



# CRS Issue Statement on Banking Regulation

**Edward V. Murphy, Coordinator**  
Specialist in Financial Economics

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In light of the ongoing financial crisis, government regulation and oversight of the banking industry may be a key concern for the 111<sup>th</sup> Congress. Economic problems in sectors associated with financial innovation may have revealed important gaps in banking regulation; therefore, Congress may wish to consider reforming the regulatory architecture. The possibility of systemic risk and the globalization of financial services may require greater coordination among banking regulators and international regulatory bodies. Safety and soundness at the institutional level may require a rethinking of the international Basel accords, but may also require revisiting U.S. traditions such as the separation of banking and commerce, and the methods used to unwind troubled institutions. In light of the liquidity crunch, the ability of banks to access capital markets to fund their lending activities could be examined. Finally, the increase in loan default rates may lead to proposals for changing consumer protection laws, and other initiatives that govern banks' relationship with their communities.

## Issue Team Members

Edward V. Murphy, Coordinator  
Specialist in Financial Economics  
tmurphy@crs.loc.gov, 7-6201

Walter W. Eubanks  
Specialist in Financial Economics  
weubanks@crs.loc.gov, 7-7840

Pauline Smale  
Analyst in Financial Economics  
psmale@crs.loc.gov, 7-7832

Darryl E. Getter  
Specialist in Financial Economics  
dgetter@crs.loc.gov, 7-2834

N. Eric Weiss  
Specialist in Financial Economics  
eweiss@crs.loc.gov, 7-6209

Mark Jickling  
Specialist in Financial Economics  
mjickling@crs.loc.gov, 7-7784

M. Maureen Murphy  
Legislative Attorney  
mmurphy@crs.loc.gov, 7-6971

David H. Carpenter  
Legislative Attorney  
dcarpenter@crs.loc.gov, 7-9118

Michael V. Seitzinger  
Legislative Attorney  
mseitzinger@crs.loc.gov, 7-7895

Julie Jennings  
Information Research Specialist  
jjennings@crs.loc.gov, 7-5896

Kim Walker Klarman  
Information Research Specialist  
kklarman@crs.loc.gov, 7-6088

Jennifer Teefy  
Information Research Specialist  
jteefy@crs.loc.gov, 7-7625