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The White House

Office of the Press Secretary

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President Obama Calls for New Restrictions on Size and Scope of Financial Institutions to Rein in Excesses and Protect Taxpayers

WASHINGTON, DC- President Obama joined Paul Volcker, former chairman of the Federal Reserve; Bill Donaldson, former chairman of the Securities and Exchange Commission; Congressman Barney Frank, House Financial Services Chairman; Senator Chris Dodd, Chairman of the Banking Committee and the President's economic team to call for new restrictions on the size and scope of banks and other financial institutions to rein in excessive risk taking and to protect taxpayers.

The President's proposal would strengthen the comprehensive financial reform package that is already moving through Congress.

"While the financial system is far stronger today than it was a year one year ago, it is still operating under the exact same rules that led to its near collapse," said President Barack Obama. "My resolve to reform the system is only strengthened when I see a return to old practices at some of the very firms fighting reform; and when I see record profits at some of the very firms claiming that they cannot lend more to small business, cannot keep credit card rates low, and cannot refund taxpayers for the bailout. It is exactly this kind of irresponsibility that makes clear reform is necessary."

The proposal would:

1. Limit the Scope - The President and his economic team will work with Congress to ensure that no bank or financial institution that contains a bank will own, invest in or sponsor a hedge fund or a private equity fund, or proprietary trading operations unrelated to serving customers for its own profit.

2. Limit the Size - The President also announced a new proposal to limit the consolidation of our financial sector. The President's proposal will place broader limits on the excessive growth of the market share of liabilities at the largest financial firms, to supplement existing caps on the market share of deposits.

In the coming weeks, the President will continue to work closely with Chairman Dodd and others to craft a strong, comprehensive financial reform bill that puts in place common sense rules of the road and robust safeguards for the benefit of consumers, closes loopholes, and ends the mentality of "Too Big to Fail." Chairman Barney Frank's financial reform legislation, which passed the House in December, laid the groundwork for this policy by authorizing regulators to restrict or prohibit large firms from engaging in excessively risky activities.

As part of the previously announced reform program, the proposals announced today will help put an end to the risky practices that contributed significantly to the financial crisis.

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