Goldman Sachs

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Bernie Sanders introduces bill in Congress to break up six largest US banks that are 'too big to fail'

US Senator Bernie Sanders (I-VT) proposed a bill in the Senate on Wednesday to break up the nation's biggest banks because their sheer size makes them a threat to the US economy if they ever fail in another economic crisis like the one in 2008.

The bill would break up the six largest banks in the country: JPMorgan Chase (NYSE:JPM), Bank of America (NYSE:BAC), Citigroup (NYSE:C), Wells Fargo (NYSE:WFC), Goldman Sachs (NYSE:GS) and Morgan Stanley (NYSE:MS), also referred to by many on Wall Street as "the money centers."

"No financial institution should be so large that its failure would cause catastrophic risk to millions of Americans or to our nation's economic well being," Sanders said in a statement on his website.

"We must end, once and for all, the scheme that is nothing more than a free insurance policy for Wall Street: the policy of 'too big to fail,'" said Sanders, who narrowly lost becoming the presidential nominee of the Democratic Party in 2016 and who may run again in 2020.

The 4 largest banks in this country (JP Morgan Chase, Citigroup, Bank of America, and Wells Fargo) are on average 80% larger today than they were before we bailed them out.

If these banks were too big to fail 10 years ago, what would happen if any of them were to fail today?

— Bernie Sanders (@SenSanders) October 3, 2018
US Congressman Brad Sherman of California will introduce a similar bill in the US House of Representatives.

"Too big to fail should be too big to exist," said Sherman. "Never again should a financial institution be able to demand a federal bailout. Today they can claim: 'if we go down, the economy is going down with us.' By breaking up these institutions long before they face a crisis, we ensure a healthy financial system where medium-sized institutions can compete in the free market."

Aside from the banks, other financial service companies such as Prudential Financial Inc (NYSE:PRU), MetLife Inc (NYSE:MET), and American International Group Inc (NYSE:AIG) will also be covered by the proposed legislation, the Sanders statement said.

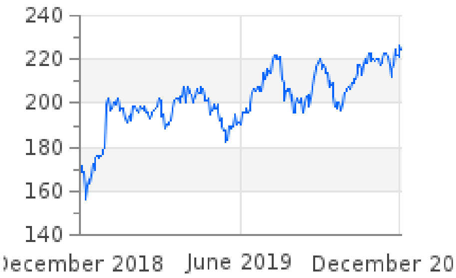
If a bank is too big to fail, it is too big to exist.

Join me live as we introduce our bill to break up the largest banks in America: https://t.co/yOrqVMtUtk pic.twitter.com/d39yfia22m

Price: 225

Market Cap: $79.67 billion

1 Year Share Price Graph



Share Information

Code:		GS
Listing:		NYSE
52 week	**High**	**Low**
	227.99	**151.7**
Sector:		**Financial Services**
Website:		**www2.goldmansachs.com**

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— Bernie Sanders (@SenSanders) October 3, 2018

The Ssenate office of Sanders said in a statement that in the 10 years since Wall Street caused the financial crisis and was bailed out by taxpayers, the five largest banks have raked in more than $583 billion in profits. The six biggest banks have a combined total exposure of over $13 trillion which exceeds 68% of the nation's GDP.

Under the bill, entities that exceed the 3% cap would be given two years to restructure until they are no longer "too big to fail."

FORMER IMF CHIEF ECONOMIST ENDORSES BILL

"The largest banks and other highly leveraged financial institutions are simply too big — and pose a real danger to our continued economic recovery. Make them break up into smaller pieces, bringing more competition, better service and lower risks for the American economy," said Simon Johnson, former chief economist at the International Monetary Fund and currently professor at the Massachusetts Institute of Technology. He supports the bill.

The "too big to exist" institutions would no longer be eligible for a taxpayer bailout from the Federal Reserve and could not use customers' bank deposits to speculate on derivatives or other risky financial activities.

As a result, JPMorgan Chase and Bank of America would be forced to shrink to where the banks were in 1998.

Wells Fargo would go down in size to where it was in 2005. And Citigroup would shrink to where it was during the second term of Bill Clinton's administration.