

ABA Introduction

Dodd-Frank Wall Street Reform and Consumer Protection Act Introduction by Ed Yingling

The Dodd-Frank Wall Street Reform and Consumer Protection Act represents a dramatic rewrite of the rules governing financial service providers and products. Unprecedented in scope, the bill will usher in a new era of regulation -- for good and ill.

The bill includes several ABA-advocated provisions aimed at preventing a repeat of the crisis that nearly brought our economy to its knees in 2008. A new process for winding down failing, systemically important institutions is as close to a controlled bankruptcy as possible. This change, aimed at ending the assumption that some institutions are too big for the government to allow to fail, should result in more disciplined behavior by institutions, creditors and depositors alike. Large and small banks alike will appreciate an end to "taxpayer bailouts," since the term has unfairly maligned an industry that has returned, with interest, the money the government invested in it.

The legislation also charges a regulatory body with the specific responsibility of monitoring not just the institutions that comprise our financial system, but the system itself. By rounding out our supervisory system to encompass both the forest and the trees, the bill hopes to spot and stop a potential contagion before it spreads.

These reforms, which must still be supplemented with an overhaul of the nation's housing finance system, represent good-faith efforts to apply lessons learned in hopes of deterring future similar crises.

Unfortunately, legislators took a "while we're at it" approach during the bill's journey, imposing unrelated new restrictions -- such as a provision authorizing the government to set the price for banks' interchange services -- that will negatively impact traditional banks that were more victim than villain in the crisis. It's as if doctors not only performed the wrong surgery, they also had the wrong patient on the table.

ABA fought consistently throughout the legislative process to eliminate or temper such provisions, warning that they would result in fewer consumer choices and restricted credit -- the opposite of what a fragile economic recovery needs. By working together with state bankers associations and

grassroots bankers, we improved the bill as much as time and the politically charged atmosphere would allow.

Still many community bankers, faced with what ABA estimates will be 5,000 more pages of regulation, are telling us that they may opt instead to sell their franchise. While many can empathize -- theirs is not the only profession that in recent years has suffered from an excess of prescribed do's and don'ts -- I hope for America's sake that they will reconsider. Our country has thrived for years on a diverse banking system -- one that accommodates large and small institutions, multiple charters and a variety of niches.

Such diversity makes our system stronger, and ABA will bring all of its extensive resources to bear to preserve that diversity. Our members can count on us to help them through the massive rulemaking process that is to come, to ease their compliance burden, and to fight for future fixes to a law that was intended to prevent one kind of crisis but could well spawn another, more personal one among traditional bankers.

ABA's assistance begins with this detailed summary of the bill. It's been prepared by some of the most well-respected, knowledgeable banking lawyers in the country, in consultation with ABA's own issue experts. It is the first step in what is sure to be a long journey that ABA's bankers and staff will take together to shape the rules that will shape banking's future.

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