

New Senate Financial Reform Bill Released

March 15, 2010

Today, Senate Banking Committee Chairman Chris Dodd (D-CT) released a [revised financial regulatory reform bill](#), which would create the Bureau of Consumer Financial Protection. The Bureau would be housed in the Federal Reserve, however, it would have a separate budget and an autonomous governance structure.

Consumer protection has been a major sticking point since the reform debate kicked off last year. While the [House passed a bill](#) that would achieve the [Obama administration's original goal](#) of setting up a stand alone Consumer Financial Protection Agency, the prospects for such an agency in the Senate bill were never quite as good. From the start Republican members of the Banking Committee strongly opposed creating a new agency. Despite agreement on several other key principles, some of which are included in the bill released today, the two sides could not settle on an agreement regarding the structure and scope of the consumer protection agency.

For weeks different stories were reported about how and where the consumer protection organization would be housed. However, the authorities and responsibilities granted to the Bureau received much less attention. With the bill now out, financial service providers can begin to understand how the Senate bill could impact them. For example, with regard to consumer protection, the bill grants the Bureau broad rulemaking and enforcement authority and transfers to it most of the existing consumer protection functions of existing regulators. It also preserves state rights to enact more stringent consumer protection laws. Finally, the bill proposes a rulemaking process to establish the definition of nondepository institutions covered by the Bureau's authority.

The bill addresses many other reform topics (e.g., hedge funds, derivatives, systemic risk, corporate governance), as noted in the [summary prepared by committee staff](#). Those details, as well as the consumer protection issues, will continue to evolve as the legislative process moves forward. The timeline for a final bill is unclear. The Senate Banking Committee will have to mark up Senator Dodd's bill before the full Senate can consider it. Assuming the Senate passes a bill, it will then have to be reconciled with the House bill, most notably with regard to the CFPA.

The Senate Banking Committee is scheduled to begin [mark up the bill next week](#). We will continue to review Senator Dodd's bill and provide updates about the details and status as they occur.