

Nov. 10, 2009

GBA Statement about Dodd Financial Reform Legislation

Sen. Chris Dodd (D. Conn) unveiled a massive and sweeping proposal for financial regulatory reform Nov. 10. Dodd is the Chairman of the Senate Committee on Banking Housing and Urban Affairs. Below are our first impressions of the legislation, which we are studying in more detail.

- What our financial system needs most right now is stability. This proposed legislation would wipe out a well-known and relatively well-understood regulatory system and simply inject new uncertainty and instability into our financial system that is just now showing promise of recovery.
- Rather than simply going after the unregulated bad actors that created the Wall Street meltdown, this proposal would impose extensive new regulatory burdens on those Main Street banks that had nothing to do with creating the financial crisis.
- We are greatly concerned about the unprecedented power and authority Sen. Dodd's approach would grant the two new agencies. It makes little sense to substitute the independence of the Federal Reserve and FDIC with a politicized single federal regulatory agency. *(The two new agencies proposed are the Consumer Financial Protection Agency and the Financial Institutions Regulatory Agency, which would combine the federal supervisory authority of the FDIC, OCC, OTS and Federal Reserve)*
- As proposed, the legislation would produce conflicts among regulators, and has the potential to undermine the state-chartered banking system.