

the gentleman from Missouri (Mr. SKELTON) that the House suspend the rules and agree to the concurrent resolution, H. Con. Res. 47.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds being in the affirmative, the ayes have it.

Mr. SKELTON. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX and the Chair's prior announcement, further proceedings on this question will be postponed.

PROMOTING TRANSPARENCY IN FINANCIAL REPORTING ACT OF 2007

Mr. SCOTT of Georgia. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 755) to require annual oral testimony before the Financial Services Committee of the Chairperson or a designee of the Chairperson of the Securities and Exchange Commission, the Financial Accounting Standards Board, and the Public Company Accounting Oversight Board, relating to their efforts to promote transparency in financial reporting.

The Clerk read as follows:

H.R. 755

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Promoting Transparency in Financial Reporting Act of 2007".

SEC. 2. FINDINGS.

Congress finds the following:

(1) Transparent and clear financial reporting is integral to the continued growth and strength of our capital markets and the confidence of investors.

(2) The increasing detail and volume of accounting, auditing, and reporting guidance pose a major challenge.

(3) The complexity of accounting and auditing standards in the United States has added to the costs and effort involved in financial reporting.

SEC. 3. ANNUAL TESTIMONY ON REDUCING COMPLEXITY IN FINANCIAL REPORTING.

The Securities and Exchange Commission, the Financial Accounting Standards Board, and the Public Company Accounting Oversight Board shall annually provide oral testimony by their respective Chairpersons or a designee of the Chairperson, beginning in 2007, and for 5 years thereafter, to the Committee on Financial Services of the House of Representatives on their efforts to reduce the complexity in financial reporting to provide more accurate and clear financial information to investors, including—

(1) reassessing complex and outdated accounting standards;

(2) improving the understandability, consistency, and overall usability of the existing accounting and auditing literature;

(3) developing principles-based accounting standards;

(4) encouraging the use and acceptance of interactive data; and

(5) promoting disclosures in "plain English".

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from

Georgia (Mr. SCOTT) and the gentleman from Kentucky (Mr. DAVIS) each will control 20 minutes.

The Chair recognizes the gentleman from Georgia.

GENERAL LEAVE

Mr. SCOTT of Georgia. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on this legislation and to insert extraneous material therein.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. SCOTT of Georgia. Mr. Speaker, I rise in support of H.R. 755, and I yield myself such time as I may consume.

(Mr. SCOTT of Georgia asked and was given permission to revise and extend his remarks.)

□ 1430

Mr. SCOTT of Georgia. Mr. Speaker, this Promoting Transparency in Financial Reporting Act is a bipartisan bill that the House considered last year and passed on a voice vote. The legislation, however, failed to become law during the 109th Congress; and as a result, we now must consider these matters anew in the 110th Congress.

H.R. 755 has a simple premise, Mr. Speaker. For the next 5 years, it would require annual testimony before the House Financial Services Committee by those entities most involved in establishing and implementing our Nation's financial reporting system. These parties include the Securities and Exchange Commission, the Financial Accounting Standards Board, and the Public Company Accounting Oversight Board.

Since the 1930s, the Securities and Exchange Commission has required public companies to file financial reports like income statements and balance sheets. Today, companies also rely on the generally accepted accounting principles developed by the Financial Accounting Standards Board to prepare these reporting documents. This independent accounting standard-setter came into existence in the 1970s. The tidal wave of accounting scandals at the start of this decade led Congress to reassess our Nation's financial reporting system and adopt further reforms in the Sarbanes-Oxley Act. Among other things, this landmark law created the Public Company Accounting Oversight Board. This body establishes the auditing standards used to examine public company accounting statements. It also registers and inspects the auditors of public companies.

