

Market Group Challenges 'Flawed' Dodd-Frank Rulemaking Process

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U.S. regulators implementing the Dodd-Frank Act are following a “seriously flawed” process that may damage the financial system and hinder economic recovery, according to top members of a capital markets research group.

Congress must hold “prompt hearings” on rulemaking stemming from the financial-regulation overhaul with the goal of delaying or eliminating deadlines set for federal agencies, R. Glenn Hubbard, John Thornton and Hal Scott said in a letter to lawmakers dated yesterday.

“The current rulemaking process is sacrificing quality and fairness for apparent speed, risking lengthy court challenges and poor rules that will damage our financial system and hinder economic recovery,” the three men said in the letter addressed to leading members of the Senate Banking and House Financial Services committees.

Regulators including the Federal Reserve and the Securities and Exchange Commission are writing rules to implement Dodd-Frank, the sweeping regulatory law enacted in July. The letter from Hubbard, Thornton and Scott -- leaders of the [Committee on Capital Markets Regulation](#), a nonpartisan research group -- raises concerns similar to those expressed by Republicans who will take control of the House of Representatives next month. Hubbard, the dean of Columbia Business School, and Thornton, a former Goldman Sachs Group Inc. executive, are the group’s co-chairmen. Scott, who teaches at Harvard Law School, is director.

Blame Geithner

Hubbard, Scott and Thornton faulted Treasury Secretary Timothy F. Geithner, saying he pushed for speed to eliminate uncertainty about the new rules for the financial system.

“There is a good chance many of these rules will be challenged and overturned, so that the speed of implementation, in the end, is really an illusion,” the letter states.

The letter was addressed to Senate Banking Committee Chairman Christopher Dodd and Senator Richard Shelby, the panel’s top Republican, as well as House Financial Services Committee Chairman Barney Frank and Representative Spencer Bachus, who will succeed Frank when Republicans take control of the House next month. Dodd of Connecticut and Frank of Massachusetts are both Democrats. Shelby and Bachus are both from Alabama.

The Committee on Capital Markets Regulation, a 31-member group of leaders from industry and academia, includes Dan Doctoroff, president of Bloomberg News parent Bloomberg LP.