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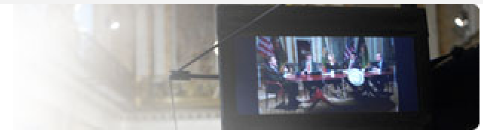

Lew Op-Ed: The Risk in Rolling Back Wall Street Reform

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WASHINGTON – In an op-ed published today in Bloomberg View, Treasury Secretary Jacob J. Lew writes that while Congress can build on the recent two-year budget agreement by passing legislation to keep the government open past Dec. 11, some are attempting to use this process to roll back crucial provisions of Wall Street reform. Given the progress we have made, and with the economy showing real signs of strength, it would be irresponsible to turn the clock back to the era when these monitors were not in place and we experienced the worst financial crisis since the Great Depression. As he has previously indicated, Secretary Lew would recommend that the president veto legislation passed by Congress that would leave the American people more vulnerable to another financial crisis.

Read the piece online.

The Risk in Rolling Back Wall Street Reform
By Jacob J. Lew

A few weeks ago, Democrats and Republicans in Congress came together to pass a two-year budget agreement. The compromise lifts the spending caps imposed by sequestration to allow for meaningful investments in the middle class and keeps our economy moving forward. Congress can build on this progress in coming weeks by passing legislation to keep the government open past Dec. 11, but without the kind of brinkmanship that in recent years has risked real damage to the economy.

Unfortunately, rather than focusing on the needs of American families, some in Congress are attempting to use this funding process to roll back crucial provisions of the reforms to the financial system we put in place after the financial crisis of 2008. The Obama administration strongly opposes this misguided effort to undermine critical elements of financial reform.

Wall Street reform has made our financial system stronger, safer and more resilient. For the first time, a single body -- the Financial Stability Oversight Council -- is responsible for looking across the entire financial sector to identify threats to financial stability and respond effectively. We have an updated regulatory framework that focuses the most stringent oversight on the largest and most complex companies, those that pose the greatest risks. And the Consumer Financial Protection Bureau has the sole task of protecting Americans from unfair, deceptive or abusive financial practices.

Given the progress we have made, and with the economy showing real signs of strength, it would be irresponsible to turn the clock back to the era when these monitors were not in place and we experienced the worst financial crisis since the Great Depression. Yet that is exactly what some Republicans are attempting to do, and Democrats should not join them.

Members of Congress seeking to tuck controversial financial reform legislation into "must-pass" spending bills are hoping that no one notices. Proponents of unraveling reform claim that most provisions make only small tweaks and technical fixes. But many of the changes masquerading as small or technical are significant, and they would weaken our financial system. The administration has made clear that it will defend Wall Street reform against such efforts, which would increase risk; reduce consumer, investor or taxpayer protections; or impede the ability of regulators to do their jobs.

These changes are being pursued as reform is beginning to take hold. For example, over the past year, regulators have completed new risk-based capital rules for the world's largest banks. They recently proposed a rule requiring those banks to hold a minimum amount of long-term debt. Combined, these measures will help ensure that institutions bear the costs of their own risks and that the system can effectively resolve failing companies at home and abroad, without harming taxpayers. This would ultimately make the financial system more stable and resilient.

In addition, the administration and the independent regulators have been working with industry, advocates and Congress to continue to adjust and improve regulatory approaches. For example, the Financial Stability Oversight Council has enhanced the transparency of its process for identifying and designating risky nonbank financial companies. The Consumer Financial Protection Bureau has refined its rules to make it easier to obtain loans in rural and underserved areas. And the Federal Reserve, Federal Deposit Insurance Corp. and Office of the Comptroller of the Currency are working together to streamline and simplify reporting requirements for community banks. These steps represent meaningful progress, and more work is underway to better tailor rules to an institution's size, complexity and riskiness.

Our financial system is constantly evolving, and we must remain vigilant against new risks to financial stability. That is why the Financial Stability Oversight Council needs to have the flexibility to identify and address emerging threats, and why it should not be undermined by legislative actions that would add roadblocks to its process. Some of the proposed "reforms" would make the designation process so cumbersome that it could take the council as many as four years to address a known risk, making it harder to prevent a future financial crisis.

The bottom line is simple: Wall Street reform is working. Seven years after the financial crisis, and five years after Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act, the economy is back on solid footing. Our financial system is better prepared to cover the cost of any future crisis. Unemployment is at the lowest level since before April 2008, and businesses have added 13.5 million new jobs over 68 straight months, the longest job creation streak on record. We cannot squander this progress by eliminating the safeguards Congress created to protect the American people from another damaging financial crisis.

Preserving these achievements is of paramount importance, and as I have previously indicated, I would recommend the president veto legislation passed by Congress that would leave the American people more vulnerable to another financial crisis.

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