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Contact: Deirdre Murphy

TOOMEY CAMPAIGN FACTCHECK DEMONSTRABLY FALSE

Millionaire Pat Toomey Continues Trying To Hide His Record Of Standing Up For Wall Street Over Main Street

See Why Pat Toomey Is Wrong For Main Street Pennsylvania HERE

STATEMENT	FACTS
Narrator: Before he became a politician, Pat Toomey was a Wall Street wheeler dealer. *Visual:* Image of Toomey	**Toomey Worked on Wall Street in 1980s.** After getting a political science degree from Harvard, Toomey went to work for Chemical Bank in 1984, where Toomey helped to launch the firm's earliest interest rate and currency swaps transactions. Two years later, he and six associates moved to Morgan Grenfell, the British merchant bank, to start what Toomey called a "serious derivatives operation." [Derivatives Strategy, 5/99]
Narrator: In fact, Millionaire Toomey helped pioneer the use of "derivatives" – he called them an "enormous good."	**Toomey Is a Millionaire.** According to the personal financial disclosure form Toomey filed in May 2009, Toomey held between

Visual: Background image changes to trading room floor. SUPER: **Pioneered Use of Derivatives.** Separate SUPER: **Toomey called them an "enormous good"** *Source:* House Banking and Financial Services Committee Hearing, 7/19/00	$2,025,067 and $5,075,000 in publicly traded and non-publicly traded assets at the time. [Toomey Personal Financial Disclosure, Filed 5/15/09] **Toomey Did "Pioneering Work" With Derivatives.** While working at Chemical Bank in the 1980s, Toomey did "pioneering work" with interest and currency rate "swaps," which are a type of derivative. [Allentown Morning Call, 4/11/04; Financial Times, 5/23/97] **1986: Toomey Launched "Serious Derivatives Operation" at Morgan Grenfell.** Toomey moved to the British bank Morgan Grenfell in 1986 to start a "serious derivatives operation." He was later to describe his work to *Derivatives Strategy*: "We were dealing in various currencies, all kinds of interest rate and currency-related derivatives—options, swaps, forwards and so on." In a discussion of how corporate culture affects a bank's propensity to take risks, *The Economist* described Morgan Grenfell as "a merchant bank which had a more free-wheeling culture." [The Economist, 6/25/88; Derivatives Strategy, 5/99] **Toomey Worked on Chemical Bank's Earliest Interest Rate Swap Transactions.** After getting a political science degree from Harvard, Toomey landed a job in Chemical Bank's capital markets group in 1984. In order to build its eurobond issuance business with American corporations, Chemical began offering interest rate and currency swaps, and Toomey was soon helping out with the bank's earliest swaps transactions. [Derivatives Strategy, 5/99] **Toomey Praised Derivatives: "Enormous Good."** During a House Banking and Financial Services Committee hearing, Toomey said "the derivative industry has profoundly transformed the capital markets" and that it "has done enormous good and has been an enormous force for positive change in our economy generally." While speaking

	about the Commodity Exchange Act, Toomey said, “I’d just like to emphasize the enormous importance of derivatives in our financial system and our capital markets. I had the privilege of being involved in this industry for about seven years and I struggled to find an analogy, and I’ll spare you my efforts there. But the fact is that the derivative industry has profoundly transformed the capital markets, international finance, the ability of American and foreign institutions to manage risk, and has done enormous good and has been an enormous force for positive change in our economy generally.” [House Banking and Financial Services Committee Hearing, 7/19/00] **Toomey Introduced Legislation to Further Protect Derivative Trading.** Toomey twice introduced legislation that would allow counterparties to make claims on their credit swap transactions with bankrupted companies before their assets froze. The International Swaps and Derivatives Association (ISDA) lobbied Senate leaders in support of Toomey’s bill. In both cases, the resolution was held in committee. Netting provisions were eventually enacted as part of the bankruptcy reform package passed in 2005. The netting exemption represented a further commitment to derivatives as important assets for financial institutions. In effect, netting allowed derivative counterparties to “skip the line entirely” in bankruptcy proceedings, jumping ahead of other creditors. Theoretically, the netting exemption would add stability to the historically volatile derivatives market, allowing for increased liquidity throughout the system. The measure may have in fact precipitated the end for Bear Stearns, Lehman Brothers, and AIG “by removing legal obstacles for banks and hedge funds that wanted to close positions and demand extra collateral from the three companies,” effectively accelerating the bankruptcy process. [ISDA letter to Senate leaders, 11/13/00; Talking Points Memo, 3/6/09; Financial Times, 10/30/08]

