

# The Durability of Financial Reform: Legal Form and the 2008 Crisis Response in the United States, United Kingdom and India

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## ABSTRACT

The 2008 financial crisis generated a wave of constraints on financial firms across major jurisdictions, adopted with unusual speed and in several instances with unusual scope. However, what has persisted in the years since is far less uniform. This paper tests whether the legal form in which a reform is encoded, meaning the level of political authority required to alter a given parameter of it, predicts that reform's durability more reliably than the speed of its adoption or the scale of the change it imposed.

Nine reforms adopted in the United States, the United Kingdom and India are examined, producing twenty-seven parameter-level observations, each reform coded for scope, stringency and enforcement at its point of full legal effect.

Legal form is the most consistent predictor of the three examined. Parameters set in statute persisted through years of sustained political pressure and yielded only to instruments of equal standing, while parameters left to regulatory or administrative discretion loosened readily across all three jurisdictions regardless of how quickly a reform was adopted or how far it originally reached. Neither the speed of a reform's adoption nor the scale of the constraint it initially imposed discriminates among the outcomes observed. The paper concludes that a reform's legal architecture, rather than the urgency or ambition behind it, is what ultimately determines durability.

## INTRODUCTION

### Background and context

15 September 2008 would mark the occurrence of the most severe disruption to the global financial system since the Great Depression. Global lending networks came to a sudden halt, equity markets began crashing, and within days of the Lehman Brothers Holdings Inc. filing for bankruptcy the United States Treasury had placed a request for \$700 billion of emergency authority before Congress, which was

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enacted on 3 October 2008 as the Emergency Economic Stabilization Act. This economic occurrence pushed legal and institutional frameworks on a global scale to their absolute limits due to its unprecedented nature. Measured against the volume of legislative and regulatory activity alone, the crisis generated a wave of constraints on financial firms which were adopted with unusual speed and in several instances with an unusual scope. What has actually persisted in the years since, however, indicates a far less uniform landscape. Some constraints remain fully intact while others have been narrowed, hollowed or reversed.

These divergences give rise to the question: what predicts which reforms endure and which do not? Two candidates for explanation dominate discussions on post-crisis regulation. The first suggests that reforms adopted with haste under acute political pressure and with limited deliberation are vulnerable to reversal later. This explanation suggests that the speed of adoption serves as a proxy for the durability of the political consensus behind the reform, since consensus assembled hastily would dissolve after immediate concerns subside. The second holds that the scale of reform, being how many firms are affected or how severely existing standards are tightened, determines the durability of the constraints imposed by the reform.

This paper advances a different hypothesis: the legal form in which a reform is encoded predicts its survival more reliably than either the speed of its adoption or the scale of the change it imposed. Legal form refers to the level of political authority required to alter a specific parameter of a reform. Because a reform is attackable at its weakest parameter rather than its average, legal form is defined more precisely as the lowest such level at which a given parameter sits. It allows for legal form to operate alongside speed and scale. Speed and scale are utilized for explaining how much pressure for reversal a reform attracts over time, while legal form is treated as the factor which explains where exactly constraints are applied and through which administrative channel it must pass to take effect, and therefore what ultimately survives.

## **Research Questions**

Since this paper discusses relative predictive power, the following questions arise from it.

RQ1: Does the legal form level assigned to a reform's scope parameter predict the persistence of that scope more reliably than the initial coverage of the reform?

RQ2: Does the legal form level assigned to a reform's stringency predict persistence more reliably than the scale of the initial constraint it imposed?

RQ3: Does the legal form level assigned to a reform's enforcement capacity predict persistence more reliably than the speed with which the reform was adopted?

Initial coverage and the scale of the initial constraint are the two axes on which the magnitude of a reform is recorded, termed breadth and depth respectively so as to remain distinct from the durability dimensions of scope and stringency.

## **Scope and limitations**

The time period of the study is not restricted to a defined window. Each reform is followed from its own point of full legal effect for as long as meaningful evidence of its durability exists. The sectoral scope is limited to banking prudential regulation and consumer credit, and excludes securities market structure, insurance, payments, and monetary policy governance. The study is largely insulated from political events outside its immediate subject matter; where a political event bears directly on a reform's coding, it is discussed, but events without a direct bearing on a specific reform's parameters are not included. The study does not assess whether the reforms examined constituted good policy or the broader efficacy of the regulatory bodies involved.

Because two reforms enter the sample as derived cases, the analysis is reported on two bases: the full set of nine reforms, and the seven direct cases considered alone.

## **Case Selection**

Reforms are included in the study where they meet three conditions. The first condition concerns a reform's relation to the 2008 financial crisis and can be satisfied in two ways. A reform qualifies as a direct case where it was adopted as a component of its jurisdiction's official response to the crisis. A reform qualifies as a derived case where it amends, terminates, or implements an instrument adopted as part of that response, or where it is linked to a commitment the jurisdiction made through the G20 or the Financial Stability Board in the years following the crisis. The second condition is that the reform falls within the sectoral scope defined above. The third is that the reform reached full legal effect.

A measure bearing no documented relation to a crisis-era instrument or to a post-crisis international commitment falls outside the sample, whatever its prudential significance. Admitting only measures adopted in the immediate aftermath of the crisis would exclude two categories of reform in which the choice of legal form is clearly involved. The first is the termination or replacement of a crisis-era instrument, where a jurisdiction revisits a commitment made under emergency conditions and encodes its successor deliberately. The second is the domestic implementation of a standard agreed internationally after the crisis, such as the Basel III capital regulations found across all three jurisdictions.

Table 1 records the inclusion basis for each reform alongside its implementing instrument and date of full legal effect. The sample consists of nine reforms, three per jurisdiction.

**Table 1**

*Selected Reforms, Inclusion Basis and Full Legal Effect Dates*

| <b>Jurisdiction</b> | <b>Reform</b>                                  | <b>Instrument</b>                                                                    | <b>Full Legal Effect</b>                                                                                      | <b>Inclusion Basis</b> |
|---------------------|------------------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|------------------------|
| United States       | Volcker Rule (Dodd-Frank §619)                 | Interagency final rule under a statutory mandate                                     | April 1, 2014, with a conformance deadline of July 21, 2015 (Office of the Comptroller of the Currency, 2013) | Direct                 |
| United States       | Ability-to-Repay and Qualified Mortgage Rule   | CFPB rulemaking under Dodd-Frank                                                     | January 10, 2014 (Consumer Financial Protection Bureau, 2013)                                                 | Direct                 |
| United States       | Basel III capital and liquidity requirements   | Interagency rulemaking                                                               | January 1, 2014, with full compliance for other covered institutions phased in through January 1, 2015        | Direct                 |
| United Kingdom      | Financial Services Act 2012 (PRA/FCA creation) | Act of Parliament                                                                    | April 1, 2013 (“legal cutover”) (The Global Treasurer, 2013)                                                  | Direct                 |
| United Kingdom      | Ring-fencing regime                            | Financial Services (Banking Reform) Act 2013 and secondary legislation made under it | January 1, 2019 (A&O Shearman, 2018)                                                                          | Direct                 |
| United Kingdom      | CRD IV / Basel III implementation              | PRA Rulebook                                                                         | January 1, 2014                                                                                               | Direct                 |
| India               | Basel III capital regulations                  | RBI Master Circular                                                                  | April 1, 2013, with full implementation required by March 31, 2019 (Reserve Bank of India, 2012)              | Direct                 |
| India               | Revised Prompt Corrective Action framework     | RBI circular                                                                         | April 1, 2017 (Reserve Bank of India, 2017)                                                                   | Derived                |

|       |                                         |              |                                                    |         |
|-------|-----------------------------------------|--------------|----------------------------------------------------|---------|
| India | Resolution of Stressed Assets framework | RBI circular | February 12, 2018<br>(Reserve Bank of India, 2018) | Derived |
|-------|-----------------------------------------|--------------|----------------------------------------------------|---------|

*Note. Inclusion basis governs inclusion only and does not enter any coding decision.*

Seven of the nine reforms enter the sample as direct cases, each forming a documented component of its jurisdiction's stated response to the crisis. The two Indian reforms coded as derived are explained individually below.

