

Bachus Statement On The Administration's Regulatory Reform Plan

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WASHINGTON - Congressman Spencer Bachus (AL), the top Financial Services Committee Republican, made the following statement regarding the Administration's regulatory reform plan:

"Last week, House Republicans offered a comprehensive plan for regulatory reform that protects taxpayers, consumers, and investors by making Wall Street responsible for its actions.

"Unfortunately, the Administration's plan continues the cycle of bailouts for "too big to fail" financial institutions, furthers the government's role in picking winners and losers, complicates rather than streamlines the current regulatory structure, and keeps taxpayers on the hook for losses caused by imprudent risk-taking on Wall Street.

"The taxpayer should not be forced to pay the bill for failed non-bank financial institutions. Giving Treasury and the President the authority to decide when to commit taxpayer funds to rescue failing financial firms could place politics over sound regulation and fuel market uncertainty. This is the last thing the market needs.

"The Republican plan would direct all failed non-banks to enhanced bankruptcy proceedings. Bankruptcy is a fair and transparent process where the rules are clear and well-established, and which does not require taxpayer funding to bail out the creditors of failed institutions.

"Another troubling aspect of the Administration's plan is its massive expansion of the Federal Reserve's authority. Rather than centralizing enormous power in an independent and largely unaccountable regulatory agency, the Republican plan would refocus the Fed on its core mission of conducting the nation's monetary policy, and eliminate entirely its authority to conduct AIG-style bailouts of individual companies at taxpayer expense.

"The Republican plan creates a financial regulatory structure that is streamlined, simplified, and better for consumers than the current Balkanized system. The Administration plan does little to reduce the redundancies and inefficiencies in the system, and instead complicates it further by adding new regulatory bodies with potentially overlapping and conflicting mandates.

"And finally, at a time when Americans are being asked to pony up hundreds of billions of dollars to shore up the Government Sponsored Enterprises, Fannie Mae and Freddie Mac, the Administration plan creates a new class of GSEs that may face more stringent regulation but will be viewed by the market as operating under an implicit government guarantee, compounding moral hazard and eroding market discipline.

"The Republican plan sends a clear message to Wall Street: no more bailouts. Our new regulatory system must get the government out of picking winners and losers and restore market discipline. We cannot continue to burden future generations of Americans with the costs of mistakes made by a few institutions.

"Modernizing our financial services regulatory system is of critical importance to all Americans. We stand ready to work with the Administration and our Democratic colleagues to build a regulatory structure that restores confidence in the financial services sector, stabilizes our economy, and prevents a recurrence of the market turmoil of the past year."

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