講座(Keynote Speaker)：

The Honorable Mr. John H. Dalton, President of the Housing Policy Council, Financial Services Roundtable

美國金融業聯合總會住房政策委員會主席

REMARKS BY
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PRESIDENT OF THE HOUSING POLICY COUNCIL
OF THE
FINANCIAL SERVICES ROUNDTABLE
TO
THE TAIWAN FINANCIAL SERVICES ROUNDTABLE
TAIPEI
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Chairman Sush-der LEE and members of the Taiwan Financial Services Roundtable, thank you for the invitation to participate in this symposium on "Strengthening the Competitiveness of Taiwan's Financial Industry." It is my pleasure to be with you today as a representative of the U.S. Financial Services Roundtable. The U.S. Financial Services Roundtable values its relationship with the Taiwan Financial Services Roundtable, and I welcome this opportunity to exchange information on topics of common interest.

Our two organizations have much in common. Both of our organizations represent all sectors of the financial services industry, including banks, insurance companies and securities firms. Both of our organizations also are dedicated to promoting policies that foster the development of the financial services sector and economic growth. We both recognize that strong and stable financial institutions are the life blood of a sound economy. Financial institutions facilitate financing for trade and investment; they protect, preserve and enhance the assets of consumers and businesses, and they maintain markets for financial instruments. These functions are vital to economic growth and prosperity.

In my remarks today I plan to cover five topics. I will --

- Provide you with an update on the structure and activities of the U.S. Financial Services Roundtable,
- Explain the major policy issues on which our organization is focused,
- Recognize the importance of a positive relationship between the United States and Taiwan and all of East Asia,
- Offer some insights into the American mid-term elections that will occur in November and
- Make some general comments on the improving state of the U.S. economy and our housing market.

The U.S. Financial Services Roundtable

I will start with a little background on the U.S. Financial Services Roundtable. The U.S. Financial Services Roundtable consists of 100 of the largest integrated U.S. financial services companies that provide banking, insurance and investment products and services to consumers and businesses in the United States and around the world. Member companies participate in the U.S. Financial Services Roundtable through Chief Executive Officers (CEOs) and other senior executives designated by the CEOs. We are based in the nation's capital of Washington DC and have a staff of 48 which includes lawyers, economists, and other professionals.

As an organization we have five policy committees, which I will describe. We also have some special issue-focused divisions that operate within the U.S. Financial Services Roundtable. These include the Housing Policy Council, BITS and the Chief Risk Officers Council.

I serve as the President of the U.S. Financial Services Roundtable's Housing Policy Council. The Housing Policy Council is composed of 30 major U.S. companies that originate, service and insure home mortgages for American homebuyers. The Housing Policy Council is an advocate for these companies on all regulatory and legislative matters that impact housing finance.

BITS is the technology policy division of our organization. It addresses emerging technology and operational issues and opportunities for the financial services industry, including cybersecurity, fraud reduction, vendor management and critical infrastructure protection. Cybersecurity issues are an especially important focus of The U.S. Financial Services Roundtable and our BITS division.

The Chief Risk Officers Council is composed of the chief risk officers from several of the nation's largest financial firms. This Council addresses issues related to risk management, living wills and stress testing.

The U.S. Financial Services Roundtable serves its member companies through:

- Legislative and regulatory advocacy,
- Forward-looking policy updates,
- Policy briefings with top-level government officials and industry thought-leaders,
- Individual issue forums and
- Networking opportunities for members and top government policy-makers.

The U.S. Financial Services Roundtable has experienced some major events during the last two years. In 2012, we celebrated our 100th anniversary. Also, at the end of 2012, the long-time President and CEO of the Roundtable, former Congressman Steve Bartlett, retired and was succeeded by former Minnesota Governor Tim Pawlenty.

Governor Pawlenty is a nationally respected policymaker with a unique ability to communicate on complex financial issues. As Governor of Minnesota, he was responsible for a $50 billion biennial budget, led 30,000 state employees and managed 20 individual state agencies and departments. He also was a candidate for the Republican Presidential nomination in the 2012 election and subsequently served as a co-chair of the Mitt Romney for President Campaign.

