

THE FINANCIAL SERVICES ROUNDTABLE

Impacting Policy. Impacting People.



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The Honorable John McCain
United States Senate
Washington, D.C. 20150

The Honorable Maria Cantwell
United States Senate
Washington, D.C. 20510

Dear Senators McCain and Cantwell:

The Financial Services Roundtable opposes legislation to reinstate the Glass-Steagall Act of 1933. The Roundtable believes Congress should be focused on modernizing or current financial regulatory structure, not taking steps backward by dismantling integrated financial services firms.

This legislation presupposes that the amendments to the Glass-Steagall Act made by the Gramm-Leach-Bliley Act (GLBA) contributed to the crisis in our financial markets. GLBA did permit banks to affiliate with investment firms, but those affiliations did not contribute to current problems. In fact, GLBA had just the opposite effect. It permitted financial holding companies to acquire distressed investment banks. It also allowed investment banks to become bank holding companies, subject to comprehensive supervision by the Federal Reserve Board.

For all of its merits, our current system of financial regulation is subject to certain limitations that contributed to the recent market turmoil. First, Federal and State financial regulators lack a common set of regulatory objectives. They do not share a common vision or operate under common principles that balance consumer and investor protection, market integrity and stability, and competition. This has resulted in gaps in regulation, and even conflicts in regulation.

Second, Federal and State financial regulators lack an effective mechanism to communicate and coordinate policies. The President's Working Group on Financial Markets (PWG) was established in 1987 to respond to the stock market crash and to provide some degree of coordination among financial regulators, but its membership is limited to the Secretary of the Treasury, the Chairman of the Federal Reserve Board, the Chairman of the Securities and Exchange Commission, and the Chairman of the Commodity Futures Trading Commission. Representatives of the Federal banking agencies are noticeably absent from the PWG, as well as any representatives of state regulatory bodies. Lacking a better means to coordinate policy actions, individual regulatory agencies focus on compliance with their own rules, and may not have an appreciation for larger trends in the financial services sector.

The Roundtable continues to support efforts to modernize our regulatory system, including the creation of systemic risk oversight authority, and uniform national prudential and consumer protection standards. Congress should take a step forward toward modernizing our regulatory structure rather than imposing the artificial restraints of Glass-Steagall Act of 1933."

Best regards,

Steve Bartlett
President & CEO