Even without this legislation, the Financial Services Committee is already working to examine accounting and auditing issues and the work of each of these parties. Earlier this month we approved an oversight plan for the 110th Congress. Several of the action items in that plan address accounting issues. For example, the oversight plan

calls for the committee to review the efforts of the Financial Accounting Standards Board to improve financial accounting standards. It also calls for us to study the progress being made on establishing international accounting standards. The plan further calls for the committee to examine the work of the Public Company Accounting Oversight Board as it implements the auditing improvements made by the Sarbanes-Oxley Act. This legislation, therefore, builds on what we had already planned to do in the 110th Congress and what other sessions of Congress should plan to do.

These proposed annual hearings over the next 5 years will help us to reassess complex accounting standards. It will help us improve the understandability of financial statements, and it will encourage the acceptance of interactive data. Even though it seems highly likely that the parties subject to this legislation would testify before the Financial Services Committee on these matters if asked, this bill will make certain that the committee remains focused on these important issues in the immediate future.

In addition, the adoption of H.R. 755 will help to encourage our regulators and standard-setters to fulfill their own roles and initiatives to achieve greater transparency, promote greater uniformity, and reduce complexity in financial reporting not only at home but also around the world.

In recent years, our financial reporting standards have become more and more complex and complicated, especially as we have sought to address more difficult issues like the accounting treatment of derivatives and hedging instruments. This complexity has created difficulties not only for the companies that operate in the United States or that access our capital markets but also the investors and advisers who read and use financial statements.

For our Nation to remain competitive, we need to have robust capital markets. For our capital markets to be strong, we need to have transparent, clear, and understandable financial reporting. We also need to ensure that the entities responsible for accounting and auditing issues continue to work smoothly together. H.R. 755 will help us to stay focused on achieving these important and desirable goals.

In conclusion, Mr. Speaker, I want to commend the hard work of the gentleman from Kentucky (Mr. DAVIS), who is the primary sponsor on this bill. And I want to commend Mr. DAVIS for introducing this measure, and I am proud to work with him as the lead cosponsor over these last years. And, hopefully, this time will be the charm.

This bill is aimed at ensuring that individuals have access to the information that they truly need to make better investment decisions. And I urge support for H.R. 755.

Mr. Speaker, I reserve the balance of my time.

Mr. DAVIS of Kentucky. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise today in support of H.R. 755, the Promoting Transparency in Financial Reporting Act. And I also would like to thank the gentleman from Georgia for his hard work on this bill. We started nearly 18 months ago, and it is, I think, a true credit to bipartisanship in a way that it is going to help the American people, help small business, and ultimately help to create jobs and give people the opportunity to see clearly into the operation of the financial markets.

In the post-Enron financial era, transparent reporting has become an increasingly important component of promoting a healthy corporate environment. Financially stable and accountable corporations are essential for expanding the U.S. business sector, promoting investor confidence, and strengthening the economy.

However, it is important to examine ways in which such accountability and reporting standards can become both more efficient and more transparent. A cumbersome, costly system will only reduce our competitiveness in a connected world economy and ultimately cost us jobs.

I regularly hear complaints from business owners and executives in Kentucky about the costs and complexities of financial reporting requirements mandated by the Federal Government. As a former small business consultant, I know firsthand the difficulties faced during the time-consuming and costly processes of accounting and financial disclosure. Unfortunately, financial reporting remains an arduous task with too many opportunities for error and for manipulation. Reassessing outdated accounting standards and improving the ability of the average investor to understand and utilize financial documents are essential to the livelihood of American business and the protection of America's investors.

Requiring annual congressional testimony by the Securities and Exchange Commission, the Financial Accounting Standards Board, and the Public Company Accounting Oversight Board stresses that simplification, cost reduction, and transparency in accounting standards and financial reporting are public priorities. H.R. 755 will help hold the SEC, FASB, and PCAOB, as well as Congress, accountable for making progress on these important issues. H.R. 755 will give Congress a way to measure progress on the efforts of these organizations over the next 5 years and ensure they are working to streamline and to modernize the process of financial reporting.

