WASHINGTON BUSINESS JOURNAL

Why financial regulators should be 'more like morticians, not ER doctors'

By Mark Holan
July 16, 2014

Who says federal financial regulators are stuffy and boring?

In a panel discussion Wednesday marking the fourth anniversary of Dodd-Frank Act, Daniel Gallagher, a commissioner on the U.S. Securities and Exchange Commission, offered some colorful characterizations of the regulatory environment.

Big banks and other companies should be allowed to fail, he said, and regulators should be "more like morticians, not ER doctors," he said.

He also said the "sweeping, yet vague" requirements of Dodd-Frank create too many distractions for regulators that aren't related to the agency's core mission, or the financial crisis.

"We are too busy following shiny objects," he said.

The SEC, Gallagher added, is on "a death march" to complete mandated rule making. It was "a silly notion," he said, to think the SEC would meet one- and two-year deadlines in Dodd-Frank.

How about watching European financial markets?

"We should look at Europe and do nothing or do the opposite," Gallagher said.

Gallagher said regulators and Congress still haven't taken a serious look at what caused the financial crisis: "Until we do, I'm not sure how much confidence people will have in the markets."

Scott O'Malia, commissioner at the U.S. Commodity Futures Trading Commission, suggested regulators "are trying to throw the football and catch it."

And Jeremiah Norton, a member of the Federal Deposit Insurance Corp. board of directors, said federal help during the crisis "was not distributed fairly" and suggested "the safety net for the markets has to be shrunk."

All three officials said they were offering their own opinions, not those of their respective agencies.

The "After Dodd-Fank" panel was sponsored by George Mason University's Mercatus Center and the Cato Institute.