team deserve recognition for their consistent hard work and attaining the championship title.

Coaches Jim Sergeant, Alan H. Granger, and Robert Miranda, as well as players Robert McDowell, Emanuel Reaves, Johnny McCray, Roderick Johnson, Gregory Logins, Matthew Sombathy, Antonio Parker, Jeffrey Kuhn, Dennis Gorobtschuk, Jaroslaw Konikiewicz, Hauke Bruns, Brian Hanagan, Lionel Webber, and Paul Morales were all instrumental in reaching state champion status.

I commend the Sodus basketball team for their determination and exceptional season. Their outstanding achievements have set a standard that other teams should follow. Congratulations and good luck on future seasons.

HONORING THE RETURN OF SOLDIERS FROM IRAQ

HON. JEB HENSARLING

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, April 5, 2005

Mr. HENSARLING. Mr. Speaker, today I would like to honor several members of our Nation's military who have recently returned home after serving our country with distinction in Iraq.

Specialist Rocky Padgett, Specialist Chad Sumner, Specialist James Tyson Zigler, Specialist Bud Rath, Specialist Bradrick Graves, Specialist James Arnold, Specialist Jason Yanna, Specialist Michael Easdon, Corporal Jason W. Fitzgerald, Sergeant Christopher Callaway, and Sergeant John L. Tetty all deserve our deepest appreciation and respect. In the face of tremendous danger, these 11 men bravely answered the call of duty to fight our enemies abroad so that we would not have to fight them here at home. Because of their efforts, America is safer today than it was just 2 years ago.

On behalf of the grateful citizens of the Fifth District of Texas, it is my pleasure to welcome these heroes home. America owes these men, and all who serve beside them in the War on Terror, a tremendous debt, one that we will probably never be able to fully repay. Today, we thank them for their courage, their patriotism, their service, and their sacrifice.

As these men return to their families, friends, and the lives they left behind, I want to ensure that they do so secure in the knowledge that it is through their service that America 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 year Congress and U.S. bank regulators will decide whether to adopt new capital regulations that would impact the entire U.S. banking system.

Current discussions about 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 to each asset 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 stark reminders that all models, no matter how sophisticated, are subject to unpredictable market forces and, most important, human judgments, mistakes, and even manipulation.

With every large bank in the world lining up to play the Basel II capital game, and a financial system that is increasingly interdependent, the consequences of even an 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 quiet about the most fundamental tenet of banking 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, inter alia, because:

It would allow banks to use complex risk-based models that few if any corporate executives or directors will ever comprehend adequately, if at all, and models that the 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 their capital requirements will decline. That will also create powerful incentives, competitive pressures, and irresistible temptations for the nation's largest banks to revise their models over time to achieve the lowest amount of capital reserves possible.

Banks will be able to artificially improve their performance by manipulating capital levels, much as we have seen some companies manipulate earnings.

The new capital regime will seriously undermine the competitive viability of small to medium-size banks because of the dramatically lower capital levels that the largest banks will achieve. We now know that two former Federal Reserve economists came to that very conclusion in a paper that is being published independently.

Third, Basel II is overly optimistic about the ability and resources of regulators to supervise the new and complex capital rules. As Standard & Poor's has pointed out, "National bank regulators could be overwhelmed by the implementation of Basel II, with its intensive need for verification of the internal systems and databases of individual banks."

In addition, although the new accord allows regulators to make discretionary capital adjustments, banks will likely resist or seek to influence these adjustments, particularly after spending tens and even hundreds of millions of dollars developing their models.

As for market oversight, I discount that almost entirely. We are already seeing resistance by banks to making public disclosures about their models, ostensibly because of concern over the potential litigation exposure. Neither the markets nor the regulators nor most corporate officers or directors will be in any position to comprehend the underlying assumptions and idiosyncrasies built into the banks' models or to react quickly enough to emerging crises.

Fourth, some in the Federal Reserve would like us to believe that adoption of Basel II is necessary and inevitable. It is neither. Despite the perceived momentum behind Basel II, the accord seems to have little support beyond a few forceful players at the Federal Reserve and the handful of the largest banks that stand to gain the most because of reduced capital requirements.

I am convinced that the seasoned executives of some, if not most, of the nation's largest banks would themselves, in private conversation, acknowledge the folly of Basel II. Many former regulators have expressed serious reservations about, if not outright opposition to, Basel II, including Jerry Hawke, Bill Isaac, Bill Seidman, and others. Powell is apparently sufficiently concerned that he has reignited the debate over the FDIC's authority to examine banks already being examined by other federal regulators.

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 prominent members of the Federal Reserve may still mistakenly believe that regulatory capital does not affect competition or the pricing and strategic decisions that banks make. This misconception 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 Basel II would actually allow banks to hold less capital for the same mortgage assets than Fannie Mae and Freddie Mac are required to hold.

Current estimates of the capital that Basel II banks would have to hold for mortgage assets would also be at or below the capital level that led to the savings and loan crisis.

