

Republican congressman wants banks to hold more capital

WASHINGTON (MarketWatch) — **Rep. John Campbell** is the latest member of Congress to try tackling too-big-to-fail banks.

The Republican congressman from Orange County, Calif., on Monday introduced a bill that seeks to require banks with at least \$50 billion in assets to hold an additional level of capital in long-term subordinated debt equal to 15% of the institution's consolidated assets.

“With this bill, you get more private capital into these large institutions so that taxpayer risk and systemic risk is reduced,” Campbell told MarketWatch, taking a break from a financial services members retreat. **Campbell i**

s a member of the House Financial Services Committee.

“This level of capital provides additional security to taxpayers,
” he said.

The bill would impose additional capital restrictions on banks, beyond new capital requirements outlined in a global agreement known as Basel III. It comes as many observers worry that taxpayers would need to step in with bailouts if a large financial institution were to teeter on the verge of failure so that its collapse doesn't cause a Lehman-like shock to the financial system. The piece of legislation, like many others, faces a tough slog with a split Congress and a Democrat-controlled White House.

Expect dozens of new bills to be introduced by Democrats and Republicans, with the vast majority never being seriously considered by either the House or Senate. **Campbell** may be seeking to score political points with his bill, or use it as a placeholder to re-introduce at a later date.

Nevertheless, **Campbell** said that he disagrees with the notion that his bill doesn't have much opportunity for success. **Campbell** acknowledged that he hasn't brought the bill to House Speaker John Boehner. However, he said that there were a number of members of the committee **“on a**

bipartisan basis”

who believe the problem of banks being too-big-to-fail has not been fixed. He added that the issue is a big one for the panel’s new chairman, Rep. Jeb Hensarling, Republican of Texas.

Campbell noted that the issue of leveling the playing field between big banks and community banks is a major issue for the top Democrat on the panel, Rep. Maxine Waters, Democrat from California, adding that his bill would help on that front.

“It is a complex issue that has a complex solution,” Campbell said. “I know a lot of people will find this solution as a good one, better than either affirmatively breaking up the banks or doing nothing as we are doing now.”

Indeed, a number of opponents of big banks have shown up on both sides of the aisle. Senators Sherrod Brown, Democrat from Ohio, and David Vitter, Republican of Louisiana, sent a letter to the Government Accountability Office last month urging it to study the economic benefits of big banks.

Another idea that has some congressional staffers and legislators talking is a concept put forward by former Kansas City Federal Reserve Bank President Thomas Hoenig that would have regulators replace “complex” global bank capital rules with a more simple system that requires large institutions to hold more capital. Hoenig was confirmed as a Republican member of the Federal Deposit Insurance Corp. in March.

With **Campbell’s** bill, the long-term debt holders of a failing big bank would only be guaranteed at 80% of the face value of the debt for these bonds.

“If an institution goes into receivership, we want to make sure that even if it comes out, these bond-holders are going to lose,” he said. **“This will make these long-term bond investors more careful.”**