Capital Markets Board of Turkey
in cooperation with
Boğaziçi University -Centre for Economics and Econometrics
jointly present
the Financial Seminar Series

Charles K. Whitehead, Assistant Professor,
Cornell University
Speaking on

"Dodd-Frank and Changing Financial Markets"

Charles K. Whitehead

Charles K. Whitehead specializes in the law relating to corporations, financial markets, and strategic transactions. After clerking for the Hon. Ellsworth A. Van Graafeiland, U.S. Court of Appeals (2nd Circuit), Professor Whitehead practiced in the United States, Europe, and Asia as outside counsel and general counsel of several multinational financial institutions. Before joining Cornell, he was on the faculty of the Boston University School of Law and was a research fellow at Columbia Law School. Professor Whitehead's current scholarship focuses on the financial markets, financial regulation, and corporate governance.

Abstract

U.S. financial regulation is largely framed by traditional business categories. The financial markets, however, have begun to bypass those categories, principally over the last thirty years. Chief among the changes has been convergence in the products and services offered by traditional intermediaries and new market entrants, as well as a shift in capital-raising and risk-bearing from traditional intermediation to the capital markets. The result has been the reintroduction of old problems addressed by (but now beyond the reach of) current regulation, and the rise of new problems that reflect change in how capital and financial risk can now be managed and transferred.

Consider the growth of the private credit markets. Risk management is a key function of intermediation and at the heart of financial regulation. Banks and insurance companies, however, can now rely on new capital markets instruments, including credit default swaps, to transfer risk to third parties – in effect, outsourcing risk management to new entrants, like hedge funds, which largely fall outside the current regulatory framework. Among old problems, hedge funds (like banks and other intermediaries) are likely to incur greater risk than is socially optimal, absent regulation or other restraint. New problems include the difficulty of managing risk among a diverse group of capital markets investors. Recent crises involving American International Group (AIG), Bear Stearns, and money market funds tell a similar story.

An assessment of the current U.S. approach to financial regulation is made – in particular, focusing on the Dodd-Frank Act of 2010. A comprehensive approach is adopted in reforming financial regulation in the United States – in light of recent changes in the financial system. Regulators must focus on the principal problems that financial regulation is intended to address – relating to financial stability and risk-taking – without regard to fixed categories, intermediaries, business models, or

functions. Doing so, however, requires a prospective assessment of the markets, a different approach from the reactive process that characterizes much of financial regulation today.

Venue: Bogazici University, 34342 Bebek, Istanbul
Rectorate Conference Hall

Date: 21 March 2011,

Time: 15:00 - 16:00 Seminar
16:00 – 16:30 Q & A
16:30 – 17:00 Reception

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The seminar shall be conducted in English.