

# **Brown Opening Statement at Hearing on Bank Capital and Liquidity Rules**

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**June 7, 2016**

WASHINGTON, D.C. — U.S. Sen. Sherrod Brown (D-OH) – ranking member of the U.S. Senate Committee on Banking, Housing, and Urban Affairs – released the following opening statement, as prepared for delivery, at today’s hearing entitled, “Bank Capital and Liquidity Regulation.”

Brown’s remarks, as prepared for delivery, follow.

**Senator Sherrod Brown - Opening Statement  
Hearing: “Bank Capital and Liquidity Regulation”  
June 7, 2016**

*Thank you, Chairman Shelby, for holding today’s hearing, and I thank the witnesses for their testimony.*

*In the lead-up to the recent crisis, it appeared that large financial institutions were meeting or exceeding their capital requirements.*

*But in reality, they were allowed to use leverage that exceeded 30 times their capital, due to hidden off-balance sheet exposures and a weak definition of what counted as core capital.*

*To make matters worse, these institutions had invested in too many risky and opaque assets that lost value quickly, funded by short-term liabilities that could be called at a moment’s notice.*

*American taxpayers paid the price for this reckless behavior—in lost homes and jobs and billions of bailout dollars.*

*Whenever we talk about the millions of jobs lost and the billions in household wealth erased, we sometimes grow numb to these statistics.*

*We have to remember that there are people behind those numbers. That’s why we passed Wall Street reform.*

*To have a healthy economy and safe financial system, we need to have a strong regulatory framework.*

*In its five-year anniversary report on Wall Street reform, the ratings agency S&P credited capital and liquidity rules, as well as stress tests and living wills, with enhancing the safety of the U.S. banking system.*

*To their credit, the Fed, FDIC, and OCC have gone above and beyond the international Basel capital agreement, through rules like a higher leverage ratio and a capital surcharge.*

*Last week, Federal Reserve Governor Jay Powell suggested that capital requirements should increase for institutions as they become larger and more complex, forcing them to rethink their business models and activities.*

*And last week's announcement that the Fed will raise the capital levels for the largest banks to pass its stress tests indicates that the Fed as a whole thinks that there is more work to be done.*

*Experts on both the left and the right agree that capital is a vital element of financial stability.*

*Capital lessens the likelihood that an institution will fail, and lowers the costs to the financial system and the economy if it does.*

*Requiring the largest banks to fund themselves with more equity will provide them with a simple choice: they can either "fully internalize the risk" that they pose to the economy, as Governor Powell said, or they can become smaller and simpler.*

*Banks have argued – and will continue to argue – that making them have more equity will reduce lending and cause the economy to contract.*

*But banks have a range of options to meet the new standards in ways that do not limit lending, including seeking out equity investments, retaining earnings, limiting dividends and stock repurchases, and curtailing bonuses.*

*We have heard arguments that stronger capital requirements put our institutions at a competitive disadvantage.*

*But there is evidence that U.S. banks' higher capital has actually been a competitive advantage – for example, the president of one of the largest U.S. banks said in February that our banks benefitted from moving quickly to raise more capital.*

*Still, the recent living wills results show that several of our nation's largest banks still have deficiencies and shortcomings in their capital and liquidity, and most of them could not fail without threatening our financial system.*

*That's why we have these regulations, and it's why we shouldn't merely fight to preserve the status quo, we also need to move forward.*

*We need stronger, simpler rules that can't be gamed by Wall Street economists or watered down by Wall Street lobbying.*

*Unfortunately, too many of the efforts we see to in Congress right now are intended to undermine and roll back regulations—ultimately putting Americans back at risk.*

*The financial crisis has had a real and deep impact on working families across the country.*

*We are still trying to undo the damage, and putting strong safeguards in place to make sure it never happens again.*

*Thank you, Chairman Shelby, and I look forward to hearing from our witnesses.*

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