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Bank regulators and lawmakers seeking ways to curb bank growth

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Top U.S. bank regulators and lawmakers are pushing for action to limit the risk that the government again winds up financing the rescue of one or more of the nation's biggest financial institutions.

Officials leading the debate, including Federal Reserve Governor Daniel Tarullo, Dallas Fed President Richard Fisher and Sen. Sherrod Brown, share the view that the 2010 Dodd-Frank Act failed to curb the growth of large banks.

Strategies under consideration range from legislation that would cap the size of big banks or make them raise more capital to regulatory actions to discourage mergers or require that financial firms hold specified levels of long-term debt to convert into equity in a failure.

The push for revisiting the law or writing new rules "is absolutely driven by a sense that Dodd-Frank did not end 'too big to fail,' " said Mark Calabria, director of financial-regulation studies at the Cato Institute in Washington and a former aide to Sen. Richard Shelby of Alabama when he was the ranking Republican on the Banking Committee.

Three of the four largest U.S. banks — JPMorgan Chase & Co., Bank of America Corp. and Wells Fargo & Co. — are bigger today than they were in 2007, heightening the risk of economic damage if one gets into trouble. JPMorgan's 2012 trading loss of more than $6.2 billion from a bet on credit derivatives raised questions anew about whether the largest institutions have grown too complex for oversight.

That loss is among events that "have proven 'too big to fail' banks are also too big to manage and too big to regulate," Brown, an Ohio Democrat, said in a Jan. 22 e-mail.

Brown and fellow Banking Committee member David Vitter, a Louisiana Republican, are considering legislation that would impose capital levels on the largest banks higher than those agreed to by the Basel Committee on Banking Supervision and the Financial Stability Board.