Shortly after his selection as the President and CEO of the U.S. Financial Services Roundtable, Governor Pawlenty undertook a top-to-bottom review of the organization. As a result of that review, the Board of Directors of the U.S. Financial Services Roundtable decided to establish five new policy committees focused on the primary activities of our member companies. These five policy committees are:

- Lending and leasing,
- Risk management,
- Investment management,
- Payments and
- Industry-wide issues.

Major Policy Issues

We have identified a set of priority issues within each of these five policy committees.

The lending and leasing committee is focused on housing finance, trade finance and captive finance. This includes automobile lending and lending for farm machinery and heavy construction equipment. Recently, this committee has devoted its attention to: (1) implementation of the mortgage lending reforms enacted as part of the 2010 Dodd-Frank Financial Services Reform Act; (2) proposals to reform the U.S. Housing Government Sponsored Enterprises - Fannie Mae and Freddie Mac, which were placed into government conservatorship at the height of the financial crisis in 2008 and (3) the reauthorization of the Export-Import Bank, which provides critical international trade financing for U.S. businesses.

Our risk management committee advocates for the development of robust risk management practices that protect the financial system. This includes advocacy for: (1) the renewal of the U.S. Terrorism Risk Insurance program, which expires at the end of this year; (2) the establishment of capital standards for insurance companies supervised by the Federal Reserve Board that are aligned with the business of insurance and (3) the calibration of stress testing and living will requirements for large financial institutions to ensure that these standards provide meaningful benefits to the U.S. economy.

Our investment management committee addresses policies related to investment products and services. Priority issues for this committee include: (1) the potential designation of asset managers for supervision by the Federal Reserve Board; (2) tax policies that promote savings and investment and (3) revisions to the fiduciary standards for companies that provide retirement plans.

Our payments committee is focused on developments within the U.S. payments system. This includes: (1) policies related to mobile payments; (2) the development of near-real-time payments and (3) systems to comply with U.S. anti-money laundering and anti-terrorist financing regulations.

Finally, our industry-wide issues committee addresses core issues that impact all members of the U.S. Financial Services Roundtable. Currently, that committee is focused on: (1) cybersecurity; and (2) increasing the transparency and accountability of financial regulators, especially the newly created Consumer Financial Protection Bureau and the Financial Stability Oversight Council.

An example of an important industry-wide issue of priority for U.S. financial services companies and the U.S. Financial Services Roundtable is cybersecurity. BITS is the technology policy division of the U.S. Financial Services Roundtable and is working hard on many facets of the cybersecurity challenge. As I mentioned to you in my opening, BITS addresses issues at the intersection of financial services, technology and public policy, where industry cooperation serves the public good, including critical infrastructure protection, fraud prevention and the safety of financial services.

There continue to be many evolving and diverse cybersecurity threats and actors targeting financial services companies globally. Threats include disruption through what are known as "distributed denial of service" attacks, theft of financial and personal data to facilitate identity impersonation and to perpetrate fraud, and theft of intellectual property. A real future concern is the destruction or manipulation of data, which could cause significant disruptions in providing financial services and undermine consumer confidence. Cyber threats against financial institutions come from an expanding list of actors, including organized criminal rings, nation-state sponsored or funded hackers, terrorists and "hactivists." These groups are often very well-funded and well-organized and are significant adversaries to the global financial services market.

To combat these threats and threat actors and to enhance their cybersecurity posture, U.S. financial services companies, including member companies of the U.S. Financial Services Roundtable are increasing their investments in vital information technology and other infrastructure in both their own institutions and in broader industry consortiums, improving internal controls to minimize cyber vulnerabilities, increasing oversight of critical third party providers and increasing information sharing on cyber threats by industry stakeholders. Collaboration by U.S. financial services companies with government agencies including key regulators, the U.S. Treasury Department, the White House, the U.S. Department of Homeland Security and U.S. law enforcement agencies is unprecedented and continues to yield positive results. As I said, cybersecurity threats are evolving and diverse, and this issue will remain a top priority for FSR and our member companies. Cybercrime, cyber hacktivism and cyber terrorism have no national boundaries. We want to work with our international partners to reduce cyber threats and build confidence in the ability of financial services companies and our customers to do business and enhance their productivity through the internet.

