

Amendment would eliminate conflict of interest for federal regulators

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WASHINGTON, DC – Yesterday, Rep. Peter DeFazio (D-OR) successfully amended Republican bill H.R. 1315 to protect the Consumer Financial Protection Bureau (CFPB) from gratuitous Wall Street influence. DeFazio's amendment requires regulators sitting on the Financial Stability Oversight Council (FSOC) to sit out of any vote to overturn a CFPB regulation that would impact their former employers. The House passed the amendment unanimously.

"The revolving door between Washington and Wall Street has been described by the Washington Post as 'spinning at a dizzying pace,'" DeFazio said. "It is no surprise that the New York Times dubbed Goldman Sachs 'Government Sachs' for all of the employees who bounce back and forth between the Capitol and its Manhattan office tower. My amendment simply eliminates potential conflict of interest for voting members of the Financial Stability Oversight Council (FSOC) who have spun through that revolving door."

Background

The CFPB was created by the Wall Street Reform and Consumer Protection Act, which was passed in 2010 as a response to the 2008 Wall Street created financial disaster. This reform demanded accountability from the big banks and financial titans on Wall Street and put in place

rules to prevent the growth and collapse of another massive speculative financial bubble.

The CFPB is a watchdog agency that ensures basic fairness in the financial marketplace. It protects consumers from deceptive lending practices, misleading financial products, and other devious practices used by big banks to deceive American consumers.

The FSOC monitors and address system-wide risks to the American economy. The FSOC also oversees the CFPB. Under H.R. 1315, a majority vote among the ten voting members of the FSOC can overturn a CFPB regulation. Without DeFazio's amendment, FSOC members who come straight from Wall Street could pull the teeth from meaningful efforts to rein in Wall Street. DeFazio's amendment demands that if a regulation would affect a former employer of a FSOC member, then that member must sit out that vote. This applies to any employer in the previous two years.

Several former Wall Street employees or bank officials would have been voting members of the FSOC if it had existed in their day. They include the following people:

Hank Paulson, Treasury Secretary, former CEO of Goldman Sachs

Nicholas Brady, Treasury Secretary, former investment banker

Donald Regan, Treasury Secretary, former Chairman and CEO of Meryl Lynch

William Donaldson, SEC Chairman, former investment banker

Donald Powell, FDIC Chairman, former President and CEO of First National Bank of Amarillo

Donna Tanoue, FDIC Chairman, former Vice Chairman of the Bank of Hawaii

The DeFazio amendment will help to ensure that our financial regulators are going to bat for the American people, not their former employers.

- 30 -