NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

GET THE FACTS!

The Capital One/ING Acquisition Poses a Systemic Risk to the Market

The Federal Reserve Board of Governors is deciding whether to approve Capital One's application to buy ING Direct. Decision makers and advocates need to know the critical facts surrounding the systemic risk posed by allowing Capital One to become the next "Too-Big-to-Fail" bank. This acquisition is:

Reckless:

- Instead of allowing the Federal Reserve to do its job, issue the rules, and give banks the oversight that Dodd-Frank intended, Capital One is trying to get away with writing their own standards for applying the systemic-risk provision.

- Under Capital One's test, systemic risk analysis is nothing more than a restatement of the weak and ineffective laws that existed before the last financial crisis. It's like Dodd-Frank doesn't exist.

Oversized:

- Less than five years ago, Capital One wasn't even in the banking business. Now, thanks to an aggressive growth strategy—described by analysts as 'empire-building at its best'—Capital One could become the 5th largest depository bank in the United States virtually overnight.

- Capital One has publicly stated that it plans to use ING deposits to buy HSBC's credit cards, making it the largest subprime credit-card issuer in the U.S. Its business strategy is to turn safe deposits into subprime risk. Sound familiar?

Connected:

- Despite its claims of being just another 'regional bank', Capital One is heavily interconnected to both the U.S. and Global financial markets:
  - ✓ In the last financial crisis, Capital One and ING needed over **$18 billion** in taxpayer-funded bailouts precisely because they were so interconnected that their failure posed a direct threat to the American and global markets. ING still owes this money to the Dutch government.
  - ✓ After this acquisition, Capital One — which will become the 4th largest issuer of credit cards in the world — and the other top ten companies will control **90 percent** of the credit-card market. Any failure in a heavily concentrated sector would seriously limit the availability of this form of credit.

- ✓ Capital One pawns off 75 percent of its credit card debt to Wall Street. Sound familiar? The credit card securities market is similar in size to the mortgage-backed securities market.

And Risky:

- Capital One's bank holding company and national association are two of the largest holders of derivative contracts in the United States.

- Because ING's deposits will be used to buy another credit-card portfolio, Capital One continues to reject diversification in favor of a high-risk monoline strategy where more than half of its revenue comes from a single source: credit-cards.

Should we really let a leader in subprime lending become America's next "Too-Big-to-fail" bank?