



EMBARGOED UNTIL DELIVERY  
Tuesday, July 14, 2009

Contact: Erica Elliott  
Phone: 202-744-2693

### **Garrett Opening Statement for Financial Services SEC Oversight Hearing**

(Washington, DC)– **Rep. Scott Garrett (R-NJ)** released the following opening statement for today’s House Financial Services Subcommittee on Capital Markets hearing entitled “**SEC Oversight: Current State and Agenda**”:

“Thank you Chairman Kanjorski and welcome to Chairman Schapiro. Thanks again for the opportunity to chat with you Friday in anticipation of this hearing, which is your first chance to speak before this subcommittee on your regulatory agenda.

“There are so many fronts on which the SEC is actively engaged at the moment, it’s a little daunting to know where to start. You certainly have your hands full as a new Chairman of an agency that I think it’s fair to say is under a lot of scrutiny for events that have taken place under its watch over the last few years.

“One place to start is with the SEC’s budget. In the House Financial Services Appropriations bill recently passed out of Committee, for the first time ever, the SEC would be funded at more than \$1 billion. In a recent letter I received from a group of Bernard Madoff’s victims, they ask why, given the SEC’s recent investor protection and enforcement track record, is Congress seriously considering giving the SEC more money and authority to regulate the financial services industry. I think similar questions are on a lot of people’s minds, and look forward to you addressing this issue.

“As for specific policy areas on the SEC’s plate, one area where I’ve become increasingly engaged, and I know the SEC has, as well, is in the area of regulatory proposals for Over-the-Counter derivatives. As I have said a number of times previously, 94% of the 500 largest global companies use derivatives to manage risk. Policymakers, therefore, need to tread very carefully as we look at regulatory options for these markets. Over-regulation or improper regulation that might sound good politically could have major unintended negative consequences, not just for our financial markets, but for our broader economy.

“It is my understanding that the SEC and the CFTC, along with the Administration, have been engaged in discussions over OTC derivative regulation, including discussions regarding which agency should have jurisdiction over particular pieces of these markets. I will be interested to hear

from Chairman Schapiro about particular areas of disagreement the SEC has with the CFTC on derivatives regulation. I am also interested to hear if there are areas of current CFTC jurisdiction where the Chairman feels the SEC is better suited to regulate.

“On another front, the Administration late last week released draft legislation seeking to establish consistent standards for broker-dealers and investment advisors that would also give the SEC the power to ban certain forms of compensation that are “not in the investors’ best interest.” This comes on the heels of the Democrats’ proposal for the so-called “consumer financial protection agency”. Both proposals reflect a government-knows best mentality that will likely restrict consumer choice and be embraced by trial lawyers for all the unnecessary litigation they will spawn. I will be interested to hear from the Chairman regarding the SEC’s input on these proposals and to what extent she is comfortable dictating how a firm should compensate its employees.

“As I mentioned at the beginning of my statement, there are a whole host of other issues the SEC is currently examining, as well. I will be interested to hear an update on the SEC’s proposed rules to restrict short selling, as well as the Chairman’s thoughts on different ideas to reform credit rating agencies, which I know is an area that Chairman Kanjorski and others are interested in pursuing legislatively and may be one area of reform where some bipartisan consensus can be reached.

“Again, welcome Chairman Schapiro. I look forward to your answers to questions I have and an interesting and lively dialogue today amongst you and my colleagues on the subcommittee.”

###