users at the expense of American business, banks, and end users.

Mr. SCOTT and I are not alone. Canada recently announced it will delay its CVA capital requirement for 1 year even though it implemented the rest of the Basel 3 package on schedule. Canada's decision to delay the implementation of the CVA requirement was simple. It was driven by concerns that Canadian banks would be at a competitive disadvantage because of the European CVA exemption. U.S. financial institutions and consumers share those same concerns and will be competitively disadvantaged, which will affect how these institutions serve consumers and the derivatives business as well as the commercial loan business.

Our bill will clarify the impact the CVA exemption for European financial institutions will have on the U.S. economy. The U.S. economy can't afford to wait while Europe takes valuable market share away from U.S. companies. If the U.S. doesn't act, this disadvantage could potentially cost the U.S. economy billions of dollars and lead to jobs moving overseas.

It's simple: this bill is about America versus Europe. I urge you to support me in passing the Financial Competitive Act in order to ensure the law of unintended consequences doesn't place U.S. consumers, end users, and financial institutions at a disadvantage.

I reserve the balance of my time.

Ms. WATERS. Mr. Speaker, I yield myself such time as I may consume.

Just last week, the government made an important step towards repairing our financial system after the worst financial crisis since the Great Depression. The Federal Reserve adopted final rules implementing Basel 3, including new capital requirements intended to bolster capital throughout the financial system. As losses mounted during the financial crisis, the woefully inadequate capital cushions at banks and others nearly brought our entire economy to a halt.

I also appreciate that the bank regulators have taken a commonsense approach, for which I had strongly advocated, related to community banks, including the treatment of residential mortgages. I applaud the banking regulators for finalizing these critical rules, which, along with the other Dodd-Frank reforms, will create the conditions for a robust and resilient financial sector.

This legislation before us today, H.R. 1341, requires the Financial Stability Oversight Council, or FSOC, to conduct a study of the potential effects of any differences between the U.S. and other jurisdictions' implementation of one aspect of the Basel 3 Accords—the credit valuation adjustment capital requirement related to derivatives transactions. The Basel signatory countries rightly agreed that banks should hold capital against the possibility that their counterparties, be they airlines or other banks, would default.

However, despite agreeing to do so under Basel 3, the European Union has made a preliminary decision to exclude the credit valuation adjustment from the calculation of European banks' capital requirements. As a result of the EU dropping this requirement, some U.S. banks think that they may be disadvantaged relative to their international counterparts.

Under the bill, the FSOC will study these and other differences between the regulators' implementation of this requirement. I agree that it is important for U.S. regulators to ensure that the way by which the CVA is calculated for domestic financial institutions includes an appropriate methodology that will not inadvertently create an unlevel playing field relative to foreign competitors. At the same time, we must be mindful not to engage in a global race to the bottom when it comes to capital requirements for our largest, most globally interconnected financial institutions. After all, the strength of the U.S. financial system is and will be based on its stability and transparency.

Importantly, during consideration of the bill, Mrs. BEATTY of Ohio added language balancing the study's scope. As a result, the FSOC study will also consider the effects that failing to implement the CVA would have on the stability of U.S. financial markets in a period of market stress as well as how the regulators are fulfilling their statutory mandate to respond to emerging threats to financial stability.

With the addition of this language, the bill's study now balances not just the implications for derivatives market participants of this specific capital charge but also the effects on our economic stability. Undercapitalized derivatives exposures were one of the major drivers of the 2008 financial crisis. Market participants should hold capital against the risk of a counterparty defaulting or entering bankruptcy.

We can certainly consider how the implementation of the CVA could best be accomplished; but, again, we cannot engage in a global race to the bottom when it comes to capital rules. It is my hope that the FSOC will use the findings from this study to urge the other global regulators to expeditiously adopt standards that are as strong as ours.

I yield back the balance of my time.

Mr. FINCHER. Mr. Speaker, I urge the passage of H.R. 1341, and I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Tennessee (Mr. FINCHER) that the House suspend the rules and pass the bill, H.R. 1341, as amended.

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. FINCHER. 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, further proceedings on this motion will be postponed.

## AUDIT INTEGRITY AND JOB PROTECTION ACT

Mr. HURT. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 1564) to amend the Sarbanes-Oxley Act of 2002 to prohibit the Public Company Accounting Oversight Board from requiring public companies to use specific auditors or require the use of different auditors on a rotating basis, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 1564

*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 ''Audit Integrity and Job Protection Act''.

