



# THE WALL STREET JOURNAL.

## LETTERS

### Killing the Non-Giant Competition

*These rules will dissuade new entrants to markets and force current participants to abandon specific markets.*

Feb. 20, 2015

“[Regulation Is Good for Goldman](#)” (Review & Outlook, Feb. 11) highlights a central flaw with the U.S. banking and securities regulatory approach. Postcrisis rules are solidifying the competitive advantage of the biggest U.S. firms at the expense of smaller U.S. institutions. As [Goldman Sachs](#) CEO [Lloyd Blankfein](#) remarked, “only a handful of players” will be able to afford to compete. This isn’t breaking news for midsize U.S. financial institutions focused on Main Street borrowers and investors.

Regulators are currently pushing rules unrelated to any Dodd-Frank requirement. Finra’s Comprehensive Automated Risk Data System, the Municipal Securities Rulemaking Board’s “best execution,” and Finra and MSRB’s fixed-income price-reference disclosure proposals will all squeeze smaller securities firms tighter. Individually, these proposals appear manageable, but cumulatively their impact is staggering. All firms—not just the big firms—will be required to make massive investments in technology and compliance staff. These rules, the “barriers to entry” Mr. Blankfein noted, will dissuade new entrants to markets and force current participants to abandon specific markets. Unlike Goldman Sachs, smaller U.S. firms do not have the ability to use revenues earned across myriad continents and product lines to absorb these costs.

For smaller U.S. firms, the challenge of surviving the financial crisis has been exceeded by the challenge of surviving this regulatory environment. It would be a perverse outcome if the postcrisis regulatory strategy cemented a marketplace for financial services dominated by a few large firms, but this is the reality that is developing. Global firms will thrive while U.S. firms providing capital to Main Street, U.S.A. struggle to survive.

Mike Nicholas  
CEO  
Bond Dealers of America  
Washington