

Blog

Hensarling: Treasury Report ‘Inconsistent’ With President’s Core Principle on Dodd-Frank Bailouts

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House Financial Services Committee Chairman Jeb Hensarling (R-TX) today issued the following statement about the Treasury Department’s [report](#) to the President on Orderly Liquidation Authority:

Although I have been pleased or even excited about Treasury’s previous reports, this one disappoints. In his February 2017 Executive Order entitled [Core Principles for Regulating the United States Financial System](#), President Trump declared it a policy of his administration to “prevent taxpayer funded bailouts.”

In his April 2017 [Memorandum for the Treasury Secretary regarding Orderly Liquidation Authority\(OLA\)](#), President Trump correctly explained that once OLA is invoked, a special fund in U.S. Treasury “is authorized to use *taxpayer funds* to carry out OLA liquidations” of the nation’s largest financial institutions. He further explained that “taxpayer money may *always* be at risk” in an OLA liquidation. The President’s memorandum ordered the Treasury Secretary to provide him with a report considering whether OLA is consistent with his core regulatory principle of preventing tax-payer funded bailouts, and to recommend legislative changes.

Although today’s report from the Treasury Department makes a number of positive recommendations – like narrowing the ambit of executive discretion and proposing a new chapter in the bankruptcy code – it regrettably does not recommend repealing OLA. On its face, this is inconsistent with the President’s core principle. Dodd-Frank’s Orderly Liquidation Authority *expressly enables* taxpayer funded bailouts; it does not prevent them. It is therefore difficult to square today’s report with the President’s clear guidance on this issue.

Taxpayers must never be forced to pay the price when big banks fail. Encouraging economic growth, strong capital, and market discipline, not the arbitrary discretion of federal regulators, is the only way to maintain vibrant and healthy financial markets. That is the essence of H.R. 10, the [Financial CHOICE Act](#).