

Viewpoint: Positive Tone Need on Impact of Dodd-Frank Act

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By John Marsh and Andy Mus

When the Dodd-Frank Act was signed into law on July 21, bankers across the country shuddered at the overwhelming scope and far-reaching implications of the act. Foremost on their minds is simply trying to understand the numerous areas of the act that will directly impact their banks, especially the obvious increased regulatory burden and compliance costs.

Overlooked in the initial consideration of the act's impact, though, is the possible confusion and misinformation that could spread. Indeed, it is the perception of investors, customers and the general public that will matter most as provisions of the act take effect. Banks must control their own message to mitigate the negative, and maximize the positive, impact from reg reform.

How do banks communicate the new regulations — and their impact — to investors and customers? How do they manage the communications risk inherent in this legislation?

The key will be to shine a positive light on the new laws by using the most helpful aspects of regulatory reform as a means to make your bank look good in the eyes of your stakeholders. Carefully consider how individual constituent groups may be impacted, and deliver strategic communications to them to allay fears and promote the benefits of the act.

Investors are likely to worry about how the costs of complying with the new regulations will affect the bank's earnings, and their own ROI, as well as the potential for new regulatory authorities to impact the bank's operations through changes in capital and liquidity requirements, leverage limits and so on. It will be incumbent upon banks to give shareholders a road map, as best they can, on the impact of the regulations on the bank's income, earnings and operations moving forward.

Customers are likely to worry about the costs of regulatory compliance being passed on to them in the form of new fees and reduced services. Recent headlines have focused on Bank of America's decision to charge monthly fees for paper statements on some accounts and other developments that seemingly herald the end of free checking.

Whether or not these events are related to the regulatory reform bill, the perception is growing that bank customers will be paying more in the future for many of the same services they have, and take for granted, today.

Instead of regulatory reform being a negative, however, banks have an opportunity to turn it into a positive. For example, if banks are now required to provide much greater detail on credit quality, they should use it to their advantage to provide investors with greater transparency, which has become a premium in the post-financial-meltdown world. Instead of just dumping the new detail on investors — some of whom may not be as sophisticated

as others — consider creating a dashboard graphic that synthesizes the detail into an easy to understand overview. Think of it as a way to better educate your investors about your business, and thus differentiate your bank from other investment options.

As for deposit customers, your bank should take every opportunity to publicize the permanent changes in FDIC coverage to \$250,000 per depositor, as well as the extended coverage of no-interest deposit accounts until the end of 2012. It's something banks can tout in terms of increased safety and soundness for depositors.

Business customers will surely appreciate the act's provision allowing interest to be paid on their checking accounts going forward. Other important topics will be the changes in mortgage disclosure requirements — what is required of banks and what's important for customers to know about these changes — as well as the role of the Consumer Financial Protection Bureau and how it benefits customers.

Whether banks like it or not, they have the unenviable burden of translating how this complex piece of legislation will impact stakeholders — in simple and clear language. Banks must control their own message to mitigate the negative, and maximize the positive, impact from reg reform. If ever there were a time to make lemonade out of lemons, now is that time.

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