

STATEMENT ON THE OBAMA ADMINISTRATION'S "WHITE PAPER"

CAMBRIDGE, Mass., June 16, 2009—Hal Scott, President and Director of the Committee on Capital Markets Regulation, issued the following statement on the Administration's financial regulatory reform proposal:

"The Administration's reform proposal hits the nail on the head on many issues. We congratulate the Administration for taking advantage of this unprecedented opportunity to strengthen capital requirements and to eliminate gaps and inefficiencies in regulatory coverage of institutions and products.

However, getting the substance right is only half of the equation. The other half is creating the right regulatory structure to implement substantive change. Unfortunately, it is here where we believe the Administration's proposal falls short of the mark. Now is precisely the moment to deal a death blow to the jurisdictional squabbling and turf battles that contributed to the archaic structure that fell short in preventing the crisis or dealing with it when it occurred. We believe that the final reform legislation must go significantly further than what the Administration has proposed.

Indeed, we are concerned that the Administration's proposal would *increase* the complexity and fragmented nature of the regulatory system by adding two new agencies—the systemic risk council and consumer product safety agency. The only restructuring of the system is to merge the OCC and OTS. In addition, we believe that the supervisory responsibility of the Fed or the resolution authority of the FDIC should not be limited to "systemically important" institutions: It is extremely difficult, if not impossible, to define who all of these institutions are. What is more, affixing this label to an institution is equivalent to saying it will not fail, thereby increasing taxpayer risk. And by unfairly lowering the cost of capital for such institutions, it also gives these institutions an unjustified competitive advantage over those institutions which are not too important to fail.

The Administration has clearly devoted hundreds, if not thousands of hours, to its proposal, and we commend President Obama, Secretary Geithner, NEC Chair Summers, and others for the leadership they have shown. Financial regulatory reform is an absolute imperative, and their continuing leadership is necessary if real solutions are to be adopted. We hope that the Administration will be open to refining its proposals along the lines we have suggested in order to achieve long-term, meaningful reform. The Committee will use our independent and outside voice to work with the Administration and Congress to ensure the final result errs on the side of significant reform, not change at the margins."

In May, the Committee on Capital Markets Regulation issued a report entitled The Global Financial Crisis: A Plan for Regulatory Reform that provided recommendations on regulatory structure reform, capital requirements, resolution procedures, investor protections, increased supervision of sophisticated financial instruments, and enhanced accounting standards.