

STATEMENT OF THE HONORABLE WM. LACY CLAY
Before the
Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises
“Accounting for Deferred Purchase Price Adjustments and for Derivatives and Hedging
Activities”
February 9, 2004

Good morning Chairman Baker, Ranking Member Kanjorski, and Members of the Committee. Welcome Mr. Nicolaisen.

Mr. Chairman, thank you for this hearing. We need to address these issues cautiously, but with due haste. The primary concern has to be the stability of the markets. We must do nothing to undermine the stability of the markets. This market has been the backbone of the economy and we must keep it strong.

In a past hearing, I called for due process in the deliberations regarding Fannie Mae and its treatment of derivatives and hedge funds. I asked that the Securities and Exchange Commission (SEC) be allowed to act in its role as the final arbiter as whether Fannie Mae's actions were within generally accepted accounting principles (GAAP). This has been occurring, however, the process is not yet complete as both the SEC and the FBI have unfinished investigations of the accounting practices of Fannie Mae.

We need and will have a strong regulator for the GSEs, however, that regulator has not been designated as of yet. I am still not sold on the idea of granting receivership powers to a regulator. I do not see the need for that action at this time. We will better be able to determine the exact needs of reform when the investigations are complete and have been evaluated. Those decisions on oversight will be made after later hearings and negotiations.

Thank you for yielding Mr. Chairman. I ask unanimous consent to submit my statement to the record.