

**Statement of  
Senator Susan M. Collins**

**'Where Were the Watchdogs? Financial Regulatory  
Lessons from Abroad'**

**Committee on Homeland Security and Governmental  
Affairs**

**May 21, 2009**



**This is the third in a series of hearings held by this Committee to examine America's financial crisis. Our prior hearings have reviewed the causes of the economic crisis, and whether a systemic-risk regulator and other reforms might have helped prevent it.**

**Testimony at these hearings has demonstrated that for the most part, financial regulators failed to foresee the coming financial meltdown. No one regulator was responsible for the oversight of all the sectors of our financial market, and none of our regulators alone could**

have taken comprehensive, decisive action to prevent or mitigate the impact of the collapse. These oversight gaps and the lack of attention to systemic risk undermined our financial markets. Congress and the Administration must act to help prevent collapses like this in the future.

Based on our prior hearings and after consulting with a wide range of financial experts, I introduced the Financial System Stabilization and Reform Act in March. The bill would establish a Financial Stability Council that would be charged with identifying and taking action to prevent or mitigate systemic threats to our financial markets. The Council would help ensure that high-risk financial products and practices could be detected in time to prevent their contagion from spreading to otherwise healthy financial institutions and markets.

**This legislation would fundamentally restructure our financial regulatory system, help restore stability to our financial markets, and begin to rebuild the public confidence in our economy.**

**The concept of a council to assess overall systemic risk has garnered support from within the financial regulatory community. The National Association of Insurance Commissioners, SEC Chair Mary Shapiro and FDIC Chair Sheila Bair are among those who support creating some form of a systemic risk council, while avoiding an excessive concentration of power in any one financial regulator.**

**As we continue to search for solutions to this economic crisis, it is instructive also to look outside our borders at the financial regulatory systems other nations use.**

The witnesses we will hear from today will testify about the financial regulatory systems of the United Kingdom, Canada, and Australia. They also will provide a broader view of global financial structures. We can learn some valuable lessons from studying their best practices. Canada's banking system, for example, has been ranked as the strongest in the world, while ours is ranked only 40<sup>th</sup>.

America's Main Street small businesses, homeowners, employees, savers, and investors deserve the protection of an effective, regulatory system that modernizes regulatory agencies, sets safety and soundness requirements for financial institutions to prevent excessive risk-taking, and improves oversight, accountability, and transparency. Our ongoing investigation will continue to shed light on how this current crisis evolved and help focus attention on the

reforms needed to restore the confidence of the  
American people in our financial system.

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