To address a rapidly evolving threat landscape, FSR will continue to:

- Lead efforts to collaborate with key partners (including government agencies, other financial associations and merchants and standards groups),
- Support research and design requirements for a more secure and resilient infrastructure,
- Work with members on best practices for cybersecurity, fraud reduction and vendor management and
- Identify ways to enhance international cooperation.

As you can imagine, another issue that the U.S. FSR and all financial services companies continue to deal with is the implementation of the 2010 Dodd-Frank Financial Services Reform Act, which was passed by Congress to address the causes of the financial crisis. The Dodd-

Frank Act is a fact of life for the financial services industry and we are working to implement all its regulations. A number of the Dodd-Frank reforms were needed, but they also come with increased compliance costs and litigation liability for financial services companies of all sizes. With the close partisan division in Congress, which I will talk more about in my remarks, there is little chance that there will be major revisions to the Dodd-Frank Act in the near future. If minor revisions and improvements are possible, the U.S. FSR would support changes such as giving the Federal Reserve the authority to modify capital standards for insurance companies because their risk and capital requirements differ from banks.

On the remaining regulations required under Dodd-Frank, the Roundtable's Housing Policy Council would like to see the Risk Retention Qualified Residential Mortgage regulation (QRM) finalized to help provide clear standards to help restart a private label mortgage backed securities market. We believe the QRM regulation's standards should be similar to the CFPB's Qualified Mortgage regulation, the QM standard.

The industry-wide committee also supports pro-growth tax and trade policies. The U.S. Financial Services Roundtable has just undertaken an effort to promote more savings by Americans for their retirement. We are publically promoting a "Save 10" campaign to encourage Americans to save 10 percent of their income for retirement. Naturally, saving more would be good for individual Americans and the long-term health of our economy.

Of interest to you, we also strongly support promoting international trade and investment agreements. This includes support for the Trans-Pacific Partnership, or TPP, which is a center piece of the Obama Administration's trade policy in East Asia. The Trade and Investment Framework is also a very important on-going forum for the U.S. and Taiwan to discuss trade and investment issues.

Our member companies support the Trade and Investment Framework and the Trans-Pacific Partnership because they recognize the importance of trade with Taiwan and the other "Asian Tigers." Continued progress through the Trade and Investment Framework and progress toward participation in the TPP would enable this level of trade and investment to grow and expand.

Taiwan's Importance to the United States

Taiwan is a very important commercial and cultural partner for the United States. Our organizations - the Financial Services Roundtables of the United States and Taiwan - are a demonstration of the positive relationship between our countries. We want to continue the cooperative efforts and exchange of ideas we have with the Taiwanese Financial Services Roundtable.

Your country is a strong and thriving trade partner for the U.S. Taiwan is currently the United States 12th largest partner in the trading of goods and services. In 2013, the U.S. and Taiwan exchanged over 63 billion dollars' worth of goods. Similarly, in 2012, U.S. direct foreign investment totaled $16.5 billion, an increase of almost 5% over the prior year.

Your country has made tremendous economic progress in recent decades. Taiwan's growth reminds me of when I was a midshipman at the United States Naval Academy in the summer of 1963. That summer, I had the opportunity to participate in a foreign exchange cruise with the Royal Navy as part of President John F. Kennedy's People to People program. I flew to Singapore to meet my ship, the HMS Lion. When I arrived in Singapore we drove about 6 or 7 miles from the airport to the center of Singapore and then to the Navy base. In 1963, Singapore was still a developing country and there was no commercial, industrial or real estate development between the airport and the center of the city. When I was serving as

Secretary of the Navy in 1996, I went back to the city for an official visit. When I arrived at the same airport, there were tall buildings in the immediate vicinity of the airport. As we drove into the center of the city, there was significant development noticeable through the entire drive. I was told the most common automobile in Singapore at the time was a Mercedes. I was amazed how much that country had changed in only 30+ years. It is evident that Taiwan has grown and prospered in a similar fashion over that same period of time and through today.

Taiwan is producing high value consumer and industrial products. Your country's advanced consumer electronic products, including computers and televisions, are prominent in the U.S. consumer market place. Taiwan has a secure place in trade with the U.S. and internationally.

The United States is committed to a strong and continuing economic relationship with your country, but we also recognize the growing commercial and strategic importance of the entire East Asia region.

