



Federal Financial Analytics, Inc.

**Taking on the Sum-Total Impact of Financial Regulation:  
Comprehensive Studies Address Complexity Risk,  
Contradictions and Operational Obstacles**

FOR IMMEDIATE RELEASE – October 23, 2012

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WASHINGTON, D.C. – Federal Financial Analytics, Inc. today released three studies undertaken to provide constructive assessments of the current U.S. and global agenda rewriting all of the rules governing financial-services firms. While all of these issues have been extensively discussed, no rigorous analysis to date has yet surveyed the entire landscape of pending rules, analyzed differing views on them and, then, mapped the rules against their desired effects, possible unintended results, internal contradictions and impediments to effective implementation.

“Each of these rules may be warranted in its own right, but how do they all work together,” asked Karen Shaw Petrou, managing partner of Federal Financial Analytics (FedFin) and lead author on these reports. “There’s no question the crisis laid bare serious weaknesses in industry practice and prudential regulation. But, piling on so many rules aimed at so much so fast in so many countries for so many firms is creating a contradictory regulatory construct that poses risks all its own,” she said.

The first of these studies maps U.S. and global rules with strategic impact. It takes on the full range of pending reforms in areas like capital, resolution, bank size/complexity, asset securitization, and derivatives markets, among other issues. Each final or proposed rule is assessed on its key provisions and the desired impact specified by regulators and other governmental bodies (e.g., the U.S. Congress for Dodd-Frank's provisions). Then, possible unintended results are presented based on a survey of regulatory statements, industry advocacy, academic and analytical reports and similar material.

“This presentation does not say that each of these unintended effects will occur,” Petrou said. “Rather, the map shows the scope of possible risk, especially with regard to unintended conflicts between well-intention rules that, on their own, might well achieve desired objectives.”

Continuing, Petrou said, “I liken a lot of these conflicts to bumper cars because collisions are inevitable even though drivers work hard to prevent them.”

The second study analyzes the operational barriers to effective rulemaking. Like the regulatory-analytical landscape, it does not argue with the rules or dispute the need for them. Instead, it assesses the degree to which regulatory objectives – e.g., cross-border and/or cross sector rules can be implemented and enforced in light of widely varying accounting, legal and supervisory regimes. The list of operational impediments demonstrates that many rules cannot be implemented as is on pending schedules without rapid work also to ready the relevant operational infrastructure for effective financial-services regulation.

The third study takes on a particularly contentious issue most recently highlighted in the U.S. Presidential campaign: whether U.S. banks remain too-big-to-fail. Based on an objective read of law, rule and industry actions, this study finds that the U.S. orderly-liquidation authority (OLA) is in fact a meaningful barrier to taxpayer bail-outs.

“We know OLA is neither complete nor tested,” Petrou said. “But, it’s the only statutory barrier to taxpayer rescue implemented anywhere. Fully built out as planned, even the largest U.S. bank holding companies are on their own,” she observed.

Funded by the Securities Industry and Financial Markets Association (SIFMA), these studies reflect only the views of Ms. Petrou and her firm.

The Regulatory Landscape paper may be found at:

[http://www.fedfin.com/images/stories/client\\_reports/Regulatory%20Landscape.pdf](http://www.fedfin.com/images/stories/client_reports/Regulatory%20Landscape.pdf)

The Operational Impediments study may be found at:

[http://www.fedfin.com/images/stories/client\\_reports/operational%20impediments%20to%20effective%20financial%20regulation.pdf](http://www.fedfin.com/images/stories/client_reports/operational%20impediments%20to%20effective%20financial%20regulation.pdf)

The Orderly Liquidation analysis may be found at:

[http://www.fedfin.com/images/stories/client\\_reports/assessment%20of%20resolution%20regime%20for%20sifis.pdf](http://www.fedfin.com/images/stories/client_reports/assessment%20of%20resolution%20regime%20for%20sifis.pdf)

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As always, we welcome any comments or questions.

*Federal Financial Analytics, Inc. has provided objective advice on financial-industry policy and strategic issues since 1985. Clients include large financial-services firms, regulators, investors in this sector and others whose names may be found on the firm's website. The firm does not lobby for clients.*

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