

New Democrat Coalition Principles for Financial Regulatory Reform

Efficient and Effective Regulation

1. Create a systemic risk regulator that can monitor systemically important institutions and their counterparties to mitigate the risk of systemic collapse.
2. Reduce redundant regulatory structures in exchange for robust regulatory oversight.
3. Ensure oversight over new financial instruments that currently do not have regulatory oversight.
4. Require regulators to use prudential supervision to proactively work with those they regulate to prevent violations and keep communication lines open to better monitor efficacy and unintended consequences.
5. Increase coordination and communication between federal regulators through expansion of the President's Working Group on the Financial Markets to include all federal financial regulators.
6. Modernize the regulation and oversight of the insurance industry to ensure adequate information and a consolidated U.S. position in international trade discussions.

Market Stability and Transparency

7. Reform how regulators evaluate capital requirements when using fair value accounting values (mark to market) on hold to maturity assets in a temporarily impaired market.
8. Prohibit excessive leverage on debt and derivative instruments by requiring necessary capital reserves to prevent against the potential risk of default.
9. Create a countercyclical mechanism to temper extreme market fluctuations.
10. Support measures to prohibit manipulation that can lead to extreme fluctuations in securities prices that could destabilize fair and orderly markets.
11. Support open exchanges and price disclosure to increase transparency in opaque markets like the credit default swaps market
12. Require lenders to hold a small percentage of loans in a first loss position to ensure originators retain some stake in the loans they underwrite.
13. Conduct a thorough review of rating agencies' methodologies, models and compensation structures to ensure that ratings are accurate and not subject to conflict.
14. Hold Treasury accountable to regularly collect data from all federal sources that receive financial data from recipients of TARP funds.

Robust Consumer and Investor Protection

15. Aggressively pursue a multi-tiered strategy that prevents unnecessary foreclosures for credit worthy borrowers while protecting taxpayers and preserving the moral hazard principle.
16. Work towards reintroduction of mortgage reform legislation and pass into law.
17. Ensure that credit is available and appropriate for consumers through strengthened oversight and regulation of predatory loans while protecting businesses' ability to price for risk.
18. Hold federal financial regulators accountable for enforcement of consumer and investor protections.
19. Protect and continue to encourage simpler disclosure of status and terms and conditions of Americans' retirement and investment accounts.
20. Reduce incentives for excessive risk taking and improve corporate governance by empowering shareholders.
21. Increase fraud prevention efforts.