The Advocate
FOR INSTITUTIONAL INVESTORS

Final Word

Summer 2012

Wall Street's Early Warning System

Newly Formed "Systemic Risk Council" to Address Threats to Market Stability

By Sean O'Dowd

The new organization will include a number of high-profile former officials who have actively supported more stringent regulation of Wall Street.

Former Federal Deposit Insurance Corporation ("FDIC") chair Sheila Bair has announced the formation of an independent group that that aims to protect the stability of the U.S. financial system by supporting critical Wall Street reforms. The nonprofit Systemic Risk Council will include a number of high-profile former officials who have actively supported more stringent regulation of Wall Street, including Bair, former Federal Reserve chair Paul Volcker, former Treasury Secretary Paul O'Neill, former IMF Chief Economist Simon Johnson, and former Commodity Futures Trading Commission chair Brooksley Born, as well as ex-Senators from both parties. The new organization will pressure lawmakers and regulators to speed the halting pace of financial reform efforts with an eye toward preventing system-wide failures like the 2008 housing crisis. In particular, the council will focus on the creation of an "early-warning system" to address threats to financial stability before they occur. Another priority for the group will be the implementation of enabling regulations for the so-called "Volcker Rule" enacted under the 2010 Dodd-Frank financial overhaul legislation, which would ban banks from engaging in risky proprietary trading for their own accounts. The Systemic Risk Council expects to begin issuing reports and regulatory comment letters soon. The group is supported by the Pew Charitable Trusts and the CFA Institute.

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