Financial Stability Oversight Council

Dodd-Frank Wall Street Reform and Consumer Protection Act
Integrated Implementation Roadmap

October 1, 2010

Introduction

- This presentation contains a summary of key tasks that will be undertaken by the Financial Stability Oversight Council (FSOC) and its members to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act).
- This presentation is arranged thematically and includes work to be completed both by the individual agencies and the FSOC itself, including joint rulemakings and studies. It is not a full account of all the statutory provisions in the Act, but rather the key tasks that the public should expect over the next several years.
- The timelines in this document reflect both statutory deadlines and non-statutory targets of each agency. The non-statutory targets in this presentation represent planning efforts to implement the Act as quickly and effectively as possible.
  - Accordingly, these current targets may be adjusted at a later date, as tasks may proceed faster or slower than initially anticipated, and certain tasks may be accomplished in advance of the statutory requirements.
- The tasks represented here are focused primarily on regulatory outputs and key outcomes, though much of the implementation will be reflected through improved agency capacities, supervision, and oversight.
- The Treasury Department respects and supports the independence of the financial regulatory agencies and is working with them to collect this information to help inform the public of their coordinated efforts to implement the Act.

Executive Summary

- On July 21, 2010, President Obama signed the Act into law. These historic reforms will reshape the American financial system and restore it to its core purpose of facilitating lasting and broadly shared economic growth.
- Over the next few years, and in particular the next 18 months, the FSOC and its members will work to issue regulations, policies, and guidance mandated by the Act and to take other actions necessary to effectively carry out the Act.
- **Constraining Risks to Financial Stability:** A dangerous build up of risk contributed to the worst financial crisis since the Great Depression. The Act provides new tools to monitor and constrain risk in the financial system and at large interconnected financial firms regardless of corporate form. The Act also provides new authority to set higher standards for payment, clearing, and settlement systems – the core infrastructure of financial markets.
- **Resolution Plans and Orderly Liquidation Authority:** During the crisis, the government had no effective tools to manage the failure of some of the largest, most interconnected financial firms in an orderly fashion while protecting taxpayers and the economy. Over the next year, the Federal Deposit Insurance Corporation (FDIC) will develop rules to bring clarity to these processes and will build the capacity necessary to execute these processes effectively. In many cases, the rulemaking, policies and procedures require consultation with, or concurrence of, the FSOC or its members. Together with the Board of Governors of the Federal Reserve System (FRB), the FDIC will develop joint rules for resolution plans that will make planning for distress or failure a critical part of supervision for firms that pose the most risk.

Executive Summary *(Cont'd)*

- **Consumer and Investor Protection:** The Act creates an independent Consumer Financial Protection Bureau (CFPB) to consolidate certain authorities that are currently spread across seven federal agencies and to begin examining nonbank financial services providers. The CFPB will be responsible for conducting research, providing financial education, maintaining a nationwide consumer complaint response unit, writing rules to implement federal consumer financial laws, and supervising very large banks and key nonbank financial services providers for compliance with those laws. The Act increases standards for those who provide investment advice and provides shareholders a stronger voice in corporate governance and executive compensation.
- **Transparency and Accountability in Financial Markets:** The crisis also showed that our financial system was ill-equipped to monitor or mitigate risks in critical financial markets, including the derivatives markets, and to understand risks taken by many market participants. Over the next year, the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) will promulgate rules to reduce risks and increase transparency in these markets, thus improving market discipline. In addition, the SEC will promulgate rules to bring greater oversight and transparency to private fund advisers, and work with other regulators to strengthen disclosure and accountability for securitizations.
- **Reforms to Strengthen Regulatory Agencies:** The Act reforms the structure of the financial regulatory agencies. It merges the Office of Thrift Supervision (OTS) into the Office of the Comptroller of the Currency (OCC), mandates structural changes at the SEC and requires that each designated agency stand up an Office of Minority and Women Inclusion within that agency.

Overview of Rulemaking Process

A typical U.S. federal rulemaking under the Administrative Procedure Act, 5 U.S.C.§ 551, *et seq.* follows these steps:

- ***Optional - Advance Notice of Proposed Rulemaking (ANPR)**:* This is an optional step that sets forth the agency's initial analysis of the subject matter and requests early public input on key issues. Comments submitted on the proposal are typically made available to the public in accordance with applicable law.
- **Notice of Proposed Rulemaking (NPR)**: In this step, the agency publishes the actual, proposed regulatory language in the Federal Register, which also includes a discussion of the justification and analysis supporting the rule, as well as the agency's response to any public comment on the advance notice, if applicable.
- **Public Comment**: Once a proposed rule is published in the Federal Register, a public comment period begins, allowing the public to submit written comments to the agency. The agency is required to consider the issues and concerns raised in the comments. Depending on the complexity of the rule, comment periods typically last for 30 to 180 days. As a simplifying assumption, this document typically represents comment periods of 30 days; comment periods may differ in length as appropriate.
- **Final Rule:** The proposed rule often becomes the final rule with some modifications. In this step, the agency publishes a response to issues raised by public comments and an updated analysis and justification for the rule. In some cases, the agency may publish a second proposed rule, especially if the new proposal is fundamentally different from the original proposal. The final rule is codified in the Code of Federal Regulations.
- The Federal Register can be accessed at: http://www.gpoaccess.gov/fr/index.html