As stated in the bill, we would like to direct attention to several areas of interest: first, we would like to reassess outdated and complex accounting standards; improve the understandability, consistency, and overall usability of the existing accounting and auditing literature; develop prin-

ciples-based accounting standards; and encourage the use and acceptance of interactive data or extensible business reporting language, also known as XBRL; and, finally, to promote disclosures in plain English. I think it would be great ultimately for investors not to need a CPA and a lawyer to understand their own financial statements or the reports that they receive from companies they invest in.

H.R. 755 isn't intended to imply that these organizations have yet to move towards these goals. In fact, there are many examples of progress already. Each organization has already taken strides to improve financial reporting and the implementation of the Sarbanes-Oxley Act, and I applaud these efforts.

For example, in December, 2006, PCAOB proposed new standards for auditing of internal controls designed to focus auditors on the most important issues. The proposed standards eliminate unnecessary audit requirements and, most importantly, provide guidance on how to adjust the audit for a smaller, less complex company. I appreciate the willingness of the PCAOB to respond to feedback from Congress and the investment community.

Another example is the SEC's encouragement of the use of interactive data. Interactive data uses "tags" for key facts in financial statements so investors can quickly extract and analyze information in an easily understandable format. The SEC recently announced the expansion of the voluntary test program, which already includes two dozen companies representing more than \$1 trillion of market value. Participating companies are rewarded with expedited reviews of SEC filings. In turn, the test group will help the SEC to decide how interactive data can be of most use to investors. These kinds of public and private partnerships will ultimately serve the American people best and keep our markets robust and strong.

Many have criticized the burden and cost of Sarbanes-Oxley, and particularly section 404, on small public companies. It is critical that we strike the right balance between requiring financial reporting to bolster investor confidence and keeping our markets open to both domestic and foreign investment. H.R. 755 will help Congress maintain an active and essential role in this balancing act.

Modernizing reporting processes, increasing transparency, and reducing the costs of financial reporting will help ease the regulatory burden on businesses and strengthen the ability of individual investors to make educated financial decisions. To quote SEC Chairman Chris Cox, this process is going to be "a long one, but it is worth it to make sure that the capital markets remain strong and vibrant."

The Promoting Transparency in Financial Reporting Act will hold the SEC, FASB, and PCAOB, as well as Congress, accountable for making progress on these important issues.

Let's pass this bill as a first step towards creating a process for continuous improvement that will simplify our financial reporting regulatory framework.

I would like to thank in particular Ranking Member BACHUS, Chairman FRANK, and Chairman KANJORSKI for their support and my friend from Georgia for his hard work on this to bring this to the floor now.

Mr. Speaker, I reserve the balance of my time.

Mr. SCOTT of Georgia. Mr. Speaker, I yield myself such time as I may consume.

This is, as we mentioned, a very important bill that will certainly increase the confidence of the American people in our financial systems and make it smoother and with less complexity.

And I want to also thank the leadership of the Financial Services Committee, Chairmen BARNEY FRANK and KANJORSKI, for their excellent leadership on this very, very important and timely issue. And, again, I want to commend the hard work of my colleague Mr. DAVIS in providing leadership on this.

Ms. WATERS. Mr. Speaker, I rise in support of H.R. 755, Promoting Transparency in Financial Reporting Act of 2007.

H.R. 755 is a simple, but important measure. It requires the Securities and Exchange Commission, the Financial Accounting Standards Board, and the Public Company Accounting Board to provide annual testimony by their respective chairpersons or designees of the chairperson starting next year and for five subsequent years to the Committee on Financial Services on their efforts to reduce the complexity of financial reporting to provide a more accurate and clear financial information to investors, including:

Reassessing complex and outdated accounting standards; improving the understandability, consistency, and overall usability of the existing accounting and auditing literature; developing principles-based accounting standards; encouraging the use and acceptance of interactive data; and promoting disclosures in plain English.

In view of the different accounting standards being used in the private sector and government, it is clear that we need to have information that is reliable and credible. Financial information that does not meet rigorous and acceptable standards sends the wrong signals to investors as well as to the public about the real financial condition of a business.

