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**OPPOSE HR 1256: London Whale Protection Act**

Dear [[Legislator's Title+Lastname]],

We are writing on behalf of U.S. PIRG and the members of non-profit, non-partisan state Public Interest Research Groups around the country to urge you to vote no on H.R. 1256, the so-called "Swaps Jurisdiction Certainty Act," (Garrett) which is expected to be voted on today on the House floor.

It is appalling that just five years after the second-worst financial collapse in our nation's history and three years after enactment of sweeping reforms to protect our financial system and economy from unregulated, risky Wall Street practices, that the House is considering a bill to dismantle those protection. The bill would be better called "The London Whale Protection Act." It is supported by Wall Street because it opens a back door in financial regulation that could allow the largest international banks to evade U.S. derivatives regulation by transacting through their foreign subsidiaries.

Proper oversight of foreign subsidiaries is critical for any derivatives regulation to be effective. In the financial crisis, AIG required a $160 billion public bailout for activities conducted through its London office, and more recently JP Morgan's 'London Whale' lost the company $6 billion. Bloomberg News has documented that large Wall Street banks routinely transact well over half of their swaps business through foreign subsidiaries. For this reason, the Dodd-Frank Act granted the Commodity Futures Trading Commission (CFTC), which regulates some 90 percent of U.S. derivatives transactions, oversight over all derivatives transactions that have "a direct and significant connection with" U.S. commerce. Yet HR 1256 would block and hinder this oversight in numerous ways, including by establishing a presumption that derivatives regulations in major foreign markets are adequate to satisfy U.S. derivatives protections. By doing so, it could encourage U.S. financial firms to outsource operations to foreign jurisdictions with weaker rules.

The bill would also further delay implementation of a cross-border policy, creating a system of regulatory oversight easily gamed by large, multi-national swaps dealers, and inappropriately delegating significant responsibility for protecting U.S. markets, and the consumers and businesses who rely on those markets, to foreign regulators that may or may not provide equivalent regulatory protections. We urge you to vote no.

Please do not hesitate to contact me at 202-461-3821 or by email at edm@pirg.org.

Sincerely,

Edmund Mierzwinski
Consumer Program Director