



Justin A. Urquhart Stewart

Justin is one of the most recognisable and trusted market commentators on television, radio, and in the press. Originally trained as a lawyer, he has observed the retail market industry for 20 years whilst at Barclays Stockbrokers and developed a unique understanding of the market's roles and benefits for the private investor.

So who is Frank Dodd?

Forget Frank Dodd, it is in fact Dodd Frank that we should remember. Chris Dodd is the chairman of the US Senate banking committee, and Barney Frank (who should be a cartoon character, surely) is chairman of the House (of Representatives) financial services committee. These are, if not the authors, then certainly the names responsible for the new US financial regulation bill. So why should we care? Well to start with what happens over there will at least ripple over to our financial world and of course our own financial services regulatory structure is about to undergo a major overhaul and reform.

The very mention of regulation normally induces an automated yawn for many, but in fact it is probably the most vital issue for all of us as participants or customers to ensure that we have a trustworthy, reliable and sound investment and banking industry. It affects us all. It will be especially interesting to see if our initiatives take a similar route and remember that regulation is not a form filling bureaucratic exercise, but would focus more on supervision which works as part of the industry itself to help it develop and provide suitable facilities in a controlled and risk measured manner.

The US plans can be best described in five key areas:-

- **Consumer Protection.** A new Consumer Financial Protection Bureau will be established within the Federal Reserve. It would aim to tackle miss-selling of credit cards, loans and mortgages, the last part of which lay at the core of the original housing loans problems.
- **Derivatives.** In order to improve transparency and risk control they will ensure that settlement for such contacts are cleared through central clearing houses. At least then in theory you could have a better oversight over the amount of risk being taken on by counterparties. Additionally the banks would have to divest themselves of their derivatives trading businesses.
- **Resolution authority.** Effectively this will allow the authorities to step in to seize and control any organisation and even wind it up if it is facing impending failure. This then manages the Lehman-type events and would more effectively manage any such impact to avoid an industry wide catastrophe.

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- **Systemic risk regulation.** Here a Financial Stability Oversight Council of regulators would be established and be chaired by the Treasury Secretary. This would have the task of identifying systemic risks to the industry and particular participants and even require 'living wills' from those that might be considered at most risk to ensure that they could be managed down if necessary.
- **The Volker Rule.** Yes the Prince of Darkness (no, not Peter Mandelson) Paul Volker, the ex-head of the Fed before Alan Greenspan, seems to have had his way and had agreed that deposit taking banks shall no longer be involved their own proprietary trading (prop desks) and be limited to only small holdings of hedge funds.

These are very significant changes and will have some quite dramatic impacts on certain banks that have for many years built up their prop desks as very useful back door profit centres away from their normal public role of normal lending facilities. These should now be regarded as separate businesses – and after all, get banks back to what they are supposed to be doing – providing financial services to their clients, not to themselves.

And finally..... Boulder, Colorado, USA. Tragic news from the States as we hear that the days when a citizen could address their local Council wearing only underwear may be over. The Boulder City council will vote on new decorum rules in September, seven months after a resident stepped up to a microphone in his boxers.

The rules were already under review (in fact very close scrutiny) but that incident led to a proposed ban on undressing during meetings.

It's not the first time the university town has wrestled with how much clothing is enough. In April, the city barred teens and adults from showing their genitals in public. That could put the wraps on two annual traditions that involve running or cycling naked. But the council declined to outlaw topless females, despite complaints about a woman who gardens in a thong and gloves. Yet more of our freedoms being taken away – especially with the secateurs(!)

I am off to Sri Lanka for a few weeks having not been there for thirty years when the fighting first started on that unfortunate island. In the meantime my most talented colleague Aparna Ram has kindly agreed to take my place. Have a lovely Summer.

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