Occupy the SEC

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Occupy the SEC works to ensure that financial regulators protect the interests of the public, not Wall Street.

FOR IMMEDIATE RELEASE:

Occupy the SEC Submits Comment Letter to Federal Reserve Board of Governors in Response to its Advance Notice of Proposed Rulemaking on Risky & Anticompetitive Physical Commodities Transactions

New York, NY - March 29, 2014

Occupy the SEC ("OSEC") has submitted a letter to the Federal Reserve Board of Governors ("Board") in response to that agency's advance notice of proposed rulemaking ("ANPR") regarding the range of activities that banks are permitted to engage in in the commodities arena. The ANPR is extremely timely because of recent abuses by banks in the commodities markets, especially because such abuses have been both egregious and unpunished.

The Board now has the opportunity to reinstate the historical separation in American law between financial and commercial activities, which previously kept banks from becoming Too Big to Fail and overwhelming the economy. The Board can pass regulations that prohibit institutions receiving federal depository insurance and implicit federal guarantees from acting in ways that threaten environmental pollution and risk systematic financial contagion. The agency has the power to limit or mitigate the speculation in physical commodities and derivatives markets that has created artificial scarcity in products such as wheat and oil on which billions of people—and governments—are reliant.

Among other requests, OSEC urges the Board to:

- implement the systematic risk provisions of the Dodd Frank Act and the Volcker Rules' limits on proprietary trading by banning unsafe physical commodities operations
- refine its merchant banking rules, with permit passive investments in companies with physical commodities trading operations, to comply with the Volcker Rule's restrictions on private equity investments.
- institute reporting and disclosure requirements, expand bank monitoring, and limit the duration and active management of merchant banking investments.
- recognize that physical commodities trading by bank holding conglomerates threatens jobs, core commodities prices and the growth of the economy

Notably, the Board has failed to recognize that banks' involvement in physical commodities operations could result in massive environmental liability, or that the Federal government could become responsible for initial remediation and cleanup costs. These omissions demand that the Board revisit its regulations and orders and require divestiture or at least extensive prudential limits on physical commodity operations.

Moreover, banks' physical commodities trading operations risk the productivity and safety of the entire economy and could inhibit stable, dependable job growth. If the Board fails to implement stringent commodities regulations for banks, such action could threaten to limit access to vital commodities such as wheat, soybeans, aluminum, and oil and cause increased poverty and geopolitical disruption.

Under the current system, large banks use their massive capital structures – largely the product of heavy government guarantees – to concentrate resources and exploit insider information to the detriment of customers and the public.

The Board must significantly revise its prior commodities orders and regulations to permit a safer, more productive financial sector and a wider economy that works for the benefit of all.

Occupy the SEC is a group of concerned citizens, activists, and financial professionals that works to ensure that financial regulators protect the interests of the public, not Wall Street. For further information, visit http://occupythesec.org or email info@occupythesec.org.