Documentation

Cantwell: Bill Leaves Wall Street Loopholes

Sen. Maria Cantwell's office issued the following release on May 20.

Cantwell: Dodd Bill Leaves Wall Street Loopholes

Dangerous loopholes would remain in derivatives trading, same loopholes which helped cause economic crisis

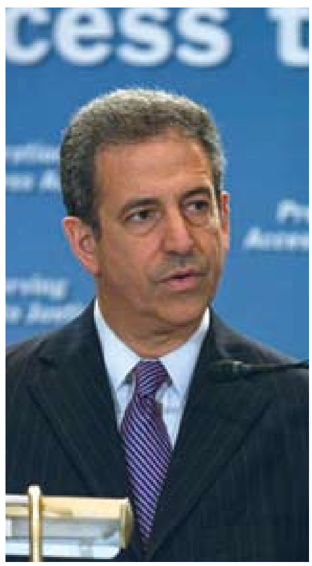
WASHINGTON, D.C., May 20—Tonight U.S. Senator Maria Cantwell (D-WA) voted against the Senate version of a financial regulatory reform bill, saying it did not close potentially dangerous loopholes in the derivatives regulations. Unregulated derivatives, Cantwell said, played a key role in creating the worst financial crisis and economic downturn since the Great Depression. The economic meltdown began on Wall Street but hurt Main Street, costing our economy eight million jobs and cutting off investment capital. Cantwell supports complete transparency and oversight of the derivatives market. Even seemingly small loopholes can create structural flaws in the financial system that can cause tremendous damage in the long term as they are exploited by Wall Street.

"While this bill takes much needed steps to help prevent a crisis of this magnitude from ever happening again, it fails to close the very same loopholes in derivatives trading that led to the biggest economic implosion since the Great Depression," Senator Cantwell said. Throughout this debate I have fought hard against efforts to weaken this legislation as well as to pass language to strengthen it further. But the fact of the matter is, without key reforms in derivatives trading, this bill does not safeguard America's economy from a repeat of this crisis. It sets up a process for responding the next time we have a financial crisis, but it doesn't *prevent* this kind of thing from ever happening again. We have to stop these kinds of dangerous activities. We need stronger bans on banks gambling with depositors money. We need bright lines—like Glass-Steagall—that separate risky activities from the traditional banking system. We need to refocus our financial system away from synthetic bets and get more capital into the hands of job creators and Main Street businesses. There are good, strong provisions in this bill, and I'm proud of the work we did to get them in there, but I fear that without closing the loopholes primarily responsible for this economic meltdown, we are missing the entire heart of the matter.

"I'm not giving up this fight. I intend to continue to work with my colleagues to strengthen the bill even further during the conference process, including taking language from an amendment I have offered with Senator Blanche Lincoln to close this loophole by tightening clearing requirements for trading derivatives. I believe that there is the will in both chambers to solve this challenge to tighten these critical loopholes and protect America's economy. We must reign in these dark markets and prevent our economy from being undermined by this dangerous loophole."...

Feingold: Bill Does Not Eliminate Risk to Economy

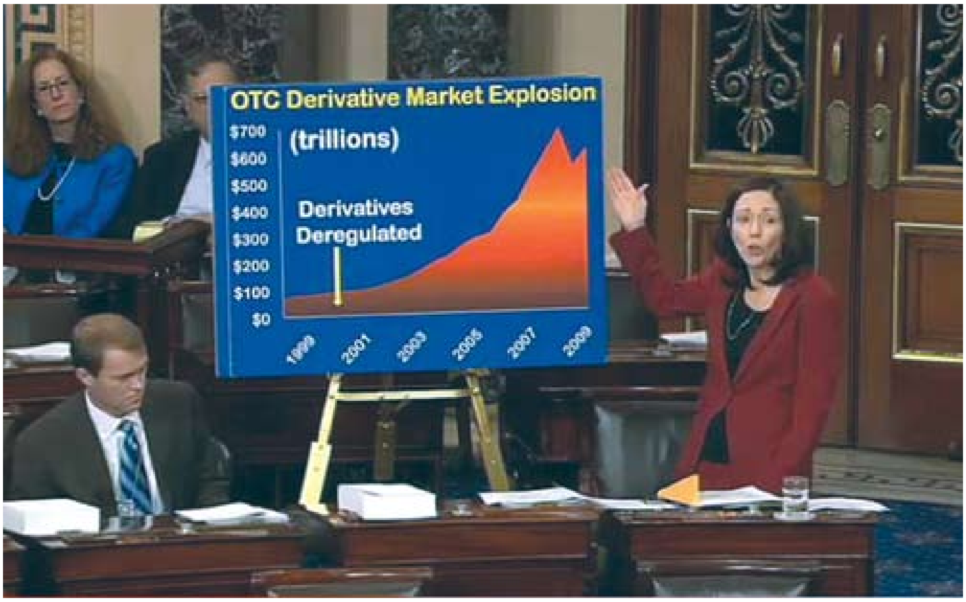
Sen. Russell Feingold (D-Wisc.), a cosponsor of the Cantwell-McCain amendment issued the following statement on the financial regulatory reform bill on May 20.



