AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

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# LEGISLATIVE ALERT



January 13, 2015

Dear Representative:

I am writing to urge you to oppose the "Promoting Job Creation and Reducing Small Business Burdens Act" (H.R. 37), scheduled for House floor consideration later today. H.R 37 is a package of 11 bills that is being presented as "technical corrections to the Dodd-Frank Wall Street Reform." However, in reality H.R 37 would loosen key Dodd-Frank protections wisely put in place after the 2008 financial collapse.

While some of the provisions in H.R. 37 have been passed previously as stand-alone measures, other provisions were never debated in committee and are more controversial. For example, Title VIII of H.R. 37 would limit the ability of regulators to implement the Volcker Rule, which was designed to reduce speculative trading activities by federally-insured banks, and has long been considered the cornerstone of Dodd-Frank.

Specifically, Title VIII would extend the deadline for bank divestment of Collateralized Loan Obligations (CLOs) until 2019. CLOs are complex securitizations that have been the subject of multiple recent warnings from regulators about their risks. Since the CLO market is dominated by a few of the largest banks in the country, this weakening of the Volcker Rule can be expected to benefit mainly large Wall Street banks seeking an end run around proprietary trading restrictions.

In addition, Title IV of H.R. 37 would eliminate Security and Exchange Commission (SEC) broker-dealer registration requirements for merger and acquisition brokers. When originally drafted, Title IV was intended to facilitate the mergers and acquisitions of small businesses, but upon closer examination it is clear that Title IV could have the unintended consequence of providing an exemption for private equity managers engaged in broker dealer behavior, which would reduce transparency in an industry that is already too loosely regulated. As written, this title lacks needed investor protections to prevent bad actors from escaping closer regulatory scrutiny.

Finally, H.R. 37 would entirely eliminate the statutory authority of the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC) to regulate margin and collateral at non-bank derivatives dealers serving commercial end users. The oversight of margin and collateral for derivatives transactions is a basic regulatory safeguard. The effect of this change would be to reduce transparency and increase risks by allowing Wall Street firms with commercial businesses, such as oil and gas or other commodities operations, to trade derivatives privately rather than on clearinghouses.

In short, H.R. 37 would undermine existing protections implemented through the Dodd-Frank Act. The 2008 housing and financial crisis may seem like a distant memory to members of Congress who vote for bills like H.R. 37, but to the millions of working people who lost their homes and their retirement savings, the 2008 crisis remains fresh in our minds.

H.R. 37 was voted down with overwhelming Democratic opposition just last week when it came up under suspension of the rules. Since last week's vote, President Obama has been clear about his opposition to H.R. 37 and has indicated that he will veto this legislation if it reaches his desk.

On behalf of the AFL-CIO, I urge you not to undermine Dodd-Frank, and to vote against the "Promoting Job Creation and Reducing Small Business Burdens Act" (H.R. 37).

Sincerely,

William Samuel, Director
GOVERNMENT AFFAIRS DEPARTMENT

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