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Democrats' Approach To Financial Regulatory Reform: More Taxpayer Bailouts, More Bureaucracy, More Government Economic Control, More Job Destruction

	The Democrat Approach (H.R. 4173)	The Republican Approach
Systemic Risk	Increases the risk of catastrophic failure of financial firms by centralizing and concentrating responsibility for overseeing "systemically risky" firms in the Federal Reserve, whose inability to identify and address systemic risk helped cause the financial crisis in the first place.	Rejects empowering the Federal Reserve to be the "systemic super cop," and minimizes systemic risk by establishing a Market Stability and Capital Adequacy Board comprised of regulators and outside experts to monitor the interactions of various sectors of the financial system and identify risks that could endanger the stability of financial markets.
Resolving Failed Institutions	Provides the FDIC with tools similar to those used by the Federal Reserve and Treasury Department in the AIG, GM, Chrysler, Fannie Mae and Freddie Mac bail-outs. As in the AIG bail-out, the FDIC would have the power to insulate large creditors and counterparties from losses, in the name of containing systemic contagion. Establishes a $200 billion bailout fund, to be paid for by assessments on large financial firms which (1) will be passed on to consumers in the form of higher fees, less credit, and lower economic growth, (2) promotes moral hazard, and (3) will devastate the balance sheets of financial firms, thus draining capital from the financial system that could be used for lending or investment that would create jobs. Places taxpayers on the hook if the assessments prove insufficient to fund the resolution of a failed firm.	Puts an end to ad hoc, improvised bailouts of financial firms and their creditors by creating a new chapter of the bankruptcy code to make it more efficient and better suited for resolving large non-bank financial institutions, and to make the financial system stronger by encouraging creditors to be more vigilant in assessing the creditworthiness and business practices of the parties to whom they are extending credit.

Powers of the Federal Reserve	Makes the Federal Reserve the dominant financial regulator by drastically expanding its regulatory portfolio and market intervention authority, including granting broad discretion to decide which financial firms should be bailed out.	Returns the Fed to its core duty of conducting monetary policy by relieving it of its supervisory duties and removing its incentives to bail out individual financial firms. Removes restrictions on GAO audits of the Fed and calls for an audit to be completed within one year. Allows unreleased minutes and transcripts of Board of Governors and FOMC meetings to be exempt from audit, and sets a 180-day time lag on publication of market interventions, to allay Fed concerns that Congress is attempting to dictate monetary policy.
Consumer Protection	Creates a new, cumbersome and costly bureaucracy that will review and approve consumer financial products and ration consumer credit; undermine the safety and soundness of our banking system by separating prudential supervision and consumer protection; raise costs for consumers and small businesses as credit providers pass fees and assessments levied upon them on to consumers; and substantially increase regulatory confusion by inviting each of the 50 states to enact differing and conflicting consumer credit laws.	Offers real consumer protection by coordinating the activities of existing state and federal financial regulators and promotes uniform standards for consumer protection using existing regulatory agencies and powers.
Investor Protection	Limits the ability of investors to access proprietary investment products by requiring broker-dealers and investment advisers to be held to a one-size-fits-all fiduciary standard when providing investment advice to retail customers. Rewards trial lawyers at the expense of investors by banning mandatory arbitration clauses; the associated costs would be passed on to consumers, making investment transactions more expensive. Doubles the SEC's budget over the next six years without any operational improvements that will lead to greater investor protection.	Restores investor confidence by increasing both civil and criminal money penalties in government enforcement actions; maximizing restitution to victims of fraud; improving surveillance of bad actors who exploit gaps in the current regulatory regime to continue preying upon innocent investors; and allows regulators to share information with foreign regulators and law enforcement agencies engaged in the investigation and prosecution of violations of financial laws without waiving privileges.

Derivatives Reform	Expands government intrusion into the capital markets by requiring mandatory exchange trading of OTC derivatives, and establishing a new system of complex regulation and overly-burdensome margin and capital requirements that will harm American businesses that depend on derivatives to insulate themselves from business risk.	Promotes greater transparency and stability in the derivatives market by establishing a comprehensive OTC derivatives trade repository to give regulators the ability to analyze appropriate data to detect and prevent fraud, and to understand and analyze counterparty exposures in order to prevent excessive risks from building up within the system.
Credit Rating Agencies	Promotes litigation, in lieu of regulatory reform, by subjecting NRSROs unlimited potential civil litigation with respect to security registration statements.	Eliminates the government-sanctioned rating agency oligopoly by changing the definition of the Nationally Recognized Statistical Ratings Organizations to "nationally registered statistical rating organizations" and removing all references to ratings throughout Federal law and regulation.
Executive Compen-sation	Gives federal financial regulators the authority to determine wages for all employees—not just officers—of any covered financial institution, which means the rank and file employees of community banks, minority banks, credit unions and small broker-dealers could all have their compensation determined by unelected Washington bureaucrats.	Calls for a triennial, non-binding shareholder vote on executive compensation, which is a forward-looking vote that strengthens shareholder rights.