The February 2018 stressed-assets circular terminates a crisis-era instrument. In August 2008 the Reserve Bank of India introduced special regulatory treatment permitting banks to restructure advances without reclassifying them as non-performing, this change was adopted in anticipation of spillover from the global crisis (Reserve Bank of India, 2008). The schemes that administered that treatment, being the Framework for Revitalising Distressed Assets, the Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long Term Project Loans, Strategic Debt Restructuring, Change in Ownership outside Strategic Debt Restructuring and the Scheme for Sustainable Structuring of Stressed Assets, together with the Joint Lenders' Forum that oversaw them, were withdrawn in full by the circular of February 12, 2018 (Reserve Bank of India, 2018).

The revised Prompt Corrective Action framework of April 2017 gives effect to a post-crisis international commitment. Prompt Corrective Action was introduced in India in 2002 and predates the crisis, so the 2017 measure revises an existing instrument. That revision followed recommendations of the Financial Stability and Development Council's Working Group on Resolution Regimes for Financial Institutions and of the Financial Sector Legislative Reforms Commission (Reserve Bank of India, 2017). The Council was constituted in December 2010 within India's post-crisis institutional architecture, and it was directed at aligning Indian resolution practice with the Financial Stability Board's Key Attributes of Effective Resolution Regimes, endorsed by G20 leaders in November 2011 (Financial Stability Board, 2011). The framework accordingly satisfies the first condition on its derived limb through the international commitment route.

## **METHODOLOGY**

This study is a structured comparison of nine reforms across three jurisdictions, yielding twenty-seven parameter-level observations. Three are drawn from each reform, and where reforms share a supervisory apparatus their enforcement observations rest on common evidence. The comparison drawn between legal form and the rival explanations examined here is accordingly qualitative. Where this study reports that one variable predicts an outcome more reliably than another, the claim is that the association holds more consistently across the nine cases examined. It is not a claim that a statistical test has been performed or a general claim applicable beyond this sample.

Four aspects are recorded for each parameter: the level of political act required to alter it, the degree to

which the constraint it imposes has persisted since that date; whether a change was attempted during the observation period and whether that attempt took legal effect; and whether the parameter was exposed to judicial invalidation at the date of full legal effect. Speed, breadth and depth are recorded once per reform.

Where the comparison between legal form and a rival explanation cannot be drawn from the distribution of scores, set relations are reported instead. A condition is recorded as necessary for an outcome where the outcome occurs nowhere in the sample without it, and as sufficient where its presence is accompanied by the outcome in every case. Relations of this kind are reported as exceptionless within these twenty-seven observations.

### **Dependent Variable: Durability**

Durability is defined as the degree to which the constraint a reform imposes on firms persists, in scope, stringency and enforcement, from the point of full legal effect forward. Scope refers to which firms, activities, or exposures the constraint applies to. Stringency refers to how demanding the constraint is on those it reaches. Enforcement refers to whether capacity and disposition exist to give the constraint practical force. Maximum durability requires all three measures to hold; degradation of any dimension counts as degradation of the reform overall.

**Table 2**

#### *The Three Dimensions of Durability*

| <b>Dimension</b> | <b>Function</b>                                                                         |
|------------------|-----------------------------------------------------------------------------------------|
| Scope            | Identifying which firms, activities, or exposures does the constraint reach             |
| Stringency       | Identifying how demanding the constraint is on those it reaches                         |
| Enforcement      | Identifying if there is capacity and disposition to give the constraint practical force |

Durability is scored on a four-point ordinal scale, applied separately to scope, stringency, and enforcement. A score of 3 indicates the constraint remains intact with no degradation from its initial state at full legal effect; 2 indicates the constraint has narrowed in terms of an identifiable factor while its core still remains operative; 1 indicates that the constraint has been hollowed, nominally in force but operationally emptied through exemptions or negligible enforcement; and 0 indicates that the constraint has been effectively fully reversed. Each parameter is scored at stated observation points, with elapsed time recorded alongside, to account for differences in when the reforms reached full legal effect and in the reversal pressure they subsequently faced.

**Table 3**

*Durability Scoring Scale, Applied Per Dimension*

| Score | Label     | Definition                                                                   |
|-------|-----------|------------------------------------------------------------------------------|
| 3     | Intact    | No material degradation from the state at full legal effect                  |
| 2     | Narrowed  | Weakened in an identifiable respect; core constraint remains operative       |
| 1     | Hollowed  | Nominally in force but substantively emptied                                 |
| 0     | Reversed  | Constraint effectively eliminated in practice                                |
| U     | Uncertain | No rule-specific or applicable general evidence available; no score assigned |

A parameter is scored on the constraint actually in force at the observation date. A change that has been proposed but not adopted does not affect the score. A change that has been adopted but whose effective date has not yet arrived is recorded as a scheduled score alongside the in-force score. Table 5 sets out the three states.

A constraint may persist because an attempt to change it failed or because no attempt was made. These are distinct conditions and are recorded separately. For each parameter the study records if and where a change was formally attempted during the observation period. Attempts that did not take effect leave the durability score unchanged and are instead reported only as evidence of pressure.

Enforcement is scored on evidence concerning the enforcement of the specific rule under examination. Where no rule-specific enforcement channel was identified and the rule is given practical force through a general supervisory process, evidence about that process may be used, provided the study states that no distinct channel was found and applies the same evidence to every rule sharing the process. Where neither rule-specific nor applicable general evidence is available, the parameter is coded U for uncertain and no score is assigned.

### **Independent Variables**

Legal form is defined as the lowest level at which a parameter of a reform's constraint sits, coded separately for scope, stringency, and enforcement. A single reform may therefore have several legal forms at once, since a statute might fix a reform's scope while leaving its stringency to regulatory discretion. Level 1, administrative, requires only an internal decision, such as supervisory guidance or a shift in enforcement policy. Level 2, regulatory, requires a regulator's own initiative together with a formal consultative process. Level 3, executive-legislative, requires ministerial or executive will and is laid before the legislature. Level 4, an act of the legislature, requires the assembly of a political coalition. A reform is treated as vulnerable at its weakest parameter. Where a statute delegates administration to

executive or regulatory discretion, the level assigned to a given parameter is set by whichever act would be required to breach the constraint on that parameter.

**Table 4**  
*The Four Legal Form Levels*

| Level | Name                  | Political Act Required                                                        |
|-------|-----------------------|-------------------------------------------------------------------------------|
| 1     | Administrative        | Internal decision only; no external process                                   |
| 2     | Regulatory            | Regulator initiative plus a formal consultative process                       |
| 3     | Executive-legislative | Ministerial or executive will; laid before the legislature but rarely blocked |
| 4     | Legislative           | Assembly of a political coalition                                             |

Four rules govern the assignment of levels. First, levels are coded from the legal instruments in force at the date a parameter reached full legal effect, using only information available at that date. Where a later event reveals that a parameter could be altered by a different route than the one coded, the event is recorded in the parameter's durability trajectory.

Second, where a statute delegates a parameter to an executive or regulatory body, the level assigned is that of the act required to change the parameter as the delegation stands, and where the delegation itself would have to be amended, the level is that of the amending act.

Third, levels record the procedure required to change a parameter and not the political independence of the body that would act. It does not capture differences in the practical proximity of regulators to the government.

