

THE DODD-FRANK ACT

OVERSIGHT PROVISIONS

RESOLUTION AUTHORITY (Title II)

- Regulators may seize and break up troubled financial firms whose collapse might cause widespread damage; regulators would recoup losses via fees on firms with more than \$50b in assets
- Sets up liquidation process run by FDIC
- Establishes Financial Stability Oversight Council to, among other things, monitor and address risks to financial stability

THE FED (Titles I, II & III)

- Limits the Fed's emergency lending authority and mandates a one-time audit of Fed's emergency lending programs
- Eliminates role of banks in picking presidents at the Fed's 12 regional banks

OVERSIGHT CHANGES (Title III)

- Eliminates Office of Thrift Supervision
- Creates Financial Stability Oversight Council
- Fed retains oversight of community banks and supervises the most complex financial companies
- OCC will regulate national banks and thrifts
- FDIC will regulate state thrifts

VOLCKER RULE PROVISIONS

VOLCKER RULE (Section 619)

- Imposes restrictions on activities of banking entities and on nonbank financial companies (supervised by Fed)
- Banks can make de minimis investments in hedge and private-equity funds that they organize/manage—limited to 3% or less of a bank's Tier 1 capital and 3% of a single fund's capital
- Banking entities prohibited from engaging in proprietary trading, but may engage in specified "permitted activities"; no outright prohibition for nonbank fin cos but subject to additional capital and quantitative requirements
- Prime brokerage services are a permitted service
- Sec 23A covered transactions not permitted in certain cases
- Transactions between banking entities and funds subject to Sec 23B
- Conflicts of interest (Merkley) provisions apply to asset-backed securities transactions

CONSUMER PROVISIONS

CONSUMER AGENCY (Title X)

- Creates Consumer Financial Protection Bureau within Federal Reserve, with rulemaking and some enforcement power over banks and other financial companies
- Grants authority to examine and enforce regulations for all mortgage-related businesses; banks and credit unions with assets of more than \$10b; payday lenders, check cashers and certain other non-bank financial firms
- Allows states to impose stricter consumer protection laws on national banks, compared with the federal standard
- State attorneys-general get power to enforce certain rules issued by the new consumer bureau

DEPOSIT INSURANCE

- Permanently increases level of federal deposit insurance for banks, thrifts and credit unions to \$250,000

MORTGAGES

- Lenders are required to ensure a borrower can repay a home loan by verifying income, credit history and job status
- Bans payments to brokers for steering borrowers to high-priced loans

DERIVATIVES PROVISIONS

DERIVATIVES (Title VII)

- Requires a swap to be cleared if the CFTC or SEC, as applicable, determines that it is required to be cleared and a clearinghouse accepts it for clearing, subject to an exception for commercial hedgers
- Swaps subject to the clearing requirement must be executed on an exchange or swap execution facility
- Imposes registration, minimum capital, initial and variation margin, reporting, recordkeeping, and business conduct requirements on firms that deal in derivatives or are major participants in those markets
- Effectively requires banks to "push out" certain swaps activities to affiliates; however, banks can retain swaps activities that are for hedging purposes or relate to traditional bank investment categories (e.g., interest rates, FX, and bullion, among others, and CDS so long as it's cleared)

INVESTOR PROTECTION PROVISIONS

INVESTMENT ADVICE (Title IX)

- Gives SEC authority to raise standard of care for broker-dealers who give investment advice and, after mandated study, to adopt fiduciary duty standard
- Requires advisers to hedge and private-equity funds to register with SEC as investment advisers and to comply with recordkeeping and reporting requirements (Title IV)

SECURITIZATION (Title IX)

- Requires banks that packaged loans to keep 5% of credit risk on their balance sheets. Directs regulators to exempt low-risk mortgages that meet certain minimum standards

CREDIT-RATING AGENCIES (Title IX)

- Allows investors to sue credit rating agencies (CRA) for "knowing or reckless" failure; establishes oversight office within the SEC with ability to examine and fine CRAs, and empowers the SEC to deregister a CRA that fails to provide accurate ratings over a period of time; imposes internal control, governance, conflict of interest, disclosure and other requirements on CRAs

CORPORATE GOVERNANCE (Title IX)

- Gives shareholders nonbinding vote on executive pay and "golden parachutes," and gives SEC authority to grant shareholders the ability to nominate their own directors

INSURANCE (Title V)

- Creates office within Treasury Department to monitor insurance industry

CAPITAL PROVISIONS

BANK-CAPITAL STANDARDS (Title I)

- Generally imposes more stringent regulatory capital requirements
- Maximum 15-to-1 leverage ratio
- Federal banking agencies to establish minimum leverage and risk-based capital requirements
- Applies "prompt corrective action" standards to bank holding companies (effectively limits inclusion of trust prefs and hybrids in Tier 1)
- Grandfathering of trust prefs issued prior to 5/19/10, subject to phase-in
- Excepts banks and thrifts under \$15b in assets from capital changes
- Phase-in from 2013 to 2016 for large bank holding companies over \$15b in assets

This is the most summary of summaries; please see our dedicated [regulatory reform webpage](#) for more.