

AFL-CIO

LEGISLATIVE ALERT

September 13, 2016

Chairman Jeb Hensarling
Financial Services Committee
2129 Rayburn House Office Building
Washington, DC 20515

Ranking Member Maxine Waters
Financial Services Committee
4340 Thomas P. O'Neill, Jr. Federal Office Building
Washington, DC 20515

Dear Chairman Hensarling and Ranking Member Waters:

On behalf of the AFL-CIO, I am writing to express our strong opposition to the “Financial CHOICE Act of 2016” (H.R. 5983). If enacted, the Financial CHOICE Act will dramatically weaken the ability of financial regulators to adopt new regulations, repeal critical banking regulations that protect the safety and soundness of our banking system, and undermine the ability of the Consumer Financial Protection Bureau (CFPB) to stop predatory Wall Street practices.

The Financial CHOICE Act will sabotage the ability of financial regulators to rein in abusive practices by Wall Street. The Act will subject financial regulators to onerous new rulemaking requirements and an unprecedented Congressional approval process for new regulations. The Act will also overturn the longstanding Supreme Court precedent that courts should defer to the subject-matter expertise of regulatory agencies—in effect, vastly increasing the number of lawsuits brought by financial entities that oppose new rules and regulations. It will subject financial regulators to political pressure by forcing them to rely on Congressional appropriations instead of independent funding.

H.R. 5983 will also gut the CFPB. The Dodd-Frank Wall Street Reform and Consumer Protection Act created the CFPB to protect consumers from tricks and traps in financial products, such as credit cards and home mortgages. In the five years since the CFPB’s launch, it has returned more than \$11 billion to over 25.5 million consumers who were victims of improper lending practices. If enacted, the bill will take away the CFPB’s authority to ban abusive financial products and will halve the number of banks that are subject to CFPB examinations and enforcement actions.

To make matters worse, H.R. 5983 will increase the risk of future bank bailouts by making it easier for banks to become too big to fail. The bill repeals financial regulators' authority to break up too-big-to-fail banks, repeals their ability to require systemically risky non-bank financial institutions to comply with heightened safety and soundness regulations, and repeals the Volcker rule that restricts federally insured banks from making speculative investments.

H.R. 5983 will also repeal the new Department of Labor (DOL) fiduciary rule that protects the retirement savings of working people. It will preclude any further movement by DOL until 60 days after the Securities Exchange Commission (SEC) finishes its rule relating to standards of conduct for brokers and dealers. The bill then onerously requires the SEC to submit a cost-benefit analysis report to the Committee before it can issue its rule. These requirements ultimately serve as a roadblock preventing the SEC from ever promulgating its rule. The bill will also reduce the number of the registration and examination requirements for private equity advisors.

Finally, the Financial CHOICE Act will repeal important executive compensation reforms that are just now starting to rein in runaway CEO pay and hold bank executives more accountable. For example, this bill will unwisely repeal the Dodd-Frank Act provisions that require companies to disclose their ratio of CEO pay to median employee pay, establish clawbacks for unearned executive compensation, and limit compensation incentives that encourage excessive risk-taking by bank executives.

For these reasons, the AFL-CIO urges you to oppose the Financial CHOICE Act of 2016 (H.R. 5983).

Sincerely,



William Samuel, Director
Government Affairs

American Federation of Labor and Congress of Industrial Organizations

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