Federal Financial Analytics, Inc.

**Five Years After Crisis: Consumers Still at Risk, FedFin Finds**

Wednesday, September 18, 2013

CONTACT: Arezou Rafikian (202) 589-0880

Federal Financial Analytics, Inc. (FedFin) today released a white paper outlining steps regulators should take to protect consumers and promote financial innovation – two goals increasingly at odds in the current regulatory framework. The Dodd-Frank Act sought to reconcile them with the creation of the Consumer Financial Protection Bureau and, while it's been hard at work at the complex tasks Congress dictated, consumers and average investors are facing new hazards. Five years after Lehman failed, it's not just the financial system that remains at risk due to incomplete rules – Americans remain at risk because new products are being developed to pay their bills, take their savings, and even help them purchase a home or education without clear standards that protect the most vulnerable consumers and investors while allowing higher-income ones to take the risks essential for economic recovery.

Based on *pro bono* work FedFin did earlier this year for a federal agency, this white paper outlines a different approach to promote public debate and press for development of a faster, better model for consumer financial protection. The views in this white paper are solely those of FedFin and do not reflect those of any clients.

"The hundreds, if not thousands, of pages in rules since Dodd-Frank's consumer-protection efforts show a continued focus on legal detail, not meaningful protection," said Karen Shaw Petrou, managing partner of Federal Financial Analytics. "Cutting to the heart of risk to set clear standards by which both financial institutions and their regulators can be held accountable is still unfinished business," she continued. To address this, the FedFin paper recommends:

- clear assignment of regulatory duties among regulators instead of unresolved inter-agency rulemakings that leave too much undone, especially with regard to financial institutions beyond the reach of the banking agencies;
- focus on measurement criteria, not repeated demands that firms set "policies and procedures" to meet new rules that then sit on the shelves until plaintiff counsel finds a missed step;
- rapid action on emerging risks like new mobile-payment products, not such deep dives into big data that government responds too late with too little; and
- criteria by which boards of directors can not only hold management accountable, but also be judged by supervisors and, where these don't exist, the courts.

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*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.*