



The financial crisis that erupted last fall has brought into sharp focus the need to address shortcomings of the current regulatory structure that is responsible for oversight of our financial system.

The MBA supports reform in three key areas:

- **Creation of a systemic risk regulator**
 - To look over the entire economy to identify potential systemic problems and put forth solutions
 - To be nimble and focused, not involved in day-to-day regulation
 - To access information held by existing regulators and ask for more if needed
 - To have an explicit role in oversight of accounting policy
- **Creation of a resolution mechanism for unwinding systemically important institutions**
 - To narrow the range of circumstances that might trigger the need for government to step in and resolve entities viewed as too big or too important to fail
 - To eliminate as much as possible the moral hazard and unfairness to all the non-systemically important competitors
 - To establish clear, tough policies and rules of accountability for management, board of directors and major stakeholders when the resolution process is invoked
- **Filling the gaps in the regulation of non-banks**
 - To apply bank-like regulation to the less-regulated and unregulated financial sector
 - To ensure that similar activities and products are subject to similar regulation and capital requirements
 - To prevent the so-called “shadow banking system” from undermining the entire system by abusing consumer and investor trust

MBA also supports enhanced international regulatory cooperation, review of capital and liquidity requirements for financial institutions, preservation of the thrift charter, and enhanced consumer protections. However, consumer reform efforts should result in a regulatory framework that is integrated and strikes the right balance between protecting consumers and ensuring that *innovation*, which leads to *more choices* and *lower prices* for consumers, is not stymied.

Enhanced consumer protection should *fix what's broken* and not create another layer of federal bureaucracy that consumers will end up paying for. Improving the existing legal and regulatory structures – particularly by filling the gaps of regulation and supervision of non-bank financial providers – will be more successful, more quickly, than a creating a separate consumer regulator. These improvements should include:

- **Improving application of unfair and deceptive acts and practices (UDAP) law**
 - By extending UDAP authority to OCC and FDIC
 - By giving FTC the capability and funding to apply UDAP more aggressively to non-banks
- **Improving disclosures through rigorous consumer testing**
 - To provide information that consumers actually use to make reasonable decisions.
- **Developing centralized call centers**

- To be a coordinated information source and ensure that complaints are directed to the proper agencies
- **Requiring regular reports to Congress**
 - To ensure that the structure of consumer regulation within agencies is functioning as needed
- **Empowering the systemic risk regulator to look specifically at consumer issues**
 - To identify potentially threatening developments, like the rapid growth of subprime lending
 - To require regulatory agencies to address systemic consumer issues in a timely manner