Top Ten Things You Should Know About Financial Reform

"As we've learned, in today's economy, we're all connected. When the economy prospers, we all win. When the financial sector operates under sound rules of the road to ensure fairness and stability, we all win. Every American has an interest in a healthy financial sector. But for that reason, it's also imperative that those in Wall Street boardrooms and on trading floors be held accountable for the decisions that they make. For behind every dollar traded or leveraged on Wall Street, there is a family looking to buy a house, pay for an education, open a business, or save for retirement."

– President Barack Obama, Remarks in the Rose Garden on Wall Street Reform, May 20, 2010

1) **End of Too-Big-To Fail:** If a big financial firm is failing, it will have only one fate: liquidation. There will be no taxpayer funded bailout. Instead, regulators will have the ability to shut down and break apart failing financial firms in a safe, orderly way – without putting the rest of the financial system at risk, and without asking the taxpayers to pay a dime.

2) **Close Loopholes in Regulation of Major Financial Firms:** Loopholes that allowed firms like Lehman Brothers, Bear Stearns and AIG to operate without tough standards or oversight were major contributors to the financial crisis. Regulatory reform will close these loopholes, and create accountable regulation for all firms that pose the most risk to the financial system. It will end the ability of financial firms to avoid tough standards by manipulating their legal structure.

3) **Bring Transparency to Hedge Funds:** Financial reform will require advisers to hedge funds to register with the SEC for the first time, bringing transparency and oversight to these unregulated financial firms.

4) **Constrain the Size of the Largest Firms:** Financial reform will prevent any financial firm from growing by acquisition to more than 10% of the liabilities in the financial system. This will reduce the adverse effects of the failure of any single firm and prevent the further concentration of our financial system.

5) **Reform Executive Pay and Strengthen Shareholder Protections:** Financial reform will give shareholders a say in the compensation of senior executives at the companies they own, and require that the compensation committees of corporate boards are independent.

6) **Separate Banking and Speculative Trading – the Volcker Rule:** Financial reform will protect taxpayers and depositors by separating risky, speculative "proprietary trading" from the business of banking.

7) **Strongest Consumer Protections Ever:** Instead of seven federal agencies with only partial responsibilities for consumer protection, there will be one agency with the sole responsibility of establishing clear rules of the road for banks, mortgage companies, payday lenders, and credit card lenders and other financial service firms and for enforcing these rules. From now on, every consumer will be empowered with the clear and concise information they need to make financial decisions that are best for them.

8) **Crack Down on the Abuses in the Mortgage Markets at the Center of the Crisis:** Financial reform will ban abusive practices in the mortgage markets, like those where brokers got paid more to put families into higher priced loans than those they qualified for, and require mortgage brokers and banks to consider a family's ability to repay when making a loan. The reforms will also require lenders and Wall Street loan packagers to keep skin in the game when selling off loans to investors and make full disclosure so investors know what's in those packages. Reforms of credit rating agencies will help make sure investors do not rely unwisely on their ratings on these packages.

9) **Safer, More Transparent Derivatives Market to Help Main Street Businesses:** By bringing the derivatives markets out of the shadows, reform will benefit those businesses that use derivatives to manage their commercial risks. Reform will benefit Main Street companies at the expense of Wall Street's hidden fees. That's good for every farmer and every manufacturer that uses derivatives the way they were meant to be used. Derivatives reform also means the taxpayer won't be on the hook for reckless risks of an AIG.

10) **Support Long Term Job Growth by Helping Prevent Future Crises:** By making the financial system safer and stronger, reform will reduce the chances that a financial crisis deprives businesses of the credit they need to grow and to create jobs. Financial reform will ensure businesses a more stable and predictable source of credit through the business cycle and reduce the risk of a sharp and sudden cut-off because of financial panic.

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