REPORT *Published November 18, 2014 · 25 minute read*

Demystifying Dodd-Frank: 14 Ways it Reforms the Financial System

Lauren Oppenheimer
Deputy Director of the Economic Program

Jim Kessler
Senior Vice President for Policy
@ThirdWayKessler

Emily Liner
Former Senior Policy Advisor, Economic Program

Four years after its passage, Dodd-Frank remains one of the most important yet least understood laws passed in recent decades. It was designed to reduce the frequency and severity of future financial crises. It sought to overhaul the regulatory structure of Wall Street and the banking industry—from the issuing of simple mortgages for prospective homeowners to protecting consumers who use financial products to the trading of bewildering derivatives between institutional behemoth.

But like many things having to do with the financial sector, Dodd-Frank is replete with complex terminology and opaque concepts—and we have yet to see a short and simple primer that makes the law accessible. This complexity is not just an obstacle to understanding Dodd-Frank and explaining it to voters who are skeptical of both Wall Street and Congress, but an impediment to appreciating it.

Dodd-Frank attempts to strike a balance between preventing dangerous behavior in finance without discouraging the wide range of financial activities and products that fuel economic growth. Think of financial markets as highways that connect borrowers and savers. When the highway system functions poorly, it affects everyone on the road. If lanes are clogged, business cannot access capital to create jobs and economic growth; consumers can't find the on-ramp to get mortgages, auto loans, or student loans; and investors have trouble saving for the future. Dodd-Frank aims to keep the highways safe and the traffic flowing by providing speed limits, traffic signs, road maps, safety standards, vehicle inspections, and strict laws against reckless driving—in addition to a vigilant highway patrol to enforce the rules.

Overly restrictive rules can make highways work sub-optimally. If highways are designed to handle traffic going 65

MPH, a 25 MPH speed limit will clog the road. A speed limit of 80 MPH would be right for some vehicles, but not trucks carrying hazardous materials. Ultimately, we want rules to handle all types of investment vehicles safely and efficiently, because the big trucks and the smaller cars share the same road. And we don't want to create rules that permit or tempt those carrying hazardous materials to seek a less tightly regulated road or vehicle to move its product. Making these traffic rules work for each without jeopardizing others is an immensely complicated task that Dodd-Frank tries to accomplish.

This memo seeks to demystify Dodd-Frank. To do so, we identify and describe the 14 most significant reforms put in place by Dodd-Frank and show how, if properly implemented, they make the financial infrastructure more resilient. We also note where critics believe the law goes too far or not far enough in making the infrastructure safe and navigable.

1. Bank Equity: Bigger Airbags

Banks fund themselves in three ways: they get deposits from depositors, they borrow money (usually through bonds), and they issue stock. That is how they fund growth and expansion. But there is a key distinction between these three sources of funding. Deposits have to be returned to account holders when they demand them on a moment's notice—no ifs, ands, or buts. Debt is contractually owed to bond holders —if you can't pay them you go bankrupt. But banks are under no obligation to repay holders of common stock. The risk of losing everything is purely on shareholders.

This common stock is known as "bank equity," and because there is no contractual obligation to repay shareholders, bank equity is "loss absorbing." What that means is that when a bank's assets lose value, shareholders are the first in line to bear those losses, and banks can remain solvent and continue to lend. The more equity a bank has, the more losses a bank can successfully absorb. Thus, equity is like an airbag for banks, it cushions the blow of declining asset values.

Before Dodd-Frank, the largest banks were allowed to operate with very low levels of equity. Some large banks were leveraged as high as 33:1—meaning they had $1 in loss-absorbing equity for every $33 in assets.[1] That's not much of an airbag. They could topple with just 3% worth of losses on assets.

