

What hath Dodd wrought?

BY THE NUMBERS

DODD-FRANK BASICS:

2,300 pages

500 rules to be written

0 GOP "aye" votes in House

Sources: www.senate.gov; Charlotte Business Journal research

DID YOU KNOW?

The law addresses shortcomings seen in the financial crisis and in the treatment of consumers:

- Creates consumer-protection agency with broad powers
- Provides direction for federal takeovers of failed banks
- Increases oversight of mortgage and securities operations
- Reduces regulatory overlap

WHAT THEY'RE SAYING

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Scott Cammarn (right)
Cadwalader Wickersham & Taft



Dodd-Frank may help consumers, but benefit for law firms is undisputed

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The name is a mouthful: The Dodd-Frank Wall Street Reform and Consumer Protection Act. The document is a handful: 2,300 pages of changes affecting banks, investment firms and publicly traded companies, among others.

The full impact is still unclear because regulatory agencies have yet to write policies detailing just what those changes will mean for U.S. businesses.

What is clear is that lawyers are likely to be busy for years helping clients navigate the Dodd-Frank regulatory maze.

"It's the most significant piece of financial regulation we've seen since the 1930s," says Scott Cammarn, special counsel at Cadwalader Wickersham & Taft. "There's just so much to this bill. Every time I read even a page or two I learn something new."

Rick Giovanelli, a partner in the K&L Gates corporate and private-equity practice, says Dodd-Frank could create more

legal work than the 2002 Sarbanes-Oxley Act. That law was a response to accounting misdeeds at Enron Corp. and other high-profile businesses.

"This is a once-in-a-



Giovanelli



Rosenblatt

REFORM: Law extends regulatory oversight of finance

lifetime set of changes in the financial industry — watershed changes — at the same time a number of clients are suffering through the economic downturn,” Cammarn says.

When paired with other national and international reforms, “this is a very, very difficult time to be in the financial-services industry,” he adds.

There’s going to be a lot of new territory to navigate. Ed Rosenblatt, senior counsel at McGuireWoods, lays it out this way: “Sixty-plus studies have to be conducted, 90-plus reports written and 500-plus rules enacted.”

McGuireWoods has been conducting web seminars and other educational sessions for clients about how the law could affect them.

In some cases, it’s clear where yet-to-be-written policies are headed, Rosenblatt says. In others, lawyers can only educate clients about the process because the policy guidance remains vague.

It’s possible Republicans might try to roll back some Dodd-Frank provisions following their many victories in the mid-term election, he says. No Republican voted in favor of the House bill, and commercial and investment banks lobbied to curb the bill’s powers.

Banks are concerned about the regulations affecting consumers, the securities markets and capitalization, among other issues.

Cadwalader has been publishing a series of “clients and friends” memos outlining some of the anticipated impact, as well as delivering individual presentations. “This is the beginning of what will be a very busy time for financial-services law firms,” Cammarn says.

Considering how many Charlotte law firms target financial services, that could translate into lots of work for firms hit hard by the recession.

Rosenblatt says Dodd-Frank “touch-

es a whole lot of areas.” For example, all kinds of public companies could be affected by a provision essentially offering a bounty for whistleblowers. Private-equity funds also will be newly regulated, as will dealers in most derivatives and credit swaps.



Earle

Lawyers in regulatory, consumer protection, corporate and tax practices are among those likely to be called on to provide specialized expertise.

Rosenblatt says different practice groups are meeting frequently to discuss Dodd-Frank and the ways it might affect clients and the firm.

For example, companies investigating whistleblower complaints might call on law firms to investigate and report results to regulators, he says. Firms also can conduct risk assessments for clients.

“There are fundamental, critical questions that have to be resolved through rule-making,” says Jim Earle, a partner at K&L Gates. “Right now, law firms are a lot busier writing alerts than they have been in the actual client world. But that will shift.”

Earle is looking at how Dodd-Frank will affect executive compensation and corporate governance. A shareholder “say on pay” provision, for example, should be considered by companies in the upcoming proxy season, he says.

Regulatory guidance will clarify what needs to be done. But the firm is advising clients about executive-compensation disclosures “with an eye toward what shareholders think, and whether they should have an eye toward reaching out to key shareholders.” That could mean using tools such as charts and other graphics to better explain compensation, Earle says.

Meanwhile, he says, clients must decide whether to wait for new regulations, or “help the agencies that make

the rules understand the impact on your particular industry.” Information and advice from law firms can help guide those decisions.



Lea

Hedge funds and mutual funds might be subject to regulation similar to the new rules for private-equity funds, Giovanelli says. With expertise in areas that already are regulated,

the firm can help fund managers navigate the new rules, he says.

Advisers for private-equity and hedge funds never had to register with the Securities and Exchange Commission, says Haynes Lea, partner and co-head of the fund-formation and investment-management group at Robinson, Bradshaw & Hinson. Neither did any private adviser with fewer than 15 clients, even if those clients were private-equity funds.

Under Dodd-Frank, many advisers will have to register at the federal or state level. Venture-capital-fund advisers are exempt, Lea says, but the SEC has yet to define such a fund.

“We’re helping clients figure out if they have to register, or if they can register around here,” he says. A number of local private-equity firms raise money from investors, put it in a fund and invest in operating companies. Those advisers might still be exempt from registering at the federal level, but they likely would have to register with the state, he says.

Other investment advisers will have to register with the federal government only if they have \$100 million or more under management. Previously they had to register with the SEC if they had \$25 million or more under management. But registering with states can be more challenging, Lea says, especially for advisers operating in multiple jurisdictions.

The new registration rules go into effect in July.