

## White Paper Highlights

Financial CHOICE Act	Dodd-Frank	NYU Stern & Law
<p><b>Off-Ramp:</b> Banks with capital greater than 10% of assets may take an off-ramp to avoid the heightened scrutiny of Dodd-Frank.</p>	<p>In addition to regulations and capital requirements, big banks must pass <i>stress tests</i> and prepare <i>Living Wills</i> to expedite their resolution.</p>	<p>For large, systemic firms, more capital, Living Wills, and stress tests are needed to make the system safe. Compliance burdens can be lowered for most other banks.</p>
<p><b>SIFIs and FMUs:</b> Eliminate the designations of Systemically Important Financial Institutions and Financial Market Utilities.</p>	<p>The Financial Stability Oversight Council (FSOC) may designate nonbanks as SIFIs or FMUs and impose stricter oversight.</p>	<p>Systemic firms merit strict scrutiny (banks or nonbanks). FMUs need resolution plans, too, and their designations should not limit competition.</p>
<p><b>Bankruptcy for Large, Failing Financial Institutions:</b> Permit no access to public funds.</p>	<p>Orderly Liquidation Authority imposes losses on investors. Public funds can be used temporarily to facilitate resolution.</p>	<p>For a resolution plan to be optimal and credible, even under a new bankruptcy code, temporary access to public funds is needed.</p>
<p><b>The Volcker Rule:</b> Repeal it.</p>	<p>The Volcker Rule: Prohibit bank proprietary trading and other activities to contain risk.</p>	<p>The Volcker Rule is too inefficient in controlling systemic risk to justify its high compliance costs.</p>
<p><b>Monetary Policy:</b> The Federal Reserve should have to defend deviations from a simple monetary policy rule.</p>		<p>Fed independence, key to good economic performance, would be overly curtailed by the CHOICE Act's mix of rules and audits.</p>

<p><b>CFPB:</b> Reform the Consumer Financial Protection Bureau: increase accountability; require cost-benefit analysis; restrict power to ban products and services.</p>	<p>Set up the CFBP to regulate financial products and services.</p>	<p>The CFBP should be more accountable and should move away from product bans, but needs authority to protect consumers.</p>
		<p><b>U.S. Financial Regulators:</b> Streamline the structure.</p>
		<p><b>GSEs and U.S. Housing Finance:</b> Move toward a private system, with any guarantees market priced.</p>
		<p><b>De Facto (Shadow) Banking:</b> Contain the systemic risks.</p>