Because of Dodd-Frank, banks must now offset their assets with at least 5% of equity—a leverage ratio of 20:1 of assets to equity. They must hold 6% at their federally insured subsidiaries, where their riskier activities tend to be housed.[2] Regulators can also require these banks to have an additional 2.5% of equity to ensure the safety of the financial system.[3] This means that bank airbags are anywhere from 67% to 185% larger than before Dodd-Frank, depending on the type of institution.*

The Critics - Not Enough: *Some warn the increases in capital requirements are insufficient. They argue that banks are still highly leveraged post-Dodd-Frank—even with the capital surcharge, a bank suffering a 10% loss on its assets would be insolvent. Senators Sherrod Brown (D-OH) and David Vitter (R-LA) have a bipartisan proposal to increase bank equity to 15%.*[4]

The Critics - Too Much: *Others are concerned that increased equity requirements will push more activities into non-bank financial institutions—such as finance companies and hedge funds—that have less regulation than banks. In other words, increased equity has reduced risk in regulated banks, but might be adding risk to less regulated areas in the fast lane. Others argue that the cost of increased capital requirements for banks could have a negative impact on lending.*

*Dodd-Frank required regulators to increase capital for banks, and the current rules are based on the Basel III accords—voluntary global standards put forth by the Basel Committee on Bank Supervision, a body of regulators from a wide variety of nations.

2. Bank Liquidity: Shock Absorbers for Banks

There are times when any business needs to get cash–fast! That is doubly true for banks. This is where "liquidity" comes

into play. Liquidity is the ability to immediately sell assets to acquire cash without having to accept a meaningfully lower price. A Treasury bond is liquid; a Matisse is not.

In 2008, banks had a large amount of assets that could not be converted to cash on a moment's notice (like loans and complicated bonds). When banks needed to find cash as the financial crisis kicked into high gear, these assets were either impossible to sell or could only be sold at fire-sale prices—i.e. prices that are significantly lower because the owner is forced to sell in times of serious market stress. This put bank solvency into question.

Dodd-Frank now requires banks to hold a larger portion of higher quality liquid assets than before in order to prevent banks from becoming insolvent.* This means they will have to hold more safe assets like Treasury bonds—the most liquid asset in the world. Conversely, banks will now have to hold fewer assets that are harder to sell—those whose price is less certain and predictable. Liquidity acts as a shock absorber, and requiring banks to keep more liquid assets strengthens their ability to raise cash rapidly and survive times of market stress.

The Critics - Not Enough: *Some say these pools of liquid assets may not be adequate in a severe financial crisis. In addition, the financial crisis revealed that even assets that are considered super-safe may turn out to be less so. Mortgaged-backed securities (MBS) and bonds issued by European governments are two examples of assets rated AAA before the crisis that turned out to be more risky than previously thought. And if these assets are held by highly leveraged institutions, even a small movement in price could still cause damage.*

The Critics - Too Much: *Like bank equity, some believe that new liquidity requirements for banks will shift activity to less regulated parts of the banking system making the financial markets less safe as a whole.*

*Dodd-Frank required regulators to increase liquidity for banks, and the current rules are based on the Basel III accords—voluntary global standards put forth by the Basel Committee on Bank Supervision, a body of regulators from a wide variety of nations.

3. Bank Stress Tests: Crash Test Dummies for Banks

If the economy crashes in the future, will our banks survive or will they require another bailout? Dodd-Frank mandates a yearly check-up for banks—a stress test in which the Fed simulates an economic crash as severe as 2008 and tests to see if the major banks can take the beating and still walk away without needing government support.

What if GDP, housing prices, and the stock market all take a dive? What if unemployment, corporate borrowing costs, and market volatility spiked at the same time? Regulators tested the largest 30 banks this year under different adverse scenarios and examined their balance sheets at the end. These tests are tough enough that five of the biggest banks failed in 2014. [5] When banks don't perform up to standards, regulators can force them to strengthen their balance sheets.

The Critics – Not Enough: *Some warn that banks will learn how to "game" stress tests, adjusting their balance sheets to pass the test without meaningfully reducing overall riskiness. Regulators rely on banks to give them accurate information about their business, and there is fear that banks won't disclose relevant data to ensure bank safety.*

The Critics – Too Much: *Given the rules and regulations banks must already comply with, some argue that stress tests are another compliance mandate that are a burden and costly for banks.*

4. The Volcker Rule: Barring Side Bets at Banks

Before Dodd-Frank, banks were allowed to make short-term speculative bets for their own profit. But unlike hedge funds that make speculative bets with the money of wealthy investors, banks have insured deposits from millions of Americans, as well as access to public safety nets—such as deposit insurance from the FDIC and loans from the Federal Reserve. These measures are in place to ensure that banks can

provide essential services that support the economy—not to provide a backstop for banks to gamble with their own funds.

