

United States House of Representatives  
Committee on Financial Services  
Washington, D.C. 20515  
July 29, 2010

The Honorable Barney Frank  
Chairman  
Committee on Financial Services  
House of Representatives  
2128 Rayburn Building House Office Building  
Washington, D.C. 20515

Dear Mr. Chairman:

I am writing to request that you schedule the statutorily required annual testimony by the Secretary of the Treasury on the state of the international financial system when Congress returns from its August district work period.

As you know, the Secretary is required by law to testify by March 1 of each year on a report prepared annually by his department covering efforts to reform the International Monetary Fund (IMF). (22 U.S.C. Sec. 262r-4(b)) The testimony is supposed to cover (1) any progress made in reforming the IMF; (2) the status of efforts to reform the international financial system; (3) the compliance of countries which have received assistance from the IMF with agreements made as a condition of receiving the assistance; and (4) the status of implementation of international anti-money laundering and counterterrorist financing standards by the IMF, the multilateral development banks, and other multilateral financial policymaking bodies.

As you know, during your chairmanship, the Committee has held but one hearing to receive such testimony – when Secretary Paulson testified on behalf of the Bush Administration on June 20, 2007. Secretary Geithner has now been in office for over a year and a half, and should be required to fulfill this Administration's statutory obligation without further delay, particularly in light of the ongoing concerns about the stability of the global financial system and the sovereign debt crisis being experienced by several major European countries.

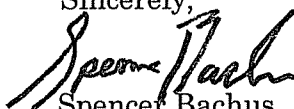
One of the international issues that the Committee should address with Secretary Geithner is the possible effect of the so-called Volcker rule on the competitiveness of American financial institutions. Regulators, academics and industry alike have expressed concerns that the Dodd-Frank Act (Public Law 111-203) would hobble American banks and place them at a significant competitive disadvantage against foreign banks if the Volcker rule is not adopted internationally.

Based on these concerns, during the House-Senate Conference, I raised the point that the "universal banking model" that is at the heart of the European financial services industry made it highly unlikely that foreign banks would abide by the same requirements, and I offered an amendment that would have conditioned the U.S.'s adoption of the Volcker rule on the adoption of similar standards by a majority of the G-20. That amendment was voted down in return for vague assurances from Secretary Geithner that he would "continue to encourage our international partners to advance similar prudential objectives" to those reflected in the Volcker rule.

However, within days of enactment of the Dodd-Frank Act, Federal Reserve Governor Daniel Tarullo testified before the Senate Banking Committee that the Volcker rule is not going to be adopted internationally, precisely because other countries follow a universal banking model. In light of this testimony by the Fed Governor primarily responsible for coordinating U.S. regulatory policies with our international counterparts, Secretary Geithner must be asked to explain what our government is doing to ensure that other countries abide by the same rules that U.S. banks will be forced to follow as a result of the Dodd-Frank Act.

Thank you for your consideration of this request.

Sincerely,

A handwritten signature in black ink that reads "Spencer Bachus". The signature is written in a cursive style with a large, sweeping initial "S".

Spencer Bachus  
Ranking Member