More Information

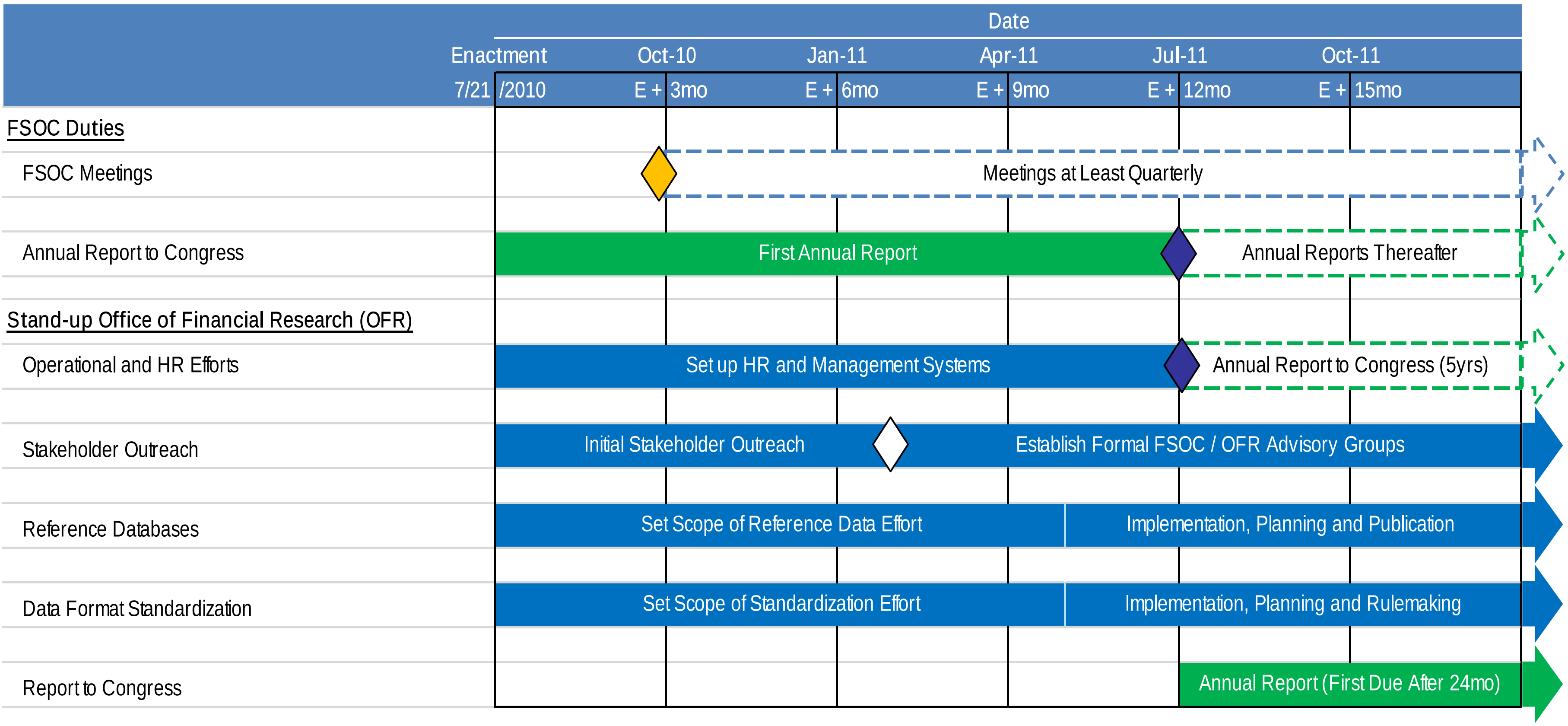
- For more information on specific rulemakings or on the work of the FSOC or its member agencies, please visit the following websites:
  - Financial Stability Oversight Council (FSOC) <http://www.treasury.gov/FSOC>
  - Board of Governors of the Federal Reserve System (FRB) <http://www.federalreserve.gov/newsevents/reform.htm>
  - Commodity Futures Trading Commission (CFTC) <http://www.cftc.gov>
  - Federal Deposit Insurance Corporation (FDIC) <http://www.fdic.gov>
  - Federal Housing Finance Agency (FHFA) < http://www.fhfa.gov>
  - National Credit Union Administration (NCUA) <http://www.ncua.gov>
  - Office of the Comptroller of the Currency (OCC) <http://occ.treas.gov>
  - Securities and Exchange Commission (SEC) <http://www.sec.gov/spotlight/dodd-frank.shtml>

Key

◇ Non-statutory agency target	Public comment period
◆ Statutory deadline	Agency rulemaking work
◆ Milestones achieved	Agency study/report work

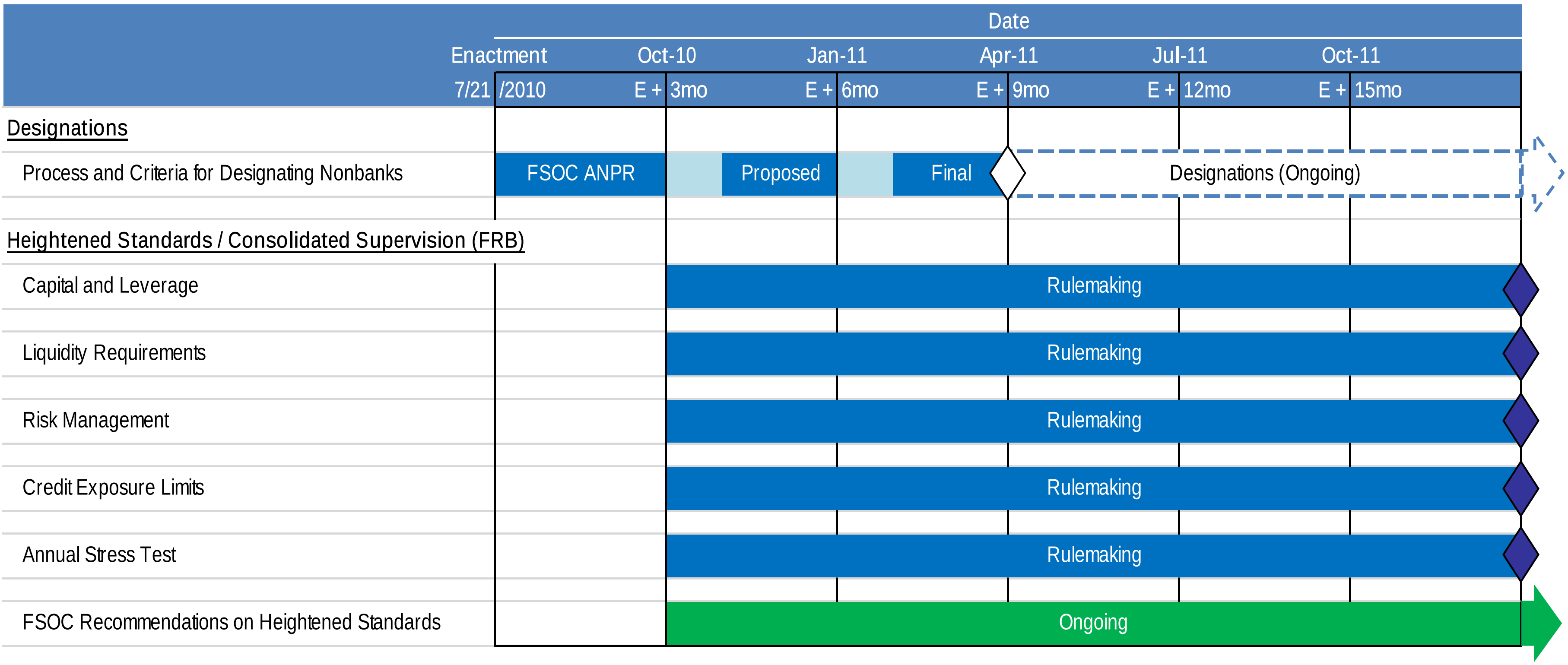
Monitoring Systemic Risk

The task of monitoring systemic risk throughout the financial system is primarily the responsibility of the FSOC which must submit an annual report to Congress and respond to emerging threats. The FSOC is supported by a new Office of Financial Research (OFR) with a responsibility to set standards for data reported and collected, to collect and publish data (while ensuring that business confidential information is protected) and perform analysis on risks to the financial system.



