
WEEKLY FINANCIAL SERVICES REPUBLICAN ROUND-UP 5.15.2009

May 15, 2009

MESSAGING RESOURCES/POLLING UPDATE

REGULATORY REFORM/SYSTEMIC RISK REGULATOR/OBSERVER

We Must Modernize Our Outdated Regulatory Structure, Ensure Taxpayer Protections. One of the most important tasks of this Congress will be to modernize our 1930's regulatory structure to meet today's 21st century financial markets. However, there is a need for smarter regulation, not necessary more regulation. Any new regulatory initiatives must ensure that tax dollars are not used to continue the cycle of bailouts. The most important question regarding the Administration's plan is who pays for the orderly unwinding of the affairs of large complex non-bank financial institutions. We should not be saddling future generations of Americans with perhaps hundreds of billions in losses for the mistakes of a few institutions. This generational theft is unacceptable, and must end.

The Doctrine of 'Too Big to Fail' Should Not Be Accepted Practice. AIG is the ultimate example of why the 'too-big-to-fail' doctrine is a complete and costly failure. It appears the Administration's plan formalizes the practice of privatizing profits and socializing losses. This is squarely rejected by the American people, who want and deserve an exit strategy from the bailout business, not a permanent bailout agency.

Government Should Not Be Picking Winners and Losers. Identifying certain firms as "systemically significant" means the government is designating some companies as more important than others. This could confer significant competitive advantages on financial institutions that are perceived by the marketplace as enjoying an implicit guarantee of government support, undermining market discipline and promoting moral hazard in the process. This is fundamentally unfair, and serves only to further institutionalize the discredited 'too big to fail' doctrine.

We Must Do It Right - Not Fast. We must engage in comprehensive due diligence, open debate and discussion of all alternatives and views before overhauling our regulatory structure. We must avoid the kind of rush to judgment and disregard for regular order that has characterized recent congressional efforts to "rescue" the financial system.

Former Federal Reserve Chairman, and current Obama economic adviser, Paul Volcker has emphasized caution: "My personal feeling is 'not too fast'". (Reuters, Don't rush on US systemic risk regulator-Volcker, 3/24/09)

Gallup: "Post-Stress Tests, Confidence in U.S. Banks Improves Slightly ... Given the shaky nature of Americans' overall confidence in U.S. banks, many government and financial leaders would have been happy if the recent "stress test" results did no further harm to banking confidence. Gallup Poll Daily tracking shows that confidence in banks actually improved slightly, but to a statistically significant degree, after the public release of the stress-test results last week."

WEEKEND MUST-READS

Washington Post: "Treasury Agrees To Aid Insurers ... The Treasury yesterday granted preliminary approval for some of the nation's largest insurance companies to receive capital infusions under the government's Troubled Assets Relief Program, Treasury spokesman Andrew Williams said."

Wall Street Journal: "Obama Calls for Credit-Card Industry Reform ... President Barack Obama pressed his case for legislation imposing new restrictions on credit-card fees and interest-rate changes, telling a town-hall meeting Thursday he must have a bill on his desk before Congress leaves for Memorial Day."

Politico: "New documents shed light on TARP action ... A series of emails and other documents released this week fill in dramatic new details of the Bush administration's decision to bail out the nation's largest banks - portraying Treasury Secretary Hank Paulson and White House aides as frantically reaching out to bank executives, the two presidential candidates and even a conservative think-tank to line up support for the plan."

ON THE HORIZON

Tuesday, May 19: The full committee will hold a hearing entitled 'Capital Loss, Corruption and the Role of Western Financial Institutions' at 10am in Rayburn 2128. At 2pm, the Capital Markets Subcommittee will hold a hearing on entitled 'Approaches to Improving Credit Rating Agency Regulation' in Rayburn 2128.

Wednesday, May 20: The Financial Institutions Subcommittee will hold a two-panel hearing entitled 'HR 2351, the Credit Union Share Insurance Stabilization Act' at 2pm in 2128 Rayburn.

Thursday, May 21: The full committee will hold a hearing on municipal bonds at 9:30am on 'Legislative Proposals to Improve the Efficiency and Oversight of Municipal Finance' in Rayburn 2128. At 2:30pm, the full committee will hold a hearing on 'Section 8 Voucher Reform Act' in the same room.

NOTE: The House may consider credit card and housing legislation on the floor next week.

COMMITTEE REPUBLICANS IN THE NEWS

Rep. Chris Lee issued this statement: Lee Fights to Protect WNY Jobs, Takes On Illegal Chinese Trade Practices;

Rep. Ed Royce penned this op-ed: The Federal government Must Get Out Of The Business Of Picking Winners And Losers.

Rep. Michele Bachmann appeared on Glenn Beck and held a press conference on ACORN, which was covered by Fox News. She also penned this op-ed in the Washington Times: From ACORN, some shady issues.

Rep. Scott Garrett was featured in this Financial Times article: Covered bond legislation seen necessary to jump-start alternative program to TLGP.

Rep. Spencer Bachus issued this statement: [Bachus Statement on Jefferson County Municipal Securities Probe](#).

CARTOON OF THE WEEK

(The Hill's Chris Weyant, 5/12/09)