For Immediate Release:
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Chairman Campbell Introduces Legislation to Eliminate Future Bank Bailouts
The Systemic Risk Mitigation Act Guarantees Taxpayer Protection from Financial Institutions Deemed "Too Big to Fail"

Washington – Tomorrow, Representative John Campbell, Chairman of the Financial Services Subcommittee on Monetary Policy and Trade, will introduce the **Systemic Risk Mitigation Act**, a bill to eliminate this nation's "Too Big to Fail" problem. Currently, certain financial institutions, by nature of their size, scope and interconnectivity, are deemed "Too Big to Fail" as their potential insolvency would result in systemic economic collapse. Therefore, these institutions carry the implicit guarantee of massive, taxpayer-funded bailouts in the event of catastrophic failure. As a comprehensive reform measure, the **Systemic Risk Mitigation Act** would clearly articulate the lines between private sector risk and the taxpayer by means of significantly ratcheting up capital requirements for large financial institutions.

Upon introducing the **Systemic Risk Mitigation Act**, Chairman Campbell explained, **"The 'Too Big to Fail' problem has not been fixed and remains a serious threat to our future prosperity. We don't want to be like Europe. The more concentrated our banking sector is, the less stable it is and the more subject to systemic risk it becomes. This legislation solves that problem by disconnecting the American taxpayer from the implicit guarantee currently perpetuating a system built on future bailouts. It will build a wall of private capital between the banking sector and the American taxpayer. It will make our banking system more transparent, accountable, competitive, and stable."**

The **Systemic Risk Mitigation Act** would set up a comprehensive regulatory structure requiring financial institutions to hold a second layer of capital for the purpose of minimizing the extent to which their failure would precipitate broader market and economic turmoil. Under this new structure, large financial institutions will be required to hold substantially more capital. In the event of a failure, investors will be explicitly denied any "bailout" and would only be repaid after all other systemically important and secured debts are satisfied.

Under this legislation, the Federal Reserve, in its role as a regulator of large financial institutions, would be required to monitor markets for signs of diminished confidence in an institution's ability to satisfy claims by investors. Should a financial institution become undercapitalized, the Federal Reserve would be empowered to intervene in order to notify the institution of the deficiency, conduct stress tests, and oversee the implementation of remediation plans. In the event that an institution is unable to raise sufficient capital, The **Systemic Risk Mitigation Act** would place it into receivership.

Importantly, this legislation gives financial institutions, not policymakers, the final decision on how they will decide to structure themselves. The **Systemic Risk Mitigation Act** does not force a financial institution to break itself up, but does require that it operate in a manner that is safe, accountable, and independent of any reliance on the U.S. taxpayer.

"Congress must address the 'Too Big to Fail' problem," stressed Chairman Campbell. **"The goal of my legislation is not to harm U.S. banks, but to make them safer, more secure, and much more stable. In this way, consumer confidence will also be boosted. Banking is a business centered on confidence, and increased confidence is in the best interest of both the industry and the economy."**

The Systemic Risk Mitigation Act *has been referred to the Committee on Financial Services.*

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