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Treasury report suggests FSOC, Volcker reforms

The report came in response to a presidential order for review of post-crisis rules changes

By Jason Bisnoff, Monday 10th Jul, 2017 5:11 PM ET

The **United States Department of Treasury** has released the first of four reports to the president in response to executive orders asking it to look into the effects of post-financial crisis financial regulatory reforms. The report calls for deregulatory measures similar to those in the Financial CHOICE Act that passed the House of Representatives, advocating the streamlining of oversight and changes to the Volcker Rule on proprietary trading.

"It was for the most part what folks would have expected coming out of the administration. In many respects it is consistent with the direction that the House was going in with the Financial CHOICE Act and in other respects it didn't go as far," **David Huntington**, partner at **Paul, Weiss, Rifkind, Wharton & Garrison** told *Compliance Reporter*.

"The delta between the CHOICE Act and the Treasury report is notable but not surprising. The Treasury Department went through consultations with other agencies to create this report and though I doubt it represents a unanimous feeling among the agencies, this process is likely one reason the report does not go as far as the House bill," Paul, Weiss, Rifkind, Wharton & Garrison Partner **Roberto Gonzalez** told *Compliance Reporter*.

"One thing that was interesting was how the report treated the FSOC. The administration has talked about scaling back the powers of the FSOC, but in this report it was also treated as a tool to get agencies to work together," Gonzalez said. "While the FSOC has usually been the source of some hostility it is now also being seen as a tool or vehicle for agency coordination and regulatory streamlining."

The report suggested giving FSOC more authority to streamline regulation. It says that FSOC could resolve agency overlap by appointing a chief regulator on specific issues.

The Treasury report's suggestions with respect the Volcker Rule included a recommendation that regulators adopt additional exemptions for firms as well as measures to simplify the rule itself. These suggestions stopped short, however, of the CHOICE Act's proposal of a full repeal.

The report also echoed the CHOICE Act's call for changes to the structure of **Consumer Financial Protection Bureau**, recommending that it be headed by either a multi-member commission or a director who can be removed by the president. The Treasury Department also suggested funding the CFPB through appropriations and requiring **Office of Management and Budget** sign-off on its budget.

The changes suggested by the report would require either regulatory or legislative action to enact. "It is one thing for the Treasury to make these suggestions but a whole other for the regulatory agencies to decide to adopt them as they act independently from the White House and Administration. President Trump's appointees are filling the leadership ranks of these agencies, but that process is still unfolding," said Gonzalez.