Narrator: But they wound up nearly destroying our economy. *Visual:* Front page headline about economy falling apart. *Pullout:* **"derivatives...a major cause of the financial crisis"** *Source:* New York Times, 5/14/09	**New York Times: Derivatives Were a Major Cause of the Financial Crisis.** "In its first detailed effort to overhaul financial regulations, the Obama administration on Wednesday sought new authority over the complex financial instruments, known as derivatives, that were a major cause of the financial crisis and have gone largely unregulated for decades." [New York Times, 5/14/09] **Warren Buffet Called Derivatives "Financial Weapons of Mass Destruction."** In 2002, Warren Buffet referred to derivatives as "financial weapons of mass destruction." During an interview on the Charlie Rose Show in October 2008, Buffet repeated the charge. "And basically I said they were possibly financial weapons of mass destruction and they have been," said Buffet, referring to derivative trades. "I mean, they destroyed AIG. They certainly contributed to the destruction of Bear Stearns and Lehman, although Lehman had other problems too." [PBS, "The Charlie Rose Show," 10/1/08; Fort Wayne Journal Gazette, 9/21/08] • **Buffet: Derivatives Destroyed AIG, Bear Sterns and Lehman.** During an interview on the Charlie Rose Show in October 2008, Warren Buffet linked the use of derivative trades to the financial crisis. "And basically I said they were possibly financial weapons of mass destruction and they have been," said Buffet, referring to derivative trades. "I mean, they destroyed AIG. They certainly contributed to the destruction of Bear Stearns and Lehman, although Lehman had other problems too." [PBS, "The Charlie Rose Show," 10/1/08] **Commodity Futures Trading Commission Chairman: Derivatives Played a Central**

	Role in the 2008 Financial Crisis. Testifying before the Financial Crisis Inquiry Commission in July 2010, Commodity Futures Trading Commission Chairman Gary Gensler blamed over-the-counter derivatives for exacerbating the financial crisis of 2008. “Derivatives played a central role” in the financial crisis of 2008, said Gensler. [Testimony of Chairman Gary Gensler Before the Financial Crisis Inquiry Commission, 7/1/10] **Financial Crisis Inquiry Commission Investigated the Role of Derivatives in the Financial Crisis.** The Financial Crisis Inquiry Commission, the special panel charted by Congress to investigate the origins of the financial crisis, devoted two days of hearings in June 2010 to the role of derivatives in the crisis. [AP, 6/30/10] **AP: Derivatives Have Caught a Big Part of the Blame for the Financial Crisis.** Traded in an opaque global market valued at around $600 trillion, derivatives have caught a big part of the blame for the financial crisis that ignited in late 2008. The value of derivatives hinges on an underlying investment or commodity such as currency rates, oil futures or interest rates. The derivative is designed to reduce the risk of loss from the underlying asset. [AP, 6/30/10] **AP: Collapse of Derivatives Triggered Financial Crisis, Brought on Bailouts.** After the subprime mortgage bubble burst in 2007, derivatives called credit default swaps, which insured against default of securities tied to the mortgages, collapsed. That brought the downfall of Lehman Brothers and pushed AIG to the brink. In response, the federal government infused AIG with $85 billion in federal bailout funds in September 2008. [AP, 6/30/10] <u>New York Times</u>**: Derivatives Were a Major Catalyst of the Financial Crisis.** In September 2009, the <u>New York Times</u>