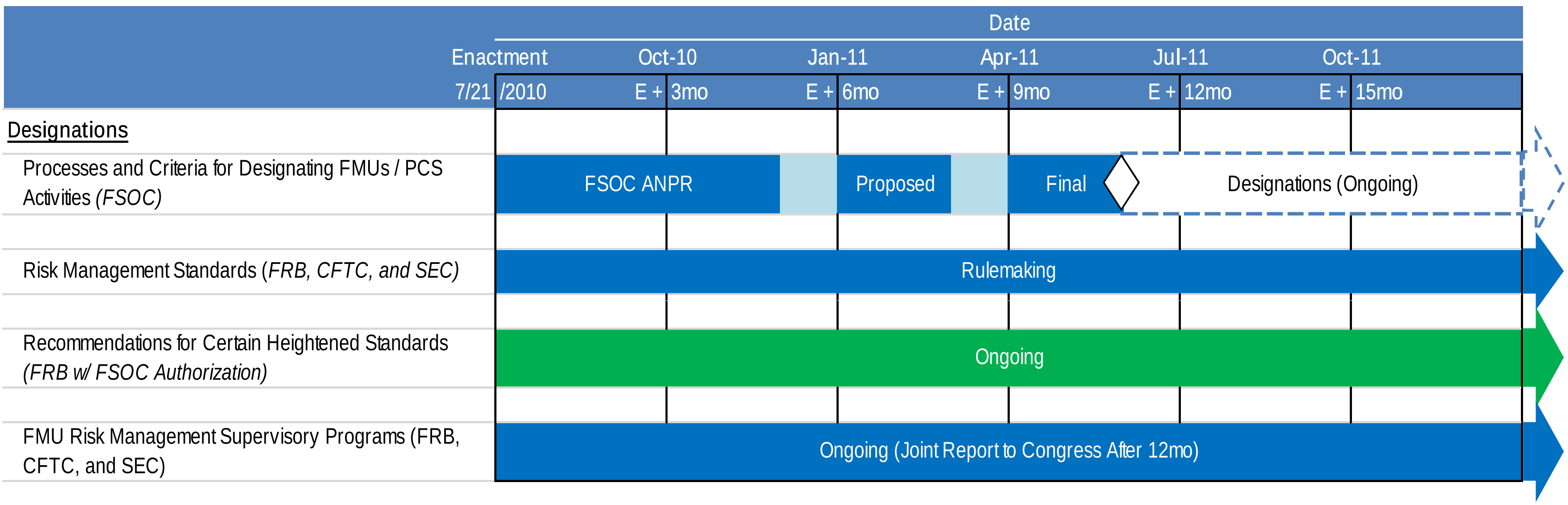
Oversight of Large, Interconnected Financial Companies

The Act, for the first time, provides for consolidated supervision and heightened prudential standards for large, interconnected nonbank financial companies. The FSOC has the authority to designate nonbank financial companies for consolidated supervision and to recommend heightened standards for these firms and large bank holding companies (BHCs). The FRB is responsible for supervising these firms and adopting specific prudential rules.



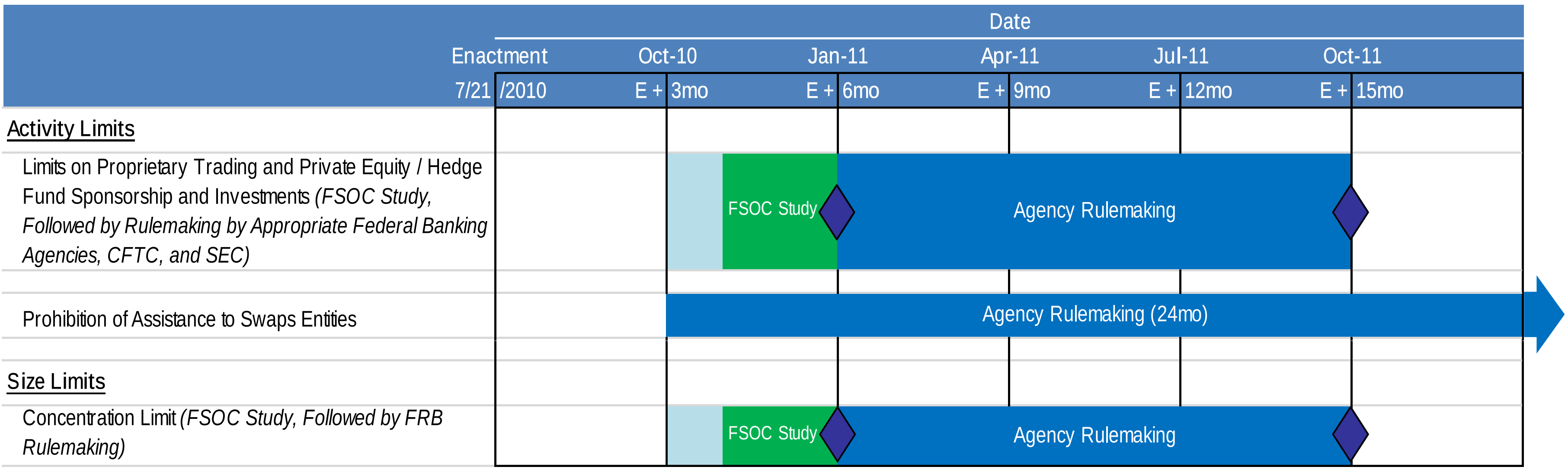
Systemic Financial Market Utilities and Payment, Clearing, and Settlement Activities

The Act provides a framework for the oversight of systemically important financial market utilities (FMUs) and payment, clearing, and settlement (PCS) activities by financial institutions. The Act defines an *FMU* as a multi-lateral system for the purpose of transferring, clearing, or settling payments, securities, or other financial transactions among financial institutions or between financial institutions and the FMU, and a *PCS activity* as an activity carried out by one or more financial institutions to facilitate the completion of financial transactions (excluding pre-trade and execution activities).



