

Modernizing the Outdated U.S. Regulatory System

Problem:

The current financial system is a fragmented, complex arrangement of federal and state regulators that arose over the past 150 years, often in response to past crises.

Goal: Establish regulatory reform goals and a measurement plan.

Challenges and Actions Taken/Planned:

Promote robust supervision and regulation of financial firms

- A new Financial Services Oversight Council of financial regulators to identify emerging systemic risks and improve interagency cooperation.
- 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.
- Stronger capital and other prudential standards for all financial firms, and even higher standards for large, interconnected firms.
- 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.
- The registration of advisers of hedge funds and other private pools of capital with the Securities and Exchange Commission.

Establish comprehensive supervision of financial markets

- Enhanced regulation of securitization markets, including new requirements for market transparency, stronger regulation of credit rating agencies, and a requirement that issuers and originators retain a financial interest in securitized loans.
- Comprehensive regulation of all over-the-counter derivatives.
- A new regime to resolve nonbank financial institutions whose failure could have serious systemic effects.
- Revisions to the Federal Reserve's emergency lending authority to improve accountability.
- New authority for the Federal Reserve to oversee payment, clearing, and settlement systems.

Protect comprehensive supervision of financial markets

- A new Consumer Financial Protection Agency to protect consumers across the financial sector from unfair, deceptive, and abusive practices.
- Stronger regulations to improve the transparency, fairness, and appropriateness of consumer and investor products and services.
- A level playing field and higher standards for providers of consumer financial products and services, whether or not they are part of a bank.

Provide the government with the tools it needs to manage financial crises

- A new regime to resolve nonbank financial institutions whose failure could have serious systemic effects.

- Revisions to the Federal Reserve's emergency lending authority to improve accountability.

Raise international regulatory standards and improve international cooperation

- International reforms to support our efforts at home, including strengthening the capital framework; improving oversight of global financial markets; coordinating supervision of internationally active firms; and enhancing crisis management tools.