Fourth, legal form measures the political act required to change a parameter. A parameter may also be altered by judicial invalidation, which is not a political act and cannot be placed on this scale. Judicial exposure is therefore recorded as a separate attribute, coded at the date of full legal effect. A parameter is coded as exposed where it rests on a delegation whose scope had not been judicially settled at that date. The attribute records vulnerability and not outcome, and with a single realised invalidation in this sample it is reported descriptively.

**Table 5**  
*Change Status and Its Effect on Scoring*

| Status   | Definition                                                                                 | Effect on the durability score         |
|----------|--------------------------------------------------------------------------------------------|----------------------------------------|
| Proposed | A consultation, recommendation or proposal has been issued; no instrument has been adopted | None. Recorded as evidence of pressure |

|                            |                                                                                              |                                                                      |
|----------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| Adopted, not yet effective | An instrument has been finalised; its effective date has not arrived at the observation date | None to the in-force score. Recorded separately as a scheduled score |
| In force                   | The change is operative at the observation date                                              | Scored                                                               |

## **Speed**

Speed is measured between three dated points, stated for every reform in Table 7. The start point is the date on which the jurisdiction formally identified the problem the reform addresses, and because reforms respond to different problems, that date is not the same kind of event in every case. Table 7 names the event and the date. Decision speed runs from that date to the adoption of the operative instrument, being the instrument that fixes the parameters scored in this study; where a statute delegated those parameters to an agency. Implementation speed runs from adoption to full legal effect. Both are recorded in months.

## **Breadth and Depth**

The magnitude of a reform is recorded on two axes, named breadth and depth so as to remain distinct from the durability dimensions of scope and stringency. Breadth is the covered population under the reform divided by the covered population under the prior standard, using a single stated population unit for each reform. Depth records the magnitude of the tightening a reform imposes on the population it reaches, relative to the standard in force immediately before it, and is classified on the single most binding quantitative parameter of the reform, which is named for each case. Four classifications are used. Novel, where the prior standard imposed no comparable requirement. Substantial, where the requirement was tightened by an order of magnitude. Marginal, where the requirement was tightened without materially altering what compliance demands. Re-application, where the requirement was extended to a population already subject to it without being tightened.

## **JURISDICTIONAL ANALYSIS**

### **US Response**

#### ***Scope***

The Volcker Rule applies a prohibition on proprietary trading for insured depository institutions and their affiliates, under section 619 of the Dodd-Frank Act. The scope of enhanced prudential standards covering capital, liquidity, and stress-testing requirements for large bank holding companies was likewise set by statute, at a \$50 billion asset threshold under Section 165 of Dodd-Frank. The first successful narrowing of either came only through the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018, which raised the enhanced prudential standards threshold from \$50 billion to \$250 billion and exempted banking organizations under \$10 billion in assets from the Volcker Rule entirely (Bank Policy Institute, 2023; Yale Journal on Regulation, 2018). It required a statute of equal standing to narrow the

Oct 2026

Vol 12. No 2.

scope. In the eight years following the Dodd-Frank Act, and the four following the point at which the rule reached full legal effect, compliance mechanisms remained at agency-level discretion but never deviated from the initial population of the firms covered.

*Scope, Volcker Rule*

| Score at full legal effect | Score in force | Score scheduled | Change attempted                                    | Source                                                        |
|----------------------------|----------------|-----------------|-----------------------------------------------------|---------------------------------------------------------------|
| 3                          | 2              | —               | Statutory narrowing of the covered population, 2018 | Bank Policy Institute, 2023; Yale Journal on Regulation, 2018 |

*Note. The parameter held at 3 until the 2018 statute took effect. Banks under \$10 billion were exempted; larger banks were unaffected.*

The Ability-to-Repay and Qualified Mortgage rule reached full legal effect on January 10, 2014, with its scope defined by the Consumer Financial Protection Bureau's (CFPB) own rulemaking under Regulation Z (Consumer Financial Protection Bureau, 2013). The rule included a significant scope exemption from the outset, which allowed loans eligible for purchase by Fannie Mae or Freddie Mac to qualify regardless of their debt-to-income ratio, as per the Government-Sponsored Enterprise (GSE) Patch. The CFPB let this patch expire on schedule in 2021. It replaced the debt-to-income cap with a revised General QM definition built around a price-based threshold instead (Consumer Financial Protection Bureau, 2021). This case therefore illustrates a scope parameter that has stayed changeable throughout its life. The changes made adjusted the terms of coverage; they did not narrow the overall population of loans subject to some form of ability-to-repay obligation.

*Scope, Ability-to-Repay/Qualified Mortgage rule*

| Score at full legal effect | Score in force | Score scheduled | Change attempted                                                           | Source                                     |
|----------------------------|----------------|-----------------|----------------------------------------------------------------------------|--------------------------------------------|
| 3                          | 3              | —               | Expiry of the GSE Patch and replacement of the General QM definition, 2021 | Consumer Financial Protection Bureau, 2021 |

*Note. The 2021 rulemaking altered the terms of coverage at Level 2 without narrowing aggregate coverage*

The scope of Basel III's implementation was set through an interagency final rule issued jointly by the Federal Reserve, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance

Corporation (FDIC), reaching full legal effect on January 1, 2014. At baseline, the rule covered credit, market, and operational risk for broadly the largest and most internationally active banking organizations. This scope narrowed in 2019, when interagency tailoring rules, issued under authority EGRRCPA had granted at Level 4, sorted banks into four categories and exempted a substantial tier of regional banks from the most demanding capital and liquidity constraints, replaced entirely through Level 2 implementation.

A subsequent attempt to widen that scope back out stalled before taking effect. In July 2023, the same three agencies proposed the "Basel III Endgame", which would have pulled banks with \$100 billion or more in assets back into a more demanding capital regime, reversing part of the 2019 narrowing (EY, 2026). The proposal drew sustained industry and congressional opposition, and by September 2024 the Federal Reserve's vice chair for supervision had signalled the agencies would scale it back substantially. A formal re-proposal issued in March 2026 reflects that reduced ambition and remains open for comment, with a deadline of June 18, 2026, and has not taken full legal effect. It sought to tighten the constraint rather than to relax it, and is accordingly recorded as an attempt that did not take effect rather than as reversal pressure.

*Scope, Basel III capital and liquidity requirements*

| Score at full legal effect | Score in force | Score scheduled | Change attempted                                                                                                                           | Source                |
|----------------------------|----------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 3                          | 2              | —               | Tailoring of the covered population, 2019. Basel III Endgame proposed July 2023, re-proposed at reduced ambition March 2026, not in effect | EY, 2026; Scott, 2024 |

*Note. The 2019 tailoring rules narrowed coverage for regional banks. The Endgame is a tightening attempt and does not affect the score.*

***Stringency***

The Volcker Rule's core prohibition is statutory, but the compliance mechanisms that determine how demanding the prohibition is in practice, the definition of a covered trading account and the exemptions for market-making, hedging, and underwriting, were set through interagency rule rather than direct statutory application. The 2019 and 2020 revisions to these rules narrowed the trading-account definition and simplified compliance for banks operating on a smaller scale.

*Stringency, Volcker Rule compliance mechanics*

| Score at full legal effect | Score in force | Score scheduled | Change attempted                                                                     | Source                                          |
|----------------------------|----------------|-----------------|--------------------------------------------------------------------------------------|-------------------------------------------------|
| 3                          | 2              | —               | Narrowing of the trading-account definition and simplified compliance, 2019 and 2020 | Office of the Comptroller of the Currency, 2013 |

The Ability-to-Repay and Qualified Mortgage rule's central stringency test, a 43 per cent debt-to-income ceiling, was itself replaced by the CFPB's price-based General QM threshold in 2021 without any statutory involvement (Consumer Financial Protection Bureau, 2021).

