



State of Rhode Island and Providence Plantations  
Office of the General Treasurer

**Seth Magaziner**  
General Treasurer

November 30, 2016

Steven Mnuchin  
U.S. Treasury Secretary-designate  
Trump Tower  
725 5th Ave  
New York, NY 10022

Dear Secretary-designate Mnuchin,

As you prepare for your engagement as Secretary of the United States Treasury, I write to urge continuation of the important financial reforms put in place to protect Americans following the Great Recession of 2007-2009.

The recent financial crisis had disastrous consequences for American families. In Rhode Island alone, 40,000 jobs were lost, and the unemployment rate reached 11.3%. Hardworking Rhode Islanders saw their wealth and income erode. During the financial crisis Rhode Island's public employees' retirement system—which more than 60,000 teachers, public safety officers and public servants depend on for retirement security—lost \$2 billion of value in just one year.

The pain and frustration Rhode Island families have suffered as a result of the financial crisis are still raw. We must not turn back the clock to a time when loose regulations and a cozy relationship between Washington and Wall Street allowed large financial institutions to run amok and hurt millions of people.

The 2010 Dodd-Frank Act contained a number of important financial reforms that must be maintained to protect the American people from the risk of another financial crisis. Among the reforms that should be continued are the following:

- **The Consumer Financial Protection Bureau's ongoing work to shine a light on predatory and high-cost financial services, from the payday lending industry to student loans, is critically important to the financial health of American.** In just 5 years, the CFPB has proven itself to be a vital watchdog for the interests of American citizens against dangerous financial scams. The CFPB has developed new standards for the mortgage market that discourage the type of irresponsible lending that fueled the destructive sub-prime mortgage industry, and has played a central role in cracking down on the fraudulent opening of accounts at Wells Fargo and other large banks.
- **"Say on Pay" is an indispensable tool in holding corporate executives accountable to the shareholders they serve.** Investors, like the Rhode Island pension system, deserve to know that the executive officers of a company are incentivized to deliver true, long-term shareholder

value. The Dodd-Frank “Say on Pay” provision is our mechanism to express disapproval of executive compensation plans that are excessive or misaligned with shareholder interests. Rhode Island voted against 60 executive pay plans in the 2016 proxy season, which has led to a number of productive conversations with companies in which we invest.

- **Rigorous stress testing of big banks protects investors, customers and taxpayers.** Among the most important reforms of Dodd-Frank was the introduction of annual stress tests at the nation’s largest financial institutions. The sub-prime mortgage crisis might have been contained to the housing industry, but too many of the nation’s largest financial institutions overextended themselves by taking on too much risk. Some large financial institutions failed outright, and many others would have failed had they not received generous federal bailouts. The American people will not stand for future bailouts or irresponsible risk-taking by large financial institutions.

**The ‘Volcker Rule’ should be maintained and fully implemented.** Large banking institutions must first and foremost serve the interests of their customers – the millions of Americans seeking to earn interest on deposits, take out loans at affordable rates, and operate businesses efficiently and profitably. To, once again, allow large banks to engage in risky and speculative trading for their own profit would be a grave mistake, putting the customers of large banks in unnecessary danger and introducing undue volatility to the financial system.

Rhode Islanders cannot afford another financial crisis. We cannot accept a return to policies that permitted irresponsible behavior on Wall Street and hurt millions of families across our country. Streamlining regulation is always a laudable goal, but regulatory efficiency must not come at the expense of financial stability.

Since the passage of Dodd-Frank, the value of the S&P 500 has more than doubled. Rhode Island has recovered more than 30,000 jobs, and our Retirement System has earned more than \$3 billion in investment gains. Common sense financial regulation has been good for our country and our state.

I offer you congratulations on your pending appointment, and wish you success in your new role. Rhode Islanders, still recovering from the financial crisis, are counting on you to look out for us.

Sincerely,



Seth Magaziner  
General Treasurer