

# Financial Regulation

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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?



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