

**Statement of Chairwoman Sue Kelly; Capital Markets,
Insurance, and Government Sponsored Enterprises and
Oversight and Investigations Subcommittees
Joint Hearing on The Enron Collapse: Impact on
Investors and Financial Markets**

Wednesday, December 12, 2001

I want to thank Chairman Baker and Ranking Members Kanjorski and Gutierrez for agreeing to hold this joint hearing on the recent collapse of Enron and its impact on investors and the financial markets. In this hearing I hope we can all gain a better understanding of why Enron collapsed so quickly and why Enron's public filings and Anderson's audit reviews failed, until it was much too late, to give any indication of the problems they were experiencing.

Transparency is the goal of the disclosures a company is required to make and a fundamental necessity to a properly functioning open market. Unfortunately, the disclosures made by Enron did not give any indication to the problems they were experiencing until October 16. News reports have had many different versions of what may or may not have happened. I have read about a partnership that hid the level of leverage the company had incurred -- mistakes and misstatements that may have occurred in audits -- certain Brazilian investments that also may have contributed to Enron's fall.

What is clear is that people have been hurt by the collapse of Enron, from the thousands of investors whose retirement and other investment savings have been devastated to the thousands of employees who now find themselves without a job. We have on our hands what appears to be the largest bankruptcy ever, which could have far-reaching implications for our economy. We have the duty and responsibility to ensure that safeguards are in place to prevent a disaster of this magnitude from being repeated. We must determine when the accountants, executives and regulators knew what was happening and what they did or did not do to rectify the problems. While it would be impossible to ever have in place a system that would prevent failures in the future we must always try to improve upon the current system of disclosures and enforcement that is the responsibility of the SEC.

Enron's collapse underscores how important it is for Congress to act immediately to pass the netting provisions of the bankruptcy bill which have already passed the house numerous times. For the record, Mr. Chairman, I would like to as unanimous consent to have a letter signed by seven financial regulators who support the netting provision made part of the record. This legislation would reduce uncertainty for financial market participants about the disposition of their contracts in the event one of their counterparts becomes insolvent. In this letter the financial regulators state that "failure to enact these financial contract netting provisions would unnecessarily place the financial system at greater risk."

Chairman Oxley has been working on this and I just want to add my strong support for enacting these needed provisions before we adjourn this year.

I want to thank all the witnesses for taking the time out of their busy schedules to share there views with us and look forward to discussing these issues with them.