*Stringency, Ability-to-Repay/Qualified Mortgage rule*

| Score at full legal effect | Score in force | Score scheduled | Change attempted                                                                    | Source                                     |
|----------------------------|----------------|-----------------|-------------------------------------------------------------------------------------|--------------------------------------------|
| 3                          | 2              | —               | Replacement of the 43 per cent debt-to-income ceiling with a price-based test, 2021 | Consumer Financial Protection Bureau, 2021 |

Basel III's stringency in the United States was set at Level 2 from the outset, through the same interagency rule that fixed its scope. The 2019 reworks loosened this for regional banks, reducing stress-testing frequency from annual to biennial for institutions exempted from the most demanding capital categories that year. The stringency was challenged on a much greater scale when the same agencies proposed the Basel III Endgame, an increase in required capital for large banks significant enough to draw sustained industry opposition and a congressional call for its withdrawal (Scott, 2024). The attempt was mounted at Level 2, the level at which the parameter is coded, and it sought to tighten the constraint rather than to relax it. It never took legal effect and does not affect the score, and it is recorded as an attempt at the coded level that did not succeed.

*Stringency, Basel III capital and liquidity*

| Score at full legal effect | Score in force | Score scheduled | Change attempted                                                                  | Source      |
|----------------------------|----------------|-----------------|-----------------------------------------------------------------------------------|-------------|
| 3                          | 2              | —               | Reduction of stress-testing frequency for regional banks, 2019. Basel III Endgame | Scott, 2024 |

|  |  |  |                                   |  |
|--|--|--|-----------------------------------|--|
|  |  |  | tightening attempt, not in effect |  |
|--|--|--|-----------------------------------|--|

### ***Enforcement***

The Volcker Rule has been exposed to the same Level 1 administrative channel as the other prudential requirements enforced by the Federal Reserve, the OCC, and the FDIC because supervisory staffing determines how much practical application it carries. Beginning in 2025, the Federal Reserve announced plans to cut its Supervision and Regulation division by roughly 30 per cent, from about 500 staff to approximately 350, by the end of 2026, under Vice Chair for Supervision Michelle Bowman (Banking Dive, 2025b). The FDIC saw a workforce reduction of about 20 per cent over 2025, with its Division of Complex Institution Supervision and Resolution and its Division of Resolutions and Receiverships each losing substantial amounts of staff, its 2026 budget cut by 16.4 per cent as a result, and more than 200 examiner job offers rescinded in January 2025 (American Banker, 2026; Banking Dive, 2025a). The OCC moved to eliminate mandatory policy-based examination requirements for community banks from January 2026 (Davis Wright Tremaine, 2025). Federal Reserve Governor Michael Barr, dissenting publicly from these changes, warned in a speech titled "The Case for Strong, Effective Banking Supervision" that they would limit supervisory findings and enforcement actions and erode the system's capacity to respond to risk (Barr, 2025, "A strong supervisory staff" section).

### ***Enforcement, Volcker Rule***

| <b>Score at full legal effect</b> | <b>Score in force</b> | <b>Score scheduled</b> | <b>Change attempted</b>                                              | <b>Source</b>                                                | <b>Speed</b>                                      |
|-----------------------------------|-----------------------|------------------------|----------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------|
| 3                                 | 2                     | —                      | Supervisory staffing and examination policy reductions, 2025 to 2026 | Banking Dive, 2025b; Davis Wright Tremaine, 2025; Barr, 2025 | Decision: 63 months.<br>Implementation: 4 months. |

The enforcement parameter for the Ability-to-Repay and Qualified Mortgage rule depends entirely on the CFPB's own supervisory and enforcement disposition. Beginning in February 2025, the CFPB's leadership issued a stop-work order for all investigations and supervisory examinations, and the bureau subsequently dropped more than 22 pending enforcement actions against banks and other financial firms, as well as modifying or abolishing 20 settled orders that would have provided consumer restitution (Consumer Reports, 2026). Congress subsequently acted in the same direction through a Level 4 instrument, a 2025 budget reconciliation bill that cut the CFPB's funding cap from 12 per cent to 6.5 per cent of the Federal Reserve's operating expenses (Government Executive, 2025). The enforcement parameter's coded level remains Level 1 under this paper's lowest-level rule, the February stop-work order

having already reduced enforcement capacity before the statute followed. The rule's text, including the General QM threshold discussed under Stringency above, remains formally in force throughout this period.

*Enforcement, Ability-to-Repay/Qualified Mortgage rule*

| Score at full legal effect | Score in force | Score scheduled | Change attempted                                                                                       | Source                                             | Speed                                              |
|----------------------------|----------------|-----------------|--------------------------------------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| 3                          | 1              | —               | Stop-work order and withdrawal of pending actions, February 2025. Funding cap reduced by statute, 2025 | Consumer Reports, 2026; Government Executive, 2025 | Decision: 52 months.<br>Implementation: 12 months. |

Basel III capital and liquidity requirements are enforced by the same Federal Reserve, OCC, and FDIC supervisory apparatus described above for the Volcker Rule, and the same staffing and examination-policy reductions apply directly: the Federal Reserve's planned 30 per cent cut to its Supervision and Regulation division, the FDIC's roughly 20 per cent workforce reduction and 16.4 per cent budget cut, and the OCC's rescinded examiner hiring and narrowed examination requirements all bear on Basel III's enforcement in exactly the same way, since no evidence was found of a Basel-III-specific enforcement channel distinct from the general prudential examination these cuts affect.

*Enforcement, Basel III capital and liquidity requirements*

| Score at full legal effect | Score in force | Score scheduled | Change attempted                                                     | Source                                                 | Speed                                             |
|----------------------------|----------------|-----------------|----------------------------------------------------------------------|--------------------------------------------------------|---------------------------------------------------|
| 3                          | 2              | —               | Supervisory staffing and examination policy reductions, 2025 to 2026 | American Banker, 2026; Banking Dive, 2025a; Barr, 2025 | Decision: 58 months.<br>Implementation: 6 months. |

## UK Response

### *Scope*

The Financial Services Act 2012, which abolished the Financial Services Authority and established the Prudential Regulation Authority and Financial Conduct Authority, set the scope of the new twin-peaks

supervisory architecture by statute, commenced through statutory instrument on April 1, 2013 (The Global Treasurer, 2013). No subsequent narrowing of institutional scope has occurred, and no attempt at such a narrowing was identified.

*Scope, Financial Services Act 2012, PRA/FCA structure*

| Score at full legal effect | Score in force | Score scheduled | Change attempted | Source                     |
|----------------------------|----------------|-----------------|------------------|----------------------------|
| 3                          | 3              | —               | None identified  | The Global Treasurer, 2013 |

The United Kingdom's ring-fencing regime is an instance of the deposit threshold determining which banks fall within the regime. It reached full legal effect on January 1, 2019, applying to banks with more than £25 billion in core deposits. It was not set by the Financial Services (Banking Reform) Act 2013 but by secondary legislation made under powers the Act delegated, which shifts the parameter to Level 3. An independent statutory review in March 2022 recommended narrowing the regime. A recommendation is not an instrument, and the parameter was accordingly unaffected by it. The government implemented the Smarter Ring-Fencing Reforms through a further statutory instrument in February 2025, which raised the threshold to £35 billion in core deposits and introduced additional exemptions (Ashurst, 2024; Global Financial Regulatory Blog, 2026). The parameter therefore held for three years against a published recommendation and moved only when an instrument at its own level was made.