The Volcker rule prevents banks with insured deposits and access to the safety net from making speculative bets, including banning them from having their own internal hedge funds or private equity funds. They also have to sharply curtail any investments they make in these types of institutions. Dodd-Frank aims to return banks to their core functions of lending, raising capital, and serving clients.

The Critics - Not Enough: *Some supporters of Dodd-Frank wanted the Volcker Rule to go even further than it did by re-instating "Glass-Steagall" from the 1933 Act, a law that separated FDIC-insured commercial banks and investment banks until 1999.*

The Critics - Too Much: *Some worry that this rule will hurt market liquidity—i.e. make it harder for investors to buy and sell stocks and bonds. While banks bought stocks and bonds for their own profit pre-crisis, they also bought stocks and bonds to provide liquidity to clients. This activity is called market making. Market making activities are exempt from Dodd-Frank's ban on proprietary trades, but it's hard to tell the difference between proprietary trades and market making. Banks have scaled back market making activities. If this continues, it would be more expensive for investors to trade stocks and bonds, taking money out of their pockets, these critics argue.*

5. Resolution Authority: Death Panels For Banks

Should a large bank fail, will it drag down other financial institutions? Pre-Dodd-Frank we had no system to prevent a large bank failure from causing significant damage. As we saw with the failure of Lehman Brothers, unprecedented and ad hoc emergency measures had to be taken to prevent an unravelling of the economy—and even with those measures in place, we had the worst recession since the Great Depression.

Dodd-Frank created a resolution authority for large and interconnected banks that pose a risk to the financial system.

These institutions—known as systemically important financial institutions, or SIFIs—can be put into an FDIC-style receivership program designed to unwind them in an orderly way. A financial institution doesn't have to be insolvent to go through this resolution process—just in danger of failing—allowing regulators extra time to deal with a distressed bank. Creditors and shareholders of a bank will take losses; taxpayer funds can't be used to resolve a troubled bank.

Dodd-Frank also requires banks to produce a living will to help regulators understand their structure and contractual obligations, allowing them to unwind these institutions when they get into trouble. Regulators can force banks to simplify their structures and operations to ensure they won't pose significant problems during the resolution process. This is a huge and complicated undertaking for regulators and vigilance will be needed to ensure that end-of-life plans are adequate and truly unwind major financial institutions safely.

The Critics - Not Enough: *Some fear these large interconnected banks are still too complex to be resolved in an orderly way. They typically have operations in more than a hundred different countries with even more than one thousand legal subsidiaries. Without getting cooperation from all of these countries or drastically simplifying the structure of big banks, some argue it's hard to see how they can be resolved practically despite the best intentions.*

The Critics - Too Much: *Some argue that forcing SIFIs, including bank holding companies with more than $50 billion in assets and other non-banks, to go through the process of drafting and completing living wills is too cumbersome and costly given the uncertainty of whether or not it will improve the stability of the financial system.*

6. Financial Stability Oversight Council (FSOC): Highway Patrol for Wall Street

Before Dodd-Frank, banking regulation was siloed. The SEC looked at stocks; CFTC followed commodities; the OCC and

the Fed worried about large banks. It was no one's job to connect the dots or to look out for the safety of the financial system as a whole. Dangerous risks built up in our financial system in the run-up to the financial crisis, but they went largely unnoticed—in part because of our fractured regulatory system.

Dodd-Frank creates the Financial Stability Oversight Council (FSOC), a single watchdog whose sole purpose it to look out for risks throughout the financial system. FSOC brings regulators together so they can discuss issues in their jurisdiction, look for interconnections that can cause systemic harm, and take action before it's too late. Regulators now have a forum to examine the big picture. In addition, the Office of Financial Research (OFR) assists FSOC by providing the data and analysis regulators need to see risks building up in the financial system.

The Critics - Not Enough: *While FSOC is an improvement, critics point out that our financial regulatory structure remains fragmented, with only the Office of Thrift Supervision (OTS) eliminated from the alphabet soup of regulatory bodies that existed pre-Dodd-Frank.*

The Critics - Too Much: *Other critics are concerned that the process by which FSOC identifies non-bank financial institutions that pose significant risk to the financial system—known as SIFIs or systemically important financial institutions—is arbitrary and opaque.*

7. Swap Margin: Down Payments on Derivatives

Margin is a down payment deposited to absorb future trading losses—if losses should occur. There are margin requirements in many securities markets, including the stock market. But before Dodd-Frank, there were no margin requirements in the risky swaps market (a swap is a type of derivative). And large banks had 1000s of swap trades with myriad counterparties—other banks, pension funds, and hedge funds. If one of a bank's major swap-trading partners

defaulted, and the bank held no margin, it could suffer a massive loss.

