THE FINANCIAL SERVICES FORUM

November 13, 2009

Dear Member of Congress,

I write to express serious concern about recent proposals that could cause irreparable economic harm to the growth and job-creating capacity of the U.S. economy. It has been suggested that regulatory agencies should be empowered to preemptively break up or otherwise limit the size and activities of large, global financial institutions. This line of thinking is misguided and could lead to long-term damage to the U.S. economy.

The fundamental error of these efforts is the presumption that being large is inherently bad, more risky, or not in keeping with long-term safety and soundness. This presumption is false. Large institutions provide significant value to customers – in the sheer size of loans they can deliver, in the array of products and services they can provide, and their geographic reach – which smaller institutions cannot provide. This unique economic value is particularly important to large, globally active clients and contributes directly to economic growth.

Large institutions are also far more diversified in their business mix as compared to smaller institutions, which tend to be engaged in fewer businesses and regions and, therefore, are exposed to greater concentration risk. In this regard, larger institutions can be more stable than smaller institutions. Rather than being a source of risk, size actually can mitigate risk.

Being a global financial leader is an enormous strategic advantage for the U.S. economy and American businesses, workers, savers, and investors – an advantage our nation achieved over decades and one we should continue to work hard to preserve. To be a global financial leader, the United States needs institutions of all sizes, business models, and areas of expertise. Arbitrarily limiting the size and growth of financial firms operating in the U.S. will erode our position as the preeminent capital marketplace.

To be sure, too-big-to fail must be eliminated. But the problem is not that some institutions are large, it's that there is currently no legal authority to unwind, in an orderly way, a failing financial conglomerate as the FDIC is currently authorized to wind down a bank. More effective supervision, coupled with the authority to seize and wind down large firms, is the appropriate remedy to too-big-to-fail – a remedy that will not impede economic growth or quash the benefits large institutions offer to U.S. businesses and workers.

Thank you very much for your consideration.

Sincerely,

Robert S. Nichols
President & COO