*Scope, UK ring-fencing regime*

| Score at full legal effect | Score in force | Score scheduled | Change attempted                                                                                                                                        | Source                                                |
|----------------------------|----------------|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| 3                          | 2              | —               | Independent statutory review recommending narrowing, March 2022, no instrument adopted. Deposit threshold raised by statutory instrument, February 2025 | Ashurst, 2024; Global Financial Regulatory Blog, 2026 |

*Note. The 2022 review recommended narrowing but adopted no instrument, so the parameter was unaffected until February 2025.*

The United Kingdom's implementation of the Capital Requirements Directive IV (CRD IV) and Basel III capital standards through the PRA Rulebook reached full legal effect on January 1, 2014, applying uniformly to all PRA-regulated banks, building societies, and designated investment firms. This scope is scheduled to narrow. In April 2021, the PRA developed a framework intended to exempt small domestic

deposit-takers from applying the full Basel standards. Later, in November 2022, a consultation proposed that firms meeting defined simplified regime criteria should not need to apply Basel 3.1 standards when calculating capital ratios at all (Bank of England, 2022). The PRA finalised these changes through a January 2026 policy statement, which confirmed the implementation of a simplified capital regime for Small Domestic Deposit Takers alongside the near-final Basel 3.1 rules for all other covered firms (Bank of England, 2024; Regnology, 2026). Both are scheduled to take effect on January 1, 2027 (Bank of England, 2025). The instrument is adopted and its effective date has not arrived, so the in-force score stands and the narrowing is recorded as a scheduled score.

*Scope, CRD IV / Basel III implementation*

| Score at full legal effect | Score in force | Score scheduled | Change attempted                                                                                                           | Source                                             |
|----------------------------|----------------|-----------------|----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| 3                          | 3              | 2               | Exemption of Small Domestic Deposit Takers from full Basel 3.1 standards, finalised January 2026, effective 1 January 2027 | Bank of England, 2022, 2024, 2025; Regnology, 2026 |

***Stringency***

The Financial Services Act 2012's closest counterpart to a stringency parameter is the statutory objectives Parliament gave the PRA and FCA at commencement: the PRA's general objective of promoting the safety and soundness of PRA-authorized persons, its insurance objective, and the FCA's objective of ensuring relevant markets function well. These primary objectives were set at Level 4 in 2013 and remained unamended for a decade. The Financial Services and Markets Act 2023 received Royal Assent on 29 June 2023 and added a secondary competitiveness and growth objective to both regulators' statutory responsibilities, requiring each to act in a way that facilitates the international competitiveness and growth of the UK economy and financial sector (Financial Services and Markets Act 2023). No primary objective has been formally weakened, but the addition of a competing secondary objective at the same Level 4 as the original mandate, and the sustained parliamentary scrutiny of its practical effect, are recorded here.

*Stringency, Financial Services Act 2012, PRA/FCA statutory objectives*

| Score at full legal effect | Score in force | Score scheduled | Change attempted | Source |
|----------------------------|----------------|-----------------|------------------|--------|
|                            |                |                 |                  |        |

|   |   |   |                                                                                                                |                                                                                     |
|---|---|---|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| 3 | 3 | — | Addition of a secondary competitiveness and growth objective at Level 4, 2023.<br>No primary objective amended | Financial Services and Markets Act 2023; Bank of England, 2024; UK Parliament, 2026 |
|---|---|---|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|

The February 2025 Smarter Ring-Fencing Reforms that raised the deposit threshold also expanded permitted activities, allowing ring-fenced banks to make minority equity investments in UK SMEs, undertake a wider range of trade finance, and operate branches outside the UK and European Economic Area (EEA) (Ashurst, 2024).

*Stringency, UK ring-fencing activity restrictions*

| Score at full legal effect | Score in force | Score scheduled | Change attempted                                                         | Source        |
|----------------------------|----------------|-----------------|--------------------------------------------------------------------------|---------------|
| 3                          | 2              | —               | Expansion of permitted activities by statutory instrument, February 2025 | Ashurst, 2024 |

The PRA issued rules covering credit valuation adjustment and counterparty credit risk in December 2023, credit risk and the output floor in September 2024, and market risk in January 2026. The full enactment is now finalized for January 1, 2027 after three postponements from an original 2025 start (Regnology, 2026). Alongside this, the PRA finalized simplifications specifically for Small Domestic Deposit Takers in the same January 2026 policy statement, removing the requirement to calculate capital for credit valuation adjustment and counterparty credit risk for most eligible firms, which replaced the multi-layered buffer system, while reducing the frequency of internal capital and liquidity adequacy assessment reviews (Regnology, 2026). The targeted simplification and general weakening were accomplished entirely at Level 2 and without the involvement of legislative or ministerial actions. Both take effect on the same date as the scope narrowing, so the in-force score stands and the change is recorded as scheduled.

*Stringency, UK CRD IV / Basel 3.1*

| Score at full legal effect | Score in force | Score scheduled | Change attempted                                                        | Source                                               |
|----------------------------|----------------|-----------------|-------------------------------------------------------------------------|------------------------------------------------------|
| 3                          | 3              | 2               | Simplification of capital calculation and reduced assessment frequency, | Regnology, 2026; Buckingham Capital Consulting, 2026 |

|  |  |  |                                                     |  |
|--|--|--|-----------------------------------------------------|--|
|  |  |  | finalised January 2026,<br>effective 1 January 2027 |  |
|--|--|--|-----------------------------------------------------|--|

### ***Enforcement***

According to the FCA's own letter to Parliament's Treasury Select Committee, there was a 35 per cent decrease in FCA open enforcement operations between April 2023 and early 2026. The enforcement leadership has publicly defined the resulting methodology as doing fewer investigations at a faster pace (Financial Conduct Authority, 2025). The PRA cut budgeted headcount by 55 full-time-equivalent staff which resulted in a 4 per cent reduction in 2025 (Bank of England, 2026b). The changes were internal administrative decisions which were made without direct amendments to the Financial Services Act 2012.

#### *Enforcement, Financial Services Act 2012*

| <b>Score at full legal effect</b> | <b>Score in force</b> | <b>Score scheduled</b> | <b>Change attempted</b>                                                      | <b>Source</b>                                                    | <b>Speed</b>                                      |
|-----------------------------------|-----------------------|------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------|
| 3                                 | 2                     | —                      | Reduction in FCA open enforcement operations and PRA headcount, 2023 to 2026 | Financial Conduct Authority, 2025; Bank of England, 2026a, 2026b | Decision: 51 months.<br>Implementation: 3 months. |

The PRA's regular examination cycle is used to oversee ring-fenced institutions rather than distinct channels. These PRA changes introduced a 4 per cent headcount cut and the shift to a two-year Periodic Summary Meeting cycle for all regulated firms (Bank of England, 2026a, 2026b). All enforcement-related data available is linked to general PRA capacity.

#### *Enforcement, UK ring-fencing regime*

| <b>Score at full legal effect</b> | <b>Score in force</b> | <b>Score scheduled</b> | <b>Change attempted</b>                                                     | <b>Source</b>                 | <b>Speed</b>                                       |
|-----------------------------------|-----------------------|------------------------|-----------------------------------------------------------------------------|-------------------------------|----------------------------------------------------|
| 3                                 | 2                     | —                      | PRA-wide headcount reduction and lengthened examination cycle, 2025 to 2026 | Bank of England, 2026a, 2026b | Decision: 70 months.<br>Implementation: 54 months. |

Basel III and CRD IV enforcement in the UK runs through the same PRA supervisory review process, the Periodic Summary Meeting and Supervisory Review and Evaluation Process cycles. This case is identical to the headcount and examination-frequency decreases observed for the other two UK cases.

*Enforcement, UK CRD IV / Basel 3.1*

| Score at full legal effect | Score in force | Score scheduled | Change attempted                                                            | Source                        | Speed                                                  |
|----------------------------|----------------|-----------------|-----------------------------------------------------------------------------|-------------------------------|--------------------------------------------------------|
| 3                          | 2              | —               | PRA-wide headcount reduction and lengthened examination cycle, 2025 to 2026 | Bank of England, 2026a, 2026b | Decision: 62 months.<br>Implementation: under 1 month. |

**Indian Response**

*Scope*

The RBI's Basel III capital regulations, set through regulator circular rather than statute, took effect on April 1, 2013, with full implementation required by March 31, 2019, and have retained the same population of covered scheduled commercial banks throughout (Reserve Bank of India, 2012). No attempt to alter the covered population was identified.

