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Joint Committee on Agency Rule Review

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State Representative

**Sponsor Testimony on House Concurrent Resolution 9
Provided by Representative Michael J. Skindell
Before the House Financial Institutions Committee
Tuesday, May 21, 2019**

Chairman Jordan, Vice Chair Hillyer, Ranking Member Crossman, and Members of the House Financial Institutions Committee, thank you for the opportunity to provide sponsor testimony on House Concurrent Resolution 9. H.C.R. 9 urges the United States Congress and the President to enact legislation to reinstate the separation of commercial and investing banking functions which was previously in effect under the Glass-Steagall Act of 1933. Glass-Steagall was repealed in 1999 and the repeal is believed to have been a contributing factor in the 2008-2009 financial collapse.

Following the stock market collapse of 1929 and the nationwide bank failure, President Franklin D. Roosevelt signed the Glass-Steagall Act in 1933. This banking reform did a number of things, including separating commercial and investment banking functions, which resulted in the large banks of the day to sell off their investment functions. Thus, JP Morgan split into the commercial bank of JP Morgan and the investment firm of Morgan Stanley. This separation requirement provided stability in the financial markets for decades.

Over the years, banks began to try to chip away at the wall separating commercial and investment banking. In 1998, the Federal Reserve granted a temporary exemption from Glass-Steagall allowing Citicorp to merge with the investment firm of Travelers Group to form Citigroup. The exemption became permanent when banks convinced Congress to repeal the Glass-Steagall provision in 1999 with the enactment of Graham-Leach-Bliley Financial Modernization Act of 1999.

As we know, there was a collapse of our financial institutions less than a decade following the repeal of the separation provision of Glass-Steagall. Although it is widely debated among experts as to whether Glass-Steagall would have prevented the 2008 financial collapse, there is strong momentum for the reinstatement of Glass-Steagall. Over the years, bipartisan legislation in both chambers of the United States Congress

has been introduced to reinstate the separation requirement of Glass-Steagall. Moreover, in 2016, both major political parties included plans to bring back Glass-Steagall in their economic plans. Over the past four years, resolutions urging the reinstatement of Glass-Steagall have been introduced in some 35 state legislatures.

A return to a separation of banking and investment would help bring stability back to the financial markets. I request that this committee favorably consider H.C.R. 9.

Chairman Jordan, Vice Chair Hillyer, Ranking Member Crossman, and Members of the House Financial Institutions Committee, thank you for the opportunity to provide sponsor testimony on H.C.R. 9. I would be happy to answer any questions relating to this resolution.