

U. S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

October 28, 2009

The Honorable Barney Frank
Chairman
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Frank:

We are compelled to request a delay in the scheduled mark-up of legislation to fundamentally restructure the regulation of our financial system. Specifically, we are asking for more time to study and understand the 253-page draft legislation circulated last night which represents, by any objective measure, the most significant and far reaching legislative proposal considered in the Financial Services Committee in decades.

This one bill would enact major changes in at least nine major areas of financial services regulation. It : (1) creates an oversight council to monitor systemic risks; (2) empowers regulators to keep a secret list of large, interconnected financial institutions and subject them to extra oversight; (3) massively expands the Federal Reserve's regulatory purview; (4) abolishes the Office of Thrift Supervision and merges its functions into the Office of the Comptroller of the Currency; (5) overhauls the regulatory treatment of credit card banks, industrial loan companies and others to create a new classification of "special purpose holding companies"; (6) establishes a new regulatory framework for payment, clearing and settlement systems; (7) mandates credit risk retention in the asset-backed securitization market; (8) devises a complex resolution regime that makes bailouts a permanent part of the regulatory landscape and puts taxpayers first in line to suffer losses for bailing out too-big-to-fail firms; and (9) rewrites Section 13(3) of the Federal Reserve Act, transforming the way that the Federal Reserve responds to unusual and exigent circumstances in the market.

Several of these proposals – including those relating to "special purpose holding companies" and payment, clearing and settlement systems – have been the subject of virtually no discussion in our Committee in this Congress. Any one of them would merit a series of hearings and extensive debate if our Committee were proceeding under anything approximating regular order.

Instead, to evaluate 253 pages of complex legislative text, the Committee is holding a one-day, three-panel hearing with 17 witnesses and strict time constraints for certain panelists. Because the draft legislation was released less than 48 hours before the hearing, the witnesses have had little time to digest its contents or consider its implications. We understand that you are in a hurry to comply with the Obama Administration's arbitrary deadline to create the appearance of accomplishment. We are concerned, however, that the

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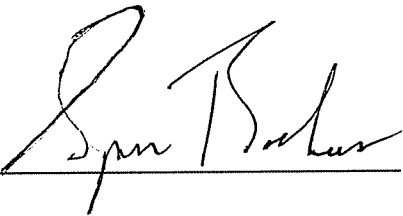
desire to get something – anything – done to satisfy this arbitrary deadline will result in a bad bill.

This Committee's haste stands in marked contrast to the view expressed by the very regulators who will be tasked with implementing this far-reaching legislation. As Federal Reserve Vice Chairman Donald Kohn recently said: "I hope we build a regulatory structure that's good for a couple of decades, and it's worth taking our time to get it right." In a recent speech, after expressing relief that financial regulatory reform was unlikely to be completed this year, FDIC Chairman Sheila Bair pointed out that Congress needs "to take a deep breath and think about [what caused this crisis] a little more."

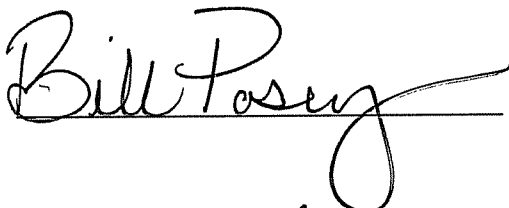
We strongly urge you to give the Members of the Financial Services Committee sufficient time to think carefully about these complicated and difficult issues, and to legislate responsibly. We, and more importantly, the people we represent, deserve a transparent and deliberative process, particularly when the consequences of getting regulatory reform wrong are so profound for the future of our financial system and taxpayers.

Thank you for your consideration.

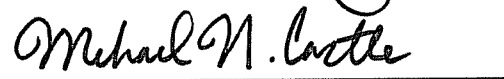
Sincerely,





















Alan H. Fute

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