*Scope, India Basel III capital regulations*

| Score at full legal effect | Score in force | Score scheduled | Change attempted | Source                      |
|----------------------------|----------------|-----------------|------------------|-----------------------------|
| 3                          | 3              | —               | None identified  | Reserve Bank of India, 2012 |

India's revised Prompt Corrective Action framework came into effect from April 1, 2017 and it has retained the same population of covered scheduled commercial banks since that date (Reserve Bank of India, 2017). No attempt to alter the covered population was identified.

*Scope, India revised PCA framework*

| Score at full | Score in force | Score scheduled | Change attempted | Source |
|---------------|----------------|-----------------|------------------|--------|
|---------------|----------------|-----------------|------------------|--------|

| legal effect |   |   |                 |                             |
|--------------|---|---|-----------------|-----------------------------|
| 3            | 3 | — | None identified | Reserve Bank of India, 2017 |

The RBI's February 12, 2018 circular on resolution of stressed assets set a scope mandating that any account with exposure above ₹2,000 crore be referred for insolvency proceedings if not resolved within 180 days of default. The Supreme Court of India struck down the circular entirely on April 2, 2019, holding that it exceeded the authority delegated to the RBI under Section 35AA of the Banking Regulation Act, 1949 (*Dharani Sugars and Chemicals Ltd. v. Union of India*, 2019). The RBI replaced the circular on June 7, 2019 with a revised framework that preserved the underlying supervisory objective but left the referral decision to individual lenders' discretion rather than mandating it universally (*Reserve Bank of India*, 2019).

*Scope, India stressed assets resolution framework*

| Score at full legal effect | Score in force | Score scheduled | Change attempted                                                                 | Source                                                                                 |
|----------------------------|----------------|-----------------|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| 3                          | 1              | —               | Judicial invalidation, April 2019, followed by re-encoding at Level 2, June 2019 | Dharani Sugars and Chemicals Ltd. v. Union of India, 2019; Reserve Bank of India, 2019 |

*Note. The score fell to 0 when the instrument was voided in April 2019 and recovered to 1 on re-encoding with discretionary, non-universal scope in June 2019.*

***Stringency***

The RBI issued draft directions in October 2025 proposing to reduce risk weights on Micro, Small, and Medium Enterprise (MSME) and residential real estate exposures under its Basel III framework, and finalized these as the Reserve Bank of India (Commercial Banks - Capital Charge for Credit Risk - Standardised Approach) Directions, 2026 on April 27, 2026, effective April 1, 2027. As with the UK's Basel 3.1 case above, this narrowing is not merely proposed but formally finalized, with only its effective date remaining in the future, and was accomplished entirely through RBI directions (*Reserve Bank of India*, 2025, 2026b). The instrument is adopted and its effective date has not arrived, so the in-force score stands and the change is recorded as scheduled.

*Stringency, India Basel III*

| Score at full legal effect | Score in force | Score scheduled | Change attempted                                                                                                      | Source                             |
|----------------------------|----------------|-----------------|-----------------------------------------------------------------------------------------------------------------------|------------------------------------|
| 3                          | 3              | 2               | Reduction of risk weights on MSME and residential real estate exposures, finalised April 2026, effective 1 April 2027 | Reserve Bank of India, 2025, 2026b |

India's revised Prompt Corrective Action framework has in fact loosened at Level 2 since 2017. The November 2021 revision which came into effect from January 1, 2022, removed return on assets as a trigger parameter entirely and excluded payments banks and small finance banks from the framework's scope, retaining only capital adequacy, asset quality, and leverage as active indicators (Reserve Bank of India, 2021).

*Stringency, India PCA thresholds*

| Score at full legal effect | Score in force | Score scheduled | Change attempted                                                                                                     | Source                      |
|----------------------------|----------------|-----------------|----------------------------------------------------------------------------------------------------------------------|-----------------------------|
| 3                          | 2              | —               | Removal of the return on assets trigger and narrowing of applicable lenders, November 2021, effective 1 January 2022 | Reserve Bank of India, 2021 |

The stringency dimension of India's February 2018 stressed-assets circular fell to a score of 0 at judicial invalidation and later recovered to 1 once the RBI's June 2019 replacement left resolution timing to individual lenders' discretion. This is recorded as a single joint event.

*Stringency, India stressed assets resolution framework*

| Score at full legal effect | Score in force | Score scheduled | Change attempted                                                                 | Source                      |
|----------------------------|----------------|-----------------|----------------------------------------------------------------------------------|-----------------------------|
| 3                          | 1              | —               | Judicial invalidation, April 2019, followed by re-encoding at Level 2, June 2019 | Reserve Bank of India, 2019 |

*Note. The score fell to 0 when the instrument was voided in April 2019 and recovered to 1 when the 180-day deadline was replaced with lender discretion in June 2019.*

### **Enforcement**

Enforcement of the Basel III capital regulations runs through the RBI's unified Department of Supervision, which has been in operation since 2019, and no enforcement channel specific to Basel III capital shortfalls was identified. Under its Utkarsh 2029 roadmap, the RBI's 2025-26 Annual Report sets out an expanding supervisory agenda for 2026-2027, including increased examination coverage and continuing staff capacity building within that department (Reserve Bank of India, 2026a). The parameter is scored on that affirmative evidence of supervisory capacity, in accordance with the evidentiary rule stated in the Methodology, and not on the absence of evidence of decline.

#### *Enforcement, India Basel III*

| Score at full legal effect | Score in force | Score scheduled | Change attempted | Source                       | Speed                                              |
|----------------------------|----------------|-----------------|------------------|------------------------------|----------------------------------------------------|
| 3                          | 3              | —               | None identified  | Reserve Bank of India, 2026a | Decision: 17 months.<br>Implementation: 11 months. |

The enforcement parameter for India's revised PCA framework, at Level 1, demonstrates sustained active use in that removing a particular bank from restriction is a supervisory decision, not a modification to the framework's language. Eleven public sector banks were placed under PCA restriction by the RBI starting in 2017. Since then, the RBI has actively managed entries and exits based on continuous performance reviews; three banks, UCO Bank, IDBI Bank, and Indian Overseas Bank, exited in 2021, and Central Bank of India, the last bank under restriction, exited on September 20, 2022, after the RBI's Board for Financial Supervision found it no longer in breach of the framework's parameters. No bank has been under PCA restriction since that date (Reserve Bank of India, 2021, 2022).

#### *Enforcement, India PCA framework*

| Score at full legal effect | Score in force | Score scheduled | Change attempted                                                     | Source                            | Speed                                                  |
|----------------------------|----------------|-----------------|----------------------------------------------------------------------|-----------------------------------|--------------------------------------------------------|
| 3                          | 3              | —               | None identified. Framework in sustained active use to September 2022 | Reserve Bank of India, 2021, 2022 | Decision: 24 months.<br>Implementation: under 1 month. |

The Supreme Court's 2019 decision eliminated the mandatory enforcement mechanism, being the automatic 180-day referral to insolvency proceedings, alongside the circular's scope and stringency in a single ruling. All three dimensions are therefore recorded as one event.

*Enforcement, India stressed assets resolution framework*

| Score at full legal effect | Score in force | Score scheduled | Change attempted                                                                 | Source                      | Speed                                                  |
|----------------------------|----------------|-----------------|----------------------------------------------------------------------------------|-----------------------------|--------------------------------------------------------|
| 3                          | 1              | —               | Judicial invalidation, April 2019, followed by re-encoding at Level 2, June 2019 | Reserve Bank of India, 2019 | Decision: 34 months.<br>Implementation: under 1 month. |

*Note. The score fell to 0 when the mandatory referral mechanism was voided in April 2019 and recovered to 1 when a discretionary, lender-triggered mechanism replaced it in June 2019.*

## RESULTS

This section reports the three research questions against the evidence assembled in the preceding analysis. Table 6 presents the parameter-level coding and durability scores.

