

U.S. Financial Regulatory Industry: Overview and Career Planning

Introduction

Financial regulation is an exciting career path for public interest-minded law students, and lawyers handling financial issues often move between the public and private sectors. Understanding the regulatory framework, however, is critical to finding the right job opportunities for each individual. To that end, this guide explains distinctions between regulatory agencies.

The guide focuses on the ten major regulatory agencies. Each agency chapter contains a section on structure and functions, with an emphasis on regulatory responsibilities in light of the broader framework. Chapters close with a section on career opportunities, highlighting legal roles and programs where applicable.

Intended as a jumping-off point, this guide should not be considered as a complete explanation of U.S. financial regulation. Footnotes go beyond the purposes of citation to suggest web-based resources and occasional further reading. If you finish a section wondering why an agency attribute is not explained in exhaustive detail, the answer likely lies in a footnote.

We hope you find this a useful resource and welcome your feedback!

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Overview

The complex nature of U.S. financial regulation reflects the nation's breadth and sophistication in financial operations. Several regulatory agencies share responsibility for ensuring the overall safety, soundness, and competitiveness of financial markets. As financial products evolve and banks grow in size, the nation's regulatory framework adapts within and across agencies.

Companies commonly enter the regulatory purview of multiple agencies. A typical example of regulatory authority when applied to a large financial institution, such as Citi,¹ shows how significant financial actors span the majority of regulatory bodies:

- The **Federal Reserve System** regulates Citigroup, the bank holding company (BHC) that controls Citibank, because the Fed regulates all BHCs in the U.S.²
- The **U.S. Treasury, Office of the Comptroller of the Currency (OCC)** regulates Citibank's commercial banking functions³ because Citibank is a federally (as opposed to state) chartered bank. (The OCC operates under the U.S. Treasury.)
- The **Federal Deposit Insurance Corporation (FDIC)** also regulates Citibank's commercial banking functions because the FDIC is the backup regulator for Fed- and OCC-regulated banks. Citibank has also opted to purchase FDIC insurance. Banks are not required to be FDIC-insured; however, it is common as a means of instilling depositor confidence.
- The **U.S. Securities and Exchange Commission (SEC)** regulates Citigroup's investment activities and issuance of stock on the open market.
- The **Commodity Futures Trading Commission (CFTC)** regulates Citigroup's participation in the futures and swaps markets, such as buying or selling financial instruments tied to the price of commodities (i.e., oil, gold, wheat).
- The **U.S. Treasury, Financial Crimes Enforcement Network (FinCEN)** regulates Citigroup's required filings aimed at combatting money laundering and terrorism financing. (FinCEN has broad authority over financial system activity as a part of the U.S. Treasury.)
- The **Consumer Financial Protection Bureau (CFPB)** investigates consumer complaints and inquiries brought against Citigroup. The CFPB has broad authority over financial institutions as authorized under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2011.

¹ Citigroup Inc. (often referred to as "Citi") is one of the U.S.'s largest financial services companies. Citi's functions include commercial banking, investment banking, wealth management, and real estate. More at <http://www.citigroup.com/citi/>

² BHCs are set up for ease of raising capital on behalf of banks, for issuing stock, and to centralize governance across multiple banks, if applicable.

³ Commercial banking broadly includes offering deposit accounts, loans, investment products, and credit services.

Federal Reserve System

Structure and Functions

The Federal Reserve System—often referred to as the Fed—was established in 1913 as the nation’s central banking authority.⁴ The Fed is most well-known for its traditional central banking responsibilities, namely monetary policy (influencing money supply) and fiscal policy (adjusting government spending and taxation) measures. Since the financial crisis of 2008, however, the Fed has expanded its supervisory responsibilities to ensure that its primary goals of stabilizing prices and maximizing employment are unhindered by financial institutions’ regulatory noncompliance.