**SEC. 2. LIMITATION ON AUTHORITY RELATING TO AUDITORS.**

Section 103 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7213) is amended by adding at the end the following:

''(e) LIMITATION ON AUTHORITY.—The Board shall have no authority under this title to require that audits conducted for a particular issuer in accordance with the standards set forth under this section be conducted by specific registered public accounting firms, or that such audits be conducted for an issuer by different registered public accounting firms on a rotating basis.''.

**SEC. 3. STUDY OF MANDATORY ROTATION OF REGISTERED PUBLIC ACCOUNTING FIRMS.**

(a) STUDY AND REVIEW REQUIRED.—The Comptroller General of the United States shall update its November 2003 report entitled ''Study on the Potential Effects of Mandatory Audit Firm Rotation'', and review the potential effects, including the costs and benefits, of requiring the mandatory rotation of registered public accounting firms. In addition, the update shall include a study of—

(1) whether mandatory rotation of registered public accounting firms would mitigate against potential conflicts of interest between registered public accounting firms and issuers;

(2) whether mandatory rotation of registered public accounting firms would impair audit quality due to the loss of industry or company-specific knowledge gained by a registered public accounting firm through years of experience auditing the issuer; and

(3) what affect the Sarbanes-Oxley Act of 2002 has had on registered public accounting firms' independence and whether additional independence reforms are needed.

(b) REPORT REQUIRED.—Not later than 1 year after the date of enactment of this Act, the Comptroller General shall submit a report to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives on the results of the study and review required by this section.

(c) DEFINITION.—For purposes of this section, the term ''mandatory rotation'' refers to the imposition of a limit on the period of years in which a particular registered public accounting firm may be the auditor of record for a particular issuer.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Virginia (Mr. HURT) and the gentlewoman from California (Ms. WATERS) each will control 20 minutes.

The Chair recognizes the gentleman from Virginia.

GENERAL LEAVE

Mr. HURT. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days within which to revise and extend their remarks and submit extraneous materials for the RECORD on H.R. 1564, as amended, currently under consideration.

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

There was no objection.

Mr. HURT. Mr. Speaker, I yield myself such time as I may consume.

I rise in support of H.R. 1564, the Audit Integrity and Job Protection Act, a bipartisan bill I introduced with my colleague, Representative MEEKS. I thank him for his leadership on this issue.

If enacted, this bill would eliminate the threat of mandatory audit firm rotation by prohibiting the Public Company Accounting Oversight Board, which is the self-regulatory organization charged with overseeing the auditors of public companies, from moving ahead with a potential rulemaking that would have serious negative consequences for American businesses, investors, and consumers.

In 2011, the PCAOB issued a concept release to impose mandatory audit firm rotation, which is a directive requiring public companies to change their independent auditors every few years.

Implementing this proposal would significantly impair the quality of public audits, reduce the supervision and oversight of audit committees, and impose significant, unnecessary costs that impede investment and harm investors and consumers. In fact, a GAO study conducted pursuant to Sarbanes-Oxley found that initial-year audit costs under mandatory audit firm rotation would increase by more than 20 percent over subsequent-year costs in order for the new auditor to acquire the necessary knowledge of the public company.

Additionally, the GAO noted concerns about negative effects on audit quality during the initial years of a new audit firm's tenure. The consequences of the costs imposed by audit firm rotation would decrease access to capital and investments in our communities that help our local businesses and get people back to work.

Beyond harming the competitive position of American public companies, I have heard from private companies in Virginia's Fifth District, including from many of our biotech firms and our banks, that mandatory audit firm rotation would create one more disincentive to go public in light of the increased costs and an already complex regulatory scheme.

Both the SEC and Congress have previously rejected mandatory audit firm rotation. Most recently, the JOBS Act explicitly banned audit firm rotation for emerging growth companies. In exerting its legislative prerogative to ensure this harmful policy was not enacted on these emerging companies, Congress took away this disincentive from companies exploring accessing the public markets.

Now Europe is considering imposing an audit firm rotation regime, in part, because it believes that the United States will move forward on the PCAOB's concept draft. Despite the overwhelming opposition to the concept release—over 90 percent of the more than 700 comments filed—the PCAOB has left this issue unresolved. To my knowledge, the concept release has not been withdrawn nor have there been any statements from the PCAOB that it will not be moving forward with a proposal. This continued uncertainty is having a detrimental effect on American businesses. The decision of changing an audit firm is best left to companies' audit committees, not regulators, who are trying to impose a one-size-fits-all approach.

□ 1745

H.R. 1564 will make clear that Congress does not believe that mandatory audit firm rotation will provide additional protections to investors or consumers and will stifle growth of job-creating small businesses while decreasing audit quality.

