

## **Central Elements of the Republican Plan for Financial Regulatory Reform**

**Enhanced Bankruptcy** – would create a new chapter of the bankruptcy code to deal with the efficient resolution of insolvent non-bank financial institutions; would have regulators and the courts coordinate in order to “ensure technical and specialized expertise is applied;” and would give bankruptcy judges authority to “stay claims by creditors and counterparties to prevent runs on troubled institutions.”

**Market Stability and Capital Adequacy Board** – would monitor interactions among sectors of the financial system and identify potential risks to the system. The Board would not have enforcement or supervisory authority over firms but would work with existing financial regulators, thus avoiding the creation of new regulators. The Treasury Secretary would chair the Board, which would be comprised of financial regulatory agency representatives as well as outside experts.

**Regulatory Restructuring** – would streamline “the current framework of overlapping and redundant federal financial regulatory agencies” by centralizing “the supervision of deposit-taking entities in once agency while preserving charter choice as well as the dual banking system; would combine the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS); and would shift the supervisory functions of the Federal Reserve and the Federal Deposit Insurance Corporation – including oversight of bank holding companies -- to the combined new OCC/OTS .

**Fundamental Reform of the Federal Reserve** – would require the Fed “to focus on its core mission of conducting monetary policy” and require an explicit inflation target; would limit the Fed’s authority (under section 13(3) of the Federal Reserve Act) to respond to “unusual and exigent circumstances” by forcing Treasury to approve of any such actions and place related transactions on its balance sheet, enabling Congress to disapprove such actions, and prohibiting the use of such actions “on behalf of specific institutions;” and would direct the Government Accountability Office to conduct extensive audits of the Fed.

**Government Sponsored Enterprise (GSE) Reform** – would gradually phase out taxpayer subsidization of Fannie Mae and Freddie Mac; would sunset the government conservatorship currently running Fannie and Freddie by a date certain, placing them in receivership if they are not viable at that point; would, when the housing market has stabilized, wind down the federal subsidies granted through the Fannie and Freddie charters and transition the GSEs into private entities forced to compete on a level playing field with other private firms; and would address reducing Fannie’s and Freddie’s portfolios, re-focusing their mission on promoting housing affordability, and requiring SEC registration and federal taxation.

**Credit Rating Agency Reform** – would change the definition of Nationally Recognized Statistical Ratings Organization (NRSO) to “nationally registered statistical rating organizations” and remove all NRSO references from federal laws and regulations so that an NRSO can “no longer operate as a government sanctioned oligopoly.”

**Protecting Consumers Through Improved Disclosure and Complaint Resolution Procedures** – would expand the mission of the Financial Literacy and Education Commission, giving it the authority to direct regulated entities to disclose and post certain content on their websites and would also streamline the consumer complaint process by offering a one-stop toll-free number and website that would act as a clearinghouse to guide consumers to the appropriate regulatory enforcement agency.

**Strengthening Anti-fraud Enforcement** – would increase both civil and criminal money penalties in government enforcement actions; maximize restitution for victims of fraud; improve surveillance of bad actors who prey on consumers; improve regulators’ ability to share information with foreign regulators and law enforcement agencies; and use monetary recoveries exceeding that needed to compensate harmed investors for hiring additional enforcement personnel.