

Statement of Senator Tim Johnson
Senate Committee on Banking, Housing and Urban Affairs
“Markup of the Restoring American Financial Stability Act of 2009”
November 19, 2009

Last fall, there was a clear and immediate threat facing our economy. Legislators were faced with a choice about whether to throw hundreds of billions of taxpayer dollars at Wall Street or the possibility of seeing the economy deteriorate further than it already had.

With the panic over a potential economic collapse having subsided, financial services regulatory reform efforts are under way. I believe there is much common ground regarding the types of reforms our financial services marketplace needs. Most reasonable people can agree that we need reforms to guarantee better consumer and investor protection; to change how credit default swaps and other risky derivatives are traded and regulated; to eliminate the “too big to fail” problem by making institutions take responsibility for their risky behavior; to allow regulators to unwind failed non-bank financial institutions so our government is not forced to prop them up with taxpayer funds; to more closely monitor hedge funds; to streamline our numerous regulatory agencies where duplicative; and to change how companies think about corporate governance.

Serious changes, not just superficial adjustments, are needed to our financial infrastructure. Legislation must refocus the regulators, and the industry, on the necessity of consumer protection, accountability, transparency and responsibility while doing business.

I applaud the work that Chairman Dodd has put into the bill. There is a lot we need to do, and I am looking forward to cooperating with my Banking Committee colleagues as we move forward. No doubt there will be difficult choices and necessary compromises as changes are made to this legislation. We need to aim to strike the right balance that strengthens regulation where needed, but doesn't unnecessarily harm community banks and credit unions who were not the cause of the financial crisis.

I do have some concerns with this legislation as it currently stands, especially in the areas of federal pre-emption and the effects of the CFPA on small community banks and credit unions. I also am not sure that a single federal regulator for the banking industry is the best solution, though certainly some consolidation is necessary and appropriate. And while I believe the creation of an Office of National Insurance is an important development, I believe more could have been done to improve the regulation of insurance. I am hopeful that, working together, we will find a robust but balanced approach for these matters.

We must show the American public that Congress is committed to economic recovery and stability. The time to put in place the building blocks of our reform effort is now, while the disastrous consequences of the economic crisis remain fresh in our minds. I am pleased the Banking Committee is set to begin considering this historic legislation, but because these changes are the most comprehensive and important reforms since the Great Depression, it is also critically important we get it right.

Thank you.