I would like to thank Chairman HENSARLING and Ranking Member WATERS of the Financial Services Committee for their support and leadership on this issue as we were able to achieve a unanimous, bipartisan vote from the committee.

I ask my colleagues to join me in voting ''yes'' on H.R. 1564 and pass this good bill from the House so that we may strengthen audit quality, remove the threat of unnecessary costs, and refocus the PCAOB on its mission to protect investors and the public interest by promoting informative, accurate, and, most important, independent audit reports.

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

Ms. WATERS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the 2008 financial crisis cost Americans more than $13 trillion, leaving many families unable to make ends meet as they lost their jobs and saw their nest eggs disappear. Five years later, as we began to pick up the pieces of the mess largely caused by deregulation, the American investing public is now much more cautious when investing its valuable savings. As a member of the Financial Services Committee, I see my job to ensure that there are appropriate rules in place that will hopefully prevent such a debacle from ever happening again.

One such initiative to improve the functionality of our markets is to improve the independence of the market's fact checkers—the public company auditors. These companies play a vital role of validating the authenticity of a company's financial statements and keep all public companies honest when reporting to investors how they have performed.

I applaud the government regulator of the auditors, the Public Company Accounting Oversight Board, or PCAOB, for its persistent efforts to identify structural changes in the current system that may improve auditor independence. After all, we know that auditors generally performed poorly leading up to the 2008 financial crisis, failing to warn investors of the outsized risk posed by banks' bets on the housing market.

Having said that, I understand that one such proposal floated by the PCAOB, the mandatory rotation of auditors, has raised serious concerns that will significantly increase costs for companies, as well as diminish the quality of information upon which investors base their investment decisions. For these reasons, I support H.R. 1564, which prohibits this proposal from being implemented.

It is not clear to me that requiring a public company to change auditors every so many years would contribute to auditor independence. What's more, given the time it takes an auditing firm to truly understand the business of a company, there will be at least a few years of less than ideal audits as an auditor has to learn everything they need to know about the new firm.

Additionally, the small number of major auditing firms, coupled with specialization within the auditing industry, means that requiring rotation, in many cases, will not leave companies with much choice at all. In my view, while enhancing auditor independence is a crucial goal, I do feel there may be better ways to accomplish it.

I would also note that this bill does not in any way limit the ability of a company's audit committee to rotate its auditors. Such committees, as some investors have pointed out, are best suited to select their own auditors.

Having said that, I do have concerns about tampering with the authority of a regulator when it raises an issue that we disagree with. The PCAOB asked the public for feedback on a range of proposals all targeting the concern that auditors have become too close and dependent on the companies they are supposed to examine. It's not unreasonable for the PCAOB to include this as one of a large range of issues it's examining.

To address this concern with the bill, I offered an amendment during our markup of H.R. 1564 that requires the GAO to update its previous study regarding auditor rotation. The previous GAO study, completed shortly after the passage of the Sarbanes-Oxley Act of 2002, found that ''mandatory audit firm rotation may not be the most efficient way to strengthen auditor independence and improve auditor quality.'' However, the GAO also noted that ''several years' experience with implementation of the Sarbanes-Oxley Act's reforms is needed before the full effect

of the act's requirements can be assessed.'' The GAO needs to update this outdated study.

This amendment requires the GAO again to evaluate the potential costs and benefits of mandatory audit firm rotation, now that more than 10 years have passed since the passage of Sarbanes-Oxley. The amendment requires consideration of various factors, including whether rotation would actually mitigate against conflicts of interest between audit firms and issuers and whether audit quality could suffer due to audit firm rotation. And the study would also include an assessment of the impact of Sarbanes-Oxley on audit firm independence and whether additional reforms are needed.

Importantly, this study will inform a future Congress as to the wisdom of the statutory prohibition on auditor rotation in H.R. 1564.

With the adoption of my amendment, I and every member of the committee voted for this bill.

Let me reiterate, I am supportive of the role and mission of the PCAOB but believe that the regulator would do well to look at the benefits to investors as it examines auditor independence. Doing so will take the PCAOB away from focusing on auditor rotation and towards other areas that provide more meaningful improvements in auditing and financial reporting.

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

Mr. HURT. Mr. Speaker, as we are prepared to close, I reserve the balance of my time.

Ms. WATERS. Mr. Speaker, I yield as much time as he may consume to the gentleman from New York (Mr. MEEKS), who has put so much time and work into researching this whole issue about auditor rotation. He's worked very closely with Mr. HURT and helped to educate the members of the committee about the difficulties and the complications of this whole issue of auditor rotation.