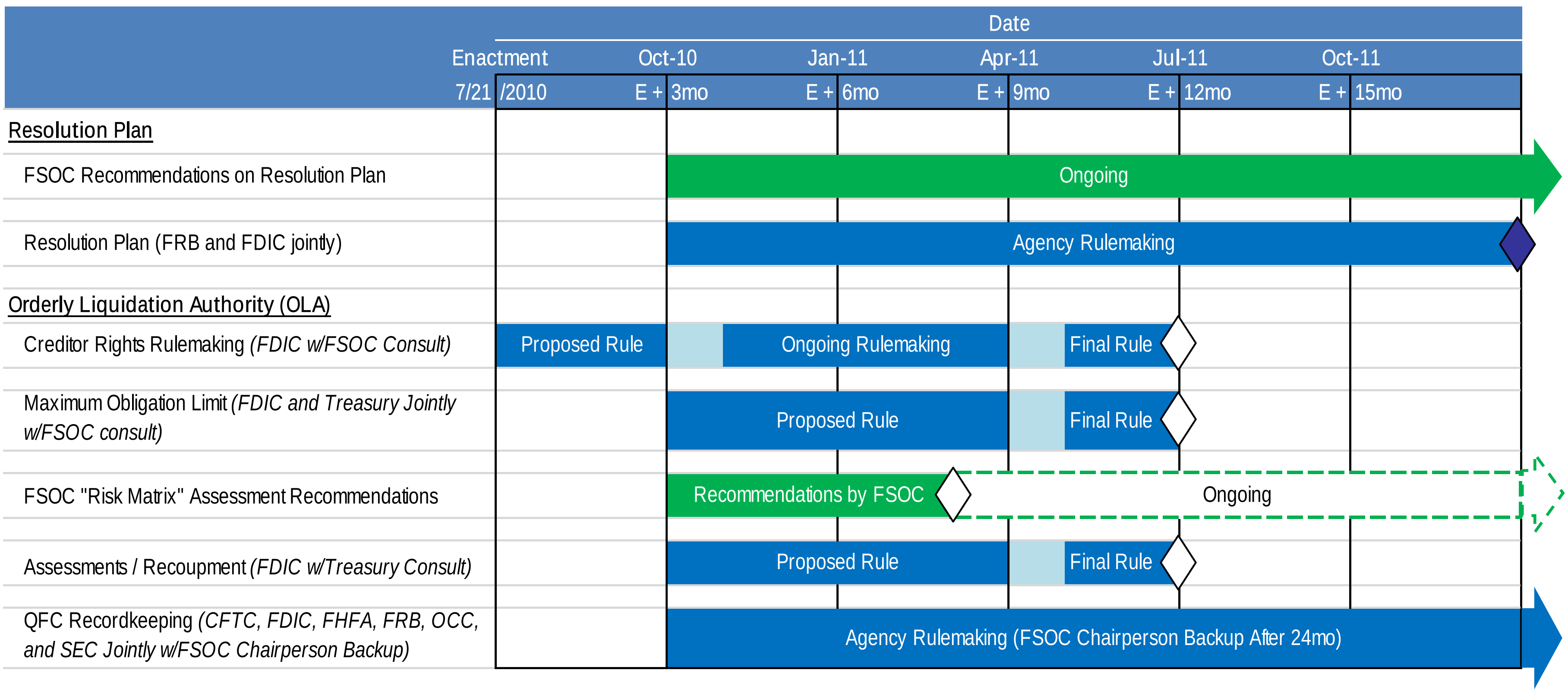
Constraining Activities and Size of Financial Institutions

The Act includes measures to constrain proprietary trading and private fund investments for institutions with access to deposit insurance. The Act also limits the growth of the largest financial institutions by acquisition.



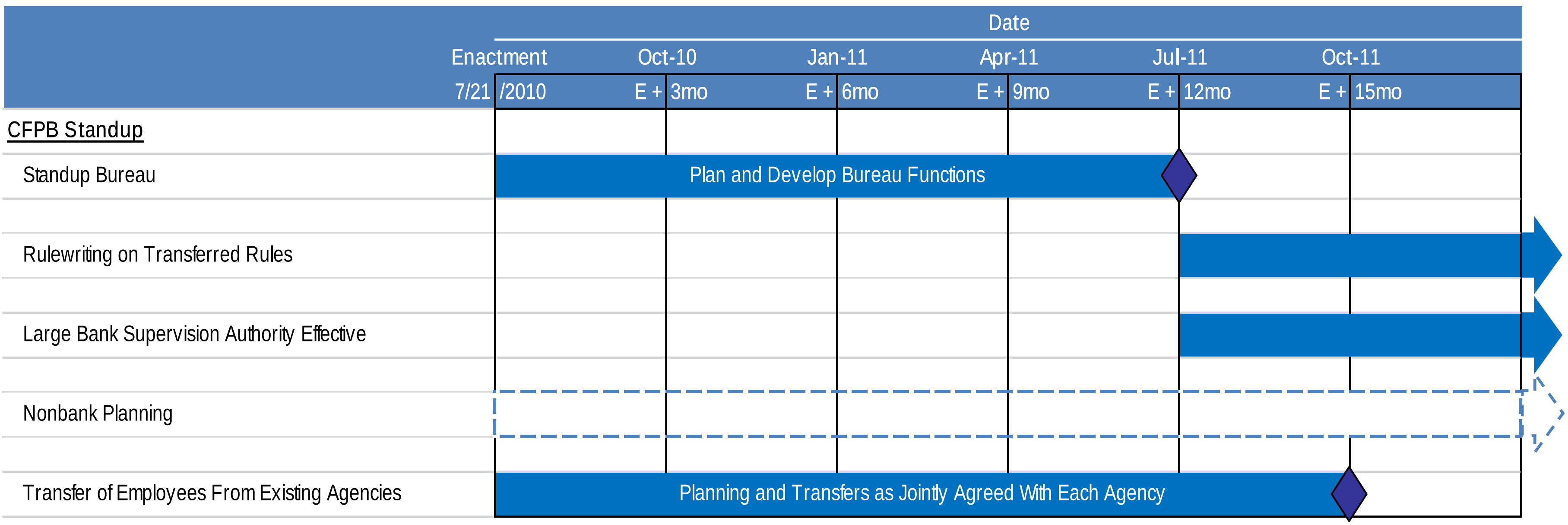
Resolution Plans and Orderly Liquidation Authority

The Act requires the FRB and the FDIC to issue joint rules requiring large interconnected financial firms to periodically submit plans for their rapid and orderly resolution ("resolution plans"). The Act also provides the FDIC with authority to write rules and policies to implement the Orderly Liquidation Authority. In many cases, the rulemaking, policies and procedures require consultation with, or concurrence of, the FSOC or its members.



