Shelby Releases Dodd-Frank Overhaul With Tough Road to Enactment

May 12, 2015

(Bloomberg) -- The head of the Senate Banking Committee unveiled his long-awaited bill to toughen oversight of the Federal Reserve and ease the regulatory burden on dozens of banks, setting off what could be intense negotiations with Democrats.

In legislation that Senator Richard Shelby calls a “work in progress,” he laid out ideas to make the Fed disclose more information to Congress about its monetary-policy decisions and free some lenders from stringent capital requirements. While the bill is unlikely to win broad support in its current form, many of the proposals could intrigue Democrats who’ve backed some of the ideas in the past.

The bill would mark the biggest revamp of the Dodd-Frank Act since its 2010 enactment and is also Shelby’s signature legislative effort this year. Getting it through Congress will set the tone for the remainder of his chairmanship, giving the Alabama Republican an incentive to work with Sherrod Brown, the ranking Democrat on the banking panel, analysts said.

The legislation’s starting point is “fairly aggressive,” said Mark Calabria, who used to work under Shelby and is now director of financial regulation studies at the Cato Institute. Shelby “understands that he’s not going to get everything he wants,” he added.

U.S. Bancorp, PNC

The bill could free regional banks such as US Bancorp, SunTrust Banks Inc. and PNC Financial Services Group Inc. from the most aggressive oversight established under Dodd-Frank.

Shelby also proposed letting the wider governing bodies of U.S. financial agencies into meetings of the Financial Stability Oversight Council, which monitors the biggest risks to the financial system. The change would allow individual commissioners and board members to keep tabs on the group’s actions. It would also establish more transparency for non-bank companies that may be labeled systemically important.

The bill's Fed provisions would set up a commission to make recommendations on restructuring the central bank's structure, and the president of the New York Fed would become a presidential appointment that requires Senate confirmation. The legislation would also include a demand for quarterly reports about the considerations of the Federal Open Market Committee, disclosing more about the group's strategies and findings. It would shorten the waiting time to three years for full transcripts of the meetings.