Mr. MEEKS. I want to thank the gentlelady from California for all of her hard work.

I rise to support H.R. 1564, which I cointroduced with my colleague, the gentleman from Virginia (Mr. HURT). This bill will ensure we maintain strict auditing standards without imposing overly burdensome and ill-conceived rotation requirements on our public companies.

I also want to point out the hard work the gentlelady from California put in with regards to the GAO study and why it is important so that we can continue to make sure that our markets are strong and sturdy; and that amendment, as she so indicated, is what enabled us to have a unanimous agreement coming out of our committee. It was us working together across the aisle to make sure that that happened. I think it was good for our markets. It helps to remove the uncertainty that the markets certainly would have right now had we not had this removed and had this study going forward.

I think it's important for me to emphasize that this bill does not, first, weaken our auditing and accounting standards which were reinforced 10 years ago under the Sarbanes-Oxley Act, and that this bill does not weaken—nor do I want to weaken—or remove the regulatory powers of PCAOB, but we do want to remove the uncertainty.

This bill does not, in any circumstance, provide an opportunity for more fraudulent accounting gimmicks. In fact, I want to remind my colleagues that we have supported and we have enacted here in the United States one of the toughest pieces of legislation against accounting fraud and that our existing laws already embrace the concept of rotation by requiring the replacement of the lead auditing partner. This selective rotation ensures that the opinions and interpretations of the reviews remain unbiased and do not remain under the authority of the same individual for prolonged periods. This provision puts us ahead of most developed countries when it comes to antifraud accounting rules, and I believe that it remains the right and smart approach.

Imposing mandatory rotation of the entire auditing firm in the industry where companies often have none or, at best, one or two credible options to rotate to is simply unworkable, it is disruptive, and it imposes undue expenses on our public companies. In fact, studies conducted here in the United States show that requiring mandatory rotation would increase cost by 20 percent in the subsequent year and an additional 17 percent cost for selection process alone. In addition to cost, it is possible that it may actually force public companies to select less credible auditing firms that may not have the required expertise, or it may encourage the auditing firm to charge excessively high fees because mandatory rotation may impose the selection of the single remaining qualified auditing firm.

Mr. Speaker, as I stated before, we did not introduce this bill simply because we're against the principle of rotation; but, rather, we introduced this bill because imposing rotation at all costs, by any means, regardless of market conditions, would simply be irresponsible and detrimental.

Many of my colleagues, me included, do favor a more competitive auditing industry where companies can have more choices in selection of their auditing firms. Eventually, market conditions may evolve and we may have new auditing firms that emerge and gain the confidence of marketers and investors. As that happens, firm rotation, I believe, will naturally happen through market forces, but not through legislation. It is for that reason, Mr. Speaker, that I urge my colleagues to vote in support of H.R. 1564 and to support this commonsense regulation of our auditing industry.

I thank both the chairman and the ranking member and my colleague, Mr. HURT, who cosponsored this, for bringing this piece of legislation forward.

Ms. WATERS. Mr. Speaker, as I have no additional speakers, I yield back the balance of my time.

Mr. HURT. Mr. Speaker, I would just simply close by saying I think this is a good bill, a bill that not only strengthens investor protection, but also reduces unnecessary costs. It reduces uncertainty in the marketplace. We need certainty in the marketplace. This helps reduce that for public companies. So it is my request that this body pass this piece of legislation.

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 Virginia (Mr. HURT) that the House suspend the rules and pass the bill, H.R. 1564, as amended.

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. HURT. 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, further proceedings on this motion will be postponed.

## FORMERLY OWNED RESOURCES FOR VETERANS TO EXPRESS THANKS FOR SERVICE ACT OF 2013

Mr. DESANTIS. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 1171) to amend title 40, United States Code, to improve veterans service organizations' access to Federal surplus personal property.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 1171

*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 ''Formerly Owned Resources for Veterans to Express Thanks for Service Act of 2013'' or the ''FOR VETS Act of 2013''.

**SEC. 2. VETERANS ACCESS TO FEDERAL EXCESS AND SURPLUS PERSONAL PROPERTY.**

Section 549(c)(3) of title 40, United States Code, is amended—

(1) in subparagraph (A), by striking ''or'' at the end;

(2) in subparagraph (B)—

(A) in clause (viii), by adding ''or'' at the end; and

(B) by striking clause (x); and

(3) by adding at the end the following:

''(C) for purposes of providing services to veterans (as defined in section 101 of title 38), to an organization whose—

''(i) membership comprises substantially veterans; and

''(ii) representatives are recognized by the Secretary of Veterans Affairs under section 5902 of title 38.''.

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