

Financial Regulation

March 4, 2009

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Why Regulate Financial Institutions?

- Deposit insurance
- Restrain monopoly power and distortions to competition
- Protect consumers and other users of financial services



Difficulties in Financial Regulation

- Regulatory oversight is complex
 - Number of regulators
 - Fed
 - FDIC
 - OCC
 - OTS
 - NCUA
 - SEC
 - States
- Communication difficulties



Recent Examples of Regulatory Policy

- Housing and Economic Recovery Act of 2008
 - Federal Housing Finance Regulatory Reform Act of 2008
 - HOPE for Homeowners Program
 - Foreclosure Prevention Act of 2008
- Emergency Economic Stabilization Act of 2008
 - TARP



Housing and Economic Recovery Act of 2008

- Help struggling homeowners by providing up to \$300B in FHA-backed loans
- Strengthens and modernizes the regulation of GSEs
- Other housing stimulus provisions





The Future of Financial Regulation?

- Who should be regulated (by whom)?
- What to do?
- Central theme is Regulatory Restructuring/Oversight
 - Market Stability Regulator
 - Consolidation of Financial Regulators?



Concluding Comments:

- Innovation





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