

Johnson Statement on Derivatives Reform Hearing

WASHINGTON – Today, Senate Banking Committee Chairman Tim Johnson (D-SD) chaired a hearing on the implementation of derivatives provisions in the Wall Street Reform Act. The Committee heard from SEC Chairman Mary Schapiro and CFTC Chairman Gary Gensler.

Below is Chairman Johnson's statement as prepared for delivery:

“Today we will review the progress being made to reduce systemic risk and improve oversight of the derivatives market. But before we get to the main subject of this hearing, I want to make a few comments about recent news made by J.P. Morgan Chase.

“The company’s massive trading loss is a stark reminder of the financial crisis of 2008 and the necessity of Wall Street reform. Since the firm’s May 10th conference call, my staff and Ranking Member Shelby’s staff have jointly held briefings with regulators, and a briefing with the company itself. Following these briefings I announced last week that I intend to call J.P. Morgan’s CEO Jamie Dimon to testify before the Committee.

“In calling for Mr. Dimon to testify, I expect him to inform the Committee of the details surrounding what has been reported to be a very complex trade. With today’s hearing, our June 6th bank supervision hearing with other key regulators and Treasury, and the hearing with Mr. Dimon, the Committee is on its way to having a more complete understanding of the facts about the J.P. Morgan matter that will help us better oversee the implementation of Wall Street reform.

“This trading loss has been a wakeup call for many opponents of Wall Street reform and the need to fully fund the agencies responsible for overseeing the swap trades that appear to be at the core of the firm’s hedging strategy. It is my hope that all of my colleagues who expressed such alarm about this matter will now join Democrats in advocating full funding for our regulatory “cops on the beat” to address the very issues that some now suddenly seem so concerned about.

“It is understandable that this high profile trading loss has caused many to renew their interest in Wall Street reform, but as Chairman I have never taken my eye off the ball. That is why we are here today continuing our oversight responsibilities.

“Much of the reaction to recent events has focused on other provisions of Wall Street reform, but what has gotten far less attention is the impact derivatives reform will most certainly have on reducing the likelihood that banks would want to engage in certain high risk, complex swap transactions in the first place. Higher margin and capital requirements for un-cleared swaps, increased clearing obligations, real time reporting requirements, and new anti-fraud and anti-manipulation authorities included in Wall Street reform will reduce market risk and improve the integrity of swap trading between large financial firms.

“Chairman Schapiro and Chairman Gensler, I commend you and your staffs for your tireless efforts implementing these new reforms and I look forward to hearing from you today. As you continue your efforts, I urge your agencies to take a single, unified approach to regulating cross-border transactions, and to integrate this approach into all your swap rules. Differences between your two sets of rules and implementation efforts should be minimized to improve compliance

and limit costs. And efforts by the US to promote harmonization abroad will be more challenging if we cannot harmonize efforts by our agencies here at home.”