



**Statement Re “A Further Examination of Federal Reserve Reform Proposals”**  
Hearing Before House Financial Services Committee Subcommittee on Monetary Policy  
Wednesday, January 10, 2018

On behalf of Americans for Financial Reform (AFR), we are writing to state our opposition to legislative proposals that would end independent funding for Federal Reserve supervision and regulation and shift such funding into the Congressional budgetary process.<sup>1</sup>

Such a step would break with the long-standing precedent of independent funding for banking supervisory agencies, ranging from the Federal Deposit Insurance Corporation (FDIC) and the Comptroller of the Currency (OCC) to the National Credit Union Administration (NCUA). An important reason for this tradition is that independent funding protects key supervisory decisions about individual banks from direct political pressure through the budget process. This concern is particularly significant for the Federal Reserve, which is the key consolidated regulator for some of the largest and most powerful banks in the world.

Ending independent funding for Federal Reserve supervision and regulation would also be profoundly short-sighted. In 2017 the entire Federal Reserve system, including all regional Federal Reserve banks, spent less than \$2 billion on bank supervision, regulation, and financial stability oversight.<sup>2</sup> The 2008 financial crisis cost the U.S. economy trillions of dollars in lost economic output alone, with total economic costs likely well in excess of \$10 trillion.<sup>3</sup> These costs dwarf the expenditure on supervision and regulation intended to prevent the next crisis.

The Federal Reserve is the single most important financial stability regulator in the U.S. and perhaps the world. It exercises consolidated supervisory authority over the largest and most complex bank holding companies. Just the eight U.S. mega-bank holding companies designated as systemically significant to the global economy and supervised by the Federal Reserve hold over \$11 trillion in assets, and have thousands of subsidiaries and business lines in dozens of countries. Again, Federal Reserve supervisory expenditures are very small compared to the size and complexity of this supervisory responsibility.

Ending the independence of Federal Reserve funding would not only expose supervisory decisions to additional political pressure from some of the wealthiest and most powerful global banks, it would create pressure to reduce the already limited Federal Reserve resources devoted to supervision and regulation. We urge you to oppose this step.

---

<sup>1</sup> Americans for Financial Reform is an unprecedented coalition of more than 200 national, state and local groups who have come together to reform the financial industry. Members of our coalition include consumer, civil rights, investor, retiree, community, labor, faith based and business groups. A list of coalition members is available at <http://ourfinancialsecurity.org/about/our-coalition/>.

<sup>2</sup> Federal Reserve budgetary data, available at <https://www.federalreserve.gov/publications/2016-ar-federal-system-budgets.htm>

<sup>3</sup> See Americans for Financial Reform, “The Costs of the Crisis”, July, 2015, available at <http://ourfinancialsecurity.org/wp-content/uploads/2012/09/CostCrisis2015July-Long-1.pdf>