As we have witnessed over the past several years, the quality of financial information can make the difference between the true value of a company and what the public perceives to be its condition. H.R. 755 is an important first step towards making sure that the information being reported to investors and to the public is believable. As such, I ask my colleagues to join me in supporting this bill.

Mr. SCOTT of Georgia. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. DAVIS of Kentucky. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Georgia (Mr.

SCOTT) that the House suspend the rules and pass the bill, H.R. 755.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds being in the affirmative, the yeas have it.

Mr. DAVIS of Kentucky. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX and the Chair's prior announcement, further proceedings on this question will be postponed.

DEPOSITORY INSTITUTION COMMUNITY DEVELOPMENT INVESTMENTS ENHANCEMENT ACT

Mr. FRANK of Massachusetts. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 1066) to increase community development investments by depository institutions, and for other purposes.

The Clerk read as follows:

H.R. 1066

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Depository Institution Community Development Investments Enhancement Act".

SEC. 2. TECHNICAL CORRECTIONS.

(a) NATIONAL BANKS.—The first sentence of the paragraph designated as the "Eleventh" of section 5136 of the Revised Statutes of the United States (12 U.S.C. 24) (as amended by section 305(a) of the Financial Services Regulatory Relief Act of 2006) is amended by striking "promotes the public welfare by benefiting primarily" and inserting "is designed primarily to promote the public welfare, including the welfare of".

(b) STATE MEMBER BANKS.—The first sentence of the 23rd undesignated paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 338a) (as amended by section 305(b) of the Financial Services Regulatory Relief Act of 2006) is amended by striking "promotes the public welfare by benefiting primarily" and inserting "is designed primarily to promote the public welfare, including the welfare of".

SEC. 3. INVESTMENTS BY FEDERAL SAVINGS ASSOCIATIONS AUTHORIZED TO PROMOTE THE PUBLIC WELFARE.

(a) IN GENERAL.—Section 5(c)(3) of the Home Owners' Loan Act (12 U.S.C. 1464(c)) is amended by adding at the end the following new subparagraph:

"(D) DIRECT INVESTMENTS TO PROMOTE THE PUBLIC WELFARE.—

"(i) IN GENERAL.—A Federal savings association may make investments, directly or indirectly, each of which is designed primarily to promote the public welfare, including the welfare of low- and moderate-income communities or families through the provision of housing, services, and jobs.

"(ii) DIRECT INVESTMENTS OR ACQUISITION OF INTEREST IN OTHER COMPANIES.—Investments under clause (i) may be made directly or by purchasing interests in an entity primarily engaged in making such investments.

"(iii) PROHIBITION ON UNLIMITED LIABILITY.—No investment may be made under this subparagraph which would subject a Federal savings association to unlimited liability to any person.

"(iv) SINGLE INVESTMENT LIMITATION TO BE ESTABLISHED BY DIRECTOR.—Subject to

clauses (v) and (vi), the Director shall establish, by order or regulation, limits on—

"(I) the amount any savings association may invest in any 1 project; and

"(II) the aggregate amount of investment of any savings association under this subparagraph.

"(v) FLEXIBLE AGGREGATE INVESTMENT LIMITATION.—The aggregate amount of investments of any savings association under this subparagraph may not exceed an amount equal to the sum of 5 percent of the savings association's capital stock actually paid in and unimpaired and 5 percent of the savings association's unimpaired surplus, unless—

"(I) the Director determines that the savings association is adequately capitalized; and

"(II) the Director determines, by order, that the aggregate amount of investments in a higher amount than the limit under this clause will pose no significant risk to the affected deposit insurance fund.

"(vi) MAXIMUM AGGREGATE INVESTMENT LIMITATION.—Notwithstanding clause (v), the aggregate amount of investments of any savings association under this subparagraph may not exceed an amount equal to the sum of 15 percent of the savings association's capital stock actually paid in and unimpaired and 15 percent of the savings association's unimpaired surplus.

