

**OPENING REMARKS OF THE HONORABLE RUBEN HINOJOSA  
COMMITTEE ON FINANCIAL SERVICES  
CAPITAL MARKETS AND FINANCIAL INSTITUTIONS  
JANUARY 18, 2012**

**CHAIRMEN GARRETT AND CAPITO, RANKING MEMBERS WATERS AND MALONEY,**

**GLASS-STEAGALL WAS ENACTED TO ADDRESS THE CAUSES OF THE GREAT DEPRESSION. SLOWLY BUT SURELY THE LEGISLATION WAS WHITTLED AWAY AS THE PRIVATE SECTOR WATERED DOWN SECTION 23A AND SECTION 23B OF THE BANK HOLDING COMPANY ACT. FINALLY IN 1999 WHEN CITIGROUP ACQUIRED TRAVELERS INSURANCE, GLASS-STEAGALL WAS FOR ALL INTENTS AND PURPOSES REPEALED.**

**WE KNOW WHAT HAPPENED FROM 1999 TO PRESENT DAY: OUR CONSTITUENTS HAD TO BAILOUT LARGE INSTITUTIONS; THE STOCK MARKETS DROPPED PRECIPITOUSLY; AND OUR ECONOMY ALMOST COLLAPSED. THE GLOBAL ECONOMY COMES CLOSER EACH DAY TO THE BRINK OF ECONOMIC DISASTER, WHICH UNFORTUNATELY IS NOT AN EXAGGERATION.**

**SMALLER INSTITUTIONS, COMMUNITY BANKS AND CREDIT UNIONS IN PARTICULAR, DID NOT CAUSE THE RECENT ECONOMIC DECLINE. THEY PLAYED AN ABSOLUTELY CRITICAL ROLE PROVIDING LIQUIDITY TO THE MARKETS AT A TIME WHEN NO OTHER INSTITUTIONS WOULD OR COULD.**

**THEY ENSURED THAT CAPITAL CONTINUED TO FLOW TO SMALL BUSINESSES ENABLING THEM TO CONTINUE TO OPERATE AND EVEN TO GROW, THEREBY BENEFITTING THE LOCAL COMMUNITY AND ECONOMY.**

**A SMALL BUSINESS ADMINISTRATION STUDY SHOWS THAT THE EXPENSE FOR SMALL FIRMS TO COMPLY WITH FEDERAL RULES IS 45 PERCENT GREATER THAN IT IS FOR LARGER BUSINESS COMPETITORS, AND ALMOST 90 PERCENT OF THE COUNTRY'S 26 MILLION SMALL BUSINESSES USE SOME FORM OF CREDIT.**

**THE DODD-FRANK ACT MAKES EXPLICIT PROTECTIONS TO PROTECT SMALL BUSINESSES FROM UNINTENDED CONSEQUENCES. SECTION 619 PROHIBITIONS ON PROPRIETARY TRADING DO NOT APPLY TO SMALL BUSINESS INVESTMENT CORPORATIONS (SBICs), ALLOWING FOR BANKS TO INVEST IN SMALL BUSINESS INVESTMENT COMPANIES SBICs. THREE DIFFERENT SECTIONS—1099, 1424, AND 1474—ALL REQUIRE STUDIES TO ENSURE THAT CREDIT COSTS ARE NOT INCREASED FOR SMALL BUSINESSES THROUGH THIS REGULATION.**

**THE VOLCKER RULE WILL HELP IMPROVE THE SAFETY OF OUR NATION'S BANKING SYSTEM BY PROHIBITING PROPRIETARY TRADING ACTIVITIES AND CERTAIN PRIVATE**

**FUND INVESTMENTS AND ALLOW COMMUNITY BANKS AND CREDIT UNIONS TO TAKE CARE OF THEIR CONSTITUENCIES.**

**WE ARE STILL IN THE EARLY DAYS OF THE IMPLEMENTATION OF THE DODD FRANK ACT, AND THERE WILL STILL BE SOME UNCERTAINTY ABOUT HOW THE RULES WILL AFFECT FINANCIAL INSTITUTIONS GOING FORWARD.**

**I WOULD LIKE TO KNOW MORE ABOUT THE PROVISIONS ALLOWING FOREIGN BANKS TO CONDUCT PROPRIETARY TRADES OUTSIDE THE UNITED STATES, WHICH I WILL ADDRESS DURING THE QUESTION AND ANSWER PERIOD.**

**THIS IS TRULY A CRITICAL MOMENT FOR OUR COUNTRY, AND IT IS MY HOPE THAT WE CAN COME TOGETHER TO HELP THIS COUNTRY TURN AROUND, SO ONCE AGAIN OUR CHILDREN AND RESIDENTS MAY HAVE THE FULL OPPORTUNITIES PROMISED TO THEM AND THE ABILITY TO ACHIEVE THE AMERICAN DREAM.**

**I YIELD BACK THE REMAINDER OF MY TIME.**