**Table 6**

*Case-Level Summary: Legal Form, Judicial Exposure, Durability and Attempted Change*

| Reform                         | Legal form Sc / St / En | Judicial exposure | Durability at effect | Durability in force | Scheduled | Attempt recorded Sc / St / En |
|--------------------------------|-------------------------|-------------------|----------------------|---------------------|-----------|-------------------------------|
| US Volcker Rule                | 4 / 2 / 1               | No                | 3 / 3 / 3            | 2 / 2 / 2           | —         | Yes / Yes / Yes               |
| US Ability-to-Repay and QM     | 2 / 2 / 1               | No                | 3 / 3 / 3            | 3 / 2 / 1           | —         | Yes / Yes / Yes               |
| US Basel III                   | 2 / 2 / 1               | No                | 3 / 3 / 3            | 2 / 2 / 2           | —         | Yes / Yes / Yes               |
| UK Financial Services Act 2012 | 4 / 4 / 1               | No                | 3 / 3 / 3            | 3 / 3 / 2           | —         | No / Yes / Yes                |
| UK ring-fencing regime         | 3 / 3 / 1               | No                | 3 / 3 / 3            | 2 / 2 / 2           | —         | Yes / Yes / Yes               |

|                          |           |     |           |           |           |                 |
|--------------------------|-----------|-----|-----------|-----------|-----------|-----------------|
| UK CRD IV /<br>Basel 3.1 | 2 / 2 / 1 | No  | 3 / 3 / 3 | 3 / 3 / 2 | 2 / 2 / 2 | Yes / Yes / Yes |
| India Basel<br>III       | 2 / 2 / 1 | No  | 3 / 3 / 3 | 3 / 3 / 3 | 3 / 2 / 3 | No / Yes / No   |
| India revised<br>PCA     | 2 / 2 / 1 | No  | 3 / 3 / 3 | 3 / 2 / 3 | —         | No / Yes / No   |
| India stressed<br>assets | 2 / 2 / 1 | Yes | 3 / 3 / 3 | 1 / 1 / 1 | —         | Yes / Yes / Yes |

*Note.* *Sc*, *St* and *En* denote scope, stringency and enforcement. Legal form is coded 1 to 4 per Table 4 and durability 0 to 3 per Table 3. An attempt is recorded where a formal attempt to alter the parameter was identified, whether or not it took effect. Speed, breadth and depth are reported in Table 7.

Legal form varies across the scope and stringency dimensions but is constant at Level 1 across all nine enforcement parameters, so no comparison between legal form and any rival is available on that dimension. Five of the twenty-seven parameters attracted no attempt at all during the observation period. A parameter that nothing was directed at supplies no evidence about the level at which it was encoded, its survival records the absence of pressure. Those parameters are identified in Table 6 and are excluded from the comparisons where indicated.

#### **RQ1: legal form level assigned to a reform's scope**

Scope parameters are distributed across three levels. Two are coded at Level 4, being the applicability of the Volcker Rule and the institutional reach of the Financial Services Act 2012. One is coded at Level 3, being the ring-fencing deposit threshold. Six are coded at Level 2.

A parameter scoring 3 or 2 continues to constrain the firms it reaches, the second having narrowed in an identifiable respect while its core remains operative. A parameter scoring 1 or 0 does not, being nominally in force and operationally emptied, or eliminated altogether. Narrowing and failure are distinct outcomes. Every scope parameter encoded above Level 2 persisted. The Volcker Rule's applicability was narrowed by statute in 2018 and continues to prohibit proprietary trading for the institutions it reaches. The ring-fencing deposit threshold was raised by statutory instrument in 2025 and continues to separate the activities it separates. The Financial Services Act's institutional reach has not been altered at all. The single scope parameter in the sample that ceased to constrain, being the stressed-assets referral threshold, had been left at Level 2, and its replacement makes referral a matter for individual lenders. The same relation holds across the study as a whole. Of the twenty-seven parameters examined, the five encoded above Level 2 all persisted, and all four parameters that failed had been encoded at Level 1 or Level 2.

Breadth is consistent with these outcomes and cannot be shown to produce them. It is recorded once per reform and is therefore identical for that reform's scope, stringency and enforcement, while the outcome is not: the Ability-to-Repay rule's scope persisted and its enforcement did not, and breadth is the same figure for both. Where a reform's parameters diverge, breadth cannot indicate which of them will fail and legal

form places the failure at the parameter encoded lowest. The association that does appear in the aggregate, between re-application and scope persistence, rests on four reforms, two of which attracted no attempt on their scope at all, and so records the absence of pressure rather than resistance to it.

Speed does not account for the pattern either, and its failure is directional. The speed hypothesis holds that reforms assembled quickly rest on a consensus that dissolves once immediate pressure recedes, and so predicts that the fastest reforms will be the first to give way. In this sample the two fastest retain their scope intact while the two slowest, the Volcker Rule at sixty-three months and the ring-fencing regime at seventy, were narrowed.

Every scope parameter encoded above the regulatory level persisted, and the only scope parameter to cease constraining had been left at the regulatory level. Legal form predicts scope persistence where breadth does not, because persistence varies parameter by parameter and legal form is the only one of the two variables that varies with it.

## **RQ2: legal form level assigned to a reform's stringency**

Stringency parameters are distributed across the same three levels but the distribution is more uneven: seven are coded at Level 2, one at Level 3 and one at Level 4. Every one of the nine attracted an attempt, so no parameter is excluded from this comparison. Mean durability in force is 3.00 at Level 4, 2.00 at Level 3 and 2.14 at Level 2. The single Level 4 stringency parameter, being the statutory objectives Parliament gave the PRA and FCA, is the only stringency parameter in the sample to remain intact. It was reached in 2023 by an Act of Parliament that added a competing secondary objective without amending any primary objective, which is to say that the only instrument capable of altering it did not do so. Every stringency parameter coded at Level 2 has either degraded or has a degradation formally adopted and awaiting its effective date.

Depth does not account for this pattern. The Level 2 group contains reforms classified as substantial and as marginal alike, from the Volcker Rule's compliance mechanics to India's Prompt Corrective Action thresholds, and they degraded alike. The Level 4 parameter did not degrade despite the mandate to which it belongs being among the more consequential in the sample.

Speed produces no ordering on this aspect. The three fastest reforms span the entire range of stringency outcomes, from a parameter still intact to one that ceased to bind, while the three slowest stand at the same value as one another. Speed neither separates the parameters that loosened from those that did not, nor orders them by the extent of loosening.

The sole stringency parameter set in statute remains wholly intact; the parameter set in secondary legislation narrowed and continues to bind; every parameter left to regulatory discretion has loosened or has a loosening adopted and awaiting effect, and the one stringency parameter in the sample that ceased to bind at all had been left at the regulatory level. Depth accounts for neither the incidence of loosening nor

its extent, reforms classified as substantial and as marginal having degraded alike. Legal form predicts stringency persistence more reliably than the depth of the initial constraint.

### **RQ3: legal form level assigned to a reform's enforcement capacity**

Every enforcement parameter in the sample is coded at Level 1, the level this paper identifies as most exposed to unilateral administrative action. That uniformity forecloses a direct comparison between legal form and speed, since legal form does not vary on this dimension, but it is not a finding against the paper's argument. A dimension held uniformly at the least protected level is also the dimension that proves least stable in outcome, a pattern consistent with, even where it cannot independently confirm, the account developed for scope and stringency.

