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Financial Services Deregulation

Financial Services Deregulation, liberalization and other changes in economic policy are responsible for the emergence of new financial products that are difficult to categorize unequivocally in the traditional categories of banking, insurance, and the securities market. The active process of transformation of financial market regulation systems observed in many countries of the world is due to the need to adapt to new trends in the development of the world economy in general and financial markets in particular. The common cause of different countries for modern regulatory reform is financial globalization and its implications. The White House began in 2018 with the promised deregulation of the financial sector. The changes should relate to the relationship of poor US citizens and with banks, which today cannot issue loans to this part of the population.

The administration of the US President would like to amend the 1977 legislation on reinvestment, which limits the amount of loans to rich borrowers and provides affordable financial support to the middle and low-income class. However, the law does not take into account the poorest segments of the population, and this causes critical public feedback (Broder, 294). Donald Trump wants to achieve two goals at once with amendments to this law: to provide flexibility for financial corporations in meeting the requirements of the regulator and to provide financial assistance to the poor. The change in the law, on the one hand, will allow not to spend tens of billions of dollars to fulfill obligations, some of which are purely formal. Authorization to issue loans to the neediest part of citizens does not entail risks for banks and borrowers.

With low unemployment, high and steadily growing wages, even the poorest part of the population is able to serve the minimum and average debt burden, which implies paying a loan of about 20-30% of monthly income. Thus, the financial sector receives an additional driver of income growth from the non-credited population. Banks in aggregate will be able to earn up to $ 5 billion. XLF – ETF for the financial sector this year has excellent chances of becoming the leader of growth and bring its investors about 25% yield. The target price for XLF is $ 36 per share.

US market, its features and problem areas as an example, illustrating the alternative development of the system of regulation of the national financial market regulation system. Despite a significant increase in the number of countries that have implemented regulatory integration, its need causes many controversies and discussions. Under these conditions, the study of American practice in this area is of particular interest, since the system of regulating financial. The US market is one of the few in which the organizational structure has not undergone significant changes. The US Federal Reserve was founded in 1913 to provide a secure, flexible, and stable monetary and financial system. Currently, there are four main areas of responsibility: - implementation of the national monetary policy by influencing the monetary and credit conditions in the economy to ensure maximum employment, price stability and moderate long-term interest rates; - supervision and regulation of the activities of banks to ensure the sustainability of the national financial and banking system, as well as to protect the rights of borrowers; - maintaining the stability of the financial system and limiting systemic risk in financial markets; and - provision of financial services to depository institutions, the US government, foreign financial institutions, including the implementation of the main role in the functioning of the national payment system.

As for the insurance market, in accordance with the McCare-on-Ferguson Act of 1945, the regulation of insurance in the United States falls under the jurisdiction of states, rather than federal agencies

New, although insurance is subject to federal antitrust laws. This means that at the federal level there is no special legislation in the field of insurance business. Federal authorities are involved in regulating certain aspects of insurance related to nuclear insurance, as well as in managing national flood insurance, crime insurance and agricultural insurance programs (Winston, 90).

The US financial system is complex and diverse, consisting of a multitude of state federal and other government and administrative authorities, financial and administrative departments and agencies, private banks and corporations engaged in both domestic and international financial operations. Due to the enormous influence on the entire world economy and world finances, the US financial system is more than any other national system is part of the global financial system.

The rapid development of the US financial sector poses new challenges for its regulatory system. The main development trend is securitization, which led to the growth of the “periphery” of the American financial sector, including as a holder and creator of financial assets: first thanks to mutual funds and hedge funds, and then through mortgage brokers and private finance funds, and, accordingly, the reduction in assets of financial institutions that are part of the “core” of the US financial sector by 2 times in 1980–2006. On the one hand, this leads to a limitation of the ability of regulators to influence the financial sector, and on the other, it makes it necessary to increase this influence (Calomiris, 23).

Despite these and other problems, the US financial market regulators believe that the fundamentally established regulatory model corresponds to the state and trends of the financial sector. The Federal Reserve believes that, although there is a relative decline in assets of financial institutions belonging to the “core”, it still has significant leverage on the financial sector, since the largest and most important commercial and investment banks are tightly controlled. At the same time, the extension of strict control (in whole or in part) to financial institutions belonging to the "periphery" of the American financial sector, in the opinion of regulators, is inexpedient, since it can lead to the emergence of a "moral hazard" (Meerschwam,34).

The state budget occupies an important place in the overall structure of the US financial system in terms of the state's influence on the state of finances, economic conditions, the nature and directions of government economic policy. It is a powerful indicator in determining the long-term plans of large corporations and banks. This role is already evident due to the colossal size of government spending that directly and directly affects the state of the economy and finances, the activities of manufacturing and trading companies implementing government orders, banks and other financial institutions serving the budget programs of the US government (Beck, et.al 1637).

In the US financial system (like many other developed countries), banks play a heightened role. In accordance with the Law of the Voice of Segal, banks are divided into commercial and investment. A special role is played by the Central Bank of the country - the Federal Reserve System (FRS). The role of the Fed is continuously increasing as the macroeconomic responsibility of the American government increases during all post-war decades, including in the 1990s. However, the Fed is only partially responsible for the supervision of banks and shares this function with special federal and state control bodies. A huge role in the US financial and economic world is played by commercial banks. The main financial center remains New York, which houses the headquarters of the largest banks with global networks. The activities of most of the smaller ones (from New York, California, Texas to Michigan and Arkansas) extend into the outback. In addition to commercial banks, US financial institutions include: depository institutions (savings and credit organizations), insurance companies (life insurance, property), pension funds, other institutions (investment corporations, mutual funds.

These institutions are essential because they account for more than 40% of financial assets that are directed to production targets. They play a key role in the short-term capital market. In the financial system, investment corporation banks play an important role, providing economic agents with credit resources for investment activities. Investment banks concentrate enormous financial strength, which is used both to influence the American economic environment itself and to carry out major international financial transactions.

The United States complies with standards and opinions issued by the different international bodies in financial regulation. The Stability Council Financial Stability Board (FSB), formed At the initiative of the G20, 70 institutions national and 6 financial institutions International. Its objectives are to evaluate the regulations to implement and coordinate the action of the national regulatory authorities. The United States conform to established standards by the FSB, as well as by the Basel Committee. The transposition of the Basel III Agreement of 2010 by United States in July 2013, agreement that aims to strengthen the capital level of banks and institute liquidity requirements, was not only judged satisfactorily (largely compliant ) by the Committee itself same, but also more advanced than that of the Union European. This agreement only concerns banks with more than $ 500 million in assets.

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An example of such an approach (government regulation of the “core” of the financial sector and market regulation of its “periphery”) is regulation of hedge funds in the United States. The Federal Reserve has recognized the importance of the hedge fund industry as a key provider of liquidity and innovative trading strategies for several market segments. However, the regulator takes the position that regulation of size and leverage of private. It is therefore not enough to require more capital from banks and more liquidity from their balance sheets. Financial regulators must have a vision of all the financial risks that lie outside the banks and that could create a risk for the banking system. This implies more differentiated rules, more supranationality of financial regulation and more elaborate means for regulators (Ingham, pg 177).

The complexity of the US financial sector, expressed in a variety of types of financial institutions and the tools they use, and the corresponding regulatory model corresponding to it led to the development of regulatory harmonization processes. Thus, the proposed rules and regulations established by one body are open to discussion and criticism from other bodies; US financial market regulators are working closely on common market issues (for example, regulatory agreement on loan loss provisions); The Working Group on the Financial Market under the President has been established and is functioning; joint research is being conducted

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