



November 30, 2016

Dear Representative,

On behalf of the twenty undersigned organizations, we are writing to express our opposition to H.R. 6392, the “Systemic Risk Designation Improvement Act of 2015.” This legislation increases the likelihood of big bank failures that could put at risk the economic security of millions of families. It would put unprecedented new constraints on the ability of the Federal Reserve to provide basic oversight of large bank holding companies, including provisions that grant an unaccountable council of international bank regulators statutory powers over U.S. regulatory decisions. It would also politicize bank regulatory decisions, granting the Treasury Secretary of the incoming Administration new powers to pick and choose which big banks must follow basic safety rules.

HR 6392 affects oversight of 27 large bank holding companies (BHCs), which each hold over \$50 billion in assets but are not among the eight U.S. global mega-banks. These banks, while smaller than the very largest Wall Street mega-banks, are still among the largest one-half of one percent of all banks in the U.S. – enormously larger than community banks. Collectively, they hold over \$4 trillion in assets, around a quarter of all banking system assets. Over sixty percent of deposits in the state of Ohio and half of deposits in the state of Pennsylvania are held by large regional banks deregulated by this legislation. Should these banks become insolvent, there could be major economic impacts on regions that depend on them. These impacts would be particularly devastating for small businesses, which are heavily dependent on bank lending.

Large regional banks of a similar size to those affected by this bill played a major role in the 2008 financial crisis. Banks such as Countrywide, Washington Mutual, Wachovia, and Indymac were all major contributors to the subprime housing disaster, and all of them failed during the 2007-2008 period. Their failures placed major stress on the financial system.

Congress appropriately responded to the failure of regulatory oversight for these large banks by demanding that regulators do a better job at controlling the consolidated risks of large bank holding companies. H.R. 6392 would eliminate the requirement that the Federal Reserve improve oversight of these large BHCs, and also eliminate critical risk controls put in place since the financial crisis that are designed to prevent bank bailouts.

Even beyond this, HR 6392 would limit Federal Reserve authority over large banks in a manner that is completely unprecedented since the passage of the Bank Holding Company Act in 1956. The legislation requires that BHCs be individually designated through a two-thirds vote of the Financial Stability Oversight Council (FSOC), a council of ten different regulators chaired by the Treasury Secretary, before the Federal Reserve can impose basic elements of safety and soundness regulation. In performing these designations, the legislation requires that the FSOC must follow the standards established by an unaccountable body of international regulators, the

Basel Committee on Banking Supervision, instead of making their own judgements concerning risks to the financial system.

The decisions of primary banking regulators regarding prudential oversight have never before been subject to the kind of external vetoes that this legislation would impose. Never before have primary banking regulators been forced to gain a supermajority of other financial regulators in making basic safety and soundness decisions. Never before have U.S. financial regulators been subordinated by statute to international regulators in the way this legislation proposes to do. Never before has the Treasury Department been given a central role in picking and choosing which banks would be subject to basic prudential requirements.

In fact, the changes in HR 6392 are so extreme that they would call into question regulatory oversight powers that long pre-date Dodd Frank, creating a negative inference concerning traditional Federal Reserve prudential authorities and opening opportunities for litigation and political challenges to regulatory action that is needed to address bank risks.

In sum, H.R. 6392 would dangerously undermine risk regulation at some of the largest banks in the country. We urge you to reject it.

Sincerely,

AFL-CIO
AFSCME (American Federation of State, County, and Municipal Employees)
Americans for Financial Reform
California Reinvestment Coalition
Center for Media and Democracy
Center for Responsible Lending
Communications Workers of America
Consumer Action
Consumer Federation of America
Empire Justice Center
Institute for Agriculture and Trade Policy
Leadership Conference on Civil and Human Rights
Main Street Alliance
National Consumer Law Center
National Fair Housing Alliance
NAACP
Public Citizen
Reinvestment Partners
U.S. Public Interest Research Group (U.S. PIRG)
Woodstock Institute