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## Financial Institution Watch: Reflections on the Treasury's Financial Services Reform Proposal

In a recent article in *The DailyDeal.com*, Tom Vartanian and Bob Schwenkel focus on a key element of the Treasury's recent proposal to overhaul the regulatory structure of financial firms: potential regulation of broker-dealers, private equity funds, hedge funds and various other investment vehicles and funds.

See Vartanian and Schwenkel, [Principled Approach?](#), *The DailyDeal.com* (April 9, 2008). They note that the Treasury's proposal could have a major impact on the way the markets function today, especially with regard to some basic regulatory controls, such as leverage limitations and systemic safety net powers. Vartanian and Schwenkel also describe the fundamental changes the Treasury's proposal would have on the regulatory structure of financial services providers, including private equity and hedge funds, by changing it to one that –

- is principles-based;
- is indifferent to the identity of the owners of federal regulated depository institutions, securities firms and other investment vehicles;
- moves away from the dual system of banking with less of a role for state regulation; and
- removes bank holding companies from FRB regulation, while providing the FRB with broad-ranging authority as a market stability regulator to require information and corrective action from a broad range of financial firms.

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