SHELBY OPENING STATEMENT ON "THE FINANCIAL REGULATORY IMPROVEMENT ACT OF 2015"

May 21, 2015

WASHINGTON, DC – Thursday, May 21, 2015 – U.S. Senator Richard Shelby (R-Ala.), Chairman of the United States Senate Committee on Banking, Housing, and Urban Affairs, today delivered opening remarks during a full committee mark-up of "The Financial Regulatory Improvement Act of 2015."

The text of Chairman Shelby's remarks, as prepared, is below.

"The Committee meets today to consider and report to the Senate 'The Financial Regulatory Improvement Act of 2015.'

"I understand that there have been a number of concerns raised about the Committee's process. Therefore, I will take a couple of minutes to explain what we did, and how we got here.

"The Committee began its consideration of regulatory relief in early February with the goal of achieving common sense bipartisan reform.

"At that time, majority and minority staff also began an effort to identify areas of potential agreement.

"At the committee level, the process has included nine public hearings to examine areas addressed in the bill. The hearing record, including every submission for the record, is available to every member.

"At the staff level, the process has included more than 40 bipartisan staff meetings, briefings, and conference calls to discuss each issue and a possible way forward. A documented timeline is available for members if they wish to review it.

"At the very outset, the Committee's majority staff disclosed to the minority staff every single issue under consideration and welcomed a discussion on each one every step of the way.

"Unfortunately, by the end of April the only areas of agreement included two bills sponsored by the Ranking Member which ultimately became Sections 101 and 102 of the bill before the Committee today.

"When it became apparent that further progress was unlikely, the majority staff informed the Ranking Member's staff that we were going to begin drafting a more comprehensive bill. An offer to draft the bill jointly was declined by the Ranking Member's staff.

"In the interest of preserving the potential for bipartisan legislation, we attempted to draft a bill that included provisions that could and should garner bipartisan support.

"The result is the bill before the Committee today. It includes eight titles that address areas identified in our hearings as needing revision or refinement.

"Title 1 includes 25 provisions intended to ease unnecessary regulatory burdens on the nation's community banks and credit unions. 18 of the 25 provisions in Title 1 are either bills that have received substantial bipartisan support, or are provisions derived from legislation that has received bipartisan support in either the House or Senate.

"Title 2 addresses the growing consensus that the mandatory $50B asset threshold contained in current law is not only arbitrary, it is a blunt instrument that acts as a substitute for more sophisticated and thoughtful supervision.

"The total assets held by a bank are an important factor, but not the only factor that should be considered when determining whether a bank poses a risk to the entire financial system.

"Contrary to a number of public statements, Title 2 does not 'move' the $50B threshold. It actually preserves the $50B threshold and merely changes the process by which a bank is designated as systemically important.

“Our regulators know far more now than they knew five years ago about what makes an institution risky. Size is only one factor and it is not necessarily dispositive. Therefore, it is appropriate to apply that knowledge to the law.

“Title 3 is intended to encourage financial institutions to become less risky. Current law only seeks to mitigate higher levels of risk through more regulation. The goal should be less risk in the system and therefore less of a need for more government intervention.

“Title 3 gives a financial institution the ability to avoid designation by de-risking, a so-called ‘off ramp.’ At one of our FSOC hearings, I asked the Treasury Secretary if he thought fewer systemically risky institutions would be a good thing. To my surprise, he didn’t say ‘yes.’
I believe that less risk is better than more government and Title 3 seeks to achieve that goal.

“Title 4 contains three provisions intended to improve accountability and transparency in the regulation of the insurance market. Two of the three provisions are based on bipartisan bills co-sponsored by members of this committee and the other is a Sense of Congress.

“Title 5 includes a number of modest provisions intended to address the need for increased transparency of the Federal Reserve. Three of the provisions are ideas promoted by Democrat members of this committee.

“Contrary to some public statements, Title 5 does not require the Fed to use any type of rule in the exercise of its monetary policy authorities. It merely requires disclosure of any rules the FOMC actually employs should it choose to do so.

“This title also includes a commission to look at the Fed’s structure and submit any recommendations it may have to Congress. The Fed was created over 100 years ago; it is probably time for a fresh look.

“Title 6 contains four provisions that build primarily upon the JOBS Act. Each one of these very modest provisions has received bipartisan support. I would like to thank both Senators Crapo and Warner for their good work on the Securities Subcommittee that helped produced this Title.

“Title 7 contains a number of provisions that reflect the work done by this committee over the past couple of years on improving market access for mortgage finance. Each provision in this title has received bipartisan support at one time or another.

“Further, there is nothing in this Title that prejudices the next iteration of housing finance reform. These provisions, however, are important first steps in what needs to be a serious, bipartisan effort to reform our mortgage finance system. I would like to thank Senator Corker for his continued focus in this area and his efforts to keep this issue on the table.

“Title 8 simply contains technical corrections to Dodd/Frank. The original bill contains over 300 non-substantive inaccuracies, omissions or errors. I think five years is long enough to put off this housekeeping chore.

“Before I turn to the Ranking Member, I would like to thank him and his staff for what has been and continues to be a very cordial and professional relationship.

“Although we were unable to reach an agreement this time around, I believe that there is a great deal of mutual respect on each side and that certainly leaves open the possibility of working together in the future.

“As I have said many times, I view this as just one step in a very long process. Even if we report this bill on a partisan vote, I do not in any way see this as the end of the road. In fact, I believe it presents another opportunity to explore areas of potential agreement before this bill goes to the Senate floor which I fully expect that it will.

“It remains our strong preference that we find a way to come together on a bipartisan basis before we reach that point.”