Dodd-Frank requires margin to be in place to cover losses on each of these swap trades. This means swaps market participants are more protected if one (or many) of their counterparties defaults.

In addition, most commonly traded swaps must be submitted to a clearinghouse—a third party responsible for holding the required margin. Swap trading partners will deposit margin with clearinghouses when they enter into a swap trade. Clearinghouses are tasked with enforcing margin requirements by identifying losses and demanding the prompt delivery of any additional required margin collateral if losses should occur. This increases the safety of the swaps market and reduces the chance of a systemic event caused by a wave of swaps losses. Central clearing eliminates the chains of default that can spiral through the economy, and is one of the most important Dodd-Frank reforms.

The Critics - Not Enough: *While most swaps are required to be submitted to a clearinghouse, there are exemptions for swaps involving nonfinancial businesses—so called "end users." This means the benefits of central clearing will not affect all swaps market participants, leaving a gap in the regulatory framework.*

The Critics - Too Much: *There is some concern that the risk of counterparty default has been moved from financial institutions to clearinghouses. Critics point out that clearinghouses are too-big-to-fail, and that the Federal Reserve and taxpayers could be on the hook to bail out a clearinghouse should it run into trouble.*

8. Swap Execution Facilities (SEF): An Open Book on Swaps

Pre-Dodd-Frank, swaps did not trade on transparent, open exchanges with tickers similar to the one you see on the NYSE. Swap deals were done privately or “over-the-counter” meaning deals were struck via the telephone or instant message. Swap bids (the price traders would pay for a swap)

and offers (the price at which traders would sell a swap) were not displayed publicly for others in the market to see.

Dodd-Frank ends most closed-book swaps trades and creates a new type of transparent trading platform known as a swap execution facility (SEF). A SEF is similar to a stock exchange. Multiple market participants are now able to execute a swaps trade based on visible, competing bids and offers on a SEF. This makes the market more transparent and competitive than trading over the telephone—where only two traders negotiate in private without having access to competing bids and offers from other market participants.

The Critics - Not Enough: *There are critics who are concerned that there is still a lack of adequate transparency due to the way the swaps business is currently conducted.*

The Critics - Too Much: *For a swap to be executed on a SEF, it has to be standardized. However, many companies want to customize their swaps to more tightly fit their particular hedging needs (e.g. Dunkin Donuts and the price of sugar in 2016). Critics argue that requiring a business like Dunkin Donuts to standardize its swaps is unnecessary and burdensome.*

9. Swap Data Repositories (SDRs): Leaving a Permanent Record

Before Dodd-Frank, regulators did not have the tools to gauge the size or riskiness of the swaps market. What types of products were being traded? Who were the biggest participants? And how large were their swaps exposures to each other?

To allow regulators and market participants to have a comprehensive understanding of the market, Dodd-Frank creates swap data warehouses, known as a Swap Data Repositories (SDRs). The law requires every trade—cleared or un-cleared—to be reported to a data repository. There are no exceptions to this rule. The type of swap, the price, the size of the trade, the time of the trade, and the maturity of the trade along with other key trade details must be reported. [6] This

information is aggregated in the SDR and becomes public market information.

In addition to public information, SDRs collect non-public information such as the identities of a trade's counterparties, any upfront payments associated with the swap, and a description of the valuation method the counterparties have agreed to use to price the swap.[7] This information—which regulators did not have access to as the crisis unfolded—will allow regulators to spot potentially destabilizing buildups of systemic risk within the swaps market.

The Critics - Not Enough: *Some argue that SDRs will only be helpful if regulators get the resources to properly evaluate these swaps records.*

The Critics - Too Much: *Others believe that the data will be too voluminous to be useful in identifying risks in the financial system.*

10. Qualified Mortgage (QM) Rule: A New Mortgage Gold Standard

The housing bubble was inflated by poorly underwritten loans, risky consumer decisions, and outright mortgage fraud. In the wake of the crisis, the mortgage market needed a new, clear standard that would increase the quality of individual mortgage loans.

