

**OPENING REMARKS OF THE HONORABLE RUBEN HINOJOSA  
HOUSE COMMITTEE ON FINANCIAL SERVICES  
SUBCOMMITTEE ON CAPITAL MARKETS  
“LEGISLATIVE SOLUTIONS FOR THE DUOPOLY RATING AGENCIES  
JUNE 29, 2005**

Chairman Baker and Ranking Member Kanjorski,

I want to express my sincere appreciation for you holding this fourth in a series of hearings on credit rating agencies.

This hearing is of particular interest to me as a Member of the Texas delegation. The Enron bankruptcy and the harm it caused to its employees, smaller businesses, the community and to public trust in corporations and the Nationally Recognized Statistical Rating Agencies was enormous! So this hearing is timely and necessary despite the number of years that have passed since Enron declared bankruptcy just four days after the NRSROs were declaring it a safe issuer.

Chairman Baker, I want to thank you for doggedly pursuing the reform of the definition and oversight of the agencies.

Ranking Member Kanjorski, I commend you for working with the Securities and Exchange Commission to arrive at appropriate legislative language. Hopefully, it will not only increase competition among the credit rating agencies, and make the system more transparent, but also ensure that the legislation does not violate the Nationally Recognized Statistical Rating Organizations' (NRSROs) First Amendment right to free speech.

I also believe that your actions, Congressman Kanjorski, have supplemented and complemented the Securities and Exchange Commission's work with the Nationally Recognized Statistical Rating Organizations on a "Voluntary Framework" that would establish an SEC oversight regime. In essence, this would not only result in the creation of an appropriate framework but also possibly lead to a "best practices" of sorts for the NRSROs.

Some Members of Congress and the SEC have suggested that legislation might be needed to give the SEC the "oversight authority" to increase its regulation of the NRSROs. The SEC has proposed a rule that would codify the definition of an NRSRO. I understand that my colleague across the aisle, Congressman Fitzpatrick, has introduced legislation to address the current oversight of the NRSROs. This panel of witnesses is heavily weighted with those in support of the legislation. Mr. Chairman, I would like to hear from a more balanced panel in the future.

Chairman Baker and Ranking Member Kanjorski, I believe that Congress should give the SEC, the NRSROs and you, Congressman Kanjorski, additional time to work on a Voluntary Framework and to develop and introduce any legislation needed to provide the SEC with the appropriate authority to oversee the NRSROs prior to moving forward prematurely with legislation.

Having said that Mr. Chairman, I yield back the remainder of my time.