Warren and Cummings Ask Financial Regulators About Risks to Banks and Taxpayers from Swaps Trading

Members Call for More Transparency after Legislation Gutted Dodd-Frank Provision

JUL 16, 2015

Washington, DC - Today, United States Senator Elizabeth Warren and Rep. Elijah E. Cummings, Ranking Member of the House Committee on Oversight and Government Reform, sent letters requesting information from federal financial regulators about risks posed to taxpayers after last year's partial repeal of Section 716 of the Dodd-Frank Act, which had been designed to prevent bailouts to banks and other financial entities with swaps holdings.

"Without this understanding, the country risks moving blindly toward the same financial meltdown that plunged the economy into recession seven years ago," they wrote. "We believe that if these banks want continued access to federally insured deposit funds, they

must be more transparent about the risks they are taking with that money. If they want to keep secret the risks they are taking, these banks should forfeit access to taxpayer-backed FDIC insurance. They can have access to taxpayer guarantees or they can keep big secrets, but they can't do both."

Earlier this year, Cummings and Warren sent letters requesting information from Bank of America, JPMorgan Chase, Citibank, and Goldman Sachs about how they planned to alter their swaps trading practices following the change to Dodd-Frank, which was included in the 2015 Appropriations legislation passed in December 2014.

The banks did not provide the information necessary to assess and understand the risks taxpayers now face, claiming it was proprietary information that must be withheld from Congress and the public. Click to read the responses from Bank of America, JPMorgan Chase, Citibank, and Goldman Sachs.

In today's letters, Warren and Cummings asked financial regulators to provide the information the banks refused to make available, including the total value of derivatives contracts and swaps derivatives each institution holds for "hedging" and "risk management" purposes, as well as the total value of swaps transactions each institution would have "pushed out" under Section 716 as originally enacted.

Read the full letters sent today here:

Federal Reserve
Office of the Comptroller of the Currency
Commodity Futures Trading Commission
Federal Deposit Insurance Corporation