DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

May 6, 2013

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Hensarling:

I write to express the Administration's views on bills pending before the House Financial Services Committee that would amend Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Wall Street Reform), which provides for key reforms to derivatives markets.

As you know, Wall Street Reform represents the most comprehensive set of reforms to the financial system since the Great Depression. Wall Street Reform strengthened laws and regulations that were too antiquated and weak to prevent or respond effectively to a financial crisis that inflicted devastating damage on the U.S. economy and American families. The inadequacy of our previous financial regulatory system was a major reason the crisis was so severe and why the recovery has taken so long.

The derivatives provisions in the Wall Street Reform Act constitute an important part of the reforms being put in place to strengthen our financial system by improving transparency and reducing risks for market participants. These reforms should not be weakened or repealed.

Regulators have made meaningful progress toward full implementation of the reforms in Title VII of Wall Street Reform. As a result, a new framework for regulatory oversight of the over-the-counter (OTC) derivatives market is largely in place, which will significantly reduce the risks associated with these products and will provide much-needed transparency for both market participants and regulators. As a result of trade-reporting requirements, the price and volume of certain swap transactions are now available to regulators and the public. Swap dealers now have to register with the Commodity Futures Trading Commission and adhere to new standards for business conduct and recordkeeping. Mandatory central clearing of certain swap transactions recently began. More categories of swaps and an expanded universe of financial institutions will be subject to central clearing requirements as the year progresses, reducing risks to the financial system. As we move closer to full implementation of Title VII, the derivatives market becomes safer for all participants.

Regulators are already addressing many of the issues presented in these bills through their rulemakings. In many instances, legislation is premature and aspects would be disruptive and harmful to the implementation of key reforms. We should allow the regulators to complete their ongoing rulemakings, and then determine what changes, if any, might be necessary in certain areas to improve the effectiveness of these reforms.

Therefore, I urge Members to oppose these bills and others like it that would weaken the important regulatory changes that Wall Street Reform has made to the derivatives market or in any way disrupt the ongoing rulemaking process.

Sincerely,

Jacob J. Lew

Identical letter sent to:
The Honorable Maxine Waters

cc: Members of the House Committee on Financial Services