

default, loss of value, or another credit event that might affect a financial asset such as a government or corporate bond or a mortgage-backed security.

As government officials and financial experts have pointed out, there is nothing perhaps inherently wrong with such contracts. The problem, however, is that credit default swaps are not traded on regulated exchanges, are not officially reported to our Nation's financial regulators, and are not even subject to recordkeeping requirements. Some are visible to bank examiners who may take them into account when considering a bank's risk exposure and others are summarized in voluntary publications, but that is only a partial glimpse into a market whose total national value has been estimated as high as \$60 trillion.

As the cases of Lehman Brothers and AIG insurance holding company showed this year, serious problems can arise when a major credit event suddenly reveals that massive claims for collateral posting or payment are converging on credit default swap parties who cannot meet their obligations. But under the current system, it is often impossible for regulators and even market participants to know in advance how all the tangled webs of contract commitments overlap and affect any particular party. This leaves regulators unable to take action against excessive debt, inadequate reserves, or other threats.

For example, Bear Stearns had a financial leverage ratio of 35 to 1. In other words, the firm borrowed \$35 for every dollar of its own money. That level of debt financing can generate fabulous profits for shareholders and mind-boggling bonuses for top executives when investments flourish but can whipsaw disastrously if they drop in value. If your equity capital is \$1 and you borrow \$35 more to buy an asset worth \$36 and the value of that asset declines by only \$2, to \$34, you are insolvent.

Although credit default swaps are contracts rather than asset purchases, they can also overwhelm sellers and leave buyers unable to get payment for the protection they thought they had secured. Excessive leverage and excessive risk exposure can combine to ruin even giants such as Lehman Brothers and AIG.

The fallout from such collapses extends far beyond the firms' investors, employers, and business partners—and this is the important point. It would be one thing if the bad decisions made by Wall Street firms only affected those firms, but that is not the case, as we have learned all too well. People in Maine and other Main Street Americans have felt shock and despair in reviewing the statements for their 401(k) accounts. For these people, the fact of their loss is far more important than its cause. But for us who are assigned the role of policymakers, understanding the cause of the problem is

critical if we are to prevent its recurrence.

We now know that a fundamental source of trouble was the lack of effective oversight, of regulation for safety and soundness for the highly leveraged investment bank holding companies. And we know that the second problem is the lack of transparency and coordination in the enormous market for credit default swaps.

My bill would address the second problem in two ways. First, it sets a reporting requirement. For any U.S. entity that buys or sells a credit default swap contract, it must report that fact to the Commodity Futures Trading Commission. This simple step will go a long way to increasing the transparency and allowing us to identify potential risks. Second, my bill would add the force of law to the clearinghouse initiative being jointly pursued by the Federal Reserve Bank of New York, the SEC, and the CFTC.

The clearinghouse, however, should be codified. We can't rely on a voluntary arrangement. The SEC's top risk-management official recommends such a statutory mandate to ensure participation, and that is what my bill would do. As two NYU finance professors wrote in a recent essay for *Forbes*: It is time to "lift the veil" from these derivatives with more reporting and with centralized clearing operations.

Correcting those gaps are important steps toward preventing repetition of the painful financial collapses we have seen. But we must also look in the long term at comprehensive financial reform. The Emergency Economic Stabilization Act that was signed into law last month calls for two reports to advance that goal. One is due in January and one in April. Those will be useful, but I believe our deliberations would benefit from having the advice not only of a small panel on a short deadline and of the new administration but also from a special commission modeled on the one created to examine the terrorist attacks of September 11, 2001. Fortunately, a plan for such a commission exists. It has been developed by my colleagues, Senator LIEBERMAN and Senator CANTWELL, and that has been incorporated into my bill as well.

I believe this issue of restoring confidence to our financial markets through a strong and effective regulatory reform bill is so critical to our Nation—critical for promoting growth and job creation, for protecting retirement savings and public services, for restoring credit to households and small businesses, and for promoting transparency and accountability in financial markets—that we should focus on it in a special session in December.

But regardless of the decisions made by our leadership on that issue, I hope the introduction of the Financial Regulation Reform Act of 2008 will prompt a much-needed debate on the fundamental changes needed to modernize and strengthen our system for monitoring and regulating the immensely

complicated financial markets that supply the lifeblood for growth for our country.

Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mrs. STABENOW). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. WHITEHOUSE. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### VETERANS DAY

Mr. KYL. Madam President, November 11 marked the 54th anniversary of Veterans Day. It is an occasion when we must remember the great debt that we owe veterans and members of the armed services who fight to maintain our freedom around the world. Throughout history, our soldiers have risked their lives to defend our freedom, and we must not forget their sacrifices.

For my State of Arizona, Veterans Day is particularly special because it is home to over 560,000 veterans. Each one has worked to maintain our freedom. Whether as a medic administering aid to a fallen soldier, a soldier rooting out the enemy in a safe house, or a mechanic servicing the military equipment, every veteran played an integral role in our military and thus strengthened our Nation. Our veterans shouldered this great responsibility with courage, dedication and honor. We, as a Nation, cannot forget the countless sacrifices our veterans have made for this country.

Brave men and women in our Armed Forces continue to fight the war against terrorists. It is important to remember that the troops currently working to defeat the terrorists all volunteered for our Nation's military. Young people today are presented with many opportunities when they begin their careers, and many serving in the military could have chosen a more lucrative career that would not put them in harm's way or take them away from their families. This act of selflessness not only underscores the patriotism of our Nation, but also highlights the dedication of our Nation's youth. We should be thankful that so many Americans are willing to serve their Nation, particularly at such a critical and dangerous time.

In the coming year, Congress will be called upon to preserve care and services to our veterans, as well as to support our men and women who are engaged in the missions abroad. We cannot forget those who have given up so much to fight for our Nation, and we will work to ensure that our veterans and soldiers are recognized for their service.

My family and I pay respect to all soldiers who have sacrificed to ensure America remains free, safe, and the symbol of democracy for the world. I

am immensely grateful to all who have served this great Nation.

## TRIBUTE TO SENATORS

LARRY CRAIG

Mr. INOUE. Madam President, I rise to recognize the service of a great public servant and an outstanding leader.

Senator CRAIG has served his home State of Idaho for 17 years in the U.S. Senate. He has been a fervent leader to the people of Idaho with unwavering devotion.

Senator CRAIG has sought to establish Federal policies that respond to the needs and interests of Idahoans by constructing strong, sustainable rural communities, seeking access to adequate, affordable health care and developing natural resource and energy policies that protect the environment and keep consistency with economic growth.

Senator CRAIG's leadership in promoting economic development and strengthening American agriculture has led to the improvement of both agricultural studies and programs. His resilient leadership has helped to foster numerous programs in Idaho that will benefit agricultural entrepreneurship and help to strengthen the partnership between State and Federal groups. Senator CRAIG has truly served the people of Idaho with distinction.

Madam President, I ask my colleagues to join me in paying tribute to this magnificent Senator.

PETE DOMENICI

Madam President, I rise to recognize the service of a great public servant and an outstanding leader.

Senator DOMENICI has been a tremendous and dedicated servant to his home State of New Mexico. His distinguished career spans 36 years, making him the first New Mexican to serve six full 6-year terms and the longest serving Senator of his State.

Senator DOMENICI has been a devoted champion of the State of New Mexico. His relentless commitment to the people of New Mexico is evident to all who know him. As a respected leader in the Senate, he has pushed to strengthen energy security, curb nuclear proliferation, promote fiscal responsibility in the Federal budget, and has demonstrated profound leadership skills in his desire to continuously improve New Mexico's economy.

Among his many accomplishments and priorities, Senator DOMENICI has placed the importance of our future generation at the forefront. He recognizes the necessity of cultivating the young minds of today to ensure a bright future. Over a decade ago, Senator DOMENICI introduced the Character Counts Program into New Mexico's school curriculum. Under the guidance of this program, schoolchildren learn the value of trustworthiness, respect, responsibility, fairness, caring, and citizenship as they build their

character. Such traits are reflected in Senator DOMENICI. His legacy of public service has truly left its mark on Congress and will forever remain in the hearts of New Mexicans.

Madam President, I ask my colleagues to join me in paying tribute to this magnificent Senator and friend.

CHUCK HAGEL

Madam President, I rise to recognize the service of a great public servant and an outstanding leader.

