Financial Services Conflict of Interest Act

Senator Tammy Baldwin and Ranking Member Elijah Cummings

The *Financial Services Conflict of Interest Act* will enhance the integrity of our financial regulatory system by mitigating the effects of the revolving door between industry and government.

The 2008 financial crisis eliminated 8.8 million jobs and $19.2 trillion in household wealth. Although many factors contributed to the crisis, regulatory failure was among the leading causes. In many cases, regulators had ample authority to act, but lacked the political will to enforce laws due to the tremendous influence of the financial industry in government. Between 1999 and 2008, the industry spent $2.7 billion on federal lobbying and gave another $1 billion in campaign contributions to pressure policymakers to weaken regulations.

The influence of the financial industry is still being exercised today through the revolving door between Wall Street and federal regulators. In some cases, the door is greased with bonuses for executives who take positions in government where they will be in charge of regulating their former employers. In other cases, individuals leave government service and seek employment with entities they previously regulated. Since the crisis, the number of government employees moving to industry and vice versa has increased—laying the groundwork for possible regulatory capture that could precipitate another crisis.

To slow the revolving door and help ensure that conflicts of interest do not erode the effectiveness of financial regulators, the *Financial Services Conflict of Interest Act*:

- **Outlaws Bonuses for Government Work:** The bill prohibits government employees from accepting bonuses from their former private sector employers for entering government service.

- **Expands Cooling Off Periods and Tightens Lobbying Rules:** The bill increases the prohibition on lobbying the federal government from one to two years and expands the definition of "lobbying contact" to include any lobbying activities and strategy. It also increases the current prohibition on federal examiners from accepting employment with any financial institutions they oversaw from one year to two years. It expands the prohibition to include supervisors, and it prohibits procurement officers in the federal government from working for companies that received contracts overseen by the procurement officers during their last two years in government service.

- **Reduces Conflicts of Interest:** The bill requires senior financial service regulators to recuse themselves from any official actions that directly or substantially benefit the former employers or clients for whom they worked in the previous two years before joining federal service.

The *Financial Services Conflict of Interest Act* is supported by: American Federation of Labor-Congress of Industrial Organizations (AFL-CIO), American Federation of State, County, and Municipal Employees (AFSCME), Americans for Financial Reform, Center for Effective Government, Common Cause, Consumer Action, Government Accountability Project, Greenpeace, Institute for Agriculture and Trade Policy, James A. Thurber, Public Citizen, RootStrikers, and U.S. Public Interest Research Group (USPIRG).