

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

July 12, 2011

Mr. John Walsh
Acting Comptroller of the Currency
Office of the Comptroller of the Currency
250 E Street, SW
Washington, DC 20219

Dear Acting Comptroller Walsh:

In your June 21 address before the Centre for the Study of Financial Innovation in London, you state that banks' economic role "justifies the maintenance of a public safety net, and because that safety net provides a public benefit, it is unlikely ever to be provided at zero public cost." I am concerned that your assertion regarding public cost could be taken as advocating a restoration of regulators' ability to use taxpayer dollars in resolving failing financial firms.

As you know, the financial reform law passed last year closes off that possibility: once a financial institution goes into resolution, the firm will cease to exist, its shareholders will be wiped out, its management dismissed, and any costs will be covered by the assets of the firm or a levy on the financial industry. The law also bars Federal Reserve lending to individual troubled firms under Section 13(3). These provisions will ensure that taxpayers are never again asked to pay the costs of the financial industry's mistakes. (Earlier in the speech you note that the "safety net takes many forms, including explicit deposit insurance and emergency liquidity facilities." As you know, these other forms are already specifically designed to preclude any cost to taxpayers, a point we sought to reinforce in the financial reform law.)

Any statement from our regulators that appears to countenance a return to the use of taxpayer funds in resolution is confusing to the public. If that is not what you meant in your remarks, I would appreciate your dispelling this notion immediately so that taxpayers and market participants are confident that the U.S. government stands firmly behind the idea that the era of bailouts is over.


BARNEY FRANK
Ranking Member