April 11, 2018

U.S. House of Representatives
Washington, D.C. 20515

Dear Representative:

On behalf of the 1.6 million members of the American Federation of State, County and Municipal Employees (AFSCME), I urge you to oppose the “Stress Test Improvement Act” (H.R. 4293) and the “Financial Stability Oversight Council Improvement Act” (H.R. 4061), because both would undermine the systemic risk protections enacted in the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”). These two bills are scheduled for a House floor vote on April 11, and AFSCME opposes both bills. Beyond these bills, we have growing concerns about the negative cumulative impact of the increasing number of other bills on the House floor that would undermine all types of vital Dodd-Frank protections. One-by-one, each of these bills is chipping away at the safeguards protecting our economy, consumers and working families.

H.R. 4293 is risky and problematic because it decreases the frequency of protective stress tests required for America’s large bank holding corporations. It is counterproductive to decrease the required quantity of company-run stress tests from semiannually to annually. Similarly, reducing the quantity of supervisory scenarios from three to two (i.e. only the baseline and severely adverse scenario) is inappropriate. H.R. 4293 is also harmful because it increases the difficulty for U.S. regulators to object to a large bank’s deficient capital plan. It is wrong to weaken the existing stress testing regime and to prevent the Federal Reserve from objecting to a bank holding company’s capital plan solely due to qualitative deficiencies.

H.R. 4061 is dangerous and destabilizing because it would block the Financial Stability Oversight Council (FSOC) from its legally mandated responsibility to prevent future financial problems by allowing potentially endless legal challenges to its designation process and subsequent enhanced prudential standards governing U.S. nonbank financial firms as implemented by the Federal Reserve. H.R. 4061 would increase by 200% or more the time needed by FSOC to designate a firm like American International Group (AIG). These delays enable financial firms to evade needed, prudential protections designed for reducing the systemic risk to our national economy. It is wrong to prevent FSOC from...
implementing timely and appropriate designations and to delay safeguarding financial firms that are deemed “too-big-to-fail.”

AFSCME opposes these two bills because they increase the likelihood that banks’ profit-motivated practices could harm our national economy along with America’s working families. AFSCME urges you to vote to oppose both H.R. 4293 and H.R. 4061 on the House floor.

Sincerely,

Scott Frey
Director of Federal Government Affairs

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