I had the honor of serving as Secretary of the Navy for five and one half years under former U.S. President Bill Clinton from 1993 to 1998, and I continue to closely follow our Nation's international security policies. As many of you know, the United States is placing additional focus on the strategic importance of this region. The U.S. Navy has had a presence in Southeast Asia since 1800 when the USS ESSEX sailed from the east coast of the United States to waters near Singapore. That mission started a relationship with this region that continues to grow even today. The current Secretary of the Navy, my friend Ray Mabus, has talked about the rebalancing of U.S. strategic interests to place more focus on East Asia.

Secretary Mabus has noted that this rebalancing of U.S. interests is economic and cultural, but it also contains an important defense component as well. This so-called "rebalancing" is intended to ensure that there is a force structure and appropriate resources in this area to support our allies and our partners. Secretary Mabus has said that the United States will bring our best assets - we will bring our newest ships, such as littoral combat ships in to Singapore where we will have four such combat ships by the year 2016. These ships will not be permanently stationed in Singapore, but they will be based there in order to conduct joint naval exercises with our friends, allies and partners in this region. We will work on military exercises, we will work on interoperability, and we will work on being prepared in times of peace, so that if a crisis should emerge we will be poised to respond to whatever situation that may arise.

This strategic rebalancing also involves other U.S. government agencies and non-governmental organizations. This effort has people from other agencies who provide humanitarian assistance, and disaster relief, and who work with Taiwan and other nations in this part of the world.

I want to recognize the tremendous role that your country has played with increasing its foreign aid and disaster assistance to other nations in need. The United States places great value on assisting other nations in response to disasters and also to promote long-term economic development around the world, and we salute Taiwan for its increased efforts in this area.

2014 U.S. Elections Outlook

As I have mentioned, advocacy of our member companies' interests is a key part of the mission of the U.S. Financial Services Roundtable. Therefore, we pay close attention to political developments in the United States, both on a national and state level.

Currently, we are particularly interested in the outcome of our mid-term Congressional elections, which are scheduled for November 4.

The election is called a “mid-term” election because it falls half-way between the four-year cycle for our presidential elections. In a mid-term election all 435 members of the U.S. House of Representatives stand for re-election, as well as one-third of the 100 members of the U.S. Senate.

Typically, mid-term elections are referendums on the policies of the sitting president, and often mid-term elections result in a net loss in Congressional seats for the president’s party, which is the Democratic Party. Public opinion polls in early October suggest that history may repeat itself this year and the President's party may lose seats in Congress.

In the House of Representatives, Republicans currently have a 234-199 majority. Democrats will need to win 17 seats to gain a majority, and most polls indicate that this is unlikely. Instead, it is highly likely that the Republican Party will gain more seats in the House of Representatives and continue to control that chamber.

The outlook for control of the U.S. Senate is a more difficult political question to answer at this moment. Currently, Democrats have a narrow 55-45 seat majority in the U.S. Senate. Republicans need to gain 6 seats to take control of the chamber. There are three states in which Republicans are almost assured to win. Those are Senate seats in the states of West Virginia, Montana and potentially South Dakota. There are another four seats that Democrats must defend, and they are in states that were won by Mitt Romney in the most recent 2012 presidential election. As of this week, polls indicate statistical dead heats in those states. Thus, it is possible that Republicans will gain control of the Senate on November 4, giving the Party full control of the legislative branch of our government.

It is also possible that control of the Senate may not be decided on Election Day. Two states with competitive Senate races, Louisiana and Georgia, require run-off elections if no candidate receives more than 50% of the vote on Election Day. Thus, control of the Senate may not be known until December 6th, when Louisiana might be required to hold a run-off election, or January 6, 2015 when Georgia might be required to hold a run-off election.

Additionally, in the State of Kansas, the independent candidate for Senate, Greg Orman, has said that if he wins his race against Republican incumbent Senator Pat Roberts -- and Mr. Orman, the independent candidate, is currently leading in most polls -- he will caucus with whichever party holds the majority of the seats in the Senate. Thus, it is possible that if Mr. Orman is elected to the Senate from Kansas, he could determine which party controls the Senate in a new Congress in 2015.

