

United States Senate

WASHINGTON, DC 20510

April 27, 2016

The Honorable Mary Jo White
Chair
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chair White:

We write to express our disappointment that the rule for Section 621 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank), also known as the “conflict of interest” rule, has not been implemented. We urge the Securities and Exchange Commission (SEC) to prioritize this rule, which would bar a firm from creating and selling asset-backed securities to clients and then betting against those securities for its own trading account. Some of us have previously raised this issue with you in the past, and we are all disappointed to see that the SEC has done little to move forward on a final rule.

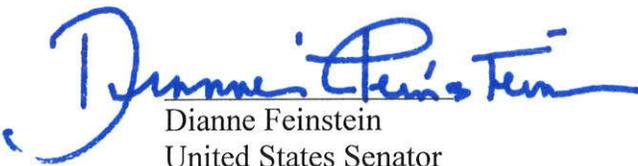
As you know, Section 621 prohibits material conflicts of interest for those involved in structuring asset-backed securities and serves as a critical component of financial reform based on the lessons we learned from the financial crisis. The U.S. Senate Permanent Subcommittee on Investigations’ April 2011 report on the financial crisis detailed some of the transactions that were designed to fail so that the entities constructing them could bet against them and profit. This is an appalling practice that the SEC can better address by releasing a strong final rule on Section 621.

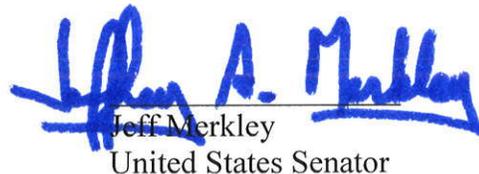
A strong final rule should ensure that financial institutions do not sell securities to investors and then bet against those same securities and do not purposefully design securities or structures with the intent that they will fail or with defective components. These types of structures built on deception are fundamentally contrary to the efficient operation of our financial markets, and we must do more to protect investors.

The SEC was directed to issue rules no later than 270 days after the enactment of Dodd-Frank. It has now been over 2,000 days since the President signed Dodd-Frank into law. This is unacceptable. We urge you to work quickly to finalize strong rules implementing Section 621.

Thank you for your consideration.

Sincerely,


Dianne Feinstein
United States Senator


Jeff Merkley
United States Senator

Edward J. Markey

Ed Markey
United States Senator

Barbara Boxer

Barbara Boxer
United States Senator

Al Franken

Al Franken
United States Senator

Richard Durbin

Richard Durbin
United States Senator

Elizabeth Warren

Elizabeth Warren
United States Senator

Jack Reed

Jack Reed
United States Senator