

Statement by FDIC Chairman Bair on Senate Passage of Regulatory Reform Bill

FDIC Chairman Sheila C. Bair said, "Today represents a significant milestone in the history of financial regulation in the United States. With the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act, a meaningful framework is now in place that addresses many of the weaknesses in our financial system that led to the financial crisis.

From the outset of this process, the FDIC has pushed for a credible resolution mechanism that provides the authority to liquidate large and complex financial institutions in an orderly way. The legislation will enforce market discipline by making clear that shareholders and creditors bear the losses for the risks they take. It also will protect taxpayers by empowering the government with the means to end Too-Big-to-Fail and providing substantial new protection to consumers and the financial system.

The responsibility now shifts to regulators to implement this law in a manner that is aligned with its principles. To this end, the FDIC will move swiftly and deliberately through the various rulemakings and studies required under the bill. We will do so in an open, transparent and collaborative fashion. In addition to a dedicated webpage where the public can track key steps in the implementation process, we will also release the names and affiliations of outside individuals and groups that meet with FDIC officials about the bill. We will webcast open Board meetings on implementation issues and provide ready access to comments received for all rulemakings.

As I have often discussed, my vision for financial reform encompasses three key pillars: resolution authority, systemic oversight and consumer protection. On resolution authority, the new law will give the FDIC broad authority to use receivership powers, similar to those used for insured banks, to close and liquidate systemic firms in an orderly manner. On systemic oversight, it creates a Systemic Risk Council — a concept originally advanced by the FDIC — to provide a macro view to identify and address emerging systemic risks and close the gaps in our financial supervisory system. Regulators will also be empowered to provide much-needed oversight to derivatives markets. On consumer protection, the creation of the Consumer Financial Protection Bureau will put a new focus on the unregulated shadow financial sector by setting and maintaining strong, uniform consumer protection rules for both banks and non-bank financial firms.

I am also very pleased that the bill will strengthen the capital requirements of the U.S. banking system. For the first time, bank holding companies will be subject to the same standards as insured banks for Tier 1 capital. Excess leverage and thin capital cushions were primary drivers of the financial crisis, which resulted in severe, sudden contractions in credit and led to the loss of millions of jobs. This

provision will bring stability to the financial system, allowing it to support real, sustainable, long-term growth in the real economy. Senator Susan Collins was the sponsor of this key provision, and I commend her efforts in this area.

I would also highlight the new backup authority the FDIC will have over bank holding companies, which will augment our current backup authority for insured institutions. The legislation also will improve our ability to manage our deposit insurance fund and build stronger reserves.

As I have often noted, no set of laws, no matter how enlightened, can forestall the emergence of a new financial crisis somewhere down the road. It is part of the nature of financial markets. However, what this law will do is help limit the incentive and ability for financial institutions to take risks that put our economy at risk, it will bring market discipline back to investing, and it will give regulators the tools to contain the fallout from financial failures so that we will never have to resort to a taxpayer bailout again.

I commend Chairman Dodd and Chairman Frank for their committed leadership in navigating this bill through the legislative process and look forward to the hard work ahead to implement the law."