



## **Consumer Federation of America**

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### **CFA Applauds Introduction of Senator Dodd's Financial Reform Package**

*Bill is needed to protect consumers and investors and to provide appropriate oversight of the financial marketplace.*

Washington, DC -- The Consumer Federation of America today released the following statements on the introduction of Senator Dodd's Financial Reform proposal.

On the Consumer Financial Protection Agency, Travis Plunkett, Legislative Director, stated:

"The provisions enacting the Consumer Financial Protection Agency provide for a strong, independent agency to monitor the market and write and enforce the rules. We are particularly pleased that the bill provides the CFPA with examination and enforcement authority over lenders, allows the states to apply their own laws to national banks to ensure that local issues do not become national crises, and does not include special interest exemptions for auto financing. The CFPA should have full authority to stop the sale of credit-related insurance policies that are virtually worthless, including credit, title and mortgage insurance."

On investor protections, Barbara Roper, Director of Investor Protection stated:

"The Dodd discussion draft adopts a clean, straightforward approach to ensuring that brokers who offer investment advice meet the same standards as other investment advisers; it removes the broker-dealer exclusion from the Advisers Act. In order to ensure that brokers can continue to engage in principal trading – prohibited under the Advisers Act but a mainstay of the broker-dealer business model – the draft bill would provide the SEC with broad authority to exempt brokers from these restrictions so long as the broker adequately protects investors against principal trades that are not in their best interests. Language addressing two industry objections to being regulated under the Advisers Act fiduciary duty – that it would preclude them from earning commissions and

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would prevent them from offering a limited range of investment options – does so without undermining the broader goal of ensuring that all those who provide investment advice must act in the best interests of their clients.

The discussion draft also strengthens provisions regarding mandatory pre-dispute binding arbitration clauses in broker and adviser contracts. Whereas the Administration Plan and the House bill authorize the SEC to adopt rules prohibiting or restricting such contracts, the Dodd discussion draft requires the SEC to initiate a rulemaking.”

*The Consumer Federation of American is a non-profit association of more than 280 groups that, since 1968, has sought to advance the consumer interest through advocacy and education.*