VOTE NO ON SPENDING BILL - A CHRISTMAST GIFT TO WALL STREET

From: The Honorable Maxine Waters
Sent By: corey.frayer@mail.house.gov
Bill: H.R. 83
Date: 12/11/2014

Dear Colleague,

We urge you to vote "NO" on the Omnibus spending bill as long as it contains provisions that repeal parts of the Dodd-Frank Act and put our economy at risk

The language, taken from HR 992, repeals a section of Wall Street Reform intended to prevent future bailouts of banks, by forcing many types of derivatives dealing activities into a separately capitalized subsidiary. Banks enjoy significant government backing through deposit insurance as well as their access to the Federal Reserve's discount window. When we considered the provision last year, the Obama Administration issued a Statement of Administration Policy, saying that they opposed the bill and that it "could be disruptive and harmful to the implementation" of Dodd-Frank Act derivatives reforms.

Many financial reform and consumer advocates, public pension funds, main street business, as well as civil rights and labor groups have also weighed in, asking Members to reject a spending bill that contains this Dodd-Frank rollback. Democrats and Republicans alike are stating their opposition to the provision, and so should you. Some of the opposition includes: Minority Leader Nancy Pelosi, Senators Sherrod Brown, Elizabeth Warren and David Vitter of the Senate Banking Committee and FDIC Vice-Chair Tom Hoenig.

Republican Sheila Bair, former Chair of the FDIC, recently told the Washington Post that this provision "moves in the wrong direction." Former Chairman Barney Frank, whose name is on the financial reform bill, urged Members to vote against the spending bill if this attack on financial reform is not removed, referring to inclusion of the measure as a "substantive mistake" and as creating "frightening precedent."

Just two years ago we saw how quickly derivatives exposures can turn from profitability to significant loss for Wall Street banks. JPMorgan Chase lost more than $6 billion in short order when its Chief Investment Office allowed traders to take a large position in risky derivatives that was purportedly for the purpose of "hedging," but that focused foremost on profit and would best be described as proprietary. Allowing commodity, equity, and other types of risky swaps to remain in banks, as H.R. 992 provides, raises the possibility that those activities will not be subject to adequate monitoring and oversight by the bank or its prudential regulator.

This provision puts taxpayers and consumers at risk, and opens the door to the same type of behavior that cost the economy trillions of dollars when the government bailed out Wall Street.

We shouldn't have to fight for additional funding for our regulators on one hand while hamstringing their ability to regulate with the other. We should not expand the types of swaps that are permitted within our banking institutions that have access to the public safety net and allow Wall Street to gamble on Main Street's tab.

We urge you to vote "NO" on this bill.

Sincerely,

Maxine Waters
Ranking Member
Committee on Financial Services

Collin C. Peterson
Ranking Member
Committee on Agriculture