WASHINGTON (June 16) – Financial Services Committee Chairman Spencer Bachus made the following statement today during a Full Committee hearing to examine the international implications of the Dodd-Frank Act on U.S. economic competitiveness:

“When President Obama signed the Dodd-Frank Act into law last summer, he set in motion the most ambitious changes to financial institution regulation since the Great Depression. While American regulators and financial institutions sort through its 2,300 pages to find out what the new legislation means for them and race to meet its deadlines, the international implications of the law have garnered relatively little attention. Receiving even less attention has been the work of the Basel Committee on Banking Supervision. Last November, the G-20 formally adopted its recommendations for ‘Basel III,’ a new global framework for determining the minimum amount of capital that banks must hold to cushion against losses or insolvency. These complex matters are too significant to ignore.

“During today’s hearing we will examine the implementation of these new bank regulations and the implications for the competitiveness of our financial markets. We need to know: if we lead, will others follow? Does it matter? It has been said that if banks impose costs and risks on a country’s economy, the country is better off with rules that limit the risks and costs *even if* others are not doing the same. This might be true if the only risks and costs to a country were the risks and costs of a bank failure. But there are other threats and dangers. If we over-regulate and ignore the plans of the rest of the world, then I fear we will push capital, industry and jobs right out of our country.

“At a time when each new release of government data seems to underscore the fragility of the economic recovery, it is fair to ask Treasury and the other agencies represented on our first panel whether they have carefully considered the cumulative effect that the tsunami of regulatory mandates unleashed by the Dodd-Frank Act is having on the real economy.“We will be discussing four critical issues during this hearing and raising important questions that I hope our panelists will address:

1. Capital and Liquidity: Will the Basel III rules make the financial sector more stable, and if so, at what cost? Is a banking system awash in capital worth the potential tradeoff of slower economic growth, less innovation and diminished credit availability?

2. Regulation of "SIFIs": Is Governor Tarullo's proposal to impose additional capital requirements on SIFIs that reflect "the amount of harm a SIFI failure will inflict on the rest of the financial system" the right approach, or will it just make U.S. SIFIs less efficient and less competitive without making the system safer? As we dial up the capital and liquidity constraints on the regulated financial sector, do we run the risk that more activity will migrate to the shadow banking system and to jurisdictions offering "light touch" regulation?

3. Derivatives Regulation: Should we expect that participants in derivatives markets will shift their business to non-U.S. firms if other countries refuse to follow our lead on margin and capital requirements? How should we expect U.S. firms to compete if they face higher costs than their foreign counterparts?

4. Regulation of Proprietary Trading: Not even Paul Volcker claims that proprietary trading caused the financial crisis in 2008, but the Dodd-Frank Act's "Volcker Rule" prohibits banks and non-bank financial companies from engaging in trades for their own gain. Now that the rest of the world has rejected the call to impose similar proprietary trading bans on their institutions, what effect will unilateral U.S. application of the Volcker Rule have on the liquidity and vibrancy of our capital markets?

"These are important questions, and I am pleased we have two distinguished panels of witnesses with us today to help answer them."