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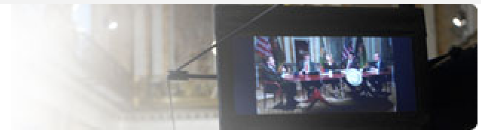

# Treasury Releases Blueprint for Stronger Regulatory Structure

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**Washington- The U.S. Treasury Department today released its Blueprint for an improved financial regulatory structure, one that strengthens consumer protections, improves tools for market stability and enhances financial innovation. Treasury's *Blueprint for a Modernized Financial Regulatory Structure* presents a series of short-, intermediate- and long-term recommendations for reform of the U.S. regulatory structure. The Blueprint, announced in June 2007, is a key part of Treasury Secretary Henry M. Paulson Jr.'s efforts to improve the competitiveness of the U.S. capital markets in the increasingly global marketplace.**

The U.S. Treasury Department today released its Blueprint for an improved financial regulatory structure, one that strengthens consumer protections, improves tools for market stability and enhances financial innovation. Treasury's presents a series of short-, intermediate- and long-term recommendations for reform of the U.S. regulatory structure. The Blueprint, , is a key part of Treasury Secretary Henry M. Paulson Jr.'s efforts to improve the competitiveness of the U.S. capital markets in the increasingly global marketplace.

"We should and can have a structure that is designed for the world we live in, one that is more flexible, one that can better adapt to change, one that will allow us to more effectively deal with inevitable market disruptions and one that will better protect investors and consumers," said Secretary Paulson in remarks at the Treasury Department. "The challenge is to evolve to a more flexible, efficient and effective regulatory framework – and that is the purpose of this Blueprint."

The short-term recommendations include improvements to regulatory coordination and oversight that regulators can make quickly. The Blueprint recommends creating a new federal commission for mortgage origination to protect consumers better. The report also recommends modernizing the President's Working Group on Financial Markets and clarifying the Federal Reserve's liquidity provisioning, as Secretary Paulson discussed last week.

> Intermediate-term recommendations focus on eliminating some of the duplication in our existing regulatory system, but more importantly they offer ways to modernize the regulatory structure for certain financial services sectors, within the current framework. Recommendations include eliminating the thrift charter, creating an optional federal charter for insurance and unifying oversight for futures and securities
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> The long-term recommendation is to create an entirely new regulatory structure using an objectives-based approach for optimal regulation. The structure will consist of a market stability regulator, a prudential regulator and a business conduct regulator with a focus on consumer protection.

The United States is the world leader in financial services, so it is from this position of strength that we must constantly work to improve our system. Secretary Paulson convened a blue-ribbon panel to discuss this issue at his March 2007 U.S. Capital Markets Competitiveness Conference. Industry leaders and policymakers alike agreed that the competitiveness of our financial services sector – and its ability to support U.S. economic growth – are constrained by an outdated financial regulatory framework.

The U.S. regulatory structure does not serve American as well as it could, and modernization is inevitable. It has been largely knit together over the last 75 years, put into place for particular reasons at different times and in response to circumstances that may no longer exist. The current U.S. regulatory framework for financial services providers includes:

- Five federal depository institution regulators in addition to state-based supervision.
- One federal securities regulator, additional state based supervision of securities firms, and self-regulatory organizations with broad regulatory powers.
- One federal futures regulator
- Insurance regulation that is almost wholly state-based, with 50+ regulators. This structure also has an international dimension that can be inefficient, costly and harmful to U.S. competitiveness.

> But capital markets and the financial services industry have evolved significantly over the past decade. Globalization and financial innovation, such as securitization, have provided benefits to domestic and global economic growth; while highlighting new risks to financial markets.

> These developments are pressuring the U.S. regulatory structure, exposing regulatory gaps and redundancies, and often encouraging market participants to do business in other jurisdictions with more effective regulation. As a result, the U.S. regulatory structure reflects an antiquated system struggling to keep pace with market developments, while facing increasing challenges to anticipate and prevent today's financial crises.
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> Although Treasury began this effort a year ago, market conditions today provide a pertinent backdrop for this study's release and highlight the need to examine the U.S. regulatory structure. Recent events have also reinforced the need to balance strong consumer protection and market stability on one hand, with capital markets competitiveness on the other.

Public input has been important to our work. In addition to the range of views present at the Capital Markets Conference in March 2007, Treasury published a request for public comment in the Federal Register in October. Response to the Federal Register notice was strong, with hundreds of letters from investor advocates, state regulators, financial institutions and many others. All public comments are posted on the internet at www.regulations.gov.

For more information, visit http://www.treas.gov/offices/domestic-finance/regulatory-blueprint/.

**-30-**

**REPORTS**

- Blueprint for a Modernized Financial Regulatory Structure
- Fact Sheet