Dodd-Frank creates a new mortgage gold standard, the "Qualified Mortgage" (QM). The QM standard creates guidelines for lenders to follow in order to make gold-quality loans. The lender must verify a potential homebuyer's employment and income in order to ensure they can actually afford their mortgage. And to be specifically considered a QM, the borrower may not have a debt-to-income ratio greater than 43%. In addition, risky interest-only loans, negative amortization loans, and loans with balloon payments are not considered QM.

To create a strong incentive for lenders to offer such high-quality loans, a lender that makes a QM loan is protected

from a future lawsuit filed by a borrower who claims that they were sold a loan they couldn't afford. Similarly, borrowers who receive QM loans are assured they haven't been sold an overly risky, unaffordable mortgage.

The Critics – Not Enough: *Some contend the QM standard is too narrow and should include down payment requirements as high as 20%. Others argue mortgage lenders should not have such strong liability protections.*

The Critics – Too Much: *While the revised final rule is less restrictive than originally proposed, many critics believe that incentivizing mortgage lenders to issue qualified mortgages will make it harder for consumers to obtain a mortgage. Others argue that the elephant in the room hasn't been addressed—the status of Fannie Mae and Freddie Mac. These two Government Sponsored Enterprise (GSE) behemoths are the dominant players in the housing market, and until their status is resolved critics argue reforms will remain incomplete.*

11. Qualified Residential Mortgage (QRM) Rule: Putting Skin in the Game

The securitization market played a major role in inflating the housing bubble. Loan originators could make a loan, collect fees, and sell the loan off to a securitizer who would package and sell a mortgage-backed security (MBS). Neither the originators nor the securitizers were required to share in any of the losses if, and when, the mortgages in the mortgage-backed securities defaulted. They had no "skin in the game."

Dodd-Frank blows up this "originate-to-distribute" model by realigning and strengthening the structure of the mortgage-backed security market. Dodd-Frank requires securitizers to retain a 5% portion of the mortgage-backed securities credit risk—or default risk—for certain mortgage securities made up of lower-quality mortgages.

If a mortgage-backed security is populated with high-quality qualified mortgage (QM) loans, the securitizer is exempt from the requirement to retain 5% of the securities risk. But

if the security's quality does not meet the QRM quality standard, the securitizer must put up 5% of the securities value as a reserve for future losses. This means securitizers will share in the losses (with investors) if the securities' underlying mortgages default.

The Critics - Not Enough: *Some critics are concerned that there are too many skin-in-the-game exemptions. Because a wide range of mortgages would not require banks to have skin in the game, there is still a significant risk that banks will be held harmless for underwriting bad loans.*

The Critics - Too Much: *Some say a by-product will be that non-QM loans will make mortgages more expensive for consumers. Many borrowers will be capable of paying off a mortgage, but won't meet the standards for a QM. They worry that extra costs associated with skin-in-the-game requirements for non-QM loans could make these loans unaffordable to prospective buyers, unnecessarily restricting mortgage credit.*

12. Consumer Financial Protection Bureau (CFPB): A Cop on the Consumer Beat

Prior to Dodd-Frank, an ineffective patchwork strategy of consumer protection existed for mortgages and other consumer financial products. Consumer protection law enforcement was in the hands of multiple regulators. A bank's primary regulator would examine the bank for safety and soundness *and* would also be responsible for enforcing consumer protection laws. This presented a conflict and led to inconsistent (or non-existent) enforcement of consumer protection laws.

The conflict was due to the fact that safety and soundness examinations focus on a bank's profitability and the likelihood that the bank will fail. But consumer protection laws have a completely different focus. For example, to be in compliance with the Truth in Lending Act, a consumer protection law, a lender needs to properly disclose loan terms to a borrower.

To enhance and simplify consumer protection, Dodd-Frank consolidates enforcement laws into a single point of authority wholly focused on protecting consumers—the CFPB. And the CFPB is not just about protecting consumers in the mortgage, credit card, and bank-lending markets. Dodd-Frank gives the CFPB the ability to enforce consumer protection laws in the non-bank consumer lending markets. Pay day lenders, student loan lenders, and many debt collectors will come under the watchful eye of the CFPB.

