Johnson Statement on Wall Street Reform Hearing

WASHINGTON – Today, Senate Banking Committee Chairman Tim Johnson (D-SD) held a hearing with financial regulators and Treasury to discuss their progress in implementing provisions of the Wall Street Reform Act. The witnesses also updated the Committee on the recently reported trading loss by JPMorgan Chase.

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

"I call this hearing to order. This hearing is part of the Committee's continued oversight of the implementation of the Wall Street Reform Act, and it is also an opportunity to discuss with our bank regulators the implications of the massive trading loss recently announced by JPMorgan Chase, one of our nation's largest banks. When a bank with JPMorgan's solid reputation announces that it lost billions of dollars on a large trade reportedly designed to reduce the firm's risks, it reminds us that no financial institution is immune from bad judgment.

"While the JPMorgan trading loss does not appear to have caused systemic problems, it is a clear reminder that Wall Street continues to need better risk management, vigorous oversight and, if the rules are broken, unyielding enforcement. To repeal or weaken Wall Street Reform, and defund the cops enforcing it, would take us back to the days before the financial crisis of 2008.

"Wall Street Reform was a response to the crisis caused by a lack of consumer protection, reckless behavior in the financial sector, and regulators who failed to take action in time. We now have an agency solely focused on consumer protection, tough new rules to end negligent and reckless practices by some on Wall Street, and regulators armed with new powers to ensure the safety and soundness of the banks they supervise.

"The regulators are also in the process of enhancing the standards for our nation's largest banks, through increased capital requirements and more judicious liquidity and leverage standards.

"Wall Street Reform also requires regulators to sharpen their focus on the largest and riskiest financial institutions. All the regulators joining us today are members of the Financial Stability Oversight Council, a body created to monitor risks facing our financial system. Most here are also all working on the "Volcker Rule" to prohibit proprietary trading with government-insured deposits, and the FDIC continues to work diligently to implement the "living wills" requirements and establish the Orderly Liquidation Authority for global, large, complex financial institutions.

"Similarly, while there is a need for strong regulation of all financial institutions, Wall Street Reform recognizes that small community banks should not be treated the same as the largest banks. Because large, complex banks take on the most risk and pose the greatest threat to our economic stability, they should be required to pay their fair share into the Deposit Insurance Fund. Likewise, the small banks that did not cause the crisis should not have to pay for the risks taken on by their larger competitors – and their assessments have been lowered accordingly.

“A one-size-fits-all approach is not appropriate and many parties have raised concerns about challenges faced by small community banks. I hope to hear from our witnesses today about the steps they are taking with regard to small banks.

“Some have claimed that the Wall Street Reform Act was not the right set of solutions to the crisis, and that it asks our regulators to micromanage the activities of the firms they regulate. I disagree. To restore confidence in our financial system after the crisis, we need more, not less, scrutiny of Wall Street’s activities. The Wall Street Reform Act has built a stronger oversight framework that closes regulatory gaps, enhances financial stability, and better protects consumers, investors and taxpayers.

“And so despite the repeated calls to deregulate and to defund by those who ignore the costly lessons of the financial crisis, completing the implementation of the Wall Street Reform Act must be, and remains, a top priority for this Committee.

“In that vein, I look forward to hearing from the witnesses here today about the progress they have made to complete implementation of Wall Street Reform, as well as the actions they have taken regarding the JPMorgan trading loss, and their thoughts on potential implications of the loss for supervision and Wall Street Reform rulemakings going forward.

“I also want to thank Ranking Member Shelby and my colleagues here on the Banking Committee for all their input and cooperation over the past several months. At a time when most of America thinks that Congress is in a gridlock, the Committee has been very busy getting things done on the Senate floor. The bipartisan Export-Import Bank Reauthorization passed with broad support and was signed into law by the President last week. We passed in the Senate this Committee’s bipartisan Iran Sanctions bill. Both nominees for the Federal Reserve Board of Governors received floor votes, and we helped to secure the passage of their confirmation. We passed the bipartisan Transportation bill in the Senate, and the Transportation Conference Committee meetings are currently ongoing with the House. And we passed a 60-day extension of the National Flood Insurance Program, and we have a commitment from the Senate’s leadership to bring the Banking Committee’s bipartisan NFIP reauthorization bill to the floor in the coming weeks.

“In addition, there is another important legislative matter facing this Committee—helping responsible homeowners refinance into lower interest rates at no cost to the taxpayers. We have already had several full Committee and Subcommittee hearings on refinancing proposals. I would like to take a bipartisan approach similar to the other Committee-passed bills of this Congress where we work together on a bipartisan vehicle with amendments limited to those related to the underlying bill. I am hopeful that my colleagues will agree to move forward in this manner as well so we can help responsible homeowners and help the housing market rebound.”

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