Warren Vows End to 'Rubber Stamping' of Bank Mergers

The prominent senator plans to reintroduce legislation that would require oversight agencies to consider impacts on the public interest when vetting bank deals.

By David Hatch

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Sen. Elizabeth Warren, D-Mass., excoriated federal officials for rubber stamping bank mergers as she pledged to reintroduce legislation that would require agencies with oversight of financial services to factor the public interest into their analysis.

The former Democratic presidential candidate, Wall Street gadfly and champion of breaking up Big Tech weighed in at a Tuesday, Aug. 3, hearing before the Senate Banking Committee.

During a tense exchange with Jelena McWilliams, chair of the Federal Deposit Insurance Corporation, Warren asked how many merger applications the agency had received since 2013.

When McWilliams said she didn't have the exact number, the lawmaker, head of the banking panel's economic policy subcommittee, fired back: "I do. It's 1,124."

A similar back-and-forth played out over how many of the applications were denied.

When McWilliams said she didn't have the number, Warren responded, "I do have the number. It's zero."

Warren's spotlight on rampant consolidation among banks dovetails with a July 9 executive order on competition issued by President Joe Biden that proposes tougher guidelines for bank mergers.

The Deal subsequently reported that the presidential order appears to be at odds with views expressed by Federal Reserve Governor Michelle Bowman, nominated by President Donald Trump.

In February, she cited "technological developments and financial market evolution" as evidence the banking sector has become more competitive, and cautioned against overzealous regulation.

The Department of Justice collaborates with the FDIC, the Fed and Office of the Comptroller of the Currency on scrutiny of bank combinations.

Those regulators "combined have not formally denied a single bank merger in 15 years," Warren said. "Merger review has become the definition of a rubber stamp — and the banks know it. And it's time for some changes."

The senator announced plans to reintroduce a 2019 bill, the Bank Merger Review Modernization Act, that would give federal authorities more leeway to include impacts on consumers, communities and financial stability in their analysis.

The bill aims to "restrict harmful consolidation in the banking industry and protect consumers and the financial system from 'Too Big to Fail' institutions, like those that caused the 2008 financial crisis," according to a summary of the 2019 version. Rep. Jesús "Chuy" García, D-Ill., would reintroduce the House counterpart.

According to a May staff memo from the House Financial Services Committee, the nation's six largest banks have grown more dominant in recent years with acquisitions of small financial startups that fall below the mandatory threshold for automatic notification to Washington.

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