The Critics - Not Enough: *Some critics worry that the CFPB deserves more resources and needs greater authority to do the job of protecting consumers properly.*

The Critics - Too Much: *Others worry that the CFPB has unprecedented power and believe its structure makes it unconstitutional.*

13. Whistleblower Protections: New Incentives to Sound the Alarm

Under Dodd-Frank, whistleblowers get both greater protections and greater rewards. To begin with, it sets new thresholds for rewards when information leads to an "enforcement action"—essentially, that the offending organization is ordered to pay a fine for a misdeed. What makes this section of the law unique is that whistleblowers are entitled to receive 10%-30% of the fine. Penalties must total $1 million to qualify, meaning that the minimum award for a whistleblower starts at $100,000—twice the size of the previous minimum and increasing the odds of blockbuster civil rulings. In September 2014, the SEC gave out its largest award thus far, $30 million, to an anonymous informant. [8] (Some larger settlements have been given out through the Federal False Claims Act, separate from Dodd-Frank legislation.)

Furthermore, Dodd-Frank broadened the definition of which employees qualify for whistleblower status. It also makes it easier for them to pursue legal action in response to retaliation or intimidation from employers, such as a

demotion, firing, or harassment. Informants' identities are protected by the SEC's Office of the Whistleblower, which was established to facilitate whistleblower reports and rewards.

Although the number of whistleblower reports increased 10% from 2013 to 2014, yielding a total of 3,620 last year, only 14 individuals were ultimately rewarded in the last SEC fiscal year. [9]

Ultimately, the whistleblower protections are designed to deter companies from engaging in illegal behavior and reward individuals who put themselves at risk when reporting wrongdoing. Before, awards were only available for reporting insider trading; now, all types of violations under the jurisdiction of the SEC count.

The Critics - Not Enough: *The whistleblower provisions cannot be retroactively applied, so they have not led to any legal action related to the 2008 financial crisis.*

The Critics - Too Much: *The dramatic increase in the size of rewards could lead to false or inflated whistleblower claims, and corporations are concerned about the potential cost of associated litigation.*

14. Say on Pay: Addressing Executive Compensation

Dodd-Frank's Say on Pay provisions instituted three changes regarding executive compensation at publicly traded companies: 1) Shareholders get to vote on the pay packages of executives; 2) the directors who set executive pay must be company outsiders; and 3) the company's annual report will soon disclose the CEO's salary in relation to the median salary of company employees.

In the investment community, spring is known as proxy season—the time when companies host their annual meetings, giving shareholders an opportunity to directly address management on a whole host of issues, such as the company's strategy and nominees for the board of directors, as well as salary and bonuses for corporate officers like the

CEO, CFO, and COO. Prior to Dodd-Frank, shareholders could submit alternative compensation proposals, but they did not have the opportunity to directly vote yea-or-nay on the company's proposal.

With the new Say on Pay rule, shareholder gatherings have taken a new turn. For example, the shareholders of Chesapeake Energy overwhelmingly rejected then-CEO Aubrey McClendon's $16.5 million pay package at the 2012 annual meeting. [10] McClendon was eventually forced out of his leadership role the following year.

In general, however, it has been rare for shareholders to vote against executive compensation proposals. In 2014, only four S&P 500 companies and 2% of the 3000 U.S. public companies tracked by the Russell 3000 index failed to achieve 50% support. [11] Furthermore, Dodd-Frank established Say on Pay as an advisory, or non-binding, vote. Therefore, some executives have still received the pay packages that shareholders voted against.

This could change later this year as the SEC will shortly decide on how companies must disclose CEO salaries in relation to the pay for the median employee in each company. Combined with new requirements that only independent company directors can set compensation for C-suite employees, the hope among Dodd-Frank supporters is that these provisions will either rein in top salaries, raise median salaries, or both.

The Critics – Not Enough: *Ultimately, the executive compensation rules do not force companies to change their practices, as Say on Pay is a non-binding vote and the CEO pay ratio disclosure rule does not require a specific target.*

The Critics – Too Much: *The rule on CEO pay ratio disclosure has been fairly contentious. Its opponents do not believe that the difference between CEO and employee pay is relevant to pay for performance. Additionally, corporations argue that the time and expense of compiling the information needed to calculate this ratio is overly burdensome.*

Conclusion

Will Dodd-Frank work? That is, will it reduce the frequency and severity of future financial panics and keep the financial system humming? Policymakers, economists, academics, and voters may disagree. But knowing the basics on Dodd-Frank lays the groundwork for a more thoughtful and informed discussion about its successes, shortcomings, and for achieving better financial regulation going forward.