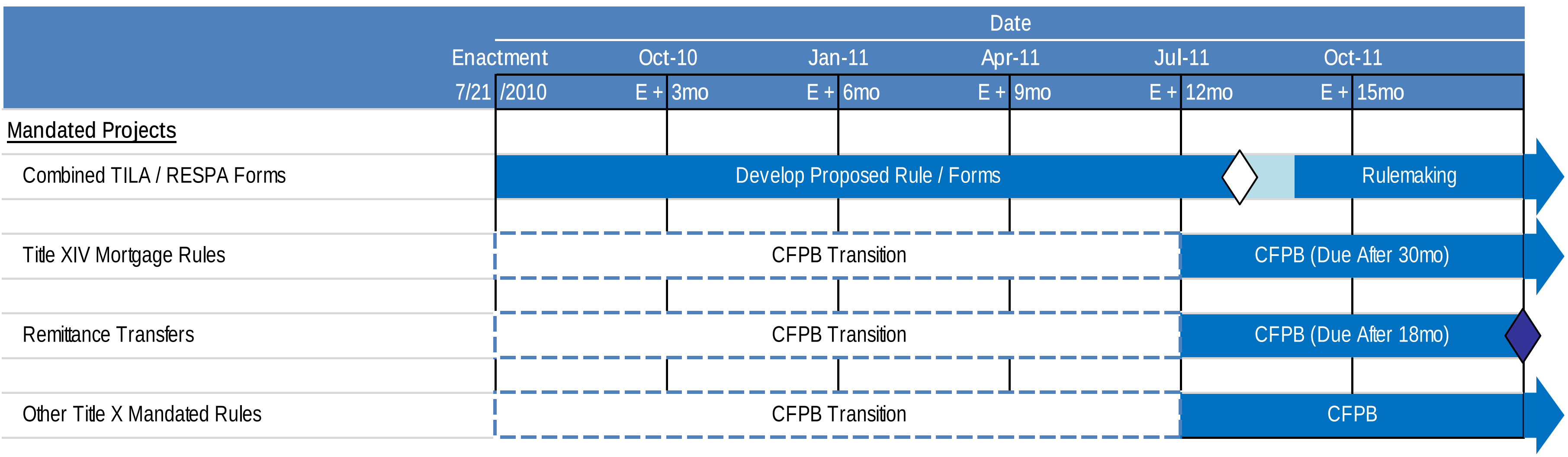
Consumer Protection – CFPB Standup

The Act creates an independent Consumer Financial Protection Bureau (CFPB) to consolidate certain authorities that are currently spread across seven federal agencies and to begin examining nonbank financial services providers. The CFPB will be responsible for conducting research, providing financial education, maintaining a nationwide consumer complaint response unit, writing rules to implement federal consumer financial laws, and supervising very large banks and key nonbank financial services providers for compliance with those laws.



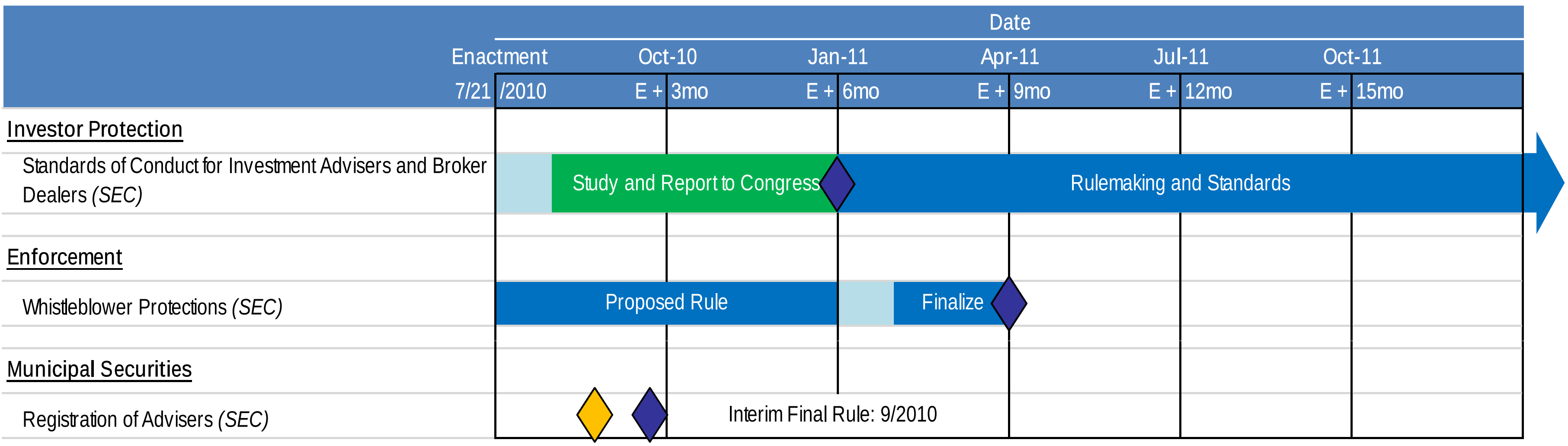
Consumer Protection – Regulations

The Act mandates that regulations be written to effectuate new consumer protections for mortgages, remittances, and other products. Rulemaking authority for most provisions is vested with existing agencies until July 21, 2011, when the authority transfers to the CFPB and various other new authorities take effect. If the existing agencies do not propose rules prior to the designated transfer date, the CFPB would do so as soon as possible consistent with applicable statutory requirements and statutory deadlines.



