



Congressman José E. Serrano

Chairman, House Appropriations Subcommittee on Financial Services and General Government

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Opening Statement of Chairman José E. Serrano Hearing on the Securities and Exchange Commission's Actions Relating to the Financial Crisis March 11, 2009

I welcome you to this hearing of the Financial Services and General Government Subcommittee. Today the subcommittee will hear testimony from the Chairman of the Securities and Exchange Commission, the Honorable Mary Schapiro.

Chairman Schapiro was nominated by President Obama, unanimously confirmed by the Senate, and sworn into office on January 27, 2009. Chairman Schapiro, I congratulate you on your appointment and I welcome you to this hearing.

The SEC plays an essential role in our economy by protecting the public through enforcement of our securities laws. Given this important mission, I am troubled by reports that an environment of lax oversight and enforcement at the Commission was a contributing factor in the financial crisis now facing the country.

For example, investment banks were allowed to become over-extended which lead to the eventual collapse of three of Wall Street's largest banks, a major Ponzi scheme went undetected causing 50 billion dollars in investor loses, and the SEC started then stopped an investigation into fraud allegations of a financial services company in Texas. Investor losses in that case are now believed to exceed 8 billion dollars.

Which brings us to today's hearing. The purpose of today's hearing is two-fold. First, I am interested in hearing more about the lessons the SEC has learned from the experience leading up to and during this financial crisis. We are in the midst of the worst economic downturn since the Great Depression 80 years ago and it is important to fully understand how we got here and how to avoid repeating past mistakes.

Second, looking forward, I would like to hear more about your ideas regarding government-wide regulatory reform and what principles you believe should govern

that reform. I would also like to hear more about your priorities at the Commission, particularly your plans to rebuild the Commission's oversight, inspection, and enforcement capabilities. I know you have an ambitious agenda of changes you are working to implement and I look forward to hearing more about them in your testimony.

This Subcommittee stands ready to assist the Commission as it moves forward under your leadership. I would note that in the just completed FY 2009 omnibus appropriations bill, the Subcommittee provided the Commission with an additional 30 million dollars above the request level to enhance oversight, inspection, and enforcement activities and for management initiatives. Chairman Schapiro, for the upcoming FY 2010 budget cycle I ask that you work closely with the Subcommittee to advise us of your resource needs.

We live in difficult economic times. Commercial banks are failing every week, unemployment is up sharply, and home foreclosures are mounting. Confidence in our credit rating agencies is sinking, and evidence of major securities fraud is growing. We need to restore the health of our financial system to put us on a path to economic recovery. To accomplish this, we need an SEC that is equipped to handle the regulatory challenges of the 21st century.

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Congressman José E. Serrano has represented the Bronx in Congress since 1990. He is the Chairman of the House Appropriations Subcommittee on Financial Services and General Government.