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# Increased Regulations Spawn New Trade Associations

By Joann Needleman / Apr 08, 2016

The 1st Amendment of the Constitution provides for the right of the people to peaceably assemble. Embedded in that right is the freedom of association; the right or ability of people to come together and collectively express, promote, and defend their ideas. Like-minded participants in the financial services industry, who may be subject or potentially subject to oversight and regulation by the Consumer Financial Protection Bureau (CFPB), seem to be taking that ideal to heart and forming new trade associations. In the past two (2) weeks alone, two new groups have launched.

The Coalition for Responsible Business Finance intends to educate policymakers about online business lenders in order to dispel the misconceptions about the industry. The new group is working to establish a set of best practices for these entities. Breakout Capital, Foundation, and Business Backer are some of its first members. Tom Sullivan, who served on the Small Business Administration as Chief Counsel for Advocacy, is the group's Executive Director.

Lending Club, Prosper Marketplace, and Funding Circle are the charter members of the new Marketplace Lending Association formed to address the unique challenges, risks and opportunities facing the sector. To date no Executive Director has been named.

Fintech and online lending were discussed at yesterday's Senate Banking Hearing, where the CFPB's Director, Richard Cordray, fielded several questions regarding the regulation of this up and coming industry. Director Cordray made clear that "fintech firms should be subject to the same rules as traditional financial institutions". Cordray noted that "it would not be appropriate for new fintech startups to be getting an advantage in the marketplace because they are arbitraging the regulatory system, they are not complying, they're not taking seriously what the banks and regulated institutions have to do."

There is certainly a collision course between innovation and regulation and the formation of trade associations is the important first step for these industries to ensure proper representation in the public forum. Established trade associations in the financial services industry are also looking to tweak their focus in order to ensure that their mission is not lost upon its members.

The battle lines between self-regulation versus government regulation have never been clearer. If it were a numbers game self-regulation would be the overall winner with over 67,000 trade and professional associations recognized by the IRS in 2013. (*The Power of Associations*, ASAE, Jan 2015). In the five (5) years since its inception, the CPFB has changed the rules of engagement. To be successful, these newly formed trade associations will need to change their thinking and outreach as well.

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