



FOR IMMEDIATE RELEASE
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Rules Present a Grave Threat to the Economy

WASHINGTON, DC –October 3, 2011—Three recent reports present the sobering reality that our economy, credit, and international competitiveness could be compromised as a result of the Dodd-Frank Act and Basel III.

This is consistent with the conclusions of nearly 100 other reports and studies the Roundtable has compiled that analyze the economic impact of regulatory changes.

The financial crisis demonstrated the need for regulatory reform, but reform should be implemented in a way that does not inhibit economic growth, job creation, and American businesses.

The three reports released in September 2011 are as follows:

Institute for International Finance: This report updates IIF's 2010 assessment of the cumulative impact of the Dodd-Frank Act and Basel III on economic activity.

As a direct result of regulatory changes, by 2015:

- Real U.S. GDP is projected to be 2.7% lower than it would otherwise be, (or 5.2% lower if reform is implemented rapidly.)
- 2.9 million jobs are projected to be lost in the U.S., (or 5.8 million jobs if reform is implemented rapidly).
- Real lending rates in the U.S. are projected to increase by 468 basis points, (or 701 basis points if reform is implemented rapidly), exponentially increasing the cost of education loans, home loans, commercial loans, etc.

[The Cumulative Impact on the Global Economy of Changes in the Financial Regulatory Framework, September 2011.](#)

McKinsey & Company: This report argues that new rules place U.S. financial institutions at a competitive disadvantage.

- There is a widening gap between growing and non growing markets. For example, Asian banks are likely to achieve annual revenue growth of around 10% over the next decade – double the rate of developed markets.
- Increasing regulation is the single largest factor of post-crisis bank profitability (or lack thereof) in the U.S. and Europe.
- U.S. banks will need to triple their net profits by 2015 to cover the cost of raising the capital required under Basel III and the Dodd-Frank Act.
- This is double the profit level that McKinsey forecasts U.S. banks are likely to achieve during this period.

[The State of Global Banking – In Search of a Sustainable Model, September 2011.](#)

The ClearingHouse: This report shows that new capital rules will have a negative impact on credit.

- Relative to pre-crisis levels, banks would have to raise an additional 100% more capital (\$525 billion) to meet Basel III's capital requirements.
- If the G-SIB surcharge is imposed, banks will need to raise an additional 66% more capital (\$500 billion) on top of that.
- To meet these capital requirements, U.S. banks would have to either increase the borrowing costs to their customers by 60 basis points or reduce non-interest expenses by 19%.

[How Much Capital Is Enough? Capital Levels and G-SIB Capital Surcharges, September 26, 2011](#)

The Financial Services Roundtable continues to collect independent reports, testimonies, speeches, and statements that provide a window into the potential weight of these new rules. The cumulative weight database can be accessed [here](#); the supporting white paper can be accessed [here](#).

The Financial Services Roundtable represents 100 of the largest integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate

through the Chief Executive Officer and other senior executives nominated by the CEO.

Roundtable member companies provide fuel for America's economic engine, accounting directly for \$92.7 trillion in managed assets, \$1.2 trillion in revenue, and 2.3 million jobs.

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