Even if the Republicans gain control of the Senate it will be a narrow majority, and conventional wisdom is that Congress and the Obama Administration will be unable to agree on legislation to address some of the major policy issues facing our country, including tax reform and immigration reform. Conventional wisdom is often correct, but not always. There are some issues upon which both parties agree, and we could see action on those issues. Corporate tax reform is one such issue. Both parties generally agree that corporate tax rates in the United States are too high and may be affecting U.S. International competitiveness. Agreement on some reform and reduction in corporate tax rates is politically possible. Similarly, there is a reasonable prospect for a long-term extension of the Export-Import Bank and ratification of some trade agreements.

U.S. Economy

The state of the Domestic U.S. economy will be a key factor in the election. The U.S. economy continues to gain strength and the recovery is gaining some momentum. Recent economic indicators are generally positive and continuing in that direction.

GDP growth rates in the U.S. rebounded strongly in the second quarter to 4.2 percent. Third quarter GDP growth is estimated to be around 3.5 percent, and given recent employment data this positive growth trend should continue.

We have seen a relatively steady decline in the overall unemployment rate in the United States. The current unemployment rate as of October 3rd is 5.9 percent, which is the lowest the unemployment rate has been in our country since July of 2008. While there are some Americans who have left the labor force, we have had an average increase in payroll jobs of 215,000 over the past eight months, with an estimated 248,000 private sector jobs created in September of this year. This improving labor market should translate into increased consumer spending over the near-term.

Another indication that the U.S. economy can become stronger is the prospect for more energy independence. The U.S. is producing more of our own energy. This month the U.S. is expected to surpass Saudi Arabia and Russia as the world's largest producer of liquid petroleum products. The consequences of U.S. energy independence will be enormous for the U.S. economy and its foreign policies.

We are also starting to see banks return to lending levels near those that existed prior to the financial crisis. The latest data indicates that loan volume is 6.2 percent higher than one year ago. This increasing level of lending may be due to the fact that commercial banks have boosted capital levels and adjusted policies consistent with stress tests administered by federal regulators. Overall, U.S. banks are well capitalized and are seeking to make good loans.

As the President of the Roundtable's Housing Policy Council, I am especially interested the recovery of the U.S. Housing and mortgage market. Housing remains a key driver in our economy. The U.S. housing and mortgage market is recovering. For a number of reasons, the recovery has been relatively slow and uneven in different regional markets in the U.S.

There are numerous reasons for the slow and uneven recovery of the U.S. housing market:

- The housing market crisis that began in 2007 was the most severe since the Great Depression. A real recovery is underway, but it will take additional time.
- Some basic reasons for the uneven recovery include:
    - an excess supply of housing stock;
    - federal regulatory policies that were enacted to prevent future abuses in mortgage lending, but which have also caused lenders to tighten mortgage underwriting standards, have now made it harder for American consumers to qualify for a mortgage,
    - Demographic changes and a new generation of homeowners known as "Millennials" who are coming of age. Some of these younger consumers may not currently see homeownership as an immediate step toward what we call achieving the "American Dream." Younger Americans just entering the workforce may need to repay significant student loan debt, they will need to establish careers that enable them to save and build confidence in their

economic future. We think they will want to become homeowners but it may take them longer to make the step toward buying a home.

Despite these challenges, it appears that our housing market is breaking out of the stagnant cycle that has slowed its growth. The excess housing stock is declining; home mortgage interest rates remain relatively low and demand for new and existing homes is increasing in most metropolitan areas.

Here are some slides that show the progress of the housing recovery and also show what additional progress is needed:

First, here are four slides that show how far the U.S. housing market has come from the height of the crisis.

SLIDE 1: shows that foreclosure starts have declined significantly.

SLIDE 2: Highlights that sales of foreclosed homes are also down dramatically from the start of the crisis- this means that fewer homes are being sold through the foreclosure process, which is good for homeowners and the housing market.

SLIDE 3: Shows that serious delinquencies are declining- meaning that significantly fewer homeowners are having financial difficulty that causes them to miss a mortgage payment.

SLIDE 4: outlines solutions that prevent foreclosures exceed both foreclosure starts and sales – in other words, homeowners in difficulty can get a loan modification, repayment plan or sell their home to avoid foreclosure. These are all very positive trends that show the crisis is over and that the housing market is recovering.

