Press Release

For Immediate Release: December 11, 2009

House Approves Historic New Rules to Govern America's Financial System

Washington, DC - Today, the House of Representatives approved sweeping new legislation to modernize America's financial rules in response to the worst economic crisis since the Great Depression. The Wall Street Reform and Consumer Protection Act (H.R. 4173), which passed by a vote of 223-202, includes a comprehensive set of reforms that will address the myriad causes – from predatory lending to unregulated derivatives – that led to last year's meltdown. Once signed into law, these tough new regulations will hold Wall Street accountable, end taxpayer-funded bailouts, and protect Americans from unscrupulous big banks and credit card companies.

The Wall Street Reform and Consumer Protection Act will:

- **Increase Consumer Protections:** Creates the Consumer Financial Protection Agency (CFPA), a new, independent federal agency solely devoted to protecting Americans from unfair and abusive financial products and services.

- **Create a Financial Stability Council:** Creates a council of regulators that will identify financial firms that are so large, interconnected, or risky that their collapse would put the entire financial system at risk. These systemically risky firms will be subject to increased oversight, standards, and regulation.

- **End Taxpayer Bailouts and "Too Big to Fail":** Establishes an orderly process for shutting down large, failing financial institutions like AIG or Lehman Brothers in a way that ends bailouts, protects taxpayers, and prevents contagion to the rest of the financial system.

- **Rein in Executive Compensation:** Gives shareholders a "say on pay" – an advisory vote on pay practices including executive compensation and golden parachutes. It also enables regulators to ban inappropriate or imprudently risky compensation practices, and it requires financial firms to disclose incentive-based compensation structures.

- **Safeguard Investors:** Strengthens the SEC's powers so that it can better protect investors and regulate the nation's securities markets. It responds to the failures to detect the Madoff and Stanford Financial frauds by ordering a study of the entire securities industry that will identify needed reforms and force the SEC and other entities to further improve investor protection.

- **Regulate Derivatives:** Regulates, for the first time ever, the opaque $600 trillion over-the-counter (OTC) derivatives marketplace. Under the bill, all standardized swap transactions between dealers and "major swap participants" would have to be cleared and traded on an exchange or electronic platform. The bill defines a major swap participant as anyone that maintains a substantial net position in swaps, exclusive of hedging for commercial risk, or whose positions create such significant exposure to others that it requires monitoring.

- **Outlaw Predatory Mortgage Lending Practices:** Would incorporate the tough mortgage reform and anti-predatory lending bill the House passed earlier this year. The legislation outlaws many of the egregious industry practices that marked the subprime lending boom, and it would ensure that mortgage lenders make loans that benefit the consumer. It would establish a simple standard for all home loans: institutions must ensure that borrowers can repay the loans they are sold.
- **Require the Registration of Hedge Funds:** Closes a regulatory hole that allows hedge funds and their advisors to escape any and all regulation. This bill requires almost all advisers to private pools of capital to register with the SEC, and they will be subject to systemic risk regulation by the Financial Stability regulator.

For more information about H.R. 4173, click here.

###

House Financial Services Committee
Democratic Staff
2129 Rayburn House Office Building
Ph: (202) 225-4247
Click here to write to your Representative about issues relating to the Financial Services Committee.

Home | Contact Us | Privacy Policy