**Statement of Senator Tim Johnson**
**Senate Committee on Banking, Housing and Urban Affairs**
**Establishing a Framework for Systemic Risk Regulation**
**July 23, 2009**

Thank you Mr. Chairman for holding today's hearing. Hearings like this will be important as the Committee prepares to consider legislation to modernize our financial regulatory system and establish a mechanism to identify systemic risks to our economy.

There is widespread agreement that institutions exploiting gaps in our regulatory system greatly contributed to the current economic crisis. These institutions, while oftentimes large and complex, were able to offer products with minimal regulation and operate with little oversight. The scope of the economic crisis is indicative of the breadth of the gaps in our regulatory system.

Many have suggested that the best way to close these gaps is through the creation of an entity to oversee systemically risky firms, what some have termed "too big to fail". This entity could watch, evaluate, and when necessary, intervene to prevent failures of large firms from leading to an economy-wide meltdown.

That said, we must be able to identify systemic risks without creating unnecessary regulation and without giving large firms the idea that the federal government is there to bail them out if they make poor decisions. A systemic risk regulator would have to put taxpayer protection at the top of its priority list.

It is my hope that members of this committee from both sides of the aisle can find a proposal to better monitor systemic risk, whether within an existing agency or with the creation of a new entity. Regardless of who does it, we need to identify systemic risk in our financial markets to prevent another crisis like the one we are experiencing from happening again and to aid in our economic recovery and reform. We must get this right. I look forward to hearing from today's witnesses.