Congressman Rothman Supports Landmark Wall Street Reform and Consumer Protection Act of 2009

Goal is to ensure Main Street never has to bailout Wall Street again

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(Washington, DC) - On Friday, December 11, 2009, Congressman Steve Rothman (D – NJ) voted in favor of H.R. 4173, the Wall Street Reform and Consumer Protection Act, which passed the House of Representatives by a vote of 223-202. This bill is composed of a comprehensive set of measures that will modernize America’s financial regulations and finally hold Wall Street accountable for their risky practices.

“I am proud to stand with consumers and vote in favor of this legislation, which permanently ends bailouts for financial institutions deemed “too big to fail,” helping ensure that taxpayers are never again on the hook for Wall Street’s risky behavior and bad bets. In the past few years, we have seen a 22% decline in retirement assets, more than 2.2 million homes in foreclosure, and over 12 million Americans relying on unscrupulous payday loans to pay the bills all while Wall Street executives raked in more than $33 billion in bonuses. The goal of this legislation is to end this upside down trend and ensure that Main Street never has to bailout Wall Street again.”

The Wall Street Reform and Consumer Protection Act

Once signed into law, this package of reforms will work together to address the myriad causes – from predatory lending to unregulated derivatives – that led to last year’s meltdown. The Wall Street Reform and Consumer Protection Act includes the following major provisions:

Consumer Protections: Creates the Consumer Financial Protection Agency (CFPA), a new, independent federal agency solely devoted to protecting Americans from unfair and abusive financial products and services.

Financial Stability Council: Creates an inter-agency oversight council that will identify and regulate financial firms that are so large, interconnected, or risky that their collapse would put the entire financial system at risk. These systemically risky firms will be subject to heightened oversight, standards, and regulation.

Ending “Too Big to Fail”: Establishes an orderly process for dismantling large, failing financial institutions like AIG or Lehman Brothers in a way that ends bailouts, protects taxpayers, and prevents contagion to the rest of the financial system.

Executive Compensation: Gives shareholders a “say on pay” – an advisory vote on pay practices including executive compensation and golden parachutes. It also enables regulators to ban inappropriate or imprudently risky compensation practices, and it requires financial firms to disclose any compensation structures that include incentive-based elements.

Mortgage Reform and Anti-Predatory Lending: Would incorporate the tough mortgage reform and anti-predatory lending bill the House passed earlier this year. The legislation outlaws many of the egregious industry practices that marked the subprime lending boom, and it would ensure that mortgage lenders make loans that benefit the consumer. It would establish a simple standard for all home loans: institutions must ensure that borrowers can repay the loans they are sold.

Regulation of Derivatives: Regulates, for the first time ever, the over-the-counter (OTC) derivatives marketplace. Under the bill, all standardized swap transactions between dealers and “major swap participants” would have to be cleared and traded on an exchange or electronic platform. The bill defines a major swap participant as anyone that maintains a substantial net position in swaps, exclusive of hedging for commercial risk, or whose positions create such significant exposure to others that it requires monitoring.

Investor Protections: Strengthens the SEC’s powers so that it can better protect investors and regulate the nation’s securities markets. It responds to the failures to detect the Madoff and Stanford Financial frauds by ordering a study of the entire securities industry that will identify needed reforms and force the SEC and other entities to further improve investor protection.

Reform of Credit Rating Agencies: Addresses the role that credit rating agencies played in the economic crisis, and takes strong steps to reduce conflicts of interest, reduce market reliance on credit rating agencies, and impose a liability standard on the agencies.

Hedge Fund, Private Equity and Private Pools of Capital Registration: Fills a regulatory hole that allows hedge funds and their advisors to escape any and all regulation. This bill requires almost all advisers to private pools of capital to register with the SEC, and they will be subject to systemic risk regulation by the Financial Stability regulator.

Office of Insurance: Creates a Federal Insurance Office that will monitor all aspects of the insurance industry, including identifying issues or gaps in the regulation of insurers that could contribute to a systemic crisis and undermine the entire financial system.

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