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June 13, 2018

Honorable Chairman Jeb Hensarling  
Honorable Ranking Member Maxine Waters  
U.S. House Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, D.C. 20515

Dear Honorable Members,

On behalf of Public Citizen's more than 400,000 members and supporters, we offer the following comments on bills slated for committee consideration on June 14, 2018. These bills largely roll back protections for average Americans against financial market instability, against investment dangers, and even terrorism. While we do support the bill calling for a GAO study on cryptocurrencies, we urge the committee to reject the others as ignoring American interests.

We address the bills in ascending order of bill number.

**H.R. 5749, Options Markets Stability Act.** This measure reduces capital requirements for certain derivatives transactions, including cleared equity options, index options, and options on futures. Clearing refers to the use of an intermediary, such as a bank, to conduct the transaction between two parties. Major banks that conduct these clearing services include Goldman Sachs and Bank of America. These banks must hold capital as a safeguard in case one of the parties to the derivatives transaction fails to meet its obligations. Reducing this capital could mistakenly expose the financial system to greater risk. Separate from this legislation, regulators are already proposing to reduce capital. For example, at Goldman Sachs, a proposal regarding the enhanced supplementary leverage ratio would reduce capital by nearly 10 percent. At Bank of America, capital would decline by 18%.<sup>1</sup> We believe that bank capital should not be decreased. We oppose this measure as well as rulemakings where such rollbacks are proposed.

**H.R. 6035 Streamlining Communications for Investors Act** This bill would allow agents of underwriters to communicate with prospective investors before a securities registration statement is filed with the Securities and Exchange Commission, provided that the filer is a "well-known seasoned issuer"

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<sup>1</sup> Thomas Hoenig, *Speeches and Testimony: Finding the Right Balance*, FEDERAL DEPOSIT INSURANCE CORP (Marcy 28, 2018) <https://www.fdic.gov/news/news/speeches/spmar2818.html>

("WKSJ"). It is fundamental to honest markets that full disclosure be available before sales. Sales agents may not be forthcoming about demerits of an investment as they promote a security. We oppose this bill.

**H.R. \_\_\_\_\_, Counter Terrorism and Illicit Finance Act** This bill would make sweeping changes to the Bank Secrecy Act, the basic law aimed at preventing criminals, rogue governments and terrorists from accessing the banking system. American prosecutors have charged numerous large banks with failure to combat the abuse of their institutions by illicit customers. Instead of strengthening the Bank Secrecy Act, this bill would relax many of its requirements. Moreover, companies should be required to disclose the identity of their beneficial owners, which would address one of the most glaring weaknesses in the effort to combat illicit activity, from drug trafficking to tax evasion. Though previous versions of the bill included provisions to collect beneficial ownership information about corporations, this bill fails to accomplish that. Instead of dealing with the problem of secret companies, it actually makes it harder to catch criminals who launder money, for example by increasing the dollar thresholds for reporting what are known as Suspicious Activity Reports. It even includes a safe harbor, that is, insulation from sanctions when a bank is found to provide services to an illicit transaction, provided the bank has established certain technology programs aimed at combatting this problem. When banks fail the test of protecting their institution from abuse by dishonest customers, Congress should not simply make the test easier. We oppose this bill.

**H.R. \_\_\_\_\_ Fight Illicit Networks and Detect Trafficking Act** This bill calls for a GAO study on the use of cryptocurrencies in the sex and drug trades. Virtual currencies reportedly have become the exchange medium of choice for what this sadly burgeoning problem. We welcome the investigation of the role of cryptocurrencies in this epidemic, and support this bill.

For questions, please contact Bartlett Naylor at [bnaylor@citizen.org](mailto:bnaylor@citizen.org).

Sincerely,

Public Citizen