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## FINANCIAL SERVICES COMMITTEE

### WALL STREET REFORM AT FIVE: PROTECTING CONSUMERS AND OUR ECONOMY

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Five years ago, our nation was reeling from the impacts of the financial crisis. The American people were plagued by small business closures, large drops in the stock market, 9 million lost jobs, rising home foreclosures, and fears of a looming repeat of the Great Depression. All told, nearly \$13 trillion in household wealth simply disappeared. The retirement accounts of many were swept away. About 5 million homeowners lost their homes to foreclosure, many of whom may never again have the opportunity of homeownership.

Once the economy had been stabilized, Democrats in Congress worked diligently to advance legislation to restore responsibility and accountability in our financial system, and to give Americans confidence that we had the tools in place to avoid another 2008 crisis.

Born from that effort was the Dodd-Frank Wall Street Reform and Consumer Protection Act, which has forever changed the way consumers, investors and other market participants interact with our financial system. It has provided oversight to Wall Street, given regulators the tools to end the era of "too big to fail" entities and taxpayer bailouts, and has eliminated loopholes that allowed risky and abusive practices to go unnoticed and unregulated.

Key accomplishments of the law are below.

#### **Increasing Protections for Consumers**

- Dodd-Frank created the Consumer Financial Protection Bureau (CFPB), a federal consumer watchdog that has returned \$10.1 billion to over 17 million consumers who have fallen victim of unfair and deceptive financial practices.
- The CFPB has established a qualified mortgage rule, ensuring that borrowers actually have the ability to repay the loan, and has established new rules-of-the-road for mortgage servicers. It is also taking action against payday lenders and other predators in our financial system.
- The Bureau has worked with the Department of Defense to develop financial protections for service members and veterans, and established a national database to aid consumers with complaints about debt collectors, credit card companies, and credit rating agencies, among others.

#### **Identifying and Mitigating Systemic Risk**

- Dodd-Frank created the Financial Stability Oversight Council (FSOC), which identifies and responds to emerging threats to stability in our financial system. FSOC is monitoring our nation's biggest banks and has designated four non-bank firms for heightened supervision.
- 2,700 private fund advisors have registered with the Securities and Exchange Commission (SEC) and begun reporting information on approximately 8,000 hedge funds, 70 liquidity funds, and 7,000 private equity funds.

## **Preventing Future Bailouts**

- Regulators have finalized the “Volcker rule,” which has forced banks to limit their risky trading practices, and refocused them on making investments in the real economy.
- Dodd-Frank has required banks and regulators to take steps that ensure a failing financial institution never again threatens the financial stability of the U.S. These include requiring the biggest banks produce “living wills,” undergo stress tests, and be subject to heightened capital standards.

## **Creating Transparency and Oversight of Derivatives**

- Dodd-Frank has brought increased transparency to the once risky and opaque derivatives market, by requiring participants to register with the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission.
- As a result, about 75 percent of the transactions in the swaps market are “cleared,” which standardizes trades, increases transparency and reduces risk. In December 2007, only 15 percent of transactions were cleared.

## **Providing Shareholders with a “Say-on-Pay” and Greater Accountability to Shareholders**

- To date 1,574 Russell 3000 companies have conducted Say-on-Pay votes, which allow shareholders to approve or disapprove increases in executive compensation packages. As of July 2015, 32, or 2 percent of Russell 3000 companies, have failed to hold a say-on-pay vote.

## **Providing new enforcement and regulatory authority to the Securities and Exchange Commission (SEC)**

- One of Wall Street’s top cops, the SEC has recovered more than \$3.6 billion in penalties and other enforcement actions against misconduct that led to or arose from the financial crisis. It has also established an Office of the Whistleblower at SEC, to aid them in policing violators, which just last year received more than 3,600 tips (or about 10 per day) covering a variety of securities laws violations.