

The Safe, Accountable, Fair & Efficient (SAFE) Banking Act of 2012

Over the last 17 years, the six largest U.S. banks have grown in total assets from 17 to 66 percent of our overall GDP. From 2006-2010, the assets of the top 10 U.S. banks grew from 68 percent to 77 percent of total banking assets. To put an end to “Too Big to Fail” policies, we must reduce this concentration of financial power by shrinking these megabanks to a manageable size so that they can fail without threatening the health of the financial sector or entire U.S. economy.

Summary of the SAFE Banking Act of 2012:

- Imposes a strict 10% cap on any bank’s share of the total amount of deposits of all insured banks in the U.S. This would eliminate loopholes in the existing statutory cap.
- Imposes a strict 10% cap on the liabilities that any one financial company can take on, relative to the U.S. financial sector. Like the deposit concentration limit, this closes loopholes in existing law.
- Imposes a limit on the non-deposit liabilities (including off-balance-sheet (OBS) exposure) of a bank holding company of 2% of GDP. No bank holding company could exceed \$1.3 trillion.
- Imposes a limit on the non-deposit liabilities (including OBS exposure) of any non-bank financial institution of 3% of GDP. No non-bank financial company could grow larger than \$436 billion.
- Codifies a 10% leverage limit (including OBS exposure) for large bank holding companies and selected nonbank financial institutions into law.

Expert Support for Reducing the Size of Wall Street Megabanks:

“[T]he risk of failure of ‘large, interconnected firms’ must be reduced, whether by reducing their size, curtailing their interconnections, or limiting their activities.” – Paul Volcker, former Chairman of the Federal Reserve

“An often heard statement by many policymakers and financial market experts over the past couple of years has been that if a financial firm is too big to fail, then it is too big. I couldn’t agree more.”

– Thomas Hoenig, member of the Board of the FDIC and former President of the Kansas City Federal Reserve

“It would surely be in the government’s interest to downsize megabanks... The public-policy benefits of smaller, simpler banks are clear. It may be in the enlightened self-interest of shareholders as well.”

– Sheila Bair, Former Federal Deposit Insurance Corporation Chairman

“But giant banks, operating on the belief that they are backed by government, turn these otherwise manageable episodes into catastrophes. Is there a better alternative? Yes, reducing the size and complexity of the largest banks.” – Richard Fisher, President and CEO of the Federal Reserve Bank of Dallas

“Downsizing too-big-to-fail institutions and the risks they pose to the financial system could not be worse than taxpayers spending trillions of dollars propping up these firms and federal officials, not the free market, picking winners and losers.” – Cam Fine, President and CEO, Independent Community Bankers of America