Insurance and Housing Subcommittee and Financial Institutions Subcommittee Joint Hearing:
"Examining the Impact of the Proposed Rules to Implement Basel III Capital Standards"

Representative Gary Miller's Opening Statement

November 29, 2012

Thank you Chairwoman Biggert and Chairwoman Capito for holding this important hearing today to examine the Fed's proposed regulations to implement Basel III capital standards and Section 171 of the Dodd-Frank Act, the Collins Amendment.

There is no question that robust capital standards, when properly applied, will help protect our economy. But, we must proceed with caution - such standards can actually be detrimental to our economy if not properly applied.

Capital standards need to be set appropriately so that they can ensure the safety and soundness of financial institutions, without curtailing the creation and allocation of credit that our economy needs.

There is no question that the regulations we are here to discuss today will have a significant effect on stability in the U.S. and global financial system, the availability of credit to fuel economic growth, and the ability of small banks to serve their communities.

It is absolutely critical to our economy and the financial markets that the final regulations are appropriately designed to promote financial stability and economic prosperity. To achieve these objectives, capital regulations must be carefully crafted so as not to weaken business models or financial prudence.

The regulations need to make sense for the business models of the industries to which they apply. Not all companies have the same business model and risk profile so it is not workable to have one uniform capital standards regulation to apply across the whole spectrum of financial services companies.

For example, I am very concerned about the proposed rules' treatment of insurance companies that own a depository institution. The bank-centric, "one size fits all" approach of the proposed rules is inconsistent with safe supervision of insurance companies. The proposed rules could actually harm the solvency of an insurance company, which is exactly the opposite of what Congress intended.

Earlier this year, Chairman Bernanke acknowledged before this Committee that appropriate capital standards regulations should take into account the different composition of assets and liabilities of insurance companies.

Just this week, Senator Collins, the author of the language in the D0dd-Frank Act, sent a letter to the Fed, FDIC, and Treasury stating that "it was not Congress' intent that federal regulators supplant prudential state-based insurance regulation with a bank-centric capital regime."

I am deeply concerned that the proposed rules do not take into account the different business model and risk profile of insurance companies. The proposed rules also do not take into account the state regulatory standards for insurance companies that emphasize long-term solvency.

Crafting the Basel III rules is not an easy task for regulators, but we must make sure the regulations are appropriate to the business models of the institutions and do not hinder the proper allocation of capital. Getting the capital standards wrong would have a devastating effect on our economy and we must do what is necessary to avoid such an outcome.