role for both regulators and clearing houses to determine which contracts should be cleared. *Clearing and exchange trading requirements are expected to become effective 360 days following enactment.* The Commodity Futures Trading Commission (CFTC)/SEC (for non-bank entities) and the prudential regulators (for banking entities) must adopt rules to impose minimum capital and margin requirements on all non-cleared swaps for swap dealers and major swap participants. *Rules prescribed by the CFTC or the SEC must be promulgated no later than 360 days after enactment.*
- **Mandatory Registration of Investment Advisers.** Advisers to hedge funds and large private equity funds will be required to register with the SEC as investment advisers and provide information about the funds they advise including the amount of assets under management, leverage, risk exposure and other information that may be necessary to assess systemic risk of the fund. This data will be shared by the SEC with the Financial Stability Oversight Council, and the SEC will report to Congress annually on how it uses this data to protect investors and market integrity. *The new registration requirement will become effective 1 year after enactment.*
- **Independent Compensation Committees Requirement.** The SEC will write rules that will prohibit any public company from being listed on an exchange unless the compensation committee of such company includes only independent directors and have authority to hire compensation consultants in order to strengthen their independence from the executives they are rewarding or punishing. *Final rules required not later than 360 days after enactment.*
- **Office of Financial Research (OFR).** The new Office of Financial Research to analyze data on systemic risk is targeted to be established and fully operational *no later than 1 year after enactment.*
- **Office of the Investor Advocate (OIA).** The SEC's new Office of Investor Advocate will act as an ombudsman and assist investors in resolving significant problems dealing with the SEC and SROs and will identify problems that investors have with financial service providers and investment products. *The OIA must submit its first annual report to Congress no later than June 30, 2011.*

**Within 18 Months:**

- **Volcker Rule.** Regulators will implement regulations to prohibit banks from engaging in impermissible proprietary trading and investment in and sponsorship of hedge funds and private equity funds, except, for example, *de minimis* investments in funds – up to 3 percent of tier 1 capital in the aggregate. *Council Recommendations must be issued no later than 6 months after enactment, with final rulemaking no later than 9 months after the Council's recommendations.*
- **Liabilities Cap on Large Financial Firms.** Subject to rulemaking by the Federal Reserve Board, upon the recommendations of the Council, a financial company may not merge or consolidate with, acquire all or substantially all of the assets of, or otherwise acquire control of, another company, if the total consolidated liabilities of the acquiring financial company upon consummation of the transaction would exceed 10 percent of the aggregate consolidated liabilities of all financial companies at the end of the calendar year preceding the transaction. *Council Recommendations not later than 6 months after enactment, with final rulemaking no later than 9 months after the Council's recommendations.*
- **Heighten Standards/Minimum Leverage and Risk-Based Capital Requirements.** The Federal Reserve Board must issue final rules that impose heightened risk-based capital requirements, leverage limits, liquidity requirements and overall risk management standards on the large, interconnected firms it supervises. *Final rules not later than 18 months after enactment.*
- **Living Wills.** Large, complex financial companies must periodically submit plans for their rapid and orderly shutdown. Plans will help regulators understand the structure of the companies they oversee and serve as a roadmap for shutting them down if the company fails. Significant costs for failing to produce a credible plan create incentives for firms to rationalize structures or operations that cannot be unwound easily. *No later than 18 months after enactment, the Federal Reserve Board and the FDIC must issue final rules implementing the resolution plan requirement.*
- **Remittance Error Resolution Standards.** Recordkeeping and other requirements will aim to protect consumers from errors in the electronic transfer of funds abroad. *Final rules regarding error resolution standards for remittance transfers are required no later than 18 months after enactment.*

**Within 24 Months:**

- **Contingent Capital Report and Rulemaking.** The Council must conduct a study on the feasibility, benefits, costs, and structure of a contingent capital requirement for large, interconnected financial companies supervised by the Federal Reserve Board. After the findings of the study are reported to Congress, the Council may recommend that the Federal Reserve Board require the firms it supervises to maintain a minimum amount of contingent capital. *The Council must submit a report of its findings to Congress no later than 2 years after enactment.*
- **Proposed simplified mortgage disclosures.** New forms will combine overlapping disclosures for mortgage loans currently required under two separate laws. *Rules will be proposed within the 1-year period after the CFPB assumes full authority for consumer financial protection.*

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