A Financial System That Creates Economic Opportunities
Capital Markets

THE EXECUTIVE BRANCH'S PLAN TO STREAMLINE AND REDUCE BURDENS OF CAPITAL MARKETS REGULATION

SUPPORTING CAPITAL MARKETS

The U.S. capital markets are the largest, deepest, and most vibrant in the world and critically important in supporting the U.S. economy. The report identifies challenges and makes recommendations with the goal of promoting economic growth and resilient financial markets, providing opportunities for issuers while protecting investors, preventing taxpayer-funded bailouts, and safeguarding the financial system.

The report focuses on supporting U.S. capital markets by:

- Promoting access to capital for all types of companies, including small and growing businesses, through reduction of regulatory burdens and improved market access
- Fostering robust secondary markets in equity and debt
- Appropriately tailoring regulations on securitized products to encourage lending and risk transfer
- Recalibrating derivatives regulation to promote market efficiency and effective risk mitigation
- Enabling proper risk management for Central Counterparties (CCPs) and other financial market utilities (FMUs) in recognition of the critical role they play in the financial system
- Rationalizing and modernizing the U.S. capital markets regulatory structure and processes
- Advancing U.S. interests by promoting a level playing field internationally

PROMOTING ACCESS TO CAPITAL AND INVESTMENT OPPORTUNITIES

Access to capital is vital to the success of America's public and private companies.

To improve access to capital, the report recommends:

- Reducing the regulatory burden on companies both going and staying public to address the nearly 50% decline in the number of public companies in the last 20 years and to promote access to investment opportunities for more investors
- Recalibrating regulations that weigh heavily on small businesses and comparatively benefit the largest companies better positioned to absorb the costs
- Opening private markets for more investors, such as by revisiting the "accredited investor" definition, and considering ways to facilitate pooled investments in private or less-liquid offerings where appropriate
- Supporting America's entrepreneurs by promoting innovative tools for capital formation, while maintaining important investor protections

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FOSTERING ROBUST MARKETS FOR BUSINESS AND INVESTORS

Robust secondary markets are critical to supporting capital formation, and in turn, economic growth.

To foster more robust markets, the report recommends:

- Aligning regulation to promote liquid and vibrant markets as an element of the President's Core Principles for Regulating the United States Financial System
- Identifying the need for regulators to keep pace with market developments to support economic growth and the needs of consumers and businesses
- Adjusting the current "one-size-fits-all" equity market structure for smaller companies that are currently experiencing limited liquidity for their shares
- Reducing market fragmentation to facilitate effective liquidity provision for the least liquid companies

SAFEGUARDING THE TREASURY MARKET

Safeguarding the Treasury market is critical given its central role in the financial system as well as the importance of financing the U.S. government at the lowest cost to taxpayers over time.

To improve protections for the Treasury market, the report recommends:

- Reducing regulatory data gaps in the Treasury market, particularly regarding principal trading firms (PTFs), which remain despite recent efforts to improve transparency for Treasury and regulators
- Supporting further study and improvement of clearing and settlement arrangements by regulators, market participants, and other stakeholders

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ENCOURAGING LENDING THROUGH PROMOTION OF QUALITY SECURITIZATION

Securitization is a vital financial tool to facilitate growth in our domestic economy, help financial intermediaries better manage risk, and enhance access to credit.

To encourage quality securitization, the report recommends:

- Rationalizing the capital that a banking organization is required to hold against a securitization exposure when compared to the capital required to be held against the underlying assets
- Adjusting bank liquidity standards to consider inclusion of senior securitizations with a track record of performance as high-quality liquid assets (HQLA)
- Revising and expanding the underwriting criteria for certain assets that back securitizations in order to exempt the sponsors from risk retention requirements
- Reducing burdensome non-material disclosure requirements while maintaining transparency into the underlying assets of a securitization

RECALIBRATING DERIVATIVES REGULATION

Swaps and other derivatives, are essential to American financial markets by allowing financial and nonfinancial concerns to transfer and better manage risk.

To recalibrate existing derivatives regulation, the report recommends:

- Harmonizing SEC and CFTC rules through more appropriate capital and margin treatment for derivatives, allowing for innovation and flexibility in execution processes, and improving market infrastructure
- Improving cross-border regulatory cooperation between the CFTC and the SEC with non-U.S. jurisdictions to minimize market fragmentation, redundancies, undue complexity, and conflicts of law
- Promoting a level playing field for market participants while enabling healthy, fair, and robust derivatives markets

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ENSURING APPROPRIATE OVERSIGHT OF CLEARINGHOUSES AND OTHER FINANCIAL MARKET UTILITIES (FMUs)

FMUs, including CCPs, play a crucial role in the American financial system by supporting a range of financial market and broader economic activity.

To improve oversight of clearinghouses and FMUs, the report recommends:

- Addressing systemic risk management issues left unresolved by post-crisis regulation
- Improving oversight of FMUs, including finalizing an appropriate regulatory framework for FMU recovery or resolution to avoid taxpayer-funded bailouts
- Continuing the study, by the appropriate regulatory agencies, of the evolving role these entities play in the financial system

MODERNIZING AND RATIONALIZING REGULATORY STRUCTURE AND PROCESS

Congress and the regulatory agencies have important roles to play in modernizing and rationalizing the federal regulatory framework.

In order to better manage regulatory overlap and improve regulatory process, the report recommends that the SEC and CFTC:

- Make their rulemaking processes more transparent and incorporate more robust economic analysis, greater consideration of the effects on small entities, and public input
- Limit imposing substantive new requirements through guidance or no-action letters rather than through notice and comment rulemaking, while preserving the authority to provide exemptions to facilitate market innovation
- Conduct comprehensive reviews of the roles, responsibilities, and capabilities of self-regulatory organizations (SROs) under their respective jurisdictions and make recommendations for operational, structural, and governance improvements of the SRO framework

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PROMOTING U.S. INTERESTS AND PROMOTING A LEVEL PLAYING FIELD ABROAD

Bilateral and multilateral engagement is critical to preserving and enhancing American companies' competitiveness in the global economy.

To promote U.S. interests and a level playing field, the report recommends:

- Utilizing the expertise of market regulators in formulating international standards for market regulation
- Increasing transparency and accountability in international financial regulatory standard-setting bodies
- Adopting improved U.S. interagency coordination to more effectively promote U.S. interests in international forums
- Taking steps to better align international regulatory standards with U.S. objectives, and tailor these standards to meet the needs of the U.S. financial services industry and the American people

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