Structurally, the Fed is comprised of the Board of Governors (the "Board") and twelve regional banks. The Board, headquartered in Washington, D.C., establishes the Fed’s supervisory policies. Each regional bank is headquartered in a (generally) multi-state district and is responsible for overseeing compliance with the Fed’s policies across that region.⁵

The Fed is the primary regulator for state-chartered banks that are members of the Federal Reserve System.⁶ A majority of U.S. banks are not members; however, the total asset value of member banks is larger than that of non-members. The Fed also supervises all bank holding companies (BHCs) and related types of holding companies, giving it significant regulatory clout. Finally, the Fed regulates foreign banking organizations (FBOs) that operate in the U.S.

The Fed maintains other unique responsibilities vis-à-vis the largest financial institutions, largely reflecting Congress’s response to the oft cited “too big to fail” criticism of bank bailouts following the 2008 crisis. Such responsibilities aim to protect the integrity of the U.S. financial system in the event of institutional collapse and to assess large banks’ financial health.⁷

Legal Roles and Career Opportunities

Lawyers who aspire to pursue a career at the Fed can choose between opportunities at the Board or in one of the twelve regional banks. A majority of law-specific openings is found at the Board level rather than at the regional level, though the Federal Reserve Bank of New York (the largest regional bank) tends to have high demand for lawyers.

⁴ <http://www.federalreserve.gov/aboutthefed/default.htm>

⁵ https://www.newyorkfed.org/aboutthefed/org_banksup.html

⁶ *Ibid.* If a bank is nationally chartered, it falls under the enforcement of the OCC. If a bank is state-chartered but not a member of the Federal Reserve System, it falls under the enforcement of the FDIC. See footnote 5 for more on banks’ decisions on whether or not to become a Federal Reserve member.

⁷ <http://www.federalreserve.gov/bankinforeg/resolution-plans.htm>

<http://www.federalreserve.gov/bankinforeg/stress-tests-capital-planning.htm>

Legal careers at the Board fall within three divisions: the Legal Division, the Division of Banking Supervision and Regulation, and the Consumer Affairs Division.⁸ The Board maintains a separate webpage dedicated to attorney career opportunities, which may be found at: <http://www.federalreserve.gov/careers/attorney.htm>.

Legal opportunities for each district vary and may be located on each regional bank's individual website. A map of (and links to) each Fed district is located at: <http://www.federalreserve.gov/otherfrb.htm>.

Federal Deposit Insurance Corporation (FDIC)

Structure and Functions

The FDIC is an independent government agency created by the Banking Act of 1933.⁹ After the Great Depression, Congress saw federal guarantees of individual depositors as a necessity to instill confidence in the nation's banking system. If the FDIC deems a bank insolvent, the agency will initiate a takeover with the priority of protecting individual deposit accounts up to \$250,000.¹⁰

With respect to regulation, the FDIC is the primary federal regulator for any state-chartered bank that is not a member of the Federal Reserve System. This amounts to more financial institutions (4,177) than the Fed (858) and the OCC (1,554) combined.¹¹ The FDIC also acts as a backup regulator for the insured depository institutions (IDIs) primarily regulated by the Fed and OCC. Consequently, virtually every state-chartered bank has both a state and a federal regulator, as very few banks are not FDIC-insured.

Legal Roles and Career Opportunities

The FDIC has independent litigating authority with attorneys practicing before many courts. To this end, the FDIC has a full service Legal Division providing litigation, transactional, regulatory, and administrative legal services.

All FDIC job openings (including those in the Legal Division) are posted through the USAJOBS website at: <https://www.usajobs.gov/JobSearch/Search/GetResults?OrganizationID=FD00&ApplicantEligibility=All>.

⁸ <http://www.federalreserve.gov/careers/attorney.htm>

⁹ <https://www.fdic.gov/about/strategic/strategic/bankingindustry.html>

¹⁰ More on the anatomy of a bank takeover: <http://www.bankinfosecurity.com/anatomy-bank-failure-what-happens-when-fdic-pulls-plug-a-975/op-1>

¹¹ See footnote 9. The most common FDIC-regulated banks are community banks.

