## Summary of the Too Big to Fail, Too Big to Exist Act

The "Too Big to Fail, Too Big to Exist Act" is designed to break up large financial institutions so that the companies' failure would not cause catastrophic risk to the stability of our nation's financial system or economy without another taxpayer bailout.

**Specifically, the bill:**

- Requires the breakup of any financial institution with a total exposure greater than 3 percent of our nation's GDP, $584.5 billion. This would include: JP Morgan Chase, Citigroup, Wells Fargo, Goldman Sachs, Bank of America, and Morgan Stanley. **These six major financial institutions have over $10 trillion in assets, equivalent to 54 percent of our entire GDP and have a combined total exposure that exceeds 68 percent of our nation's GDP.**

- Requires insurance companies with more than $50 billion in assets like AIG, which received a $182 billion bailout during the financial crisis, and other near-bank financial institutions to report total exposure to federal financial regulators.

- Requires the Federal Reserve Vice-Chair of Supervision and the Financial Stability Oversight Council to submit written reports on the status of financially significant institutions as well as testify on the issue before Congress.

Under this bill, entities that exceed the 3 percent cap would be given two years to restructure until they are no longer too-big-to-fail. This would be overseen by the Federal Reserve Vice-Chair of Supervision or Chair of the Fed Board of Governors if there is no Vice Chair for Supervision.

Moreover, 90 days after an entity is designated as "Too Big to Exist" by the Fed, it would be prohibited from accessing Federal Reserve discount facilities and from using insured deposits for speculative activities, derivatives, or hedging.

The bill defines "Too Big to Fail" as any entity with total exposure is greater than 3 percent of our nation's GDP—meaning that if the entity failed, due to its size, exposure to counterparties, liquidity position, interdependencies, role in critical markets, or other factors it would have a catastrophic effect on the stability of either the financial system or the United States economy without substantial Government assistance. "Total exposure" for bank holding companies reported to the Federal Reserve includes on-balance sheet assets, derivatives, and off-balance sheet items for all subsidiaries.

**Too Big to Fail Entities today:**

One might have thought that since the financial crisis, the largest financial institutions would have been reduced in size to make certain that we never experience a recurrence of what happened in 2008.

Unfortunately, the opposite occurred.

- Today, the four largest financial institutions— JPMorgan Chase, Bank of America, Wells Fargo, and Citigroup—are on average nearly 80 percent bigger than they were before we bailed them out.
- Those same four banks control 36 percent of all bank deposits.
- Today, the six major financial institutions in this country have over $10 trillion in assets, equivalent to 54 percent of our entire GDP.
- Just 7 banks issue 33 percent of all residential mortgage debt.
- The four banks with the most derivative activity hold nearly 90 percent of all bank derivatives.

The bill is supported by:

- AFL-CIO
- Public Citizen
- Americans for Financial Reform
- Center for Popular Democracy Action
- Demand Progress Action

Experts supporting the bill include:

- Simon Johnson, Professor of Entrepreneurship at the MIT Sloan School of Management, Former Chief Economist at the International Monetary Fund
- Robert Reich, Chancellor's Professor of Public Policy at the University of California, Berkley
- Robert Hockett, Edward Cornell Professor of Law and Finance, Cornell University
- Jennifer Taub, Vermont Law School
- Nomi Prins, Author, Former Investment Banker
- Brad Miller, Former US Congressman and Of Counsel to Guttman, Buschner & Brooks PLLC
- Daniel Alpert, Founding Managing Partner, Westwood Capital
- Dean Baker, Senior Economist, Center for Economic and Policy Research
- Scott Fullwiler, Associate Professor of Economics, University of Missouri Kansas City
- Bruce Hay, Professor of Law, Harvard Law School
- David Jacobs, Associate Professor of Management, Graves School of Business and Management, Morgan State University
- Fadhel Kaboub, Associate Professor of Economics, Denison University
- Lawrence Rufrano, Director, FinTech Research, Stanford University, Formerly Research Executive, Federal Reserve Board
- Pavlina Tcherneva, Associate Professor of Economics, Bard College
- Benjamin Wilson, Associate Professor of Economics, SUNY Cortland