

CITY UNIVERSITY OF HONG KONG  
香港城市大學

Does Dodd-Frank Act Have a Marked Impact on the  
Regulatory Environment of Financial Market, Evidence from  
Money Broking Business?

討論多德弗蘭克法案對金融市場之監管環境是否會產生  
影響 – 從貨幣經紀業務的實證研究

Submitted to  
College of Business

商學院

in partial Fulfillment of the Requirements  
for the Degree of Doctor of Business Administration

工商管理學博士學位

by

LUK King Sang Benny

陸景生

April 2018

二零一八年四月

## **ABSTRACT**

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) had been signed into law by President Obama in July 2010, as a result of the Lehman and AIG Crisis with the blessing of London's G20 Summit in 2009. The Dodd-Frank Act is the most significant financial regulatory overhaul since the Great Depression because it has caused extensive and tremendous changes in the ecology of the financial industry. Dodd-Frank Act is an extremely broad and comprehensive set of provisions, providing significant major changes in the regulatory environment of the overall financial market in the United States, and the rest of the world. The Dodd-Frank Act dictates the changes in Federal Reserve and the Securities and Exchange Commission (SEC) with the purpose of enhancing regulatory control of banks and non-bank financial institutions, supervision of futures commissions, as well as the oversight of the conducts of introducing brokers. In addition, the Dodd-Frank Act deals with a wide spectrum of areas pertaining to the business operations of financial institutions, such as corporate governance, executive compensation package, the registration requirement for hedge funds and private equity fund advisers, new rules for credit rating agencies, and regulations of the OTC derivatives markets, so on and so forth. This paper would look into how the money broking business react to the changing environment of the OTC derivatives markets.

The US regulators have been trying hard to promote the theme of Dodd-Frank Act with the aim to allow Dodd-Frank Act to become the regulatory yardstick in the financial industry worldwide. The lack of consultation to the crucial stakeholders, like the market participants and non-US regulators, before the enactment of Dodd-Frank Act has caused a great deal of ambiguity in interpreting the regulations and policies under the Act even by legal practitioners both inside and outside of the United States. As a result, a number of preset deadlines of policies have been pushed back in both Europe and Asia, and even the US.

The implementation of Dodd-Frank Act occurs in stages however the changes made so far has a very significant impact on money broking business. It has in fact changed the ecology of money broking practice in the OTC derivative market. This study focuses on the overhauling of the OTC derivatives markets under the Act and its impact on money broking business with evidence from Hong Kong. A brief review of the development of the OTC derivatives market after the enactment of the Dodd-Frank Act in both US and Europe markets would be able to justify whether or not the response and motion made by the Asian supervisors to the Act is appropriate or not.

The crucial developments to overhaul the OTC derivatives market under the Act is the establishment of the Swaps Execution Facilities (SEF) – an electronic trading and execution platform for swaps, which is one of the 3 Mandatory Requirements, the other 2 are Reporting and Clearing. These 3 Mandatory Requirements with the registration requirement for swaps industry participants are the US Authorities who are eager to push forward as an international protocol for swaps trading. Would the 3 Mandatory Requirements as the tools / devices be workable, suitable, and adoptable by all the OTC derivatives market stakeholders and would it be able to rectify the similar chaotic financial market condition caused to Lehman Crisis which might happen in the coming future? Would money brokers be able to seek a role to play in the OTC derivatives market under the Dodd-Frank Act regulatory regime? This study will provide unique insights into the questions above.

Key words: Dodd-Frank Act, OTC derivatives market, financial regulatory reform, MiFID II