

What Is the Dodd-Frank Act?

Dodd-Frank Act

The full name of the **Dodd-Frank Act** is the Dodd-Frank Wall Street Reform and Consumer Protection Act. It was passed in 2010 to regulate the financial market and protect consumers from risky financial practices. The legislation and its rules cover the following:

- Establishment of a Financial Stability Oversight Council (FSOC) to identify systemic risks
- Subjecting systemically important financial institutions identified by FSOC to enhanced prudential supervision by the Federal Reserve Board
- Authority for orderly liquidation of certain financial companies that become in danger of default
- Transfer of regulatory authority over savings banks and their parent companies
- Requirement for each federal bank regulatory agency to establish an Office of Minority and Women Inclusion
- Subjecting derivatives, repurchase, reverse repurchase, and securities lending transactions by banks to legal lending limits
- General prohibition against banks and their affiliates owning equity interests in hedge funds and private equity funds
- Authorization of interest-bearing transaction accounts
- Creation of a Federal Insurance Office
- Review of federal emergency loans by the Government Accountability Office
- Requirements for hedge fund registration with the SEC
- An Office of Credit Ratings to oversee the credit-rating agencies
- Regulation of credit risk retention
- Executive compensation
- Derivates regulation through the SEC or the Commodity Futures Trading Commission

- Supervision of operators of payment, clearing, and settlement systems
- Incentives for whistleblowers reporting securities law violations
- Increased regulation of credit cards, loans, and mortgages through the establishment of a Consumer Financial Protection Bureau
- Prohibiting “abusive” practices
- Clarification of preemption of state law for national banks and their subsidiaries
- Small business loan data collection
- Remittance transfers
- Ability to repay standards in underwriting residential mortgages
- Conflict minerals

In 2018, legislation was passed to give smaller banks with specific amounts of assets some relief to smaller banking organizations from some of the requirements of the Dodd-Frank law, such as the one that prohibits banks and their affiliates from owning equity interests in hedge funds and private equity funds.

Related Capabilities

Capital Markets

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