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Obama Bank Reforms: Time for All Governments to Stand Up to the Banks

Brussels, 22 January 2010 (ITUC OnLine): US President Barack Obama's announcement of plans to restructure banks as a key component of comprehensive financial regulatory reform is a major step in the right direction, which other governments must rapidly commit to match through similar laws, according to the international trade union movement. Linking the banking sector's "binge of irresponsibility" to the deepening unemployment crisis, Obama has proposed a series of urgently-needed reforms, including an end to the practice of banks using depositors' money to engage in the kind of high-risk speculative operations, such as hedge funds and private equity, which helped plunge the world into recession.

"While tens of millions of people are losing their jobs, the very same bankers and financiers who poisoned the global economy with their greed and arrogance are once again playing their dangerous game of financial roulette. They show no interest in helping solve the crisis, only in lining their own pockets with even bigger bonuses than before. This has to stop, and other governments must also move to take them on quickly and with the same determination as President Obama is showing," said ITUC General Secretary Guy Ryder.

News of multi-billion dollar bonuses, even in banks which had to be rescued by taxpayers, is a particularly ugly feature of the financial economy and has caused widespread outrage. On top of this, the "leveraged buyout", where corporate takeovers are financed through massive debt, and employees often lose their jobs as a result, remains a feature of the world economy.

"There is an urgent need for governments around the world, and in particular the European Union, to act fast and in step with the US plans. Otherwise, bankers will simply move to take advantage of inadequate regulation in other jurisdictions," said John Monks, general secretary of the European Trade Union Confederation. "The ETUC calls

upon the EU to step up to the challenge and resist the anti-reform fightback which the financial sector has already launched."

The US proposals are aimed at tackling one of the key causes of the world recession, and need to be implemented quickly and as a central pillar of overall reform, including action on bonuses and measures to limit purely speculative practices across the finance sector.

"While government stimulus packages have saved millions of jobs, at least in the short term, private sector demand remains weak and governments need to continue recovery measures despite the fiscal pressures. We need a clear and globally coherent regulatory framework to make sure that banking practices serve the real economy. A financial transactions tax to reduce speculation and provide funds to help pay the costs of the crisis and generate sustainable and decent jobs and development must also be part of the package," said John Evans, general secretary of the Trade Union Advisory Committee to the OECD.

The ITUC represents 175 million workers in 155 countries and territories and has 311 national affiliates. Website: <http://www.ituc-csi.org> and <http://www.youtube.com/ITUCCSI>

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