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PETROU BOOTS UP FINANCIAL REFORM 2.0

Many in the industry – up to and including some CEOs – are discounting the potential for structural change because they – understandably – think Congress is most unlikely to agree to it. However, just as an IPhone can essentially become a new model following a major update, Financial Reform 2.0 will be sweeping even if there is no statutory change.

WASHINGTON, DC, May 4, 2017 – In remarks this evening to a group of banking counsel, Federal Financial Analytics' managing partner Karen Petrou defined the current state of "Financial Reform 2.0" – i.e., the sweeping changes Congress and/or the Trump Administration will make to U.S. banking, securities, and insurance standards. The talk is based on a prior FedFin report laying out how this 2.0 change could proceed to realign the structure of the largest U.S. banking organizations and the resulting competitive landscape – change many have called "Glass-Steagall 2.0." Petrou's talk updates this misanalysis and goes on to show how the Trump Administration on its own could also end the crisis-era approach to systemic resolutions, provide significantly more regulatory flexibility for all but the biggest banks, hamstring foreign-bank operations in the U.S., and expand the role of non-banks such as the largest asset managers, insurance companies, and private-equity firms.

"U.S. financial regulation is set for a radical rewrite resulting not only from Washington action, but also from an increasing spate of cases challenging the rules and how federal agencies implement them," Petrou said. "A decade after the financial crisis fired up, we are about to experience a wholesale rewrite of the policy framework driving critical aspects of financial-industry strategy. Had the Administration that crafted these rules been followed by its chosen successor, the post-crisis framework would have remained largely as is. Of course, that didn't happen and one reason it didn't is that the American public isn't buying that the new rules make banks anything but even bigger and still more bullet-proof. The public also doesn't think that the U.S. economy is anything but still more skewed to favor the rich and powerful. It doesn't matter if this perception is right or wrong – it is. As a result, the post-crisis paradigm is now about to crack wide open."

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