The FDIC's Legal Division Honors Program is also available to third-year law students and recent graduates. More information may be found at: <https://www.fdic.gov/about/legalhonors/>.

Office of the Comptroller of the Currency (OCC)

Structure and Functions

Founded in 1863 by the National Currency Act, the OCC is the nation's oldest federal regulatory agency. It is an independent bureau of the U.S. Treasury.¹²

The OCC is headquartered in Washington, D.C. and also has four district offices as well as a London office.¹³ In a similar manner to the Fed, the OCC headquarters focus on regulatory policymaking while the district offices enforce applicable laws and regulations for the nationally chartered banks within their region. The London office supervises the international activities of U.S. banks.

By asset size, the OCC's regulatory footprint is the largest of any agency—over twice that of the Fed and the FDIC combined.¹⁴ As part of Dodd-Frank in 2011, the OCC absorbed oversight responsibilities of federally chartered savings banks upon closure of the Office of Thrift Supervision.

The OCC regulates all banks that opt for a national charter rather than a state charter. Motivations for choosing a national charter are nuanced and vary by bank, but the general tradeoff is a higher supervisory cost in exchange for preemption of certain state laws. The OCC funds its operations by assessing fees for conducting regulatory examinations; the fees are a greater source of income than the Fed's earning interest on member banks' deposits and the FDIC's proceeds from providing deposit insurance.¹⁵

Legal Roles and Career Opportunities

OCC legal practice is conducted in seven practice groups in Washington, D.C. and four district offices. The attorneys in these offices provide legal services to agency policy makers, supervisory offices, and the public. The OCC is also one of the few agencies that litigates its own cases in federal courts. Rotations and transfers among the seven practice groups in Washington and the district offices may be possible.¹⁶

¹² <http://www.occ.gov/about/what-we-do/mission/index-about.html>

¹³ <http://www.occ.gov/about/who-we-are/district-and-field-offices/index-organization.html>

¹⁴ See footnote 9.

¹⁵ <https://www.fdic.gov/bank/analytical/banking/2006mar/article1/article1.pdf>

¹⁶ <http://careers.occ.gov/careers/explore/business-and-operations/legal/index-legal-careers.html>

The OCC maintains an Entry-Level Attorney Program. More information is available at: <http://careers.occ.gov/careers/explore/business-and-operations/legal/entry-level-attorney-careers.html>.

Law Department internships are available to first and second year law students. More information is available at: <http://careers.occ.gov/careers/explore/students-interns/legal/index-legal-interns.html>.

The OCC lists its career openings at: <http://careers.occ.gov/careers/openings/index-current-openings.html>, and jointly on the USAJOBS website.

Commodity Futures Trading Commission (CFTC)

Structure and Functions

The CFTC is an independent government agency responsible for regulating the nation's futures and options markets. This regulatory agency affords appealing opportunities to attorneys who wish to gain intimate financial product knowledge. The CFTC oversees designated contract markets, swap execution facilities, derivatives clearing organizations, swap data repositories, swap dealers, futures commission merchants, commodity pool operators and other intermediaries.¹⁷

Such markets began primitively as the purchase and sale of agricultural products; they grew to include purchase and sale of crops produced in future cycles ("futures") as a means of financing current production and hedging against uncertainty. These markets expanded into other commodities such as oil, and again evolved to include more complex financial products tied to the underlying value of commodities. After the 2008 financial crisis, President Obama delegated regulation of the market of swaps (trading one financial product for another) to the CFTC as well.

The CFTC is headquartered in Washington, D.C. and maintains three regional offices: Central (Chicago, IL), Southwestern (Kansas City, MO), and Eastern (New York, NY).