"(vii) INVESTMENTS NOT SUBJECT TO OTHER LIMITATION ON QUALITY OF INVESTMENTS.—No obligation a Federal savings association acquires or retains under this subparagraph shall be taken into account for purposes of the limitation contained in section 28(d) of the Federal Deposit Insurance Act on the acquisition and retention of any corporate debt security not of investment grade.

"(viii) APPLICABILITY OF STANDARDS TO EACH INVESTMENT.—The standards and limitations of this subparagraph shall apply to each investment under this subparagraph made by a savings association directly and by its subsidiaries."

(b) TECHNICAL AND CONFORMING AMENDMENTS.—Section 5(c)(3)(A) of the Home Owners' Loan Act (12 U.S.C. 1464(c)(3)(A)) is amended to read as follows:

"(A) [Repealed]".

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Massachusetts (Mr. FRANK) and the gentlewoman from Illinois (Mrs. BIGGERT) each will control 20 minutes.

The Chair recognizes the gentleman from Massachusetts.

Mr. FRANK of Massachusetts. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of H.R. 1066.

It does occur to me on reflection that we should have asked the gentleman from Florida and the gentleman from Washington, Mr. HASTINGS and Mr. HASTINGS, to join in supporting this bill given its number. But in their absence, I will note that this is a bill that passed the House last year unanimously as part of a larger regulatory relief bill that came out of the Committee on Financial Services. It went to the Senate, and the Senate passed much of what we sent them but not all of it.

□ 1445

The Senate deleted some provisions. We, in the interest of getting some legislation through, accepted the Senate's proposal, and so much of what we sent

originally did become law. Some pieces did not.

This is a piece that provides more flexibility for banks that are engaging in what is called, and it is a particular legal term here, public welfare investments. Banks are allowed to spend, invest up to 15 percent of their capital in what are called public welfare investments. This would allow that very good policy some more flexibility.

I would note, that, for instance, the Association of Affordable Housing Lenders, people who build subsidized housing, are in favor of this change. What it does is it broadens the definition. It doesn't change the 15 percent, but it gives more flexibility.

We have this situation where we do want these investments to be for the benefit of low and moderate income people. But it is one thing to say that they should generally be for the benefit of low and moderate income people, and another to strictly confine them to areas that have this direct benefit. What you do is you lose the flexibility we would like.

Mr. Speaker, I will include in the record at this point letters from John Reich, the Director of the Office of Thrift Supervision, and John Dugan, the Comptroller of the Currency.

OFFICE OF THRIFT SUPERVISION,
DEPARTMENT OF THE TREASURY,
Washington, DC, February 23, 2007.

Hon. BARNEY FRANK,
Chairman, Committee on Financial Services,
House of Representatives, Washington, D.C.
Hon. SPENCER BACHUS,
Ranking Member, Committee on Financial Services,
House of Representatives, Washington, D.C.

DEAR CHAIRMAN FRANK AND RANKING MEMBER BACHUS: I am writing to provide my support for H.R. 1066, the "Depository Institution Community Development Investment Enhancements Act," legislation that you recently introduced and that I understand will soon be considered by the House. H.R. 1066 will enhance the ability of savings associations to support important public welfare initiatives. I encourage Congress to take swift action on this bill.

Similar to Section 202 of H.R. 3505, the "Financial Services Regulatory Relief Act of 2005," which passed on a bipartisan basis in the full House of Representatives and H.R. 6062, the "Community Development Investment Enhancements Act of 2006," which also passed on a voice vote by the full House, H.R. 1066 will enable savings associations to support important community development programs.

Specifically, H.R. 1066 will increase the ability of federal savings associations to make investments primarily designed to promote the public welfare of low- and moderate-income communities and families through the provision of housing, services, and jobs. Your bill accomplishes this by raising the limits on the ability of federal thrifts to invest in entities primarily engaged in making these public welfare investments.

Thank you for your leadership in sponsoring this important legislation and your continued interest in this issue. I applaud your efforts to remove barriers to the growth and stability of low- and moderate-income communities and urge immediate consideration of H.R. 1066. If you have any questions, please do not hesitate to contact me or