Dear Senator,

We are writing to express our support for the 21st Century Glass-Steagall Act of 2013 (S. 1282), introduced by Senators Warren, Cantwell, McCain, and King and to ask you to co-sponsor this important legislation.

The proposal would narrow the scope of activities that banks are permitted to engage in, and refocus them on their traditional core functions of lending to businesses and individuals. This change would improve the safety of the banking system by simplifying banks' structure and activities so that they are easier for directors to manage, for regulators to supervise and for investors to evaluate.

The original Glass-Steagall law, also known as The Banking Act of 1933, was a key part of the response to the Crash of 1929. The 1933 law separated commercial banking, which consists of deposit taking and lending to individuals and business, from investment banking, which involves underwriting and trading assets on financial markets. That division served our nation's economy well for roughly fifty years. Beginning in the 1980s, however, the divisions between investment and commercial banking were gradually dismantled through financial deregulation, culminating in the formal repeal of Glass-Steagall through passage of the Gramm-Leach-Bliley Act of 1999.

The decade following repeal saw steady growth in the size and complexity of the major banks at the center of the U.S. financial system. During the 2008 financial crisis, as the largest, most complex financial institutions were failing, the government reacted by bailing out those institutions and sponsoring a flurry of further mergers and acquisitions. Today, the six biggest banks by assets are roughly 37 percent larger than they were before the crisis.

The 21st Century Glass Steagall Act would reverse that growth in size and complexity by forbidding commercial banks, which take deposits and are eligible for FDIC insurance, from engaging in activities such as speculative trading, market-making, and exotic financial engineering. Investment banks that participate in trading markets would not be allowed to take publicly insured deposits. Their risks would not be supported by a public guarantee and would have to be funded by their own investors' capital. Separating commercial from investment banking would limit the public subsidy to speculative activity, and make financial institutions simpler and smaller.

By requiring banks to focus on lending to the real economy, the 21st Century Glass Steagall Act would also help create a banking system that better serves consumers, small businesses and the overall economy. Insured lenders would have to make money by successfully lending to non-financial businesses, rather than by using their funds to engage in speculative trades that benefit only the banks themselves and their most highly paid traders and executives. Traditional banking is based on a long-term customer relationship where the interests of the bank and the customer are aligned. Both the bank and the borrower benefit when sustainable loans are made and repaid. This contrasts with trading markets, which involve short-term, zero-sum interactions with counterparties. When banking and trading activities are intermingled, banks face incentives to sacrifice the well-being of their customers to short term benefits to themselves.

The 21st Century Glass Steagall Act is an important step in addressing the problems in our financial system. We urge you to support and cosponsor this legislation..

(organizations)