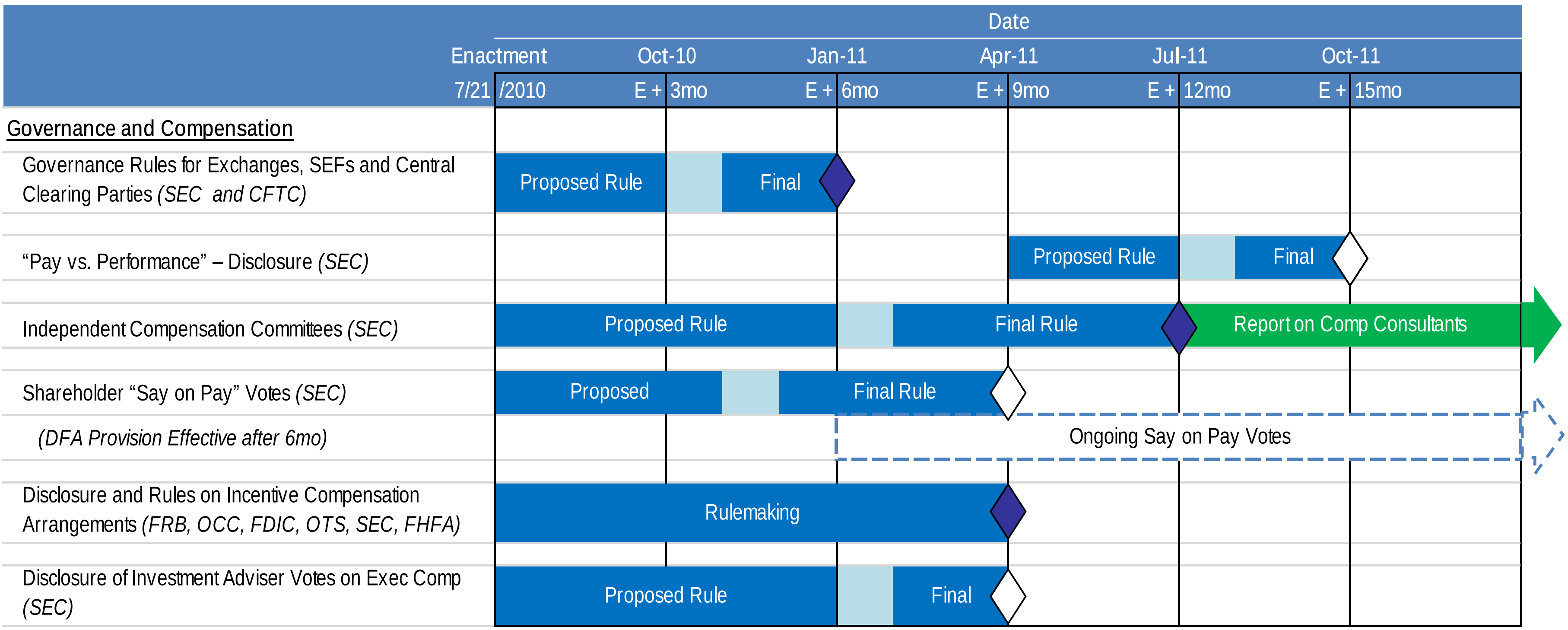
Investor Protection

The Act provides new statutory authority to the SEC to improve investor protection. These reforms include stronger, more consistent standards for investment advisers and broker dealers, whistleblower protections, and reform to the municipal bond market.



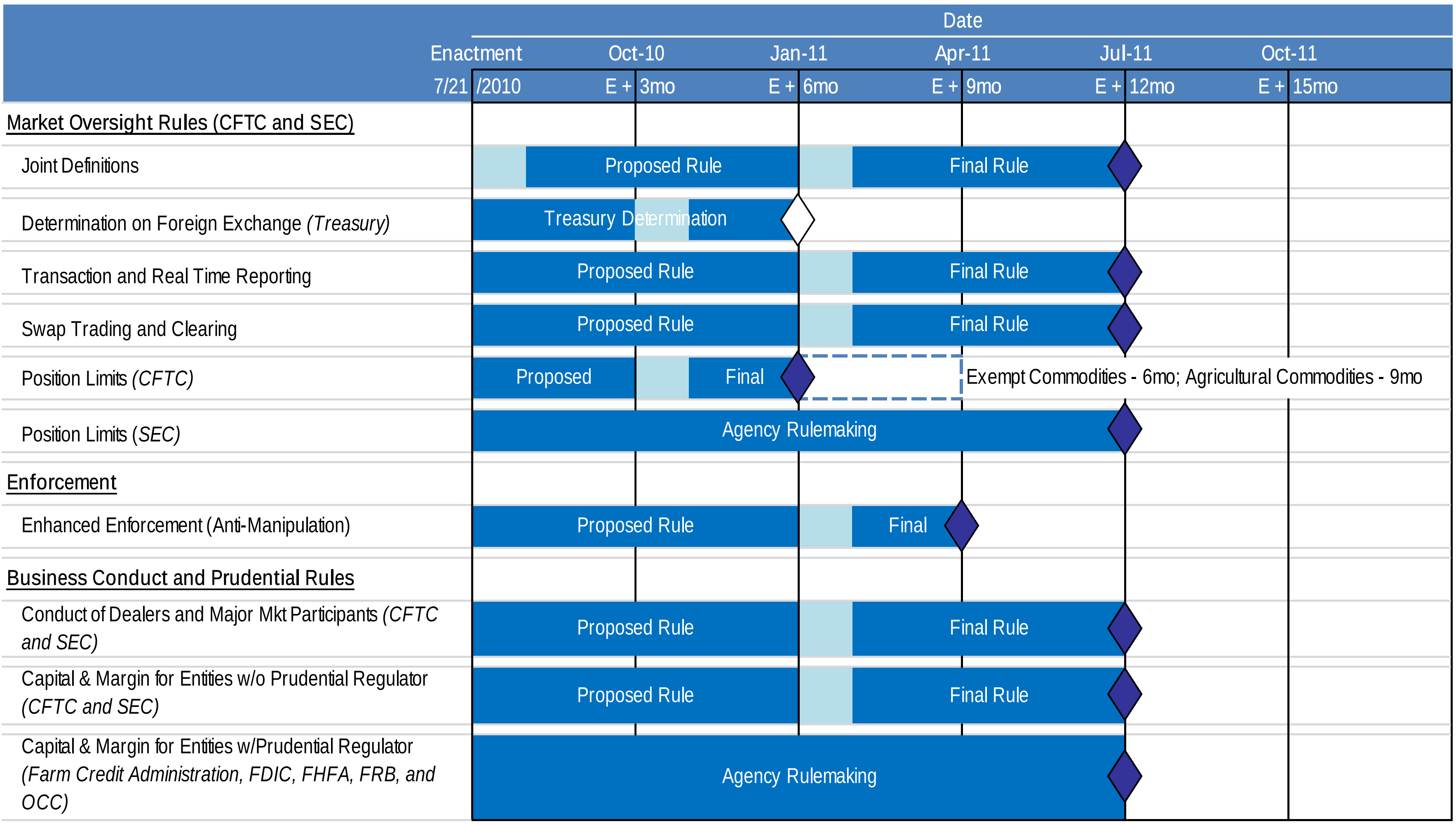
Governance and Compensation

The Act provides the SEC with primary responsibility for implementing and enforcing provisions that provide greater transparency and accountability to shareholders on corporate governance and executive compensation.



