Yahoo! Finance: How to Fix Too-Big-to-Fail Without Taxpayer Bailouts - Rep. Campbell's Plan

Click to Watch Video

By Bernice Napach | Daily Ticker – February 19, 2013

JPMorgan Chase (JPM), Bank of America (BAC) and Wells Fargo (WFC) are three of the four biggest banks in the U.S. today. They're bigger now than they were in 2007, when the financial crisis began.

Federal Reserve Governor Daniel Tarullo, Dallas Fed President Richard Fisher and Senator Sherrod Brown (D-OH) have all said recently that the 2010 financial reform legislation better known as Dodd-Frank has failed to reduce the size of the big banks even though its law promised to do just that. Now Republican **Congressman John Campbell** of California has introduced his own bill to deal with too big to fail institutions.

Its purpose: to protect the banking system while eliminating the implicit guarantee of a government bailout paid for by taxpayers.

"We have to allow a Bank of America, a Wells Fargo or JPMorgan to fail, not use taxpayer money and still allow the system to continue," **Campbell** tells The Daily Ticker. **“That’s what this bill is designed to do.”**

Campbell's Systemic Risk Mitigation Act would require banks with at least $50 billion in assets to hold additional capital, including at least 15% of their assets in long-term bonds. If a bank were to fail, those bondholders would have to take of loss of at least 20% on their investment, which could pressure banks to reduce their debt and protect taxpayers from a government bank bailout.

“Having investors with a lot of skin in the game is a better regulator than having a government regulating watchdog,” says **Campbell**.

His bill would also repeal the Volcker Rule which is included in Dodd-Frank and bans proprietary trading. **Campbell** says the Volcker rule wouldn’t be necessary with the additional capital banks would be required to hold but it **“wouldn’t hurt things if you left it in.”**

Campbell’s bill would rely on the Fed as the top government regulator of financial institutions, as designated in Dodd-Frank. But if a If a bank were unable to raise sufficient capital, it would require the Fed to place the institution into receivership.

To date, **Campbell** says he hasn’t sought co-sponsors for his bill. **"Everyone in this town is talking about too-big-to-fail, we have to fix it, we haven’t fixed it…I’m introducing an idea...this is a way maybe we can deal with too-big-to-fail.”**