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US Financial Market Reform: The Economics of the Dodd-Frank Act

The US government has finalized its regulatory response to the financial crisis. The so-called Dodd-Frank Wall Street Reform and Consumer Protection Act was passed by Congress on July 15, 2010, and subsequently signed into law by the president on July 21. The Act is considered to be the most comprehensive financial market reform in the US since the 1930s and is relevant not just for the US, as it will, no doubt, shape the thinking on financial market reform beyond the country's borders.

But the regulatory crisis response is far from over. The Act specifies 243 pieces of mandated rulemaking by means of which the law will need to be implemented by US regulatory and supervisory authorities in the coming months and years. At the same time, international discussions on regulatory reform continue, most importantly in terms of the broad strategic approach at the G20 level, but also on specific issues such as capital requirements in the Basel Committee, on reporting standards in the context of the International Accounting Standards Board (IASB), or on rules for securities markets at the International Organization of Securities Commissions (IOSCO). Finally, revisions of the Act are already being discussed in Washington.

Three major questions arise:

- What will be the impact of the Dodd-Frank Act on financial markets in the US and beyond?

- How does US legislation compare with the measures taken in the EU?

- How does the Act relate to ongoing policy debates at the international level?

A recent Deutsche Bank Research report reviews the contents of the Act and addresses these questions.