	editorial board blamed derivatives for triggering the financial crisis of 2008. "The multitrillion-dollar market in derivatives was a major catalyst of the financial crisis," wrote the board. [New York Times, 9/14/09] **San Francisco Chronicle: Derivatives Were At the Center of the Financial Crisis.** In April 2010, the San Francisco Chronicle editorial board blamed derivatives for triggering the financial crisis of 2008. "Derivatives are largely unregulated, and they were at the center of the financial crisis," wrote the board. [San Francisco Chronicle, 4/21/10]
Narrator: When he got to Congress, Toomey wrote the law to weaken oversigh of Wall Street. *Visual:* Change background image to the Capitol. SUPER: **Toomey wrote the law to weaken oversight of Wall Street.** *Source:* Vote 276, 7/1/99; Morning Call, 4/30/09	**Toomey Helped Write the Legislation That Led to the Current Economic Crisis.** In 1999, Toomey helped write HR 10, which repealed the Depression-era Glass-Steagall Act, which regulated the separation of banks and investment firms. Its repeal allowed Wall Street giants such as Citigroup -- which combined the operations of Citibank and several large investment houses -- to emerge. Some, including President Barack Obama, have pointed to the repeal of that law as a cause of today's financial crisis because it paved the way for so-called "too big to fail" financial services behemoths such as AIG. [Vote 276, 7/1/99; Morning Call, 4/30/09; Derivatives Strategy, 5/99] **Senator Dorgan Predicted That the Repeal of Glass-Steagall Would Lead to a Situation Where "That Which Is True in the 1930's Is True in 2010."** After the House bill, which eventually became the Financial Services Modernization Act, passed Congress, Senator Byron Dorgan, who opposed the bill, said, "I think we will look back in 10 years' time and say we should not have done this but we did because we forgot the lessons of the past, and that that which is true in the 1930's is true in 2010." He added, "I wasn't around during the 1930's or the debate over Glass-Steagall. But I was here in

	the early 1980's when it was decided to allow the expansion of savings and loans. We have now decided in the name of modernization to forget the lessons of the past, of safety and of soundness." [New York Times, 11/5/99] **Former Undersecretary of Commerce Predicted That the Repeal of Glass-Steagall Would Lead to "Megabanks" That "Could Take Down the Entire Global Financial System."** At the time the bill was being voted on, Jeffrey Garten, the former Undersecretary of Commerce for International Trade, wrote in a *New York Times* op-ed, "Sooner or later, perhaps starting with the next serious economic downturn," he wrote, "the US will have to confront one of the great challenges of our times: how does a sovereign nation govern itself effectively when politics are national and business is global?" He said the bill would create "megabanks" that "could take down the entire global financial system with them." [New York Times, 10/26/99] **Barron's: Repeal of Glass-Steagall Led to Banks Becoming "Bigger, Clumsier, and Hard to Manage."** In a mock-memo outlining "a brief history" of the federal laws and policies in Washington D.C. that "helped create this crisis," Barry Ritholtz wrote that, "The Financial Services Modernization Act repealed Glass-Steagall, a law that had separated the commercial-banking industry from Wall Street, and the two industries, plus insurance, came together again. Banks became bigger, clumsier, and hard to manage. Apparently, risk-management became all but impossible, even as banks had greater access to larger pools of capital." [Barron's, 9/29/08] **New York Times: Repeal of Glass-Steagall Created a "Shadow Banking System" Without Rules or Transparency, Which May Topple Financial System.** According to a New York Times editorial, "in 1999, Congress dismantled the Glass-Steagall Act,

	a pillar of the New Deal, which separated commercial and investment banking. That enormous change was undertaken with no thought or effort — or desire — to regulate the world that it would help to create. Now we know that an entire 'shadow banking system' has grown up, without rules or transparency, but with the ability to topple the financial system itself." [New York Times, 9/28/08]
Narrator: No wonder they're funding his campaign. *Visual:* Change background image to money falling or being printed. SUPER: **Toomey's taken $1,631,492 from Wall Street and financial interests.** *Source:* Center for Responsive Politics	**Toomey Has Taken $1.6 Million from the Finance, Insurance and Real Estate Industry.** According to the Center for Responsive Politics, Toomey has accepted $1,631,492 in campaign contributions from the finance, insurance and real estate sector over the course of his career. [Center for Responsive Politics]
Narrator: Pat Toomey. Mr. Wall Street. Not for us. *Visual:* Back to Toomey with Wall Street sign. SUPER: **Pat Toomey. He's not for us.**	
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