Simpson Thacher

Memorandum

President Trump Issues Executive Order on Financial Regulatory Reform

February 3, 2017

On February 3, President Trump signed an executive order calling for his administration to review existing U.S. financial laws and regulations, including the Dodd-Frank Act, in order to determine their consistency with a set of "core principles" of financial policy identified in the order.[1]

The core financial principles identified in the executive order include the following:

- empowering Americans to make independent financial decisions and informed choices in the marketplace, save for retirement, and build individual wealth;
- preventing taxpayer-funded bailouts;
- fostering economic growth and vibrant financial markets through more rigorous regulatory impact analysis that addresses systemic risk and market failures, such as moral hazard and information asymmetry;
- enabling American companies to be competitive with foreign firms in domestic and foreign markets;
- advancing American interests in international financial regulatory negotiations and meetings; and
- restoring public accountability within Federal financial regulatory agencies and "rationalizing" the Federal financial regulatory framework.

The order directs the Treasury Secretary to consult with the heads of member agencies of the Financial Stability Oversight Council ("FSOC") in producing a report to the President within four months detailing the

[1] A copy of the executive order is available at: https://www.whitehouse.gov/the-press-office/2017/02/03/presidential-executive-order-core-principles-regulating-united-states.

extent to which existing laws and regulations promote such "core principles."[2]

Although the order does not specifically identify any existing laws or regulations that the administration considers to be inconsistent with the core principles, areas that the mandated agency report may ultimately identify for reform include the Volcker Rule, private equity adviser registration, any "fiduciary" standard applicable to investment advisers and broker-dealers, Dodd-Frank's orderly liquidation authority and resolution planning requirements, as well as the powers, structure and funding arrangements of the FSOC, the Office of Financial Research, the prudential bank regulators, the SEC, CFTC, and CFPB. In earlier remarks before the new President's Strategy and Policy Forum, President Trump suggested that his administration would be "cutting a lot out of Dodd-Frank," potentially signaling near-term changes to key provisions of the Dodd-Frank Act that may significantly affect the banking, asset management and other industries. While some changes can be implemented by the regulatory agencies themselves, implementing much of the anticipated agenda of changes will require moving legislation successfully through Congress.

[2] The FSOC member agencies include the Federal Reserve, the Commodities Futures Trading Commission ("CFTC"), the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the National Credit Union Administration, the Office of the Comptroller of the Currency, the Securities and Exchange Commission ("SEC") and the Consumer Financial Protection Bureau ("CFPB").

For more information regarding the executive order or other financial regulatory reform efforts, including as the Administration's review progresses, please contact any member of the Firm's Financial Institutions Group, including those listed below.

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