

This discontinuity either needs to be carefully explained in the draft TSD or the conclusions changed.

WALL STREET REFORM AND CONSUMER PROTECTION ACT OF 2009

SPEECH OF

HON. DENNIS J. KUCINICH

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, December 9, 2009

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 4173) to provide for financial regulatory reform, to protect consumers and investors, to enhance Federal understanding of insurance issues, to regulate the over-the-counter derivatives markets, and for other purposes:

Mr. KUCINICH. Madam Chair, I rise today in opposition to H.R. 4173. Although I am supportive of the Consumer Financial Protection Agency as well as other provisions in the bill, ultimately I do not think H.R. 4173 adequately addresses the causes of the financial crisis, and I do not believe the reforms are sufficient to prevent another financial crisis from occurring.

In testimony before the Committee on Financial Services earlier in the year, Dr. Robert Johnson of the Roosevelt Institute stressed that reform of the derivatives markets is absolutely central to fixing the financial system. In fact, he went so far as to say that without strong and comprehensive derivatives reform, any effort to address the problem of systemic risk would be rendered impotent.

H.R. 4173 makes some progress toward regulating derivatives by establishing regulations for clearing and regulating over-the-counter derivatives; however the bill—especially in light of the House's adoption of the Murphy amendment—contains a number of loopholes that sophisticated financial industry insiders will exploit with ease. For example, the Murphy amendment's expansion of the exemption of derivatives users, jeopardizes the integrity of the whole reform. As Dr. Johnson said in his testimony, the challenge is to "[preserve] as much scope for deriving value from derivative instruments for end users without making the definition of end user so broad that it allows large scale financial institutions to effectively continue their unregulated OTC practices and at the same time assures that end users do not themselves, through loopholes, contribute to a weakening of the integrity of the financial system." H.R. 4173 does not accomplish this.

Credit rating agencies were also at the heart of the financial crisis. It was their bogus ratings on opaque securitizations and other financial products that fueled the asset bubble, and it was the fundamental conflict of interest in their "issuer pays" business model that strengthened their position in the industry.

Unfortunately H.R. 4173, rather than address the fundamental conflict of interest in the "issuer pays" model, instead sidesteps the issue and gives the Securities and Exchange Commission more authority to mitigate conflicts of interest. The years leading up to the financial crisis, however, taught us some very important lessons regarding the enforcement authority of the SEC: when officials at the Agency operate with a philosophical disagree-

ment with its mission, it does not matter what tools they have; they simply will not use them. In the interest of long-term, systemic reform, H.R. 4173 should have directly addressed this problem.

As everyone knows, another major cause of the crisis was gargantuan, systemically-interrelated institutions headed by shortsighted executives that scarcely had a notion of their complexity. H.R. 4173 attempts to address "too big to fail" by creating a resolution authority for unwinding and dissolving large institutions that have failed. Simply put, too big to fail is too big to exist. Real financial reform would include prohibiting financial institutions from metastasizing to the point where they threaten the whole system. Real reform would also include limits on interconnectedness and risk. In the words of Nobel laureate Joseph Stiglitz, "Such an approach won't prevent another crisis, but it would make one less likely—and less costly if it did occur."

Yet another cause of the financial crisis was the contagion that spread from the \$8 trillion housing bubble that burst. The housing bubble was fueled by predatory and subprime mortgages that were securitized on a massive scale. The manager's amendment included language from H.R. 1728, the Mortgage Reform and Anti-Predatory Lending Act, and I applaud Chairman FRANK for acknowledging the importance of including this legislation. The manager's amendment also included \$1 billion for the Neighborhood Stabilization Program to help communities address the problem of abandoned and foreclosed properties. My Domestic Policy Subcommittee did important work on how to target this federal assistance most effectively, I was glad to see its inclusion, and I supported the manager's amendment.

Curiously absent from H.R. 4173, however, is real reform of the process of securitization or any acknowledgement whatsoever that the federal government, through interventions at the Federal Reserve and the Treasury, is the securitization market right now. H.R. 4173 would only require that securitizers retain 5 percent of their assets, called "skin in the game." However, regulators would have the power to raise that amount, but only to 10 percent, and could also eliminate it altogether. This would hardly act as a deterrent to what has become an abused practice. Securitization, done wisely and thoughtfully, is vital to our economy; however by failing to address this issue H.R. 4173 simply allows the abuse of securitization to continue.

There is no reform of the government-sponsored enterprises (GSEs) that subjugated the "public good" aspect of their missions to the demands of their investors for higher profits.

Finally, H.R. 4173 does not fix the problem caused by the conflict of interest in the Federal Reserve's dual mandate. I applaud the efforts of my colleagues RON PAUL and ALAN GRAYSON to include in the bill the authority of the Government Accountability Office to conduct audits of the Federal Reserve, but the financial crisis—and the government's extraordinary response—taught us monetary policy and regulatory policy must be exclusive. Relying on one entity to conduct both activities so vital to a healthy financial system will inevitably give rise to conflicts of interest. This bill, however, further conflates these policies at the Fed by giving the Fed more regulatory authority.

H.R. 4173 cannot be the end of this process, but I fear passage of this bill will preclude further consideration of financial reform. If Congress rests on the laurels of H.R. 4173, we will be back here sooner rather than later to debate the same issues all over again. I look forward to continuing efforts to enact real, comprehensive reform of the financial services industry.

TRIBUTE TO OFFICER PHILIP DAVIS OF PELHAM, ALABAMA

HON. SPENCER BACHUS

OF ALABAMA

IN THE HOUSE OF REPRESENTATIVES

Friday, December 11, 2009

Mr. BACHUS. Madam Speaker, let us honor of the memory of Officer Philip Davis, the first officer in the history of the Pelham, Alabama Police Department to die in the line of duty.

Officer Davis was performing his sworn duty to protect the public when he was shot and fatally wounded during a traffic stop on I-65 in Shelby County on December 3.

Philip Davis was a four and a half year veteran of the Pelham Police Department. He previously was an officer in Calera and with the University of Alabama Police Department.

Officer Davis was devoted to the law, his community, his faith, and especially his family. He felt that it was his calling to serve and protect others.

Pelham Police Chief Tommy Thomas said, "He was an excellent police officer. He loved his job and we loved him."

Shelby County District Attorney Robbie Owens said, "Philip was a genuinely good, Christian person and dear police officer. We will all miss Philip. He was a good man."

Pelham Mayor Don Murphy said, "This was a very sad day for the City of Pelham and for law enforcement all across our nation. Philip was an asset to both the Police Department and the City of Pelham. His dedication, personality and commitment will be greatly missed. Our thoughts and prayers are with his young family."

Philip Davis was just 33 years old. Our sympathies and prayers are with his wife, Paula, and his two young children, Sarah and John.

In a close-knit community like Pelham, Philip Davis was a friend, neighbor, and role model.

The depth of the community's love for him was clear from the way citizens lined up in cars and along the streets during memorial services that were attended by more than one-thousand fellow law enforcement officials.

All law enforcement officers and their families live with a special burden every day. They know there are risks involved with every call, whether it is serious or seemingly routine. Yet our police officers willingly accept these risks in order to keep our communities safe. That is why our officers deserve nothing less than our highest respect and complete support.

The untimely death of any police officer is a loss not only to the immediate community, but to our nation.

The National Law Enforcement Officers Memorial in Washington, which is not far from the U.S. Capitol, is our national tribute to the sacrifices that courageous members of the law enforcement community have made to keep us secure. The name of Officer Philip Davis