The outcomes nonetheless range across the scale, from 1 to 3, and it is worth recording what does and does not account for that range. Speed does not. Decision speed across the sample runs from seventeen months for India's Basel III guidelines to seventy months for the United Kingdom's ring-fencing regime, and the three United States cases span a substantial part of that range on their own, from fifty-two months for the Ability-to-Repay and Qualified Mortgage rule to sixty-three months for the Volcker Rule, while producing closely comparable enforcement outcomes. Implementation speed does no better: the ring-fencing regime, the slowest in the sample at fifty-four months, degraded by the same margin as United States cases implemented far more quickly, and India's Prompt Corrective Action framework, implemented in under a month, shows no enforcement decline at all.

United States enforcement declined in all three cases: severely at the Consumer Financial Protection Bureau, where a stop-work order and the withdrawal of pending enforcement actions reduced enforcement capacity within a year; moderately at the Federal Reserve, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation, whose 2025 and 2026 staffing reductions reached the Volcker Rule and Basel III alike, both being enforced through the same supervisory processes. Every United Kingdom enforcement parameter degraded moderately, through capacity reductions at the Financial Conduct Authority and the Prudential Regulation Authority reported by those bodies about themselves. Two of the three Indian enforcement parameters are intact, and the Prompt Corrective Action framework displayed a decade of sustained use. What separates them is the body holding the discretion that Level 1 leaves unconstrained. Legal form determines where a constraint is exposed to change; it does not determine whether that exposure is used, and on this dimension the paper can identify the variable that would account for the difference without being able to measure it.

Read together with scope and stringency, enforcement is the dimension the theory predicts should be least secure, and it is the dimension where degradation was most widespread across jurisdictions: outright decline in the United States and the United Kingdom, and only partial stability in India, where two of the three parameters remain intact. The absence of variance prevents this from serving as an independent test of legal form against speed, but it does not run against the paper's central claim, and is better read as an illustration of it than as a finding of no relationship.

**Table 7**

*Start Point, Adoption, Full Legal Effect, Speed and Scale by Reform*

| <b>Reform</b>                  | <b>Start point</b>                       | <b>Adoption of operative instrument</b>                   | <b>Full legal effect</b> | <b>Decision speed</b> | <b>Implementation speed</b> | <b>Breadth</b> | <b>Depth</b> |
|--------------------------------|------------------------------------------|-----------------------------------------------------------|--------------------------|-----------------------|-----------------------------|----------------|--------------|
| US Volcker Rule                | Sept 2008, crisis onset                  | 10 Dec 2013, interagency final rule                       | 1 Apr 2014               | 63                    | 4                           | Novel          | Novel        |
| US Ability-to-Repay and QM     | Sept 2008, crisis onset                  | 10 Jan 2013, CFPB final rule                              | 10 Jan 2014              | 52                    | 12                          | Novel          | Novel        |
| US Basel III                   | Sept 2008, crisis onset                  | Jul 2013, interagency final rule                          | 1 Jan 2014               | 58                    | 6                           | Re-application | Substantial  |
| UK Financial Services Act 2012 | Oct 2008, crisis onset                   | 23 Jan 2013, Commencement No. 1 Order                     | 1 Apr 2013               | 51                    | 3                           | Novel          | Novel        |
| UK ring-fencing regime         | Sept 2008, crisis onset                  | 23 Jul 2014, Ring-fenced Bodies and Core Activities Order | 1 Jan 2019               | 70                    | 54                          | Novel          | Novel        |
| UK CRD IV / Basel 3.1          | Oct 2008, crisis onset                   | 19 Dec 2013, PRA policy statement (PS7/13)                | 1 Jan 2014               | 62                    | Under 1                     | Re-application | Substantial  |
| India Basel III                | Dec 2010, Basel III framework published  | 2 May 2012, RBI Master Circular                           | 1 Apr 2013               | 17                    | 11                          | Re-application | Substantial  |
| India revised PCA              | Apr 2015, domestic asset-quality trigger | 13 Apr 2017, RBI circular                                 | 1 Apr 2017               | 24                    | Effective on issue          | Re-application | Marginal     |

|                       |                                          |                           |             |    |                    |       |             |
|-----------------------|------------------------------------------|---------------------------|-------------|----|--------------------|-------|-------------|
| India stressed assets | Apr 2015, domestic asset-quality trigger | 12 Feb 2018, RBI circular | 12 Feb 2018 | 34 | Effective on issue | Novel | Substantial |
|-----------------------|------------------------------------------|---------------------------|-------------|----|--------------------|-------|-------------|

*Note. Speed is recorded in months. The start point is the date the jurisdiction formally identified the problem the reform addresses, and the event is named because it differs across reforms. Breadth is the covered population under the reform relative to the prior standard, recorded as novel where the prior standard imposed no comparable requirement and as re-application where the population was already covered. Depth is classified per the definition in the Methodology.*

## CONCLUSION

This paper tested whether the legal form of a financial reform predicts its survival more reliably than the speed of its adoption or the scale of the change it imposed. It examined nine reforms across three jurisdictions, producing twenty-seven parameter-level observations.

Legal form predicted which parameters degraded and which did not more consistently than either speed or scale, on the two dimensions where the sample permits the comparison to be drawn. On stringency the pattern is clear: the only parameter set in statute is the only one to remain intact, while every parameter left to regulatory discretion has loosened or has a loosening adopted and awaiting effect. On scope the pattern is equally clear: every parameter encoded above the regulatory level persisted, and the only scope parameter to fail had been left at the regulatory level. On enforcement no direct comparison against speed is available, every parameter in the sample being coded at Level 1, but the uniform exposure of enforcement at that level, and the correspondingly widespread degradation observed there, is consistent with rather than contrary to the pattern found on the other two dimensions.

Parameters set in statute resisted change for years and changed only when an equivalent statute altered them. Parameters left to regulatory or administrative discretion changed readily across all three jurisdictions regardless of the original constraint. This is not a claim that speed and scale are irrelevant; both correspond to identifiable surges in reversal pressure, consistent with the role this paper assigned them, that of explaining how much pressure a reform attracts. Neither, however, discriminated among the outcomes observed on any of the three dimensions.

Every enforcement parameter in this study is bound to administrative discretion, therefore, legal form alone cannot explain why enforcement declined sharply at the CFPB, declined moderately at the Federal Reserve, the OCC, the FDIC, the FCA, the PRA but remained stable or expanded at the RBI. This is explained only by the body which held the relevant discretion. Legal form determines where a constraint is exposed to change; it does not determine whether that exposure is used.

Scope and stringency followed the level at which each reform was set. Enforcement depended instead on which body held administrative discretion at a given time. This paper does not assess whether these

reforms were good policy or whether their survival affected financial stability, since these questions fall outside its scope. It shows instead that a reform's legal architecture, defined as the level of political act required to change each of its parameters, is the most consistent of the three explanations examined, establishing that consistency directly on the two dimensions where the evidence permits the comparison, and finding a pattern consistent with it, though not independently tested there, on the third. The comparison is drawn across nine cases and is not the result of a statistical test. The design supports a judgement about which variable tracks the outcomes more closely in this sample; it does not support a claim about reforms outside it.

### **Implications & Future Research**

For practitioners, a reform's political salience or the scale of its initial scope offers limited protection against dilution if its enforcement is left to administrative discretion. Embedding a reform's core parameters in statute is the more reliable of the safeguards examined here, although even this protection is limited, since even Level 4 parameters proved movable with sufficient political mobilisation.

Future research could expand the case set to additional jurisdictions and reforms to test whether this pattern holds at a scale supporting statistical rather than qualitative comparison, measure reversal pressure directly using repeal bills or legal challenges instead of inferring it from outcomes and develop a systematic measure of regulatory autonomy or political control at Level 1. One further need follows from the limits encountered here. A sample in which enforcement is encoded at more than one legal-form level would allow the third research question to be tested directly against speed, rather than supported only by the consistency of the wider pattern.

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