

To: Fast Facts List

On June 7, 2011, Federal Reserve Chairman Ben Bernanke was asked if anyone had studied the cumulative effect of new rules. He responded, “I can’t pretend that anybody really has. You know, it’s just too complicated.”

The safety and soundness of our financial system undoubtedly has improved as the result of recent changes made by Congress, supervisors, and financial institutions themselves. In particular, risk has been reduced, capital and liquidity have improved, and failed firms can be resolved without imposing loss on taxpayers. These are positive developments for the U.S. and the future of financial services.

However, as hundreds of new rules are written – both here and abroad – it is critically important for the sake of our economy, consumers, and the competitiveness of the financial services industry that the cumulative weight of new rules is understood.

The Roundtable has collected [over 65 independent reports, testimonies, speeches, and statements](#) about the cumulative weight of new rules. Over the next four weeks, we will send out weekly notices about themes that emerge from this research.

If you have questions or comments, please don’t hesitate to contact Abby McCloskey, Director of Research, at abby@fsround.org.

Special Edition Fast Facts - Week 3 of 4

Cumulative Weight: GLOBAL COMPETITIVENESS

Many studies claim that the cumulative weight of new rules will impact the ability of American companies to be internationally competitive. Quantitative estimates include:

- **No other industrialized countries plan to enact provisions that parallel the U.S. restrictions;**
 - **U.S. banks represent 24% of the market share of the 50 largest global banks, down from over 50% only eight years ago;**
 - **Chinese banks represent 22% of the global market share;**
 - **Transaction volume in London already exceeds that in New York; and**
 - **Emphasis on nonbanks could alter the competitive landscape for U.S. nonbank financial firms relative to their foreign counterparts.**
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- “There are large and growing differences in the pace and scope of regulatory reform efforts in the U.S. [and] they put U.S. financial markets at a disadvantage by driving up costs and reducing liquidity. And they do so without demonstrating any clear benefit to equal or outweigh the considerable costs they impose.” *Stephen*

O'Connor, Managing Director, Morgan Stanley, [Testimony at the House Financial Services Hearing: "Financial Regulatory Reform: The International Context."](#) June 2011

- "...No other industrialized countries in Europe or around the world plan to enact provisions that parallel the U.S. restrictions. The foreign regulators we spoke with indicated that if the U.S. restrictions were implemented in a way that restricts the ability of U.S. banking entities to serve their clients through market-making, underwriting, or in other ways, that U.S. banking entities could lose business to their competitors in Europe and elsewhere." ***Government Accountability Office, [GAO Study: Regulators Will Need More Comprehensive Information to Fully Monitor Compliance with New Restrictions When Implemented.](#) July 2011***
- "First, if capital and liquidity standards are set too high, we may unnecessarily restrict financial intermediation and economic performance. Second, if some countries do not adopt the same high standards and enforce them with the same rigor, we could wind up with an unlevel playing field that gives an advantage to firms in countries with less stringent standards." ***Mr. John Walsh, Acting Comptroller of the Currency, [Testimony at the House Financial Services Hearing: "Financial Regulatory Reform: The International Context."](#) June 2011***
- "The differences between <G20 commitments and the Dodd-Frank Act> in their emphasis on nonbanks could alter the competitive landscape for U.S. nonbank financial firms relative to their foreign counterparts." ***Federal Reserve Board, [U.S. Domestic and International Financial Reform Policy: Are G20 Commitments and the Dodd-Frank Act in Sync?](#) July 2011.***
- "A number of non-U.S. regulators have asserted that there are no G-SIFIs in their home country jurisdictions, thus protecting their domestic insurers from heightened regulation." ***Gary Hughes, Executive Vice President & General Counsel of American Council of Life Insurers. [Testimony at House Financial Services Subcommittee Hearing, "Insurance Oversight: Policy Implications for U.S. Consumers, Businesses, and Jobs."](#) July 28, 2011.***
- "This poses the risk that European Union systems will be applied to US insurers when those systems have been developed for different markets and corporate structures that are less conducive to economic growth than the US structure....The conflict could result in the addition of new layers of duplicative and inefficient regulation for US insurers..." ***Andrew Furgatch, Chairman of the Board, Magna Carta Insurance Companies. [Testimony at House Financial Services Subcommittee Hearing, "Insurance Oversight: Policy Implications for U.S. Consumers, Businesses, and Jobs."](#) July 28, 2011.***
- "The new regulatory environment has the potential to hasten rather than reverse the long-term competitive decline of the U.S. financial services sector, vis-à-vis our

international competitors.....None of the world's five largest banks is a U.S. bank. U.S. banks represent 24 percent of the market share of the 50 largest global banks, down from over 50 percent only eight years ago; Chinese banks now hold 22 percent. These trends are likely to continue as emerging markets continue to expand." **Mr. Barry L. Zubrow, Executive Vice President and Chief Risk Officer, JPMorgan Chase & Co.**, [Testimony at the House Financial Services Hearing: "Financial Regulatory Reform: The International Context."](#) June 2011

- We note that transaction volume in London already exceeds that in New York. We also note that the five largest US-based dealers reported a notional amount outstanding equal to only 37% of the total notional amount for interest rate, credit, and equity derivatives globally." **Stephen O'Connor, Managing Director, Morgan Stanley**, [Testimony at the House Financial Services Hearing: "Financial Regulatory Reform: The International Context."](#) June 2011
- "If bank profits drop at home because of the Volcker rule, U.S. banks may move their proprietary trading activities to their foreign operations. This transfer could have a negative impact on U.S. trade in financial services." **Congressional Research Service**, [The Status of the Basel III Capital Adequacy Accord. October 28, 2010](#)
- "The perceived unfairness and unpredictability of the U.S. legal system have driven companies away from our public exchanges; 46% of executives surveyed believed the U.K. had more predictable legal outcomes compared with 16% for the U.S." **Harvard Business Law**, [In Dodd-Frank's Shadow: The Declining Competitiveness of U.S. Public Equity Markets. March 2011](#)
- "It will likely be late 2012 or 2013 before the E.U. completes its rules. If trading in the U.S. is more expensive, even for a year, participants may shift trading abroad in order to incur lower costs, and once trading has moved abroad it will be difficult to get back." **Professor Hal S. Scott, Director of the Committee on Capital Markets Regulation, Nomura Professor and Director of the Program on International Financial Systems at Harvard Law School**, [Testimony at the House Financial Services Hearing: "Financial Regulatory Reform: The International Context."](#) June 2011