Senate Committee on Banking, Housing, and Urban Affairs
"Continued Oversight of the Implementation of the Wall Street Reform Act"
December 6, 2011
Senator Sherrod Brown, Statement for the Record

Thank you, Mr. Chairman, and thank you for holding this hearing and for your commitment to the committee's oversight role.

At a June subcommittee hearing, representatives from the three banking regulators shared the lessons that they learned from the financial crisis. They also described the steps that they are taking to reform the financial system.

But I find several recent regulatory actions troubling.

In particular:

- The major bank holding companies have **transferred significant portions of their derivatives** exposure into their bank subsidiaries that are backed by the federal government; and

- The Federal Reserve provided $7.7 trillion in **secret, low-cost loans** – unknown to both Treasury and Congress – to financial companies, particularly the six biggest megabanks.

These examples clearly demonstrate three things:

First, we need **more transparency**.

Certainly some trade secrets need to be protected, but the lack of transparency that exists in the financial sector is paralleled perhaps only by our national security establishment.

Dodd-Frank took some steps in this direction, but we need to do more.

Second, regulators, the Treasury Department, and Congress are **far too lenient** with a Wall Street that they view as more essential than it actually is.

Preventing excessive risk-taking and moral hazard requires significant costs and reforms for any institution seeking support from the U.S. government, and by extension the taxpayers.

As both Governor Tarullo and Senator Shelby have argued this includes more equity at the biggest megabanks – a sentiment that I know some other panelists might disagree with.

Third, not enough has been done to **help those outside of the financial sector** – most especially the middle class on Main Street.

Many in Ohio and around the nation are hurting – families and businesses, students and seniors.

Daily, we are reminded of the inadequacy of the response to the financial crisis. This failure to fight for middle class Americans is all that much starker when we view it against the gifts that have been bestowed upon Wall Street.

The result is a system that is good for the **regulated institutions**, but bad for **policy makers**, **investors and other market participants**, and **taxpayers**.

One of the central lessons of the financial crisis is that terrible things can happen when institutions are allowed to run wild – free from **oversight or accountability**.

So far, I'm sorry to say that the regulators' deeds have not necessarily matched their words.

Thank you, Mr. Chairman.