

By April 2008, the Nation's largest financial firms had suffered \$230 billion in losses based on their proprietary trading. And by the end of 2008, the taxpayers were forced to put up hundreds of billions of dollars in TARP funds to avoid the collapse of our economy. Lehman Brothers is one example. In 1998, it had "only" \$28 billion in proprietary holdings. By 2007, its proprietary holdings had soared to \$313 billion. When the values of these holdings declined in 2007 and 2008, Lehman Brothers lost \$32 billion, its losses exceeded its net worth, and by September 2008, the firm had collapsed in the largest bankruptcy in history.

Senator MERKLEY and I propose an amendment that addresses these issues in the following ways:

First, commercial banks and their affiliates would be barred from high-risk proprietary trading. The risk to the federal deposit fund is simply too great to allow commercial banks to gamble as they can today.

This prohibition will not inhibit these institutions from serving their customers. Our amendment expressly permits carefully specified client-based transactions. That means that banks, through their broker-dealer affiliates, could buy or sell securities and other instruments as requested by clients. Those affiliates can also, for example, act as underwriter for a client issuing new stocks or bonds, provided those transactions are not allowed to endanger the safety and soundness of the bank.

Second, we limit proprietary trades at the largest nonbank financial institutions. These institutions would be required to keep enough capital on hand to ensure that they, and not the taxpayers, would cover their trading losses. That would limit the size of their proprietary activities. The regulators overseeing the financial system would be tasked with specifying the capital levels these institutions would be required to maintain, as well as limits on the amount of proprietary trading they could do, in order to protect the stability of the system. These restrictions would address one of the chronic problems that led to the crisis, that of financial institutions borrowing heavily to make their risky trades by leveraging their own funds, and jeopardizing the entire financial system when their risks overcame their own funds.

Third, we would address one of the most dramatic findings of our subcommittee's recent hearings, that of firms betting against financial instruments they are assembling and selling. As our hearing on investment banks showed, Goldman Sachs assembled and sold mortgage-related financial instruments, then placed large bets, for the firm's own accounts, against those very same instruments. In one case highlighted at the hearing, involving risky mortgage-backed securities, a Goldman trader bragged in an email that, although the firm lost \$2.5 mil-

lion when the securities failed, Goldman made \$5 million on a bet placed against those very same securities. The conflict of interest prohibition in our amendment is intended to prevent firms that assemble, underwrite, place or sponsor these instruments from making proprietary bets against those same instruments.

Assembling and selling financial instruments to its clients while betting against those same instruments did injury to Goldman's clients. The fact that the firm described these instruments, in its own emails, as "junk," added insult to injury. This isn't market making, bringing together two customers, a buyer and a seller, as Goldman executives claimed during our hearing. This is Goldman Sachs acting as its own secret client, betting against its customers. When members of the subcommittee asked Goldman executives about that conflict of interest, they answered by saying that we just understand, that this is how business is done on Wall Street. We understand all too well how business has been done on Wall Street. And that is why we must end the self-dealing and put a cop back on the beat on Wall Street.

Our amendment would protect depositors and taxpayers from the risk of proprietary trading at commercial banks. It will protect taxpayers from the dilemma of having to pay for Wall Street's risky bets, or watch our financial system disintegrate. And it would protect investors and the financial system at large from the conflicts of interest that too often represent business as usual on Wall Street. It will strengthen protections already in place in the bill before us, and add new ones to guard the stability of a financial system on which our economy and American jobs depend.

Senator MERKLEY and I have worked closely with a number of colleagues, including Senator DODD, as well as officials from the Treasury Department and the Securities and Exchange Commission, to ensure that our legislation would address the problems we seek to address without endangering legitimate market activity and activity on behalf of clients. It has been endorsed by former Federal Reserve Chairman Paul Volcker; business leaders such as John Reed, the former Chair and CEO of Citibank; and major organizations calling for real Wall Street reform, including the Independent Community Bankers of America, Americans for Financial Reform, and the AFL-CIO.

There is nothing wrong with Wall Street firms making a profit. What we oppose is the notion that in seeking such profit, these financial institutions can put depositors, clients, taxpayers, and the very safety of our financial system at risk. What we oppose is conflict of interest. I hope our colleagues will support these commonsense safeguards to strengthen the financial system and our economy.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DODD. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mrs. SHAHEEN). Without objection, it is so ordered.

Mr. DODD. Madam President, I ask unanimous consent that on Tuesday, May 11, after any leader time, the Senate resume consideration of S. 3217, and debate concurrently the pending Sanders amendment No. 3738 and the Vitter amendment No. 3760; that prior to a vote in relation to each amendment, there be a total debate limit of 80 minutes, with 20 minutes each under the control of Senators SANDERS, VITTER, SHELBY, and DODD, or their designees; that upon the use or yielding back of all time, the Senate proceed to a vote in relation to the Sanders amendment, followed by a vote in relation to the Vitter amendment, with no amendment in order to either amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### MORNING BUSINESS

Mr. DODD. Madam President, I ask unanimous consent that the Senate proceed to a period of morning business, with Senators permitted to speak therein for up to 10 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### ADDITIONAL STATEMENTS

##### TRIBUTE TO MARC MORIN

● Mr. GREGG. Madam President, today I wish to recognize Marc Morin of Bow, NH. Since December 20, 2000, Marc has been a member of the New Hampshire Board of Professional Engineers and has ably served as its chairman since July 15, 2004. In August of this year, he will step down from that position, and I would like to take this opportunity to thank him for the professionalism and dedication he has demonstrated over the last 10 years.

The Board of Professional Engineers has the important mission of protecting the public's safety and insuring the State's engineers follow the proper operating rules and regulations. Because of his reputation as an environmental engineer in the private sector, Marc was an excellent choice as board chairman. His educational accomplishments, such as holding a master of science in water resource engineering, underscore his ability to understand and apply the often complex licensing and due process requirements the board must oversee.

My wife Kathy and I have had the pleasure of knowing Marc's wife's family for many years. He has been a great example of the strong commitment to public service and volunteerism for which New Hampshire is so well known. While his leadership on the