Committee on Financial Services
Hearing
"Assessing the Regulatory, Economic and Market Implications of the Dodd-Frank Derivatives Title"
February 15, 2011

Chairman Bachus, I ask unanimous consent that my statement be made a part of today's hearing record. I also ask unanimous consent to submit for the hearing record a letter by Richard Whiting of the Financial Services Roundtable dated February 7, 2011.

The Dodd Frank Act will considerably strengthen our financial services infrastructure by creating exchanges for derivatives and disclosure in the derivatives markets for the first time.

The law enhances the powers and resources of the U.S. Securities and Exchange Commission (SEC) and requires a comprehensive study of the way that the SEC operates, which will lead to much needed management reforms.

It will enhance regulation over more products and actors, create additional investor protections and consumer safeguards, and promote greater accountability for those who work in our capital markets.

This is not the first time that legislation has been introduced to regulate the derivatives markets. Former Representative Paul Kanjorski of Pennsylvania introduced derivatives legislation in 1994.

In 1994, former Congressman Paul Kanjorski of Pennsylvania introduced a bill to regulate derivatives and other complex financial instruments.

Congressman Kanjorski's bill failed to pass, but the Dodd Frank Act succeeded in regulating and increasing transparency in the derivatives markets. This conference agreement finally addressed the utter lack of regulation in this enormous market by mandating the clearing of most derivative contracts on exchanges so that we have more transparency.

For those derivatives that are not cleared, the bill's reporting and disclosure requirements ensure that information on the transaction is maintained.

A myriad of problems presently confronts the SEC, perhaps none more urgent than the need for adequate resources.

SEC Chairman Schapiro and others have repeatedly stressed the need to increase the funding to the SEC to ensure that the agency has the ability to keep pace with technological advances in the securities markets, hire staff with industry expertise, and fulfill one of its core missions: the protection of investors.

In response, the Dodd Frank Act slightly increased the independence of the SEC in the appropriations process, doubled the authorized SEC budgets over 5 years, and created a new reserve fund to support technology improvements and addressed emergency situations, like the market crash that occurred in May 2010.

It is unfortunate that the Continuing Resolution reduces funding for the SEC substantially.

One word of caution: As the regulatory agencies implement all the various provisions in Dodd Frank Act, we must ensure that the potential economic harm in these derivative provisions is avoided. The regulations must be tailored in such a way that they do not impose undue burden on businesses and that they increase jobs.

Thank you Mr. Chairman.

I yield back the remainder of my time.