TOPICS

FINANCIAL SERVICES 70

END NOTES

1. Ilan Moscovitz, "How to Avoid the Next Lehman Brothers," Blog, The Motley Fool, June 22, 2010. Accessed November 1, 2014. Available at: http://www.fool.com/investing/general/2010/06/22/how-to-avoid-the-next-lehman-brothers.aspx.

2. Peter Eavis, "Banks Ordered to Add Capital to Limit Risks," Deal Book Blog, The New York Times, April 8, 2014. Accessed November 1, 2014. Available at: http://dealbook.nytimes.com/2014/04/08/regulators-set-to-approve-new-capital-rule/?_php=true&_type=blogs&smid=tw-share&_r=1.

3. Jim Brunsden and James Sterngold, "Basel Committee Keeps 2.5% Surcharges for Biggest Banks," Bloomberg, September 28, 2011. Accessed November 1, 2014. Available at: http://www.bloomberg.com/news/2011-09-27/basel-group-said-to-keep-capital-surcharge-plans-forbig-banks.html.

4. James Pethokoukis, "Senators Brown and Vitter offer a smart and simple plan to end Too Big To Fail," AEIdeas Blog, American Enterprise Institute, April 25, 2013. Accessed November 1, 2014. Available at: http://www.aei.org/publication/senators-brown-and-vitter-offer-a-smart-and-simple-plan-to-end-too-big-to-fail/.

5. Michael J. Moore and Elizabeth Dexheimer, "Citigroup Fails Fed Stress Test as BofA Gets Dividend Boost," Bloomberg, March 27, 2014. Accessed November 1, 2014. Available at: http://www.bloomberg.com/news/2014-03-26/citigroup-fails-fed-stress-test-as-goldman-bofamodify-plans.html.

6. *Security-Based Swap Data Repository Registration, Duties, and Core Principles Adopted Pursuant to the Securities Exchange Act of 1934 and the Dodd-Frank Wall Street Reform and Consumer Protection Act*, Release No. 34-63347, File No. S7-35-10 (Nov. 19, 2010), pg. 35. Accessed November 1, 2014, Available at: http://www.sec.gov/rules/proposed/2010/34-63347.pdf.

7. *Security-Based Swap Data Repository Registration, Duties, and Core Principles Adopted Pursuant to the Securities Exchange Act of 1934 and the Dodd-Frank Wall Street Reform and Consumer Protection Act*, Release No. 34-63347, File No. S7-35-10 (Nov. 19, 2010), pg. 51. Accessed November 1, 2014, Available at: http://www.sec.gov/rules/proposed/2010/34-63347.pdf.

8. United States, Securities and Exchange Commission, "SEC Announces Largest-Ever Whistleblower Award," Press Release, September 22, 2014. Accessed January 8, 2015. Available at: http://www.sec.gov/News/PressRelease/Detail/PressRelease/1370543011290#.VK7xqivF-a0.

9. Peter J. Henning, "Tattletales Embraced as Whistle-Blower Programs Gain Support," New York Times, December 1, 2014. Accessed January 8, 2015. Available at: http://dealbook.nytimes.com/2014/12/01/tattletales-embraced-as-whistle-blower-programs-gain-support/.

10. Anna Driver and Matt Daily, "Fireworks expected at Chesapeake annual meeting," Reuters, June 7, 2012. Accessed January 10, 2015. Available at: http://www.reuters.com/article/2012/06/07/us-chesapeake-meeting-idUSBRE8561FB20120607.

11. "U.S. Executive Pay Advisory Votes: 2014 Proxy Season Review for the Russell 3000," Towers Watson, July 17, 2014. Accessed January 9, 2015. Available at: http://www.towerswatson.com/en-US/Insights/Newsletters/Global/executive-pay-matters/2014/2014-Proxy-Season-Review-Good-Marks-for-Most-US-Companies-but-No-Room-for-Complacency.