

# **Brown, Vitter Urge Congressional Leadership to Remove Derivatives Swap Provision in Spending Bill**

**Senators say derivative swaps led to financial crisis, should not be continued**

Thursday, December 11, 2014

(Washington, D.C.) – U.S. Senators Sherrod Brown (D-Ohio) and David Vitter (R-La.) today sent a letter to House and Senate leadership urging them to remove a controversial provision in the spending bill that would repeal section 716 of the Dodd-Frank Wall Street Reform and Consumer Protection (Dodd-Frank) Act. The Senators highlight that risks posed by derivatives swaps contributed to the 2008 financial crisis, and the provision in the spending bill, supported by Wall Street, would allow them to continue under the protection of a public safety net.

“This giveaway to Wall Street would open the door to future bailouts funded by American taxpayers,” Brown said. “It’s been just six years since risky financial practices put our economy on the brink of collapse and cost millions of Americans lost jobs, homes, and retirement savings. This provision, originally written by lobbyists, has no place in a must-pass spending bill.”

“Ending too big to fail is a far from over. Before Congress starts handing out Christmas presents to the megabanks and Wall Street - we need to be smart about this,” Vitter said. “Removing these risky derivatives that aren't even necessary for normal banking purposes is important, and Members of Congress need to rethink repealing this critical provision.”

Below is a copy of the Senators’ letter.

December 11, 2014

John Boehner  
Speaker of the House  
H-232 The Capitol  
Washington, DC 20515

Nancy Pelosi  
House Minority Leader  
233 Cannon House Office Building  
Washington, DC 20515

Harry Reid  
Senate Majority Leader  
522 Hart Senate Office Building  
Washington DC, 20510

Mitch McConnell  
Senate Minority Leader  
317 Russell Senate Office Building  
Washington, DC 20510

Dear Speaker Boehner, House Minority Leader Pelosi, Senate Majority Leader Reid and Senate Minority Leader McConnell:

We are writing you about the broad bipartisan support for removing section 630 from H.R. 83. This provision would repeal section 716 of the Dodd-Frank Wall Street Reform and Consumer Protection (Dodd-Frank) Act. We urge you to remove this provision from the year-end spending bill.

Section 716, also known as the Lincoln Amendment or the “swaps push-out” provision, prohibits Federal assistance to entities that engage in certain derivatives dealing and speculation. The problem of “too big to fail” is clearly far from over. Removing any taxpayer subsidy for risky derivative trades that are unnecessary for normal banking purposes is an important step.

The catastrophic events of the financial crisis demonstrated the risks posed by trading certain types of risky derivatives, and we are concerned that these activities continue to present a threat to financial stability. Forceful implementation of section 716 is an important first step in ensuring that derivatives activities are conducted outside of the public safety net, where they can be properly supported by private capital instead of a taxpayer-provided backstop.

Yesterday, Federal Deposit Insurance Corporation (FDIC) Vice Chairman Thomas Hoenig pointed out that, “in 2008 we learned the economic consequences of conducting derivatives trading in taxpayer-insured banks. Section 716 of Dodd-Frank is an important step in pushing the trading activity

out to where it should be conducted: in the open market, outside of taxpayer-backed commercial banks.”

Former FDIC Chair Sheila Bair has also said that “this activity should be done outside of insured banks and only in non-FDIC insured affiliates. It should not be funded with FDIC insured deposits.”

We agree with them.

If Wall Street banks want to gamble, Congress should force them to pay for their losses, and not put the taxpayers on the hook for another bailout. Congress should not gamble on a possible government shutdown by attempting to tuck this controversial provision into a spending bill without having been considered by the committees of jurisdiction, where it can be subjected to a transparent and vigorous debate.

Thank you for considering our views on this important matter.

Sincerely,

David Vitter Sherrod Brown  
United States Senator United States Senator

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