Frank Statement on the President’s Financial Reform Proposals

Washington, DC – Today, House Financial Services Committee Chairman Barney Frank (D-MA) released the following statement:

“I welcome the President’s strong support for additional provisions in the financial reform legislation to address the too big to fail problem. The President’s initiatives build on provisions that originated in the House Financial Services Committee and were included in the Wall Street Reform and Consumer Protection Act, which passed the House on December 11. By adopting the amendment offered by Rep. Paul Kanjorski, we included provisions in this bill to give the regulators the power to do everything the President has proposed. Those measures were very controversial and were unanimously opposed by Committee Republicans. Now, with the President’s strong support, I believe we should be able to overcome this resistance and take the next step. While our bill gave the President’s appointees the power to do everything that his proposal would do, the advantage of doing them legislatively is that a future administration would not be able to ignore or undo them. I also want to note that the powers that we gave them would be at the discretion of the regulators and go beyond those that the President would mandate. This works well because if the regulators think that circumstances require that more should be done then they will have the power to do so. Paul Volcker has long advocated these measures, and I am delighted that the President agrees with him.”

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The President’s proposals today are similar to amendments and provisions in H.R. 4173, the Wall Street Reform and Consumer Protection Act, which the House passed on December 11.

**Breaking Up Large Financial Institutions:** This provision, which is an amendment originally authored by Rep. Paul Kanjorski (D-PA), would empower federal regulators to rein in and dismantle financial firms that are so large, inter-connected or risky that their collapse would put at risk the entire American economic system, even if those firms currently appear to be well capitalized and healthy. Therefore, American taxpayers should no longer be on the hook for bailouts, as financial companies would not be able to become “too big to fail.” The Kanjorski amendment expands on a segment of the Financial Stability Improvement Act, by enabling federal action to address financial companies that are deemed "too big to fail" before resolution authority is needed. The amendment transfers such mitigatory action from the Federal Reserve to the Financial Services Oversight Council and establishes objective standards for the Council to effectively evaluate companies to determine whether they are systemically risky. Additionally, the amendment provides clear checks and balances by requiring the Council to
consult with the President before taking extraordinary mitigatory actions. A financial company also has the right to appeal any actions.

**Proprietary Trading**: To further manage risk in the financial system, Congressmen Brad Miller (D-NC) and Ed Perlmutter (D-CO) authored an amendment that was included in H.R. 4173 to give the Federal Reserve the authority to prohibit systemically designated companies from engaging in proprietary trading. Proprietary trading is defined as trading securities, commodities, derivatives and other financial instruments with the company’s own money for its own account. Rules will be written jointly by the primary regulators of banks and bank holding companies. The Fed will have authority to exempt activities depending on the nature of such trading and the degree of threat it poses to the company or the financial system.

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