Legal Roles and Career Opportunities

Attorneys at the CFTC work on complex legal issues in litigation, regulation, and policy development. Attorneys participate in administrative and civil proceedings, assist U.S. Attorneys in criminal proceedings involving futures law violations, and provide legal advice to the Commission on policy and adjudicatory matters.¹⁸

¹⁷ <http://www.cftc.gov/About/MissionResponsibilities/index.htm>

¹⁸ <http://www.cftc.gov/About/Careers/CareerPathsattheCFTC/index.htm>

The CFTC does not maintain known programs to recruit attorneys in particular, though it does designate attorney positions on its job postings. All openings are listed on—and must be applied to—via the USAJOBS website.¹⁹

U.S. Securities and Exchange Commission (SEC)

Structure and Functions

The SEC is the nation’s comprehensive regulator of securities activity. Broadly defined, a security is a financial instrument that represents indebtedness of the issuer to the holder. The most common forms of securities are stocks (i.e., organizations that issue shares of company ownership to the public), bonds (i.e., organizations that agree to pay back monetary advances according to various terms), and options (i.e., future rights to purchase stocks/bonds).

The SEC derives its authority from two pieces of post-depression era legislation. The Securities Act of 1933 defined two basic objectives: to require that investors receive pertinent information on any securities offered, and to prohibit the fraudulent sale of securities. The Securities Exchange Act of 1934—under which the SEC was created—empowers the SEC with broad regulatory authority over securities markets. This includes the power to register, regulate, and oversee actors in the securities markets as well as self-regulatory organizations (SROs).²⁰

More recent regulatory developments (e.g., Dodd-Frank, JOBS Act) again reshaped the SEC’s responsibilities vis-à-vis consumer protection, trading restrictions, credit ratings, regulation of financial products, corporate governance and disclosure, and transparency.

Legal Roles and Career Opportunities

The SEC offers attorney positions at its headquarters in Washington, D.C. as well as its 11 regional offices. Due to the SEC’s overarching regulatory authority, attorney positions span roles including examination, enforcement, and litigation.

Complete career listings for the SEC are provided on the USAJOBS website. The SEC also participates in the Presidential Management Fellows Program (PMF) for recent advanced and professional degree graduates (including law), and usually offers entry-level attorney positions through its Chair’s Attorney Honors Program. More information is available at: http://www.sec.gov/jobs/jobs_students_pathways.shtml.

Attorneys with more than one year of previous experience may apply to specific offices of interest, listed at: https://www.sec.gov/jobs/jobs_attorneys.shtml

¹⁹ <http://www.cftc.gov/About/Careers/HowtoApply/index.htm>

²⁰ <https://www.sec.gov/about/laws.shtml>

Consumer Financial Protection Bureau (CFPB)

Structure and Functions

The CFPB is the regulatory industry’s relative newcomer, created in 2011 by the passage of the Dodd-Frank Act. True to its name, the CFPB focuses on consumer protection within the laws and practices of the financial industry. The agency’s priorities are mortgages, credit cards, and student loans. Dodd-Frank authorized the CFPB to ensure that:

1. *“Consumers are provided with timely and understandable information to make responsible decisions about financial transactions;*
2. *Consumers are protected from unfair, deceptive, or abusive acts and practices and from discrimination;*
3. *Outdated, unnecessary, or unduly burdensome regulations are regularly identified and addressed in order to reduce unwarranted regulatory burdens;*
4. *Federal consumer financial law is enforced consistently in order to promote fair competition; and*
5. *Markets for consumer financial products and services operate transparently and efficiently to facilitate access and innovation.”*²¹

The CFPB conducts examinations of financial institutions—much like primary federal and state regulators—though such examinations are less mandated than driven by consumer protection concerns. The CFPB’s examination manual incorporates relevant parts of the Code of Federal Regulations (CFR), along with interagency examination procedures for the Truth in Lending Act and the Fair Credit Reporting Act.²²

The CFPB is organized into six primary divisions, including a distinct Legal Division, in its Washington, D.C. headquarters. It also operates four district offices, each with a footprint nearly identical to the four district offices of the OCC.²³

