

Statement of Senator Daniel K. Akaka

Implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act

Hearing

Senate Committee on Banking, Housing, and Urban Affairs

September 30, 2010

Mr. Chairman, thank you for convening this hearing today on the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act. I thank my fellow members on the Committee for working with me to ensure that the Act makes a strong and clear commitment to the protection, education, and empowerment of investors and consumers. Now that we have enacted this historic legislation, I am committed to ensuring that the provisions in the Act that will provide tangible assistance and protection to hard-working Americans are soundly implemented.

Most Americans participate in the financial system by accessing credit to meet short-term household needs or relying on financial products to achieve personal goals, such as purchasing a home, supporting family members living abroad, planning for retirement, or financing a child's education. I worked to develop many of the Act's provisions to increase financial literacy, empower hardworking Americans, and promote informed financial decision making.

I developed Title XII of the Act together with my friend, Senator Herb Kohl of Wisconsin, to improve access to mainstream financial institutions. Too many low- and moderate-income families are forced to rely on costly and predatory financial products to meet their households' financial needs. Title XII will establish grant programs to bring more Americans into the financial mainstream by providing access bank and credit union accounts. A small dollar loans program will also be established to make available safer alternatives to predatory financial products.

The Consumer Financial Protection Bureau will have the authority to restrict predatory financial products and unfair business practices in order to prevent unscrupulous financial services providers from taking advantage of consumers. An Office of Financial Education is established within the Bureau and the Director of the Bureau will become the Vice Chairman of the Financial Literacy and Education Commission. The Bureau should be established and operate in accordance with these functions and responsibilities in order to provide essential consumer protections and encourage coordination and improvement of all federal financial literacy activities.

Investors will greatly benefit from improvements within the Securities Exchange Commission and the additional investor protection responsibilities that are provided to the Commission under the Dodd-Frank Act. I am pleased that the Office of the Investor Advocate will be created within the Commission. The Investor Advocate is exactly the kind of external check, with independent reporting lines and independently determined compensation that could not be provided within the existing structure of the Commission. The Commission will also be required to conduct a study of financial literacy among investors and develop a strategy based on its results. The Dodd-Frank Act also provides the Commission with the authority to require meaningful disclosures be provided to retail investors prior to the purchase of a financial product or service.

I commend the Commission and the other federal agencies represented here today for moving expeditiously to implement the Dodd-Frank Act. Already, the Commission requested public comment for a study on the obligations of brokers, dealers, and investment advisers. There is a harmful and unnecessary regulatory gap in the regulatory standards of care which investment advisers, brokers, and dealers must adhere to. Investment advisers are held to a

fiduciary standard that imposes strong and meaningful obligations on them to investors. Yet, brokers and dealers are only held to an inferior and inadequate suitability standard. Investors are entitled to reliable and accurate investment advice from these financial professionals. It is important to the protection of investors that a fiduciary duty be uniformly applied to investment advisers, brokers, and dealers.

The Dodd-Frank Act also includes landmark consumer protections for remittance transactions. It will require simple disclosures about the cost of sending remittances to be provided to the consumer prior to and after the transaction. A complaint and error resolution process for remittance transactions will also be established. These improvements will provide essential protection to the many people in Hawaii and across the country who send significant portions of their income to relatives who live abroad.

We enacted this legislation to address inadequacies in the financial regulatory system and make necessary improvements to the safeguards that protect investors and consumers. Now, it is important that the Act is implemented in a sound and timely manner. I applaud the respective agencies for promptly beginning their respective implementation processes, and I look forward to each of the witnesses' testimonies today. Thank you, Mr. Chairman.