

Senator Crapo Statement:

"I intend to push for reforms that modernize and rationalize our federal financial regulatory system to handle the challenges of 21st century markets while ensuring American financial companies can compete in a global economy. Although the Administration's plan takes some important steps, it does not link the regulatory structure to the reasons why we regulate. Seven federal regulators with overlapping missions and fragmented supervision oversee our markets and financial institutions. With the abolishment of the Office of Thrift Supervision and the creation of a Consumer Financial Protection Agency we will still have seven federal regulators with overlapping missions. Increasing the complexity and fragmented approach to our regulatory structure is counter to reports that have identified several regulatory problems that hinder the ability of the U.S. to maintain its leadership role in financial services globally.

"The goal should be to promote stable, orderly, and liquid financial markets so that our financial institutions can support the economy by making credit available to consumers and businesses. The recent taxpayer funded bailouts and investment scandals demonstrate our regulatory system is outdated and largely irrelevant. From banks and securities firms to insurance companies and money market funds, nearly all sectors of our financial system have experienced failures and received significant amounts of government assistance.

"The implications of modernizing our financial regulatory structure are significant and we need to fully understand what the intended and unintended consequences of these changes are. For example, certain companies have not been allowed to fail and taxpayers have paid unprecedented amounts to cover the costs of bank failures and to bail out financial institutions. Does this white paper institutionalize government bailouts in a new resolution authority and does designating large and interconnected companies as Tier 1 Financial Holding Companies send a signal to the markets that these companies will not be allowed to fail?

"Bifurcating safety-soundness oversight from consumer protection raises many questions. Good supervision should incorporate elements of both safety and soundness and consumer protection. For example, the absence of adequate underwriting, which played a role in some of the financial market problems that we have recently experienced, was as much a safety and soundness issue as a consumer protection issue. By putting the two areas into entirely different operations, each agency will lack the expertise to understand the issues that matter to the other, and the result could be less comprehensive oversight.

"We should proceed carefully and deliberately in creating a new systemic risk regulator. Having the Federal Reserve become the systemic risk regulator for all large financial institutions concentrates enormous power in one agency.

"How does this plan encourage investment and responsible lending to spur economic growth and help get our economy moving again?"