Legal Roles and Career Opportunities

As a regulatory authority with specialized scopes and objectives, the CFPB generally has fewer job openings compared to larger federal and state regulators. The CFPB’s legal roles primarily span the following divisions:²⁴

- Supervision, Enforcement, and Fair Lending
- Research, Markets, and Regulations

²¹ http://files.consumerfinance.gov/f/201502_cfpb_report_strategic-plan-budget-and-performance-plan_FY2014-2016.pdf

²² http://files.consumerfinance.gov/f/201210_cfpb_supervision-and-examination-manual-v2.pdf

²³ <http://www.consumerfinance.gov/blog/meet-our-regional-directors/>

²⁴ <http://www.consumerfinance.gov/strategic-plan/>

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- Consumer Education and Engagement
- Legal Division

Legal positions are also available in the CFPB's regional offices.

Jobs openings are searchable by location and title at: <http://www.consumerfinance.gov/jobs/>. Most CFPB openings are posted on the USAJOBS website as well.

Financial Crimes Enforcement Network (FinCEN)

Structure and Functions

FinCEN is a bureau within the U.S. Treasury that focuses on combatting financial crimes, namely money laundering and terrorist financing.²⁵ (The umbrella term for these two objectives is AML/CFT.)

FinCEN's current focus and practices center on the Bank Secrecy Act (BSA), a legislative framework formed by the USA Patriot Act in response to the September 11 terrorist attacks. The BSA authorizes the Secretary of the Treasury to issue regulations requiring financial institutions to guard against financial crime, including the establishment of AML programs and the filing of suspicious activity reports. Treasury delegated FinCEN to enforce compliance with the BSA and associated regulations.²⁶

Legal Roles and Career Opportunities

Legal responsibilities at FinCEN are largely confined to regulatory enforcement vis-à-vis BSA requirements. FinCEN maintains job postings on its website at: <https://www.fincen.gov/careers/jobposting.html>.

National Credit Union Administration (NCUA)

Structure and Functions

Credit unions—unlike traditional banks—are member-owned, not for profit organizations that exist to provide their members with access to financial services. Credit unions tend to charge fewer fees, provide lower interest rates on loans, and require lower minimum balances.²⁷ They nevertheless require regulatory oversight; in the decades following the Federal Credit Union Act of 1934, credit unions experienced significant gains in popularity. Congress then sought to create an independent regulatory authority, and the

²⁵ https://www.fincen.gov/about_fincen/wwd/

²⁶ *Ibid.*

²⁷ <http://www.mycreditunion.gov/about-credit-unions/Pages/interest-rate-comparison.aspx>

NCUA was established in 1970. It is headquartered in Alexandria, VA and runs five regional offices.²⁸

The NCUA is the primary regulator for all federal credit unions. Due to credit unions' unique objectives, Congress established—also in 1970—the National Credit Union Share Insurance Fund (NCUSIF). The NCUSIF insures credit union deposits in the event of insolvency, and receives funding entirely from member institutions. The NCUA and the NCUSIF for credit unions, then, may be considered analogous to the OCC and the FDIC for banks.²⁹

Legal Roles and Career Opportunities

The NCUA does not maintain attorney-specific career paths, though many legal opportunities exist for functions similar to those handled by the FDIC. The NCUA's Office of General Counsel is the primary legal department, responsible for representing the agency in litigation; bringing enforcement actions against credit unions; providing interpretations of pertinent Rules and Regulations to the agency and outside parties; advising the Board and the agency on general legal matters; and drafting credit union regulations.³⁰

The NCUA operates a job listings portal through USAJOBS, which may be found at: <https://ncua.usajobs.gov/>.

The NCUA also participates in the Presidential Management Fellows Program (PMF) for recent advanced and professional degree graduates (including law); see <https://www.opm.gov/policy-data-oversight/hiring-authorities/students-recent-graduates/#url=pmf>.

