

# The Road to Recovery: Dodd-Frank, 5 Years Later



**Emily Liner**  
Former Senior Policy  
Advisor, Economic  
Program



**Yana Kaplun**



**Clare Bain**  
Multimedia Designer

# THE ROAD TO RECOVERY: DODD-FRANK, 5 YEARS LATER

On July 21, 2010, the President signed the *Dodd-Frank Wall Street Reform and Consumer Protection Act* into law. Its reforms have introduced much-needed safety and accountability measures to strengthen the financial sector, putting our economy back on track.



## THE DAMAGE THAT WAS DONE

During the largest financial crisis since the Great Depression, **the global economy lost \$15T**—including as much as **\$2T in the U.S. mortgage market** alone. The **Dow plummeted over 50%** as the crisis unfolded.

## FOUR DODD-FRANK ACCOMPLISHMENTS

- **Equity is up 140%** at the 31 biggest U.S. banks since 2009.
- Firms that securitize mortgages have more **skin in the game** because they must hold on to a portion of the loan's risk.
- **All swap trades must be reported** in real time to Swap Data Repositories.
- **Over 10,000 whistleblower reports** have been sent to the SEC since 2011.



## BEEFING UP ENFORCEMENT

The "spoofing" ban in Dodd-Frank helped the CFTC initiate charges against the alleged perpetrator of the 2010 Flash Crash.

## STICKING POINTS

Despite Dodd-Frank's considerable successes, concerns remain. Dodd-Frank did not address the need for **GSE reform**, which is widely seen as the last big piece in the recovery puzzle. Meanwhile, lawmakers are discussing **regulatory relief** for small banks. Some worry, however, that this cannot be accomplished without broader rollbacks of Dodd-Frank.

## WHAT'S NEXT?

- Fully implementing the **Volcker rule** so losses on swaps aren't billed to taxpayers.
- Finalizing the CFTC **swap margin rule** requiring down payments on trades.
- Completing the SEC's rule that will publish **CEO-to-worker pay ratios** in annual reports.
- Tailoring rules for **nonbank SIFs** that reflect their business models.



## THE STATE OF THE ECONOMY

Overall, the markets are showing signs of recovery. **The Dow has more than bounced back**, and market watchers are attuned to signs of potential bubbles. Meanwhile, **consumer confidence has climbed** to pre-recession levels.



© 2015 Third Way. Free for re-use with attribution/link.  
Concept by Emily Liner and Yana Kaplun. Infographic by Clare Jackson.



## Sources

Mark Adelson, "Deeper Causes of the Financial Crisis—Mortgages Alone Cannot Explain It," *The Journal of Portfolio Management*, Spring 2013, pp. 16–31. Accessed July 13, 2015. Available at: <http://www.markadelson.com/publications.html>.

Matthew Leising, "Market Cops Got Power to Pursue Spoofers After Years of Failure," *Bloomberg*, May 14, 2015. Accessed July 13, 2015. Available at: <http://www.bloomberg.com/news/articles/2015-05-14/market-cops-got-power-to-pursue-spoofers-after-years-of-failure>.

United States, Board of Governors of the Federal Reserve System, "Federal Reserve releases results of Comprehensive Capital Analysis and Review (CCAR)," Press Release, March 11, 2015. Accessed July 13, 2015. Available at: <http://www.federalreserve.gov/newsevents/press/bcreg/20150311a.htm>.

United States, Securities and Exchange Commission, Office of the Whistleblower, "2014 Annual Report on the Dodd-Frank Whistleblower Program," November 17, 2014. Accessed July 13, 2015. Available at: <https://www.sec.gov/about/offices/owb/owb-resources.shtml>.

Federal Reserve Bank of St. Louis, "Dow Jones Industrial Average." Accessed July 13, 2015. Available at: <https://research.stlouisfed.org/fred2/series/DJIA>.

University of Michigan, "Index of Consumer Sentiment." Accessed July 13, 2015. Available at: <http://www.sca.isr.umich.edu/charts.html>.

Kevin Cirilli and Cristina Marcos, "House passes Dodd-Frank changes," *The Hill*, January 14, 2015. Accessed July 13, 2015. Available at: <http://thehill.com/blogs/floor-action/house/229482-house-passes-dodd-frank-changes>.

United States, Commodity Futures Trading Commission, "Proposed Rules Regarding Margin for Uncleared Swaps." Accessed July 13, 2015. Available at: [http://www.cftc.gov/LawRegulation/DoddFrankAct/Rulemakings/DF\\_5\\_CapMargin/index.htm](http://www.cftc.gov/LawRegulation/DoddFrankAct/Rulemakings/DF_5_CapMargin/index.htm).

Ed Zwirn, "Dodd-Frank's Next Act: Executive Pay," *CFO.com*, June 23, 2015. Accessed July 13, 2015. Available at: <http://ww2.cfo.com/regulation/2015/06/dodd-franks-next-act-executive-pay-compensation-disclosure/>.