Banking and Finance Law Daily Wrap Up, TOP STORY—President orders 120-day regulatory review; reaction falls along ideological lines, (Feb. 3, 2017)

Banking and Finance Law Daily Wrap Up

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By John M. Pachkowski, J.D.

Making good on his promise to "do a big number" on the Dodd-Frank Act, President Donald J. Trump signed an Executive Order on Feb. 3, 2017 that directs the Secretary of the Treasury to report back in 120 days on what rules promote or inhibit the administration's priorities. It should be noted that the Executive Order does not explicitly mention the Dodd-Frank Act.

In remarks before a Strategy and Policy Forum, the president said, "we expect to be cutting a lot out of Dodd-Frank, because, frankly, I have so many people, friends of mine that have nice businesses that can't borrow money, they just can't get any money because the banks just won't let them borrow because of the rules and regulations in Dodd-Frank."

Reaction to the Executive Order fell along ideological lines. Industry groups and organizations advocating limited regulation supported the president's action; while individuals and groups advocating better regulation of the financial industry were strongly opposed the executive order.

Sensible and careful review. Rob Nichols, president and CEO, of the American Bankers Association stated, "A sensible and careful review of Dodd-Frank and other financial regulations can and should strengthen those goals while unleashing the power of the banking industry—from small towns and communities to our nation's financial centers—to fuel the increase in economic prosperity that we all seek. We look forward to working in a bipartisan manner with the administration, Congress and bank regulators on policy changes that will keep banks strong and focused on providing the capital that is so essential to rebuilding our economy."

Accountability. House Financial Service Committee Chairman Jeb Hensarling (R-Texas) said he was "very pleased that President Trump signed this executive action, which closely mirrors provisions that are found in the Financial CHOICE Act to end Wall Street bailouts, end 'too big to fail,' and end top-down regulations that make it harder for our economy to grow and for hardworking Americans to achieve financial independence." He added, "Republicans are eager to work with the President to end and replace the Dodd-Frank mistake with legislation that holds Wall Street and Washington accountable, ends taxpayer-funded bailouts forever, and unleashes America's economic potential."

Sensible action. John Berlau of the Competitive Enterprise Institute, an organization that advocates for limited government regulation, referred to the Executive Order as a "sensible action," but cautioned, "Congress, however, still must do its duty and repeal the most burdensome provisions of this law."

Onerous regulatory burdens. Camden R. Fine, president and CEO of the Independent Community Bankers of America, noted that the ICBA "will continue working with Congress and the Trump administration to unleash the economic power of community banks in the small towns, suburban communities and urban areas they serve." He further noted, "Community banks strongly support pro-growth regulatory relief from one-size-fits-all regulations designed to address the nation's largest banks. Onerous regulatory burdens on community banks are stifling lending and innovation in local communities, hindering economic and job growth across the nation."

Boosting financial opportunities. Tim Pawlenty, CEO of the Financial Services Roundtable, echoed the sentiment of cooperation made by the ICBA and added, "Modernizing America's financial regulatory system in ways that will grow the economy, create jobs and protect consumers as well as taxpayers is a key ingredient to boosting financial opportunities for America's families and businesses."

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Other the other hand, reaction by advocacy groups was more pointed.

Another devastating crash. Dennis Kelleher, president and CEO of Better Markets, said, "Trump's government of Wall Street, by Wall Street and for Wall Street is going to cause another devastating financial crash, ruin the lives of tens of millions of Americans and probably end in a second Great Depression." He added, "No matter how many of Wall Street's talking points President Trump parrots, it can't be denied that the 2008 financial crash was caused by de-regulating Wall Street's high risk gambling. That's what enabled Wall Street to crash the financial system in 2008, which required trillions of dollars in taxpayer-funded bailouts and rescue programs. De-regulating Wall Street is as bad an idea today as it was in the years before the 2008 crash."

No authority. Lisa Donner, Executive Director of Americans for Financial Reform, stated, "the President does not have the authority to overturn laws or tell independent agencies what to do. And it's flat-out illegal for agencies to change rules by fiat without public input." She continued that the Executive Order "betrays the promises Trump made to stand up to Wall Street, and it will have dire consequences if he's successful."

Doomed to repeat mistakes. Debbie Goldstein, Executive Vice President for the Center for Responsible Lending remarked, "If this Administration has not learned from the mistakes that caused the 2008 economic crisis, they are doomed to repeat them. Lest we forget, lax regulation allowed Wall Street to back extremely reckless loans whose failure snowballed into a financial crisis and Great Recession." She added, "It is our sincere hope that the Administration fulfills its campaign pledge to help the middle class by protecting them from Wall Street's abuse by standing by consumer protections and against predatory lending, rather than seeking to roll back Dodd-Frank."

Watchdog, not lapdog. Rohit Chopra, a Senior Fellow at the Consumer Federation of America and a former official at the Consumer Financial Protection Bureau, said, "Wall Street needs a watchdog, not a lapdog. This isn't just good for consumers, it's good for the entire economy so we can prevent the next financial crash."

Betraying Campaign Promises. A number of officials from the advocacy group Public Citizen also weighed in on the Executive Order. The group's president Robert Weissman said, "If Trump succeeds in rolling back Dodd-Frank rules he will rush the country straightforward into another job-killing financial crisis. This may be the most spectacular betrayal yet by the president of his voters, as he shunts aside their concerns and pushes forward the agenda of his cronies and the well-connected."

Fight for CFPB. Ed Mierzwinski, Consumer Program Director with U.S. PIRG, said, "We will fight to protect Wall Street reform and the highly-successful Consumer Financial Protection Bureau, the agency at the front lines of consumer protection that has been targeted by big Wall Street banks, debt collectors and even payday lenders because it works for consumers, not them. We will also defend the CFPB's extraordinary director, Richard Cordray. We cannot let Wall Street convince the President and Congress to re-rig the system so they win and everyone else loses."

Talked a big game. Finally, Sen. Elizabeth Warren (D-Mass) said, "Donald Trump talked a big game about Wall Street during his campaign—but as President, we're finding out whose side he's really on." She noted that the Executive Order puts "two former Goldman Sachs executives in charge of gutting the rules that protect you from financial fraud and another economic meltdown." Warren concluded, "The Wall Street bankers and lobbyists whose greed and recklessness nearly destroyed this country may be toasting each other with champagne, but the American people have not forgotten the 2008 financial crisis - and they will not forget what happened today."

Companies: American Bankers Association; Americans for Financial Reform; Better Markets; Center for Responsible Lending; Competitive Enterprise Institute; Consumer Federation of America; Financial Services Roundtable; Goldman Sachs; Independent Community Bankers of America; Public Citizen; U.S. PIRG

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