



FOR IMMEDIATE RELEASE: March 7, 2016

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AFR Statement on President's Meeting with Financial Regulators Today

At a meeting with the major financial regulators today, President Obama urged them to take forceful action on the unfinished business of the Dodd Frank Act. They need to heed his call.

Nearly six years after Dodd Frank's enactment, key oversight agencies (including the Securities and Exchange Commission, and the Commodity Futures Trading Commission) have still not completed crucial rules mandated by the law. These include measures deeply related to the causes of the financial crisis, such as a prohibition on bank executive bonuses that reward excessive risk-taking; a rule banning conflicts of interest in securitization such as those that led to Goldman Sachs's fraudulent "Abacus" transaction; key rules to guard against the kind of massive betting in credit default that brought down AIG; and rules limiting excessive risks at derivatives dealers. Other rules, such as limits on speculative commodity market positions to prevent manipulation of oil and other key commodity prices, also remain incomplete.

Regulators also have the responsibility to effectively use the tools Dodd Frank gave them to take on "too big to fail," the inexcusable situation in which our largest banking entities are too large to go bankrupt without unacceptable fallout to the broader economy. Almost eight years after the financial crisis, our biggest banks remain larger than they were before the crisis. The Dodd-Frank Act put in place a resolution planning process that ultimately requires banks to downsize and reorganize in order to be able to go bankrupt like any other company, without taking down the rest of the economy with them. Regulators need to use this process far more aggressively than they have been willing to do so far.

Today's meeting also underscores the enormous importance of financial regulatory appointments. Deciding whom to nominate for these positions is among the most important choices a President makes. It is these regulators who make the nitty-gritty decisions that determine whether or not rules get done, and whether or not they have real teeth. Our next President must select appointees who have demonstrated their commitment to the public interest and their ability to withstand constant industry pressure to weaken Wall Street oversight.