feingold.senate.gov

Following passage of the Dodd bill, Sen. Russ Feingold stated bluntly, "The bill should have included reforms to prevent another such crisis. Regrettably, it did not."

The bill does not eliminate the risk to our economy posed by too big to fail financial firms, nor does it restore the proven safeguards established after the Great Depression, which separated Main Street banks from big Wall Street firms and are essential to preventing another economic meltdown. The recent financial crisis triggered the nation's worst recession since the Great Depression. The bill should have included reforms to prevent another such crisis.



CSPAN

Sen. Maria Cantwell points to the explosive growth of the derivatives bubble since Glass-Steagall was revoked. Her amendment to restore it has been sidelined by the Obama Administration and Wall Street's lackeys in Congress.

Regrettably, it did not.

Senator Feingold's statement on voting "no" on ending debate on the financial regulatory reform bill, May 19, 2010:

After thirty years of giving in to the wishes of Wall Street lobbyists, Congress needs to finally enact tough reforms to prevent Wall Street from driving our economy into the ditch again. We need to eliminate the risk posed to our economy by too big to fail financial firms and to reinstate the protective firewalls between Main Street banks and Wall Street firms. Unfortunately, these key reforms are not included in the bill. The test for this legislation is a simple one—whether it will prevent another financial crisis. As the bill stands, it fails that test. Ending debate on the bill is finishing before the job is done.

Kaufman: Congress Caused Chaos: 'We Repealed Glass-Steagall'

Sen. Ted Kaufman (D-Del.), a sponsor of the Cantwell-McCain Glass-Steagall amendment, told CNBC today May 21, "I am disappointed in the [Senate financial reform].... We have to do something to prevent these very large banks from getting into trouble," The United States must "go back to Glass-Steagall, which worked for us for 60 years. Glass-Steagall said there couldn't be a commercial bank and an investment bank under the same roof, because commercial banking should be a low-risk, and maybe low return kind of business, and investment banking has always been a high return, because of high-risk, business, and the taxpayers, because of the FDIC, which was in Glass-Steagall, have to guarantee the bank, and that's how we get into trouble."

"I was for having [Glass-Steagall] in the [Dodd] legislation—legislation for generations—like we did in 1933 after the 1929 crash. Clearly, the will of the Senate was not to do that...."

On derivatives, Kaufman said: "What we have to be concerned about is that American taxpayers will not go through again what we have just been through. Don't believe the markets will go elsewhere."

Asked if he were saying it's all Wall Street's fault, Kaufman replied, "Clearly, it was Congress's fault. We repealed Glass-Steagall. We helped stop regulating derivatives.... The U.S. used to have the highest quality and most transparent markets in the world. Now instead of two regulated markets, we have 50 markets, with many unregulated areas. We are not tagging our trades; we don't know who the customers are. 'Dark pool' is a good name for these things."

Harkin: Glass-Steagall Should Have Been Considered

Sen. Tom Harkin (D-Iowa), in a statement released May 21, stated: "I am disappointed, however, that other amendments in line with Chairman [Blanche] Lincoln's provision [on regulating derivatives] were not included. In particular, Senator Cantwell's proposal to reinstate the Glass-Steagall Act was not even considered. I was one of eight senators to vote against financial deregulation in 1999 that did away with Glass-Steagall. Reconsidering this issue had a place in this debate...."