Some at the Federal Reserve appear to be more attuned to the importance of maintaining adequate regulatory capital reserves. Timothy Geithner, the president and CEO of the Federal Reserve Bank of New York, remarked recently that it was important for the nation's largest financial institutions to "maintain an ample capital cushion over and above the high regulatory thresholds."

He added that "because of the broader implications of a failure for the financial system and for the economy as a whole, the supervisory framework for the largest systematically significant banking organizations . . . needs to produce a higher level of financial soundness than might be indicated by measures of economic capital or expected by shareholders and creditors of the institution."

Sixth, proponents like to argue that Basel II is necessary to create competitive equity among internationally active banks. No capital accord will ever accomplish that objective, both because of significant differences in accounting standards and the wide disparity in the quality of regulation abroad, as Jerry Hawke has stated.

Global regulatory consistency will never be achieved, particularly when foreign banks abroad are examined only sporadically and without anywhere near the same thoroughness as U.S. banks. The reality is that U.S. banks have proven stronger, more profitable, and more resilient than their foreign counterparts in recent economic cycles.

Seventh, there clearly is an effort afoot, pending Basel II's adoption, to abolish the leverage ratio as inconsistent with the principles of Basel II. Congress and U.S. regulators must not weaken our country's important regulatory protections such as the leverage ratio and prompt corrective action regulations to emulate the questionable supervisory oversight abroad.

Although some at the Federal Reserve have provided assurances that the leverage ratio will be maintained under Basel II, some have left that question open. And powerful institutional and lobbying forces have already voiced their preference for capital regulations based exclusively on risk based credit models, and have called for the elimination of the leverage ratio.

This cannot be allowed. Among other things, the leverage ratio ensures that regardless of the risk-based models used by banks, there is at least a base level of protection in the event of a crisis, rather than relying primarily on an insurance fund or taxpayer bailout.

In sum, decades as a legislator have convinced me that the most effective regulations are those that are easy to understand, can be applied objectively and consistently, are not subject to manipulation, and can be monitored effectively by supervisors, managements, and market participants. This is particularly the case when dealing with issues affecting the stability of our domestic and global financial systems.

With some reasonable updating, the existing Basel I approach can continue to meet these goals and ensure that sufficient capital is available as a cushion against mistakes or unanticipated crises. Basel II would take us in a dangerous direction toward subjective self-assessments of capital and a dependence on complex theoretical models that are subject to manipulation and incapable of being effectively monitored.

I see no consideration of safety and soundness at all in the Basel II debate, and no recognition of the danger of adopting a new capital regulation that goes in the exact opposite direction from the recent reforms concerning corporate governance, regulatory oversight, and internal controls.

HONORING THE ACCOMPLISHMENTS OF TERRY LAZAR

HON. STEVE ISRAEL

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, April 5, 2005

Mr. ISRAEL. Mr. Speaker, I rise today to honor the accomplishments of Terry Lazar. 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 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 rights and women'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. He is a board member of the American Friends of Rambarn Medical Center in Haifa, Israel, the cochair of the American Friends of Tzohar, Galil, Israel (a premier school serving children with disabilities), and is a member of the Board of Directors for the Institute for the Analysis of Global Security—a Washington think tank seeking to reduce America's reliance on Middle Eastern oil.

Finally, Terry is a loving husband to Phyllis, proud father of Damon, Danielle and Ginger and doting grandfather to Cory and Jordan.

Terry's commitment to service has strengthened our community and enriched the lives of many. He is a great friend to Long Island and I thank Terry Lazar for all of his hard work.

HONORING WILLIAM "BILL" BELL

HON. GEORGE RADANOVICH

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, April 5, 2005

Mr. RADANOVICH. Mr. Speaker, I rise to honor posthumously William "Bill" Bell of Madera, CA. Exuding a strong entrepreneurial spirit, Mr. Bell worked to enhance the way of life for many in his community. Mr. Bell's life will be celebrated in a special edition of his former newspaper, The Ranchos Independent.

In the late 1880's, Mr. Bell's family migrated from Kansas to California in search of new opportunities. After settling in Madera, CA, Bill's parents relocated the family to Southern California where he attended elementary and high school.

As a young adult, Bill capitalized on the post-WWII housing boom by opening an upholstery business to serve Southern California's growing furniture industry. Later, Bill went to work for an independent insurance agency where he taught insurance classes to agents for Century 21. In the early 1980's, Bill returned to Madera to work in the real estate industry where he gained great success and eventually opened his own Century 21 franchise.

Mr. Bell was involved in various organizations. He was a proud member of the Ontario Motor Speedway and Riverside Speedway Booster Clubs. In addition, he was a charter member of the Madera Ranchos Kiwanis Club and helped to organize the widely-popular Flatlander's Day Parade. Bill was a charter member of the Golden Valley Chamber of Commerce and is the former Owner, Editor, and Publisher of The Ranchos Independent, a newspaper dedicated to serving the Madera Ranchos community.

Bill is survived by his wife Pat, and their two children James and Jerri.

Mr. Speaker, I rise 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

Ms. LORETTA SANCHEZ of California. 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