Here are two slides that also indicate the housing recovery, but the positive trend is relatively slow and more progress is needed.

Slide 5 shows that mortgage originations to purchase homes have been increasing, but are still below the levels prior to the housing crisis.

The final slide #

6 shows the growth in private sector employment in the U.S. and the growth in jobs related to the housing sector. As we all know, a fundamental key to economic growth is a growth in employment. This slide shows the recovery in overall private sector employment and that housing-related employment is growing, but at a slower pace. This pace needs to accelerate.

In addition to the data I already presented to you, additional data suggests that home values are gradually increasing in most U.S. markets; homeowners' equity in household real estate stand at $10.8 trillion, and has now surpassed the $9.4 trillion in outstanding mortgages –meaning the home real estate market has a positive balance sheet for the first time since prior to the recession.

Thus, over the next few quarters and in the next years we should see growth in housing investment, and this will have a very positive impact on overall U.S. GDP growth.

Housing Finance Reform

A key to the long-term stability and overall strength of the U.S housing market is a permanent solution to reforming the U.S. secondary mortgage market system. The two U.S. housing Government Sponsored Enterprises, Fannie Mae and Freddie Mac, are continuing to provide liquidity for U.S. home mortgages, and that is very important for the continued recovery of the our housing market. However, Fannie Mae and Freddie Mac are in government conservatorship, with a mandate to conserve their assets, and are under the supervision of their regulator, the Federal Housing Finance Agency (FHFA). FHFA is ensuring that the GSEs operate safely and soundly and continue to purchase mortgages and issue mortgage backed securities. Nevertheless, government conservatorship, which began in 2008, was intended to be temporary. Congress and the Administration must agree on -- and enact -- legislation to restructure the U.S. secondary mortgage market system. That effort has begun with Committee approval of reform legislation in the U.S. Senate and the House of Representatives.

At this juncture, the legislation pending in those two chambers of Congress, differ in one key respect. The difference relates to the level of federal support for the secondary market, which we feel is a crucial part of any reform legislation. As you may know, the mortgage securities issued by Fannie Mae and Freddie Mac did not carry an explicit federal guarantee. Yet, it was widely assumed that the government would support those securities, and, in fact, when the two firms failed in 2008, the federal government did provide support for the securities. Given this experience, the U.S. Senate bill would place an explicit federal guarantee on the mortgage securities issued by the successors to Fannie Mae and Freddie Mac. On the other hand, the U.S. House of Representatives' bill does not provide for a federal guarantee of mortgage securities issued by the successors to Fannie Mae and Freddie Mac.

The U.S. Financial Services Roundtable and the Housing Policy Council strongly support legislation that provides for a backstop federal guarantee. We realize that many investors in mortgage securities rely upon that guarantee, and that without it the flow of funds into housing would diminish quite significantly. This would mean that fewer Americans could get home mortgage loans, and the longer-term 30-year rate mortgage would be less available.

While we support a federal guarantee for these mortgage securities, we also believe that private capital should stand in front of the guarantee, so the risk to U.S. taxpayers is minimal. This private capital would include the down payment on a mortgage, mortgage insurance and the capital held by the entities that are the successors to Fannie Mae and Freddie Mac.

We are fairly confident that, at the end of the legislative process, some form of backstop federal guarantee will be included in the legislation. What is less clear is when the legislation will be finalized. We are working diligently to urge Congress to finalize the legislation next year.

In sum, U.S. economic trends are increasingly positive, and final action on housing finance reform legislation would give a further boost to our economy.

Closing

As I close my remarks here today, and because I'm a leader quite fond of the United States Navy, I wanted to reemphasize that the U.S. Navy is committed to increasing its presence and relationships in South East Asia. But, this rebalancing effort is far more than just a defense effort. It is far more of an economic and cultural focus of the United States. The goal of these rebalancing efforts is to help ensure the economic prosperity of the nations in this region and to continue the positive relationship between our countries. This is a goal that is shared by the Taiwan Financial Services Roundtable and the U.S. Financial Services Roundtable.

I want to thank you once more for the opportunity to be with you here this morning, and I would be pleased to respond to any questions that you might have. Thank you very much.