Republican Regulatory Reform Plan

Committee Republicans introduced comprehensive financial regulatory reform legislation. The Consumer Protection and Regulatory Enhancement Act (H.R. 3310) will protect investors, taxpayers, and consumers, and make Wall Street responsible for its actions. The Republican legislation addresses the causes of the financial crisis, and modernizes the regulatory structure while adopting a new approach to the financial markets, one that no longer includes the taxpayer as the financial backstop of the financial markets.

REPUBLICAN PRINCIPLES:

No More Bailouts. Ensuring taxpayers are never again asked to pick up the tab for bad bets on Wall Street while some creditors and counterparties of failed firms are made whole.

Ending the Government's Practice of Picking Winners and Losers. Insolvent firms will be permitted to fail rather then become wards of the state.

Restore Market Discipline. Financial firms must understand there will be consequences for imprudent business decisions.

SUMMARY OF THE REPUBLICAN PLAN:

Enhanced Bankruptcy. Republicans call for the resolution of insolvent non-bank institutions-no matter how large or systemically important-by creating a new chapter of the bankruptcy code to make it more efficient and better suited for resolving large non-bank financial institutions. This new chapter will facilitate coordination between regulators and the courts to ensure technical and specialized expertise is applied when dealing with these complex institutions. Bankruptcy judges would also have the power to stay claims by creditors and counterparties to prevent runs on troubled institutions.

Market Stability and Capital Adequacy Board. Under the Republican plan, this Board will not have independent enforcement or supervisory authority over individual firms but would be tasked with monitoring the interactions of various sectors of the financial system, and identifying risks that could endanger the stability and soundness of the system. In order to address current regulatory gaps, each functional regulator would be required to assess the effects of their regulated entities' activities on macroeconomic stability and review how entities under their regulatory purview interact with entities outside their purview. The Board will be chaired by the Secretary of the Treasury and comprised of outside experts as well as representatives from the financial regulatory agencies responsible for supervising large, complex firms.

Regulatory Restructuring. The Republican plan would ensure consistent enforcement, accountability and transparency by modernizing the current framework of overlapping and redundant Federal financial regulatory agencies and streamlining supervision of deposit-taking entities in one agency while preserving charter choice as well as the dual banking system. The plan combines the Office of the Comptroller of the Currency (OCC) and Office of Thrift Supervision (OTS) into one agency and shifts the supervisory functions of the Federal Reserve and Federal Deposit Insurance Corporation

(FDIC) to that agency, including the responsibility for overseeing bank and financial holding companies.

Fundamental Reform of the Federal Reserve. The Republican plan would bring transparency and accountability by directing the Government Accountability Office to conduct extensive audits. The plan refocuses the Fed on its core mission of conducting monetary policy by relieving it of current regulatory and supervisory responsibilities and reassigning them to other agencies, and requiring an explicit inflation target. These changes will eliminate the Fed's current incentive to prop up the economy through an accommodative monetary policy to prevent firms from failing. The Republican Plan would impose limitations on the Fed's use of its authority under section 13(3) of the Federal Reserve Act to respond to "unusual and exigent" circumstances by subjecting actions under 13(3) to Treasury approval and giving Congress the ability to disapprove, placing 13(3) transactions on Treasury's balance sheet, and eliminating the use of this authority on behalf of specific institutions.

Government Sponsored Enterprise (GSE) Reform. The Republican plan would phase out taxpayer subsidies of Fannie Mae and Freddie Mac over a number of years and end the current model of privatized profits and socialized losses. It sunsets the current GSE conservatorship by a date certain, placing Fannie and Freddie in receivership if they are not financially viable at that time. If they are viable, once the housing market has stabilized, the plan would initiate the process of cutting their ties to the government by winding down the federal subsidies granted through their charters and transitioning Fannie and Freddie into non-government backed entities that compete on a level playing field with other private firms. In making reforms, Republicans will address reducing Fannie and Freddie's portfolios, re-focusing Fannie and Freddie on promoting housing affordability, and requiring SEC registration and the payment of taxes.

Credit Rating Agency Reform. The Republican plan changes the definition of the Nationally Recognized Statistical Ratings Organization to "nationally registered statistical rating organizations" and removes all references to ratings throughout Federal law and regulation, so that the rating agencies will no longer operate as a government-sanctioned oligopoly.

Protecting Consumers Through Improved Disclosure and Complaint Resolution Procedures. The Republican plan expands the mission of the Financial Literacy and Education Commission to include consumer protection and disclosure issues by giving it the authority to direct regulated entities to disclose relevant policies, procedures, guidelines, standards and regulatory filings on their websites. It streamlines the complaint process for consumers and investors by establishing a single, toll-free number and website to field consumer inquiries and direct them to the appropriate regulatory enforcement agency.

Strengthening Anti-Fraud Enforcement. Increases both civil and criminal money penalties in government enforcement actions, maximizes restitution for victims of fraud, improves surveillance of bad actors who prey on consumers, 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. Monetary recoveries above what is needed to make full restitution to harmed investors or consumers would be used to hire additional enforcement staff.

Additional Resources: Click here to view a copy of the legislation, here for a section by section summary, and here to view the Republican regulatory reform plan.

Republican Leader John Boehner issued this press release and this statement in support of the Republican regulatory reform plan.

Republican Whip Eric Cantor issued this press release upon introduction of the bill and made these remarks during the press conference to unveil the Republican plan.

Republican Conference Chair Mike Pence issued this press release and made this statement during the press conference to unveil the Republican plan.

Congresswoman Shelley Moore Capito, Ranking Member of the Housing Subcommittee, discusses the Republican plan in this YouTube clip.

Ranking Member Spencer Bachus talks about the Republican legislation in this YouTube clip and comments on the Republican principles in this YouTube clip.

Congressman Ed Royce discusses the Republican legislation in this YouTube clip.

Congressman Jeb Hensarling discusses the Republican legislation in this YouTube clip.

Congressman Randy Neguebauer talks about the Republican plan in this YouTube clip.