AFL-CIO

LEGISLATIVE ALERT

April 11, 2018

Dear Representative:

On behalf of the AFL-CIO, I am writing to express our opposition to the Stress Test Improvement Act of 2017 (H.R. 4293), the Financial Stability Oversight Council Improvement Act of 2017 (H.R. 4061) and the Volker Rule Regulatory Harmonization Act (H.R. 4790), all scheduled for floor consideration later this week.

The AFL-CIO will not support any effort to roll back important financial regulations put in place after the 2008 crisis intended to prevent systemic risk and promote financial stability.

H.R. 4293 would significantly weaken stress testing by preventing regulators from assessing the capacity of big banks to perform adequate data analysis or risk management as part of the stress testing process. Specifically, the bill would ban the Federal Reserve from assessing the capacity of big banks to perform crucial data management and risk assessment tasks as part of the stress testing process. H.R. 4293 would undermine the effectiveness of stress testing for the largest and most complex banks and cut the frequency of stress tests in half.

H.R. 4061 adds numerous procedural obstacles to the already cumbersome and time-consuming process the Financial Stability Oversight Council (FSOC) uses to designate large non-bank financial entities for increased oversight. The 2008 financial crisis made it obvious that proper consolidated oversight of large non-banks is critical to financial stability. Non-bank financial institutions such as AIG were central contributors to the 2008 crisis and the ensuing economic collapse. The FSOC's ability to designate non-bank financial companies for enhanced prudential supervision is a crucial line of defense against future systemic risks from non-banks.

H.R. 4790 would undermine the implementation of the Volcker Rule by giving sole rulemaking authority to the Federal Reserve and allowing banks with less than $10 billion in assets to engage in proprietary trading with publicly insured deposits. A core component of the Volcker Rule is to prevent banks from using deposited money to finance speculative trading. Yet, the bill would cut the Federal Deposit Insurance Corporation (FDIC), the custodian and institutional protector of the deposit insurance fund, entirely out of the implementation of the Volcker Rule. HR 4790 would eliminate the FDIC's role in writing and interpreting the rule and weaken the interpretation of the rule and its enforcement.

If enacted, these bills have the potential to unravel the regulatory system aimed at preventing the need for future bailouts of "too-big-too-fail" financial institutions.

Instead of deregulation, Congress should double down on their efforts to ensure our members and the country as a whole are not subjected to another financial collapse. As such, we ask that you oppose these bills and instead support legislation aimed at limiting the risk of financial crisis.

Sincerely,

William Samuel, Director
Government Affairs