Senator HAGEL has been a committed and avid servant to his home State of Nebraska. He has served in Congress for two consecutive 6-year terms with ardent fervor for the welfare of Nebraskans and all Americans.

Senator HAGEL has always placed the well-being of Nebraska and our Nation ahead of partisanship and personal feelings. He has been an earnest supporter of bipartisanship, recognizing the productivity that can accompany joint labor. His devotion to the people of his State and this Nation is apparent to any who know him. He has distinguished himself as a soldier and public servant of the people, demonstrating an exemplary character of which Nebraskans can be proud.

Madam President, I ask my colleagues to join me in paying tribute to this magnificent Senator.

WAYNE ALLARD

Madam President, I rise to recognize the service of a great public servant and an outstanding leader.

Senator ALLARD has been a tremendous and dedicated servant to his home State of Colorado. His distinguished career spans 17 years in the U.S. Senate and the House of Representatives.

Senator ALLARD has been a devoted champion of the State of Colorado. His tireless commitment to the people of Colorado is evident to all who know him. He has been an ardent supporter of increased national attention to the importance of savings plans and investments and small business concerns.

Madam President, I ask my colleagues to join me in paying tribute to this magnificent Senator.

JOHN WARNER

Madam President, I rise to recognize the service of a great public servant and an outstanding leader.

Senator WARNER has been a tremendous and dedicated servant to his home State of Virginia and our Nation. His distinguished career spans 30 years in the U.S. Senate, making him the second longest serving U.S. Senator from Virginia.

Senator WARNER has always placed the well-being of Virginia and the United States ahead of partisanship and personal feelings. He has been an ardent supporter for the men and women of the Armed Forces. As a respected leader, he pushed to modernize the structure and operations of the military to ensure its effectiveness in the 21st century.

Madam President, I ask my colleagues to join me in paying tribute to this magnificent Senator.

JOHN SUNUNU

Mr. CONRAD. Madam President, I rise today to honor my colleague, Senator JOHN SUNUNU, who will be leaving the Senate at the end of this term. Senator SUNUNU has represented the great State of New Hampshire for 12 years in Congress, serving six of those years in the Senate. Senator SUNUNU and I both served on the Finance Committee. Although we did not always agree, I found JOHN to be willing to work in a bipartisan manner to confront the major challenges that our great Nation faces.

Raised in Salem, NH, JOHN SUNUNU became interested in public service early in life when his mother served as chair of the local school board. JOHN attended public school in Salem and later earned advanced degrees from the Massachusetts Institute of Technology and the Harvard Graduate School of Business.

JOHN SUNUNU was elected to represent New Hampshire's First Electoral District in the House of Representatives in 1996. In the House, JOHN served on the Budget and Appropriations Committees. He quickly rose in rank on the Budget Committee, becoming its vice chairman. In 2002, he was elected to represent the Granite State in this Chamber, becoming its youngest Member.

JOHN and I worked together on numerous occasions. We both served on the Finance Committee This summer, JOHN joined the so-called "Gang of Ten" as it expanded from 10 to 20 members. Together, we sought pragmatic, bipartisan solutions to our Nation's energy crisis. Senator SUNUNU also joined me in standing up for our Nation's senior citizens and opposing cuts to Medicare-financed nursing home care.

JOHN will be remembered for his commitment to individual liberties and limited Government. In the uncertainties of today's world, Senator SUNUNU has been a voice for preserving civil liberties in the light of increased law enforcement needs.

I thank Senator SUNUNU for his years of public service and wish him and his family the best in the future.

## HONORING OUR ARMED FORCES

SERGEANT MICHAEL K. CLARK

Mr. SALAZAR. Madam President, it is with a heavy heart that I rise today to pay tribute to the life and service of SGT Michael Clark. A member of Fort Carson's 3rd Brigade Combat Team, Sergeant Clark was killed on October 7 when his foot patrol was ambushed in Mosul, Iraq. He was 24 years old.

Sergeant Clark was on his second deployment to Iraq and in his fourth year of service in the 3rd Brigade. He was assigned to the brigade's 1st Battalion, 8th Infantry Regiment, and served as a fire support specialist, a job that requires quick thinking, unusually strong stamina, and a mastery of the techniques of target processing. In this urban, guerrilla-style conflict, where