ICYMI: Sen. Brown Blasts Efforts to Weaken Volcker Rule

Wednesday, June 6, 2018

WASHINGTON, D.C. — U.S. Sen. Sherrod Brown (D-OH) – ranking member of the U.S. Senate Committee on Banking, Housing, and Urban Affairs delivered the following floor speech blasting the Federal Reserve, SEC, FDIC, OCC and CFTC's decision to weaken the Volcker Rule. The Volcker Rule, which is a part of the Dodd-Frank Wall Street Reform law, prohibits banks and financial institutions that own a bank from engaging in speculative trading using taxpayer-backed deposits. These actions by bank regulators represent another harmful step forward to implement Wall Street's agenda and roll back Dodd-Frank, consistent with the blueprint laid out last year by Secretary Mnuchin.

Sen. Brown's floor speech can be found here and below:

Sen. Brown's remarks, as prepared for delivery, follow:

Mr./Mdme. President,

Last winter, this body passed a $1.5 trillion deficit-financed tax cut for millionaires and corporations that ship jobs overseas. More than 80 percent of the benefits are going to the top one percent by the end of the decade.

Two weeks ago, Congress passed another giveaway to Wall Street, loosening taxpayer protections on big banks that received a combined $239 billion in taxpayer bailouts.

But we know Wall Street can never get enough handouts. And too many people in Washington never get tired of giving them away.

On the day President Obama signed Wall Street Reform into law, a top Wall Street lobbyist said it was "halftime."

Before the ink was dry on his signature, those lobbyists went to work trying to undo the rules we put in place to protect taxpayers and consumers.

We are seeing the results of that lobbying in Congress and we're seeing it at the agencies that are supposed to be policing our financial industry.

Last week, the Federal Reserve announced proposed changes to what is known as the "Volcker Rule."

We put this rule in place after the crisis to stop big banks from taking big risks with Americans' money.

Those complicated, risky bets were a big reason for the financial crisis that devastated our economy, cost millions of Americans their jobs, and left taxpayers on the hook to clean up Wall Street's mess.

Lehman Brothers invested heavily in toxic mortgage-backed securities, eventually leading to $32 billion[1] in trading losses and the biggest bankruptcy in U.S. history. They also took bank deposits, putting the U.S. taxpayer on the hook for these losses.

Hedge funds sponsored by Bear Stearns,[2] which also took Americans' deposits, suffered massive losses on complex bets based on exotic, subprime mortgages.

During the crisis, Merrill Lynch, Morgan Stanley, and Citigroup all also lost big on bets backed by subprime mortgages,[3] and Goldman Sachs had to bail out a hedge fund.

Congress instructed the Federal Reserve to write strict rules to prevent that from ever happening again – to make sure banks use the taxpayer safety net to serve their customers, not bet against them.

Banks should be in the business of making investments in the real economy, not casino-style trades using families' checking and savings accounts.

It took agencies more than 3 years to finalize the Volcker Rule, which was completed in 2013 after the consideration of thousands of public comments.

Now they want to undo it all?

The roll backs announced last week would gut core components of the Volcker Rule. They'd make it easier for banks to take speculative bets. The *New York Times* said that "the balance of power will tip immediately *to traders from regulators*" —it shifts the power from watchdogs to big banks.

Instead of establishing strict limits on banks, the proposed rule changes ask us to trust the banks to guard against risky trades. It says, go ahead and police yourselves – we know how well that turned out last time.

The rule changes would also allow banks to more easily place bets under the guise of so-called “hedging.” This increases the chances of another scandal like the London Whale episode from 2012 – when JPMorgan Chase lost more than $6 billon on one bad bet.

And we want to make it easier for them to do it again, with Americans’ savings accounts?

Why weaken the rules right now? It’s not as if the banks are suffering under this rule.

The FDIC released new data late last month. Banks increased their profits by 13 percent last year – and that’s before you account for the windfall from the tax bill. When you add in the tax benefits, it’s 28 percent.

The banking sector bought back $77 billion worth of stock last year. Last year, the CEOs of the six largest banks got an average raise of 22 percent.

This isn’t some dying industry crying out for help.

If anything, it’s an industry that needs a more watchful eye. The largest banks paid $243 billion worth of fines following the 2008 collapse.[4] Wells Fargo can’t go more than a few months without a scandal. Deutsche Bank is struggling, with poor risk management and inadequate capital.

So why put taxpayers and bank customers at risk?

We have a good idea why. Just take a look who this administration has put in charge. They look like a Wall Street executive retreat.

We have former OneWest banker Joseph Otting running the OCC. As if the Volcker Rule roll back wasn’t bad enough, he announced last month that he wants banks to get into the business of payday loans.

And Otting has other plans to gut the Community Reinvestment Act, a 40-year-old law that ensures that banks serve their communities.

The Fed Vice Chair Randal Quarles recently gave a speech saying that – just like we predicted – the Fed wants to loosen rules on foreign megabanks.

And he said last week's changes to the Volcker Rule were just the start – he said it was just the first effort to weaken the rule.

People like Randy Quarles – people who didn't spot the crisis the last time they were watchdogs, people who profited off the very crisis they failed to prevent – these people may have forgotten what these risky bets did to families across this country.

Maybe they've succumbed to the collective amnesia that afflicts more and more people in this town.

But Ohio families haven't forgotten.

Workers' savings were wiped out. They watched their college accounts and retirement shrink and shrink. Hopes and dreams were dashed.

Most Americans can't afford to go back to the days when Wall Street gambles with their hard-earned owned money.

The crisis casts a long shadow over these families. Four in ten adults can't afford an emergency expense of $400.

One in four renters pays more than 50 percent of their income to keep a roof over their head. More and more workers have irregular schedules and income that varies up and down, from month to month.

And it's those Americans we were sent here to serve.

It always comes back to whose side you're on. Are you going to stand with hardworking Americans, or with risky Wall Street traders?

We should all listen a little more to the people we serve, and a little less to special interests.

That’s how we create an economy that values work and that serves the common good – not just Wall Street.

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