

Treasury's Rules of the Road for Regulatory Reform

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It has been obvious for some time that the outdated US system of financial regulation is badly in need of reform. There have, however, been limited opportunities to unblock the political obstacles to reform, despite valiant attempts by the Paulson Treasury to spur debate with its Blueprint for a Modernized Financial Regulatory Structure and also by many other groups, private, public and academic. The silver lining in the financial crisis may be that at least some elements of reform can now be achieved. Secretary Geithner's carefully calibrated announcements last week—timed to become public just in advance of the G-20 meetings scheduled in London this week—are an attempt to stage regulatory reform in such a way that those elements where there is the deepest consensus are treated first before more divisive proposals. The need for increased systemic risk regulation and the need for resolution authority for a wide range of systemically important financial institutions are among those priority proposals.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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