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The Balance Sheet

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The Balance Sheet: Five Worst Provisions Recently Added to Final Reg Reform Bill

House Republicans believe any financial regulatory reform bill must:

- ✓ **Stop the Democrats' Taxpayer-Funded Permanent Bailouts for their Wall Street Allies**
- ✓ **Reform Fannie Mae and Freddie Mac, the Root Causes of the Housing Meltdown & Financial Crisis That Cost Taxpayers $145 Billion and Counting**
- ✓ **Empower Businesses Small and Large to Create Jobs and Spur Economic Growth**
- ✓ **Demand Accountability from Failed Federal Regulators and Bureaucrats**

While the 2,300 plus pages of the final text will take more than 72 hours to digest, there are a few new additions since the House-passed bill that hold far-reaching consequences for the American economy and the ability of businesses small and large to create jobs and spur economic growth. In addition to making the bailouts permanent, exempting $145 billion and growing bailout of the GSEs from any reform, and rewarding failed federal regulators, the Democrat-passed bill makes it even more difficult for consumers to access credit and for businesses to comply with overly-burdensome regulations on industries that in no way caused the crisis. **It is by far a worse bill than what the House passed in December, which is why Republican conferees from both the House and Senate unanimously opposed the conference report. Here are five reasons why -**

1. <u>Implements a New $20 Billion Lending Tax:</u> More than $20 billion new tax dollars will be levied on large financial institutions over the next 5-years to fund the massive new bureaucracies created by H.R. 4173. To pay for their perpetual bailout regime, the Democrats installed at the 11th hour yet another new tax that directly impacts the banks that lend to consumers and small business. This new tax siphons billions out of the financial system, restricting capital and making credit less available to the Main Street businesses that the economy relies on to create jobs and grow the economy. While Democrats have fooled themselves into thinking each and every dollar of this new tax will come from the bonuses on Wall Street, they are dead wrong: those costs will be borne by every American in the form of higher prices, less credit, lost jobs and stagnant economic growth.

2. <u>Overreaches on Derivatives With a Plan That Already Failed the House:</u> The final bill includes a hastily rewritten derivatives provision that has the potential to do more lasting harm to the U.S. economy than perhaps anything else in this 2,315-page legislation. The derivatives portion has largely been rejected – on a bipartisan basis – in the House because it applies overly burdensome and punitive regulation to derivatives trading, even to small businesses that in no way caused the crisis. By pushing these activities out of heavily regulated banks and into the shadow banking system, this proposal would lead to less transparency and more risk in the financial sector. The

final bill text will also have the effect of driving derivatives activities offshore, further hindering our small businesses and the competitiveness of the U.S. financial sector.

3. Adopts Volcker Rule to Let Regulators Decide What Business Works: The final bill imposes the so-called "Volcker Rule" to restrict financial firms from proprietary trading. Because no other major European or Asian country has adopted similar restrictions on their financial institutions, imposition of these rules on U.S. firms amounts to unilateral disarmament in a highly competitive global marketplace. The result will be the flight of U.S. capital and jobs to other countries. Unelected bureaucrats will have authority to re-write the law and allow exemptions for their allies and special interest, including securities issued by government controlled Fannie Mae and Freddie Mac.

4. Empowers Big Brother Bureaucrats to Snoop Through Personal Financial Records: The final bill includes a Senate provision to create an Office of Financial Research and the Consumer Financial Protection Bureau – two brand new federal agencies that will have unprecedented power to track the financial activities of all Americans. Buying a new car? The feds want to know. Switching credit cards? They'll follow that, too. Information about all consumer transactions will be gathered –without citizens' approval - and monitored by unelected bureaucrats with few constraints over how and when the information will be used.

5. Significantly Weakens the House-Passed Audit of the Federal Reserve: The House-passed bill included language from Representative Ron Paul to audit the Federal Reserve, piercing the veil of secrecy that has for far too long characterized the central bank's operations and deliberations. The final bill includes an amendment by Senator Bernie Sanders (I-VT) that significantly weakens the Paul provision by exempting monetary policy decisions, discount window operations, and agreements with foreign central banks from the scope of the audit.