AMERICANS FOR FINANCIAL REFORM
ACCOUNTABILITY ★ FAIRNESS ★ SECURITY

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EXPERTS SUPPORT THE SEPARATION OF DERIVATIVES DEALING AND DEPOSITORY BANKING

Sheila Bair, former Chair of the Federal Deposit Insurance Corporation --

> "Commercial banking operations should be housed in their FDIC-insured banks and their securities, derivatives, and insurance functions should be housed in separate stand-alone affiliates for each business line. Insured deposits should only be used to support traditional banking operations: lending, payment processing, and trustee functions. Securities, derivatives, and insurance business lines should be walled off and conducted without support from insured deposits"
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> Page 329; Bair, Sheila, *Bull By The Horns*, Free Press, New York, 2012

Thomas Hoenig, Former CEO of the Kansas City Federal Reserve and current Director, Federal Deposit Insurance Corporation

> "Section 716 appropriately allows banks to hedge their own portfolios with swaps or to offer them to customers in combination with traditional banking products. However, it prohibits them from being a swaps broker or dealer, or conducting proprietary trading in derivatives. The risks related to these latter activities are generally inconsistent with the funding subsidy afforded institutions backed by a public safety net. Such activities should be placed in a separate entity that does not have access to government backstops. These entities should be required to place their own funds at risk"
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> Thomas Hoenig Letter to Blanche Lincoln, June 10, 2010

Richard Fisher, CEO of the Dallas Federal Reserve Bank:

> "As you know, commercial banks are the trusted guardian of depositors' funds and the primary intermediary of the national and global payments system—a role that is critical to our country's financial and economic stability. I have been a long-time proponent of limiting the derivative activities of commercial banks to only those designed to mitigate the institution's balance sheet risk. Accordingly, I support the reinstatement of Glass-Steagall-type laws to separate higher-risk, often more-leveraged, activities of investment banks from the commercial banking system."
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> Richard Fisher Letter to Blanche Lincoln, June 10, 2010.