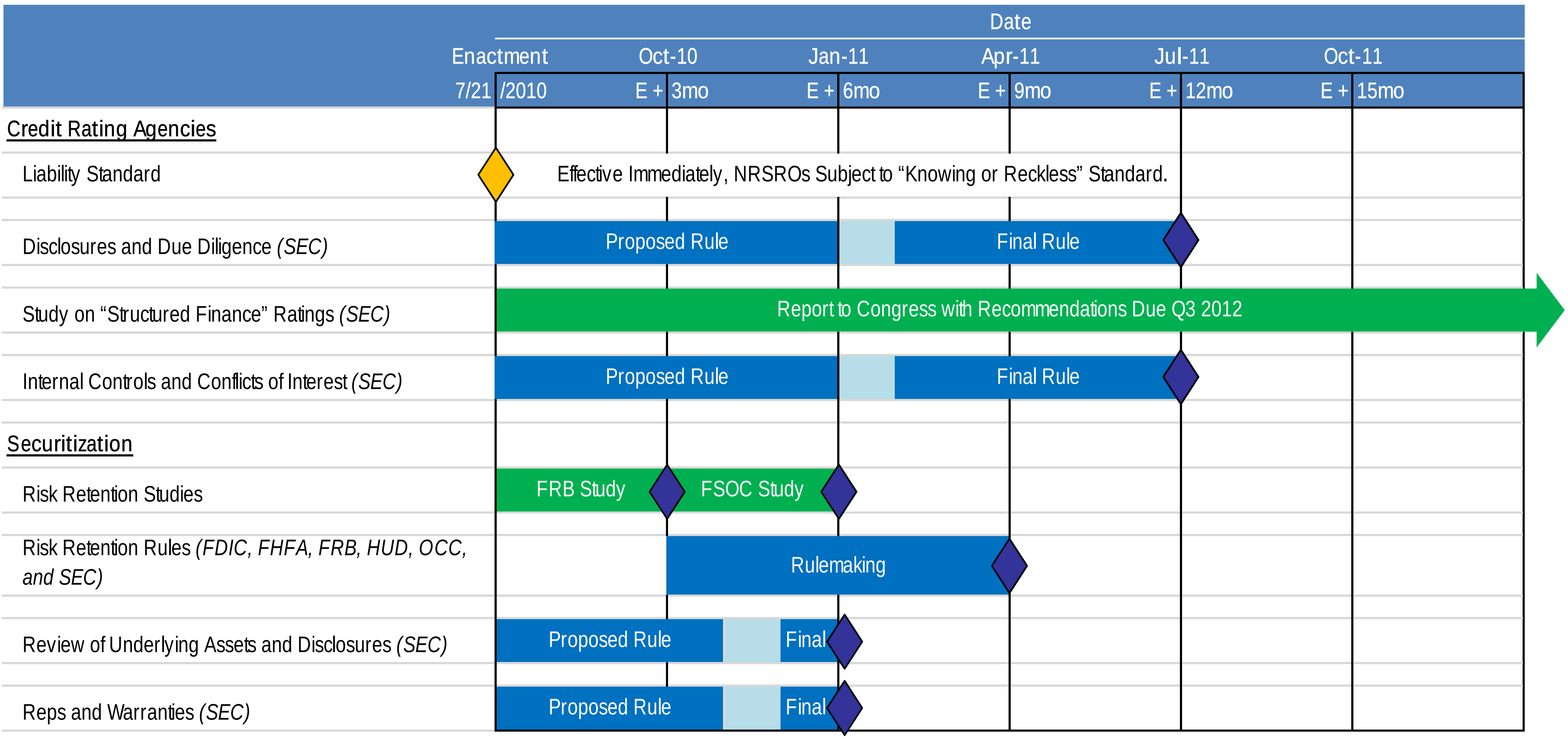
Derivatives Reform

The Act provides statutory authority to the SEC and CFTC to directly regulate OTC derivatives markets for the first time. The vast majority of these rules must be completed within one year. These rules will require clearing and transparent trading, set capital and margin for dealers and major market participants, set business conduct rules and position limits, and improve market functions.



