John LaFalce, made enormous contributions on financial services issues, and as a member of the Committee on Financial Services, will one day be free from the horrors of terrorism. It is because of their service, that future generations of Americans will be able to enjoy freedom, peace, prosperity, and the many other blessings that God has bestowed upon this great land, the United States of America.

Gentlemen, on behalf of a grateful Nation, welcome home.

JOHN LAFALCE’S VIEWS ON BASEL II

HON. BARNEY FRANK
OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, April 5, 2005

Mr. FRANK of Massachusetts. Mr. Speaker, my predecessor as the Ranking Minority Member of the Committee on Financial Services, John LaFalce, made enormous contributions during his tenure in Congress to our deliberations on financial services issues, and as a private citizen, he continues to do so. I have myself benefited in a number of conversations from his knowledge and wisdom about a range of issues. One of those about which he is most concerned is the current plan for a change in international financial regulations known as Basel II. On March 11, John LaFalce published a very thoughtful, well-informed article in the American Banker, outlining his concerns about the implications of Basel II. This is a subject currently before us in the Financial Services Committee, and while not widely known, is of great importance to our financial system. Because of that, I ask that the article by John LaFalce expressing his deep reservations about Basel II be printed here.

BASEL II PLAN IS A CRISIS IN THE MAKING

In the coming weeks Congress and U.S. bank regulators will decide whether to adopt new capital regulations that would impact the entire U.S. banking system. Currently discussions on Basel II are focusing on the minute details, rather than the more important question of whether the proposed accord makes any sense at all. In my view, Basel II is fundamentally flawed, and actually dangerous, for numerous reasons.

First, it is based on a fanciful premise that sophisticated risk-management models enable banks to allocate capital in an asset class that is neither too low, nor too high, but just right. I hope my former colleagues and others do not gamble the stability of our domestic and global financial system on this theory.

Recent financial crises, such as at Long-Term Capital Management, should serve as a stark reminder of the fact that no matter how sophisticated, are subject to unpredictable market forces and, most important, human judgments, mistakes, and even malfeasance.

With every large bank in the world lining up to play the Basel II capital game, and a financial system that is increasingly interdependent, and depending on one another for its efficiency, any inadvertent mistake could be devastating. The odds are too high that Basel II, if adopted, could trigger a systemic financial crisis.

Second, Basel II’s proponents have been too quick about the most fundamental tenant of bank regulation—safety and soundness—and the critical role that an adequate capital cushion plays in the safe and sound operation of our banks and banking system. A Basel II regime would be reckless, unsafe, and unsound national policy.

It would allow banks to use complex risk-based models that few if any corporate executives or directors will ever comprehend in their entirety. Questions about whether banks and supervisory regulators will lack the resources and technical skills to supervise adequately.

It is an ominous sign that the regulators recently published a formula that would have caused banks to underestimate their capital needs for retail credits by 60 to 70%.

Banks will implement Basel II only if they know the Hillsbane. Many former regulators have expressed serious reservations about, if not outright opposition to, Basel II, including Jerry Powell, the Chairman of the Federal Reserve.

I am convinced that the seasoned executives of some, if not most, of the nation’s largest banks would themselves, in private conversations, acknowledge the folly of Basel II. Many former regulators have expressed serious reservations about, if not outright opposition to, Basel II.

The fact that the chairmen and ranking members of both the House Financial Services Committee and its financial institutions subcommittee introduced legislation Thursday that could slow down or even prevent adoption of Basel II should also send a strong signal to the regulators.

Fifth, I am not even convinced that the Federal Reserve itself fully embraces Basel II, or even adequately understands many of its implications. Some members of the Federal Reserve may still mistakenly believe that regulatory capital does not affect competition or the pricing and strategic decisions that banks and thrifts make. Regulators who do not grasp these fundamentals could help explain their preference for theoretical models rather than practical realities.

Chairman Greenspan has been largely silent in the Basel II debate, although the irony is that he prudently questions the sufficiency of the capital levels at Fannie Mae and Freddie Mac. But he does not look at the capital levels at Fannie and Freddie, because he believes that the Federal Reserve and the handful of the largest banks will be unable to play the Basel II capital game, and a financial system that is increasingly interdependent, and depending on one another for its efficiency, any inadvertent mistake could be devastating.

The odds are too high that Basel II, if adopted, could trigger a systemic financial crisis. The new accord seems to support that is neither too low, nor too high, but just right. I hope my former colleagues and others do not gamble the stability of our domestic and global financial system on this theory. The new accord seems to support that is neither too low, nor too high, but just right. I hope my former colleagues and others do not gamble the stability of our domestic and global financial system on this theory.

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Through his daily actions, Terry truly upholds the tradition of service to both the family and community.

In each of his business endeavors, Terry remains faithful to his commitment of service—service with a unique combination of care and compassion. Terry’s work in Lazar Sanders, LLP, Wealth Advisors Ltd. and Lazar Sanders, LLP, Knowledge Partners has strengthened healthcare in our communities and has contributed to the world of financial services.

Terry has parlayed his expertise in health care to serve as an outspoken advocate for women’s and children’s health care. He has been an active supporter of the Ambulatory Surgery Center of Brooklyn, LLC, a state of the art facility serving women’s health needs, and has developed a program for people living with HIV/AIDS which has been recognized by the State of New York and the Joint Commission on Accreditation of Healthcare Organizations.

Terry’s service also greatly impacts the Jewish community. He serves as Vice President of the Long Island chapter of the American Jewish Committee, a Capital Club member of the American Israeli Policy Affairs Committee and President of the Long Island Executive Board of the Jewish National Fund. Terry has applied his knowledge and passion for Israel toward issues affecting the international community.

Mr. ISRAEL. Mr. Speaker, I rise today to honor posthumously Mr. William Bell for his service and dedication to his community. I urge my colleagues to join me in remembering and celebrating the life of William “Bill” Bell.

CHIEU LE AND LEE’S SANDWICHES—COMMITMENT TO OUR COMMUNITY

HON. LORETTA SANCHEZ
OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES
Tuesday, April 5, 2005

Mr. Speaker, I rise today to honor Mr. Chieu Le, founder and chief executive officer of Lee’s Sandwiches in Orange County, California. An immigrant and a business leader, Mr. Le was recognized by the Asian Business Association of Orange County in 2003 for his entrepreneurial spirit and commitment to the communities his company serves.

In 1981, one year after immigrating to the United States from Vietnam, Mr. Le and his family bought their first catering truck and began serving sandwiches in the community.

Twenty years later, they opened the first Lee’s Sandwich Shop in Garden Grove, California. The idea of a fast-food style restaurant serving Vietnamese sandwiches came from Mr. Le’s late son, Minh.

Today, Lee’s Sandwiches is the fastest-growing restaurant chain in the West, with 35 stores in operation or development.

Mr. Le and his family also believe in giving back to the community. In response to the tragedies of the 9–11 attacks and the Tsunami in South Asia, Lee’s Sandwiches raised nearly $200,000 in total for the victims of these disasters.

The Le family is as an example of a successful business in California that continues to give back to its community. I believe that Mr. Le and Lee’s Sandwiches will continue to expand the commitment to the communities they serve.

TRIBUTE TO ERNEST W. ASCHERMANN—85TH BIRTHDAY

HON. DONALD M. PAYNE
OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES
Tuesday, April 5, 2005

Mr. PAYNE. Mr. Speaker, I rise today to recognize Mr. Ernest W. Aschermann on the occasion of his 85th birthday. Mr. Aschermann, who was born of German immigrant parents who passed through Ellis Island