State Bank Regulatory Agencies

Structure and Functions

A key strategic decision for financial institutions is whether to operate under a state charter or a federal charter. Those who choose to operate under a state charter—either upon creation or by switching from a federal charter—are subject to oversight by the state regulator of financial institutions.³¹ Empirically, this decision means larger banks tend to operate under federal charters, and smaller banks state charters. Nuances exist: exceptionally large financial institutions, for example, may seek to influence state-level

²⁸ <https://www.ncua.gov/About/leadership/Pages/regional-offices.aspx>

²⁹ <http://www.mycreditunion.gov/about-credit-unions/Pages/federal-vs-privately-insured-credit-unions.aspx>. This analogy is imperfect—for instance, NCUSIF insurance is mandatory for credit unions, whereas FDIC insurance is optional (though de facto universal) for most banks. The greater divergence in this analogy is that the NCUSIF is administered by the NCUA and is not a separate regulatory authority, whereas the FDIC is an independent regulator distinct from the OCC.

³⁰ <https://www.ncua.gov/About/leadership/Pages/general-counsel.aspx>

³¹ More on the choice of charters: <http://www.vorys.com/publications-559.html>

policy by becoming a significant economic pull to a particular state and operating under a state charter.³²

Names of state regulators vary; the Idaho Department of Finance carries the same regulatory duties as the California Department of Business Oversight. Functionally, state regulators each have a unique charter to enforce. They all carry the authority to grant (and revoke) banks' ability to conduct business in the state, levy consent orders, and impose fines upon the banks they regulate.

State regulators have not historically wielded influence comparable to that of the Fed, OCC, or FDIC. Following the dissolution of the Office of Thrift Supervision (OTS) under Dodd-Frank, state banking regulation has increased in notoriety and influence. The most prominent state regulator is the New York Department of Financial Services (NYDFS).

Legal Roles and Career Opportunities

Similar to federal regulators, state regulators require attorneys to interpret and enforce applicable regulatory codes. State regulators can also sue financial services companies, and require representation.

Job functions and openings are unique to each state. A directory of state banking departments is available through the Conference of State Bank Supervisors (CSBS) at: [https://www.csbs.org/about/what/Pages/StateBanking DepartmentLinks.aspx](https://www.csbs.org/about/what/Pages/StateBanking%20DepartmentLinks.aspx).

Self-Regulatory Organizations

Structure and Functions

Though the term “Self-Regulatory Organization” (SRO) connotes a degree of informality, SROs in the financial sector derive authority from principal federal regulators. SROs conduct examinations, levy disciplinary actions, and in some cases impose fines on the industry actors they oversee. They do not litigate directly, however, and instead refer cases of legal wrongdoing to the appropriate federal or state agencies.

The major financial SRO is the Financial Industry Regulatory Authority (FINRA), which is sanctioned authority by the SEC.³³ FINRA admits firms into the securities industry and acts as a proxy examiner for the SEC. FINRA's existence is a result of consolidation in SROs—two major securities exchanges, the New York Stock Exchange and the Nasdaq, each held their own enforcement functions. In 2007, the National Association of Securities Dealers, Inc. (NASD) and NYSE enforcement bodies consolidated under FINRA.³⁴

³² See footnote 15 for further reading.

³³ <http://www.finra.org/about>

³⁴ <https://www.sec.gov/rules/sro/nasd/2007/34-56145.pdf>

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Other less significant SROs, such as the Municipal Securities Rulemaking Board (MSRB),
act on behalf of the SEC as well.³⁵

Legal Roles and Career Opportunities

SROs are non-profit, non-governmental entities. Legal opportunities at SROs mirror those of the regulatory agencies from which SROs derive authority. In the case of FINRA and the MSRB, positions are similar to the enforcement functions of the SEC.

FINRA posts current openings, as well as contracted positions specific to regulatory compliance, on its website at: <http://www.finra.org/about/careers>.

The MSRB posts career-related information on its website at: <http://www.msrb.org/Careers.aspx>.

³⁵ <http://www.msrb.org/About-MSRB.aspx>