As prepared for delivery

WASHINGTON - Thank you, Ted, for that kind introduction, and thank you to the Brookings Institution for hosting this program today. Five years ago this month, the President signed Wall Street Reform into law, the most far-reaching financial reforms since the Great Depression, and before David and I begin our conversation, I want to say a few words about why this historic legislation was put in place and what it has meant for our nation.

In 2010, when the Dodd-Frank Wall Street Reform and Consumer Protection Act was passed, we were living in a different time. Back then, our economy was still struggling to recover from the worst recession of our lifetimes. During the darkest moments of that severe recession, our economy was contracting at its fastest rate in 50 years. Unemployment hit 10 percent. Credit markets were frozen. Retirement accounts were wiped out. The American automobile industry nearly collapsed. And millions of families lost their homes.

As soon as he came into office, President Obama moved swiftly to help reignite economic growth, get businesses hiring again, unlock credit, and revitalize the auto industry. Because of his decisive action and the steps taken by Congress and the Federal Reserve, our economy found its footing and started to move in the right direction.

Avoiding a depression and steering our economy out of the recession were essential. But the President also was determined to put our economy on a stronger foundation — and part of doing that was to make sure that a financial crisis like the one that took place in 2008 could never happen again.

So the President worked with Congress to pass Wall Street Reform and accomplish three things — make our financial system more stable, increase transparency across the financial sector, and establish far-reaching protections for consumers, investors, and taxpayers.

Over the past five years, we have made tremendous progress on these three fronts as the provisions of the law have taken effect, and it is clear Wall Street Reform is working. I would like to touch briefly on some of the results we have seen on each.

First, stability.

A safer financial system has made the foundations for economic growth more stable, and now our system is once again channeling the savings of Americans and investors to support growth.

As we learned last week, our economy added 223,000 jobs in June, extending the longest stretch of sustained private sector job growth in our nation’s history. Overall, our economy has added 12.8 million private sector jobs for 64 straight months of job creation, and the unemployment rate is now at 5.3 percent. At the same time, our economy has expanded steadily — households have repaired their balance sheets, the housing market has improved, and we have seen a resurgence in the auto industry. Corporations have accessed capital markets in record amounts to finance investment in our economy, and small business lending has increased.

As the IMF stated in its recent report on the U.S. economy, “the underpinnings for a continued expansion remain in place.”

As the financial system has become more stable, financial institutions have become more stable too.

For one thing, with new capital rules in place, we have seen banks add $600 billion in new capital, which lowers leverage and gives them a more reliable base for their lending. And we have seen banks increase their liquid assets and decrease their reliance on the kinds of unstable funding that nearly toppled our largest, most complex firms during the crisis.

The Volcker Rule, which prohibits risky speculative trading backed by taxpayer-insured deposits, has also led to important rebalancing among financial institutions. Though we saw several years of efforts to repeal or severely weaken the measure, many firms have now adjusted their business models toward lower risk and more customer-oriented activities.

The second area where reform is making a difference is transparency.

Because of Wall Street Reform, firms are required to undergo annual stress tests, large financial institutions provide living wills explaining how they could be resolved if they fail, and regulators can monitor and prevent excessive risk-taking in new and more effective ways.

Look at derivatives markets. During 2008, when Lehman Brothers went under and AIG nearly collapsed, the complex web of bilateral derivatives contracts was a critical driver of the financial meltdown. But there was no statutory authority to set standards for this market.

Wall Street Reform changed that. Thanks to the tireless efforts of the Commodity Futures Trading Commission and the Securities and Exchange Commission to implement new rules, derivatives are now required to be backed by capital and margin. Opaque bilateral trading is being replaced by central clearing and transparent trading. And all trades must be reported.

Wall Street Reform also established the Financial Stability Oversight Council to make sure that regulators were looking at the financial system as a whole and watching out for significant threats to the system. And we have continued to build on that important foundation by increasing the transparency of our designations process and strengthening the Council overall.
The transparency requirements of Wall Street Reform are at work in other ways as well — such as the requirement that hedge funds register and report data to the SEC.

Finally, Wall Street Reform ushered in groundbreaking protections for taxpayers, consumers, and investors.

To keep taxpayers from ever having to step in to save a financial firm again, Wall Street Reform ended “too big to fail” as a matter of law. In addition, regulators now have modern, commonsense tools to protect taxpayers. For example, the FSOC can designate large institutions as “systematically important” and hold them to higher standards. Also, in the event of a crisis or a bankruptcy, regulators can seize large financial institutions and wind them down in an orderly way.

As we know, the financial crisis was not only the result of antiquated oversight and excessive risk-taking on Wall Street, it was also the result of deceptive and harmful practices that took advantage of millions of hard working Americans. Wall Street Reform created the Consumer Financial Protection Bureau, and for the first time ever, consumers of financial products have a federal watchdog looking out for them. In just a few short years, the CFPB has made a noticeable difference for consumers in a range of markets. Students taking out loans to pay for school now have a financial aid shopping sheet that helps them evaluate the costs of college and compare different options. Credit card borrowers can now rely on simpler, easier-to-understand agreements. And mortgage servicers are now required to provide home owners with clear monthly statements, warnings about adjustments in interest rates, and information about modification and foreclosure alternatives.

The CFPB is also holding companies accountable, and when companies fail to fulfill their obligations, the CFPB has seen to it that consumers get their money back. In all, the CFPB has already returned more than $5.3 billion to more than 15 million Americans who have been harmed by violations of consumer protection laws. For example, the Bureau stopped a subprime credit card company from charging some of its customers as much as $50 just to receive paper statements.

Stability; transparency; protections for consumers, investors, and taxpayers — those were the goals of Wall Street Reform when it was signed into law five years ago, and we are meeting those goals today.

But if the crisis has taught us anything, it is that we must remain vigilant.

We cannot predict when the next crisis will be, but based on our experience, we can be certain that we will see financial instability again. We can also be certain that as the memories of the 2008 crisis fade, the temptation to roll back regulations, weaken the rules of the road, and ease up on oversight is bound to increase. We are already hearing those calls today. For example, there have been calls to roll back reforms out of concern that they are adversely affecting liquidity in some markets. Our markets must function well, but our conclusions must be based on rigorous analysis of market dynamics. We should not be lulled into thinking that we can return to the pre-crisis way of doing things, which we learned the hard way, did not serve the American people well during the financial crisis.

It is a mark of progress that we now have to remind ourselves of the lessons we learned. But it would be a grave mistake to assume that banks can self-regulate, that excessive risk-taking is a thing of the past, and that Wall Street cannot harm Main Street.

Instead of slowing down our work, we must sustain and build on the progress we have made. We must fund our regulators so that they can keep pace with changing markets. We must protect the ability of FSOC to ask the hard questions and shine a light on potential risks to the financial system wherever those risks reside. We must finish important rules, like the ones that raise standards on people who provide retirement and investment advice, and the ones that reform compensation practices to align incentives between executives and shareholders, creditors, taxpayers, and customers.

The safer and stronger financial system built by Wall Street Reform is something we can all be proud of. But we must face the tasks ahead with the same sense of urgency we felt five years ago. Because Wall Street Reform is more than a law on the books — it is a commitment. It is a commitment to playing by the rules, to doing what is right, and to making sure our economy works for all Americans.

Thank you.

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