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Garrett Opening Statement for Financial Services Committee Hearing

(Washington, DC)– **Rep. Scott Garrett (R-NJ) released the following opening statement for today's Financial Services Committee hearing with SEC Chairman Schapiro and CFTC Chairman Gensler, "Regulatory Perspectives on the Obama Administration's Financial Regulatory Reform Proposals":**

"Thank you, Mr. Chairman, for holding this hearing on the President's financial regulatory reform proposals, and thanks to Chairman Schapiro and Chairman Gensler for being with us this morning. Your agencies oversee some of the most transparent, efficient and complex markets in the world. They also are responsible for ensuring that our capital markets promote price discovery, capital formation and investor protection.

"The Administration's regulatory reform proposals task the SEC and CFTC with developing a regulatory infrastructure for over-the-counter derivatives and reporting to Congress by September 30, 2009, on how the agencies will harmonize two very disparate regulatory approaches. I look forward to hearing from you today on the progress being made on these tasks, as well as areas that are proving to be sticking points in your negotiations.

"While in some ways the Administration's proposal for regulating the OTC derivatives market is even-handed and certainly less radical than others that have already advanced in this Congress, there are still aspects of it that trouble me.

"I am worried that in the name of systemic risk reduction, requirements that would force more OTC transactions into central clearinghouses or onto exchanges, as well as stringent new margin requirements for both centrally cleared and non-centrally cleared transactions, will make hedging risk too expensive for many end-users of derivatives throughout the broader economy. The perverse outcome, therefore, of efforts to reduce systemic risk in these markets could actually increase risk for many companies if they are no longer able to cost-effectively engage in comprehensive risk management practices.

"Taking a step back, perhaps an even more fundamental question should be asked. Were standardized derivatives significantly related to the recent meltdown of our financial markets? If not, why are we prescribing cures for a non-existent ailment? The failed oversight of one large dealer directly related to broader regulatory failures in the housing finance markets should not cause us to pursue radical "fixes" for the broader OTC derivatives markets and their non-dealer participants that had little or nothing to do with the recent crisis.

"We do need comprehensive regulatory reform, but it needs to be sensible and we need to make sure we are addressing actual problems in a way that we aren't doing more harm than good. The risk of mobile capital migrating elsewhere if we overshoot the mark in regulatory reform is a very real one. We should take the time to carefully evaluate all the proposals presented to us before we move forward with legislative action.

"I look forward to hearing from the witnesses on these and other issues."

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