**Opening Statement for Ranking Member Sherrod Brown**
**Hearing with Federal Reserve Vice Chairman for Supervision Randal Quarles**
**November 15th, 2018**

Thank you, Mr. Chairman and thank you Vice Chairman Quarles for appearing before the Committee today.

The Federal Reserve's responsibility, and Vice Chairman Quarles' job, is to ensure that the economy works for average Americans – that if you work hard, you can get ahead.

That Wall Street doesn't again crash the financial system and squander the pensions that families worked their whole lives to earn.

That banks can't cheat workers out of their hard earned-savings.

And that executives are held accountable when they break the law.

We know the Fed failed in its mission ten years ago. The Fed had all the power it needed to prevent the crash, and its leaders in Washington were too complacent, and too cozy with Wall Street, to use their authority to rein in the largest banks and protect American taxpayers.

That's why immediately after the crash, we put in place rules to strengthen taxpayer protections from big bank risk, and to protect consumers from predatory practices.

The rules worked – our system got safer, and the rules haven't stopped banks from becoming more profitable than ever. The Fed released a report on Friday showing that two important measures of banks' profitability – return on equity and average return on assets – hit a ten-year high in the second quarter of 2018.

Banks have also reported a 30 percent growth in loan volume since 2013, while experiencing a ten-year low in the share of loans that aren't performing.

But now, with legislation enacted earlier this year, and the actions of this Administration, we are witnessing – piece by piece – the dismantling of these protections for American workers.

Since the last time Mr. Quarles testified before this Committee, we have two new developments that underscore this point.

First, the Federal Reserve's proposal to implement the bank giveaway bill, S.2155, goes far beyond what the authors of that legislation claimed the bill would do. The Fed's proposed rule loosens protections for banks with more than $250 billion in assets – not small community banks – we're talking about the nation's biggest financial institutions. Combined, these firms hold $1.5 trillion in assets.

The Fed's proposal also promises more goodies for the big banks, with rollbacks for large foreign banks expected in the next few months. This is despite the fact that the Fed's own progress report said that foreign banks continue to violate anti-money laundering laws and skirt Dodd-Frank requirements.

Second, Vice Chairman Quarles gave a speech last week outlining the Fed's plans for the very largest domestic banks – a speech that could have easily been written by one of their lobbyists.

Mr. Quarles wants to weaken capital requirements for the megabanks, eliminating any leverage capital standards in stress tests. We got a preview of what this would look like in June, when the Fed gave passing grades to three banks that had clearly failed their stress tests. Now, Mr. Quarles wants to make this year's giveaway permanent.

The speech outlined a series of other changes to the Fed's stress tests that would render them essentially meaningless. Mr. Quarles makes no secret of the fact that he wants to ease up on the assumptions that guide the tests, wants to eliminate portions of the tests, and wants to share with the banks the Fed's internal models against which they are graded – that's like giving students the answers ahead of time.

These changes, taken alongside the weakening of the Volcker Rule, other big bank leverage standards, and an abandonment of nonbank financial oversight, amount to gutting the post-crisis protections we put in place to protect American taxpayers future bailouts.

It's not just me saying this. Stanley Fischer – the former Vice Chairman of the Fed – called these combined rollbacks quote, "mind boggling" and quote "very dangerous."

When regulators haven't finished implementing Dodd-Frank, and the economy hasn't even gone through a full economic cycle, now is not the time to begin dismantling our post-crisis protections. It's always the same story – Wall Street recovers, working families don't. And when Washington policymakers suffer from collective amnesia, working families, savers, and taxpayers end up paying the price.