

Republicans Introduce Comprehensive Financial Regulatory Reform Legislation

Measure Restores Market Discipline To Financial System, In Contrast To Administration Proposals To Expand Government Bailouts And Taxpayer Liabilities

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WASHINGTON - House Republicans, led by Financial Services Committee Ranking Member Spencer Bachus (AL), today introduced comprehensive legislation to modernize and streamline the regulatory structure of the financial services industry.

The Consumer Protection and Regulatory Enhancement Act provides for the resolution of insolvent non-bank financial institutions - no matter how large or systemically important - through the bankruptcy system. It creates a Market Stability and Capital Adequacy Board that is charged with monitoring the interactions of various sectors of the financial system, and identifying risks that could endanger the stability and soundness of the system. It establishes an Office of Consumer Protection, with enhanced authority, within a consolidated regulatory agency to streamline in one place responsibility for rulemaking and enforcement of Federal consumer protection laws. The legislation also restores the Federal Reserve's monetary policy mandate by relieving it of current regulatory and supervisory responsibilities. Taxpayer subsidies of Fannie Mae and Freddie Mac would end, as would Federal regulators' reliance on use of credit rating agencies.

The Republican plan presents a clear alternative to the "too big to fail" government policy that many economists and market analysts believe would be institutionalized by the Obama Administration's regulatory reform agenda. The legislation ends the unprecedented government interventions and use of taxpayer dollars to bail out financial firms and pick winners and losers in the economy. Taxpayers will no longer be asked to pick up the tab for bad bets on Wall Street while some creditors and counterparties of failed firms are made whole. The legislation seeks to restore market discipline so that financial firms will no longer expect the government to rescue them from the consequences of imprudent business decisions.

"We need a new direction in approaching financial regulatory reform," Ranking Member Bachus said. "The legislation we are introducing today will empower our regulators to better police the financial markets and protect consumers and investors. It is time to get the government out of picking winners and losers and avoid creating a permanent bailout agency. Utilizing an enhanced bankruptcy regime will ensure that the cost are covered by the financial institutions and their creditors, not the taxpayers. Financial institutions should no longer rely on taxpayer assistance."

"American taxpayers should not be required to bailout companies that made poor business decisions," Judiciary Committee Ranking Member Lamar Smith said. "The current bankruptcy system is already up to the task of addressing non-bank financial institution failures. These proposed changes will enhance the courts' ability to transparently deal with big business failures and eliminate the need for government-run regulation by the Administration at the expense of the American taxpayer."

"Sprawling new agencies and limits on consumer choices won't restore confidence in the financial marketplace," said Rep. Judy Biggert, the Ranking Member of the Oversight and Investigations Subcommittee. "What the system needs is a stronger, smarter, more efficient regulatory approach that will empower consumers, protect against fraud, and shut down bad actors. The GOP plan offers all three -- without duplicative and conflicting regulations that drive up costs and hamstring economic recovery."

"It's time for the bailout mentality that says some firms are 'too big to fail' to be put to bed, and that's precisely what our bill will do," said Rep. Shelley Moore Capito, the Ranking Member of the Housing Subcommittee. "It's not the government's job to pick winners and losers in the marketplace, just as it's not the government's job to dictate to consumers which financial products they can buy and which ones they can't. Our bill puts transparency at the forefront, emphasizes accountability in the markets and provides regulators with new tools to protect consumers."

"When it comes to the subject of the fundamental role that GSEs played in causing our current financial crisis, the Obama Administration's regulatory reform proposal is more of a white wash than a white paper," said Rep. Jeb Hensarling, the Ranking Member of the Financial Institutions Subcommittee. "Fannie Mae and Freddie Mac were at the epicenter of federal policies that incented, cajoled, and mandated financial institutions to loan money to people to buy homes they could not afford to keep. Whereas the Administration's plan is silent on GSE reform, the Republican alternative acknowledges the current GSE model is irreparably broken and must be altered. Our plan puts the GSEs on the path away from taxpayer reliance so that over a reasonable time period so that we can transition our secondary mortgage market away from government-sanctioned monopolies and back towards free market competition."

"At the core of our plan is a promise to the American taxpayer: no more bailouts," said Rep. Scott Garrett, the Ranking Member of the Capital Markets Subcommittee. "It's time to reject the 'too big to fail' logic that has resulted in unprecedented government intrusion into the marketplace and reinstate the free market principles that are the cornerstone of our nation and a healthy financial sector. The Republican leaders of the Financial Services Committee have developed legislation aimed at preserving free market principles while providing significant reform to our antiquated banking regulations."

"The Republican plan confronts the 'too big to fail' mentality head on by putting a stop to taxpayer-funded bailouts," said Rep. Randy Neugebauer, the Deputy Ranking Member. "Our plan modernizes financial regulation to hold regulators accountable to consumers and allows for market discipline to work, rather than relying on the government to pick winners and losers."

"Today Republicans cement our plan to restore stability and oversight to the financial sector," said Rep. Tom Price, the Chairman of the Republican Study Committee. "This plan provides a common sense solution to a complex set of issues. While we work toward ensuring a more stable financial sector, we must preserve the market system to which we owe so much while ensuring taxpayers are never left out to dry again by the failures of others. The package of reforms we introduce today will fundamentally change the relationship between Wall Street and the taxpayer. No longer will we see private profits being backstopped by taxpayer liability. This legislation puts an end to the misguided bailout culture that has encouraged irrational risk taking and cost taxpayers so much. As reform is imperative, I look forward to working positively in a bipartisan spirit to achieve our goals of stability."

Click [here](#) to view a copy of the legislation and [here](#) for a section by section summary.

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