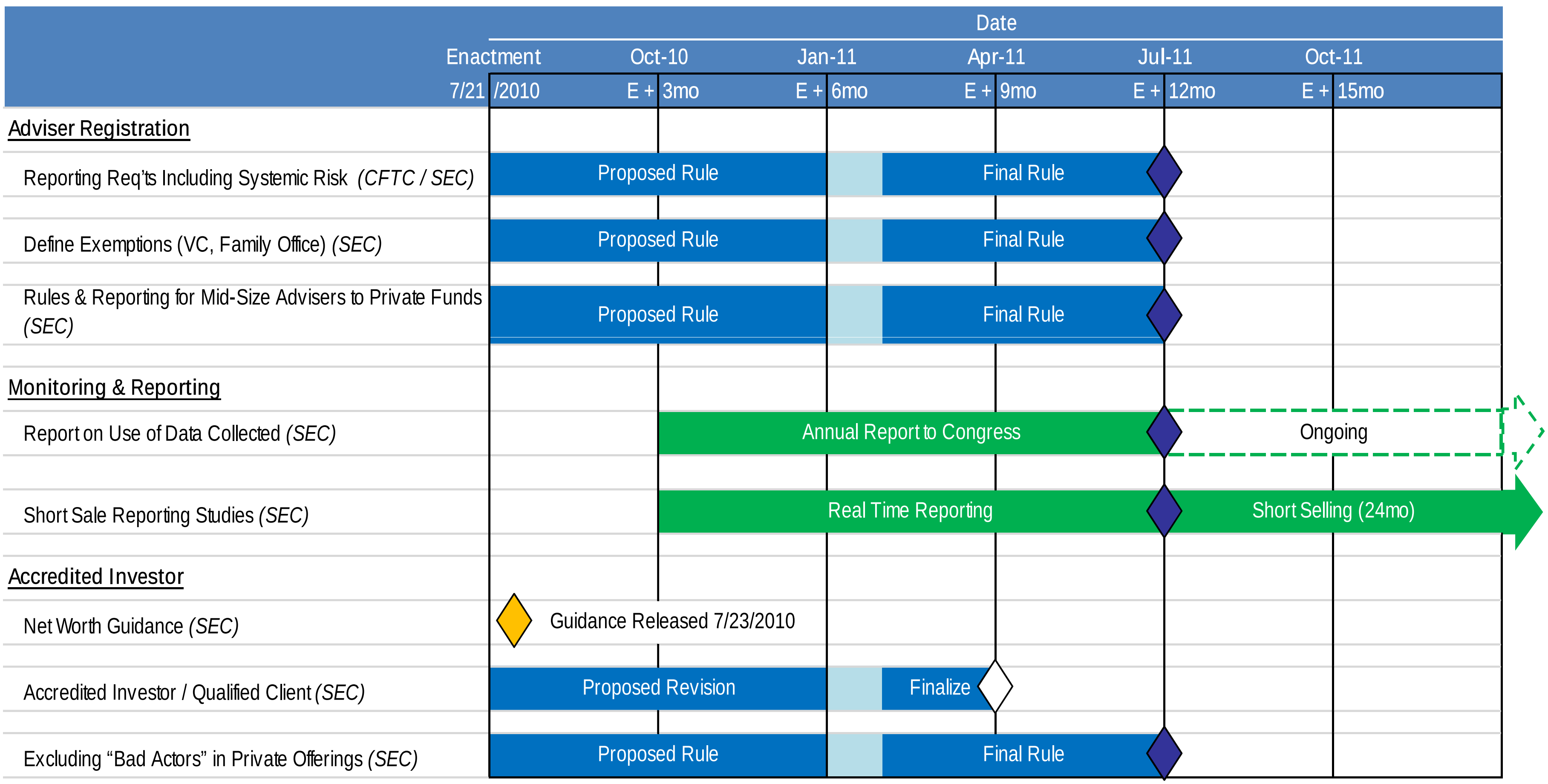
Credit Ratings and Securitization

The Act gives the SEC additional authorities to regulate credit rating agencies and with other prudential regulators apply new standards for securitizations. This will limit government reliance on credit ratings, reduce conflicts of interest, and create transparency in credit ratings across asset classes. Similarly, reforms to securitizations will bring increased transparency and stability to those markets.



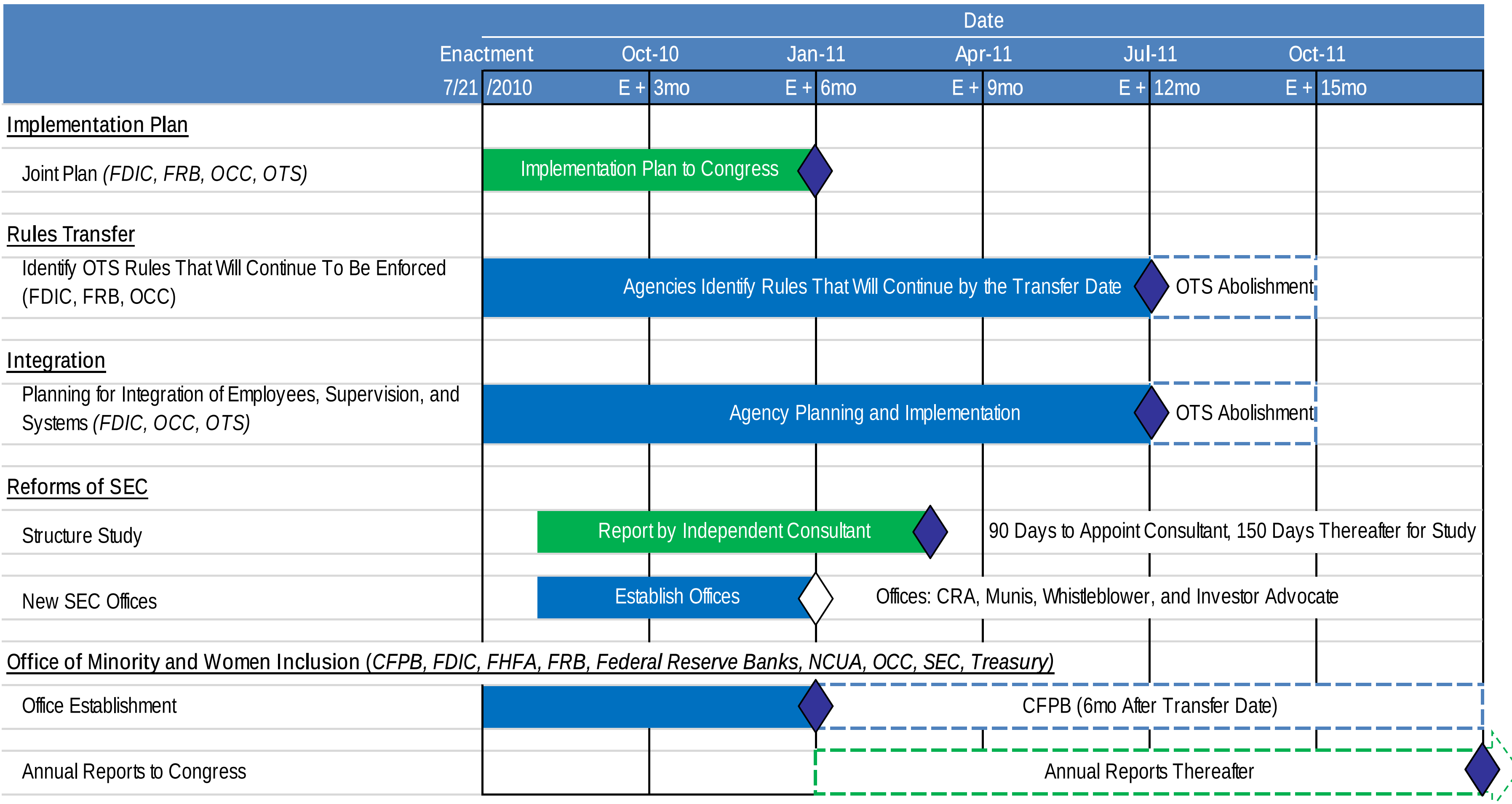
Hedge Fund Adviser Registration & Oversight

The Act requires all large hedge fund advisers to register with SEC as investment advisers. This will end a significant gap in our regulatory system and provide better oversight of and information on hedge fund and private equity fund activities, including for monitoring systemic risk. The Act also updates the “accredited investor” definition and strengthens exclusions for “bad actors” in private offerings.



Agency Changes

The Act abolishes the Office of Thrift Supervision (OTS), largely merging the OTS into the OCC. OTS authorities for savings and loan holding companies are transferred to the FRB, and for state savings associations to the FDIC. The transfer date is scheduled to be one year after enactment. The Act also requires a number of structural changes at the SEC, and requires that each designated agency stand up an Office of Minority and Women Inclusion within that agency.



Glossary

- **Act** – Dodd-Frank Wall Street Reform & Consumer Protection Act
- **ANPR** – Advance Notice of Proposed Rulemaking
- **BHC** – Bank Holding Company
- **CFPB** – Consumer Financial Protection Bureau
- **CFTC** – Commodity Futures Trading Commission
- **FDIC** – Federal Deposit Insurance Corporation
- **FHFA** – Federal Housing Finance Agency
- **FMU** – Financial Market Utility
- **FRB** – Board of Governors of the Federal Reserve System
- **FSOC** – Financial Stability Oversight Council
- **NCUA** – National Credit Union Administration
- **OCC** – Office of the Comptroller of the Currency
- **OFR** – Office of Financial Research
- **OMWI** – Office of Minority and Women Inclusion
- **PCS** – Payment, Clearing, and Settlement
- **RESPA** – Real Estate Settlement Procedures Act
- **SEC** – Securities and Exchange Commission
- **TILA** – Truth in Lending Act