State, where costs are well above the national average, to other parts of the country. In my district alone, teaching hospitals would lose almost $12 million in the first five years this provision would be in effect. Teaching hospitals help train the next generation of physicians. It would be unwise to shortchange this investment for the future.

It is unfortunate that this provision was inserted at the last minute during the final negotiations, from which Democrats were frozen out. In addition, H.R. 3075 was brought up under suspension of the rules, allowing little debate and no opportunity to offer an amendment to rectify the situation.

America's hospitals need relief from the deep cuts made in 1997. I hope that we will find a way to do this without pitting states against each other.

H.R. 3196—FOREIGN OPERATIONS APPROPRIATIONS BILL

HON. MIKE McINTYRE

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Monday, November 8, 1999

Mr. McINTYRE. Mr. Speaker, for the record, this is to clarify that the ''no'' vote I cast on November 5, 1999, against the foreign Operations Appropriations bill is by no means an indication that I am opposed to foreign aid for Israel, India, Greece, or Cyprus. Indeed, my voting record with regard to aid for these countries clearly exemplifies my strong support for them. Our country should value our relationships with these and other nations who are allies and partners for peace. In fact, I voted for the Young Amendment to the Foreign Operations bill because it is critical to our national security interests that we provide assistance to implement the Wye River Accord between Israel, the Palestinian Authority, and Jordan. The reason I voted against the Foreign Appropriations bill is because we, as a Nation, have an obligation to take care of our own families first and provide them with the aid they need especially in times of dire emergencies. The citizens of North Carolina are facing an imminent crisis in the wake of three major hurricanes that must be addressed immediately by Congress with the passage of an emergency relief bill. Until that happens, it is improper for us to place the needs of other countries ahead of the needs of our own taxpayers.

CONFERENCE REPORT ON S. 900, GRAMM-LEACH-BLILEY ACT

SPEECH OF

HON. JOHN J. LaFALCE

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, November 4, 1999

Mr. LAFALCE. Madam Speaker, I rise in strong support of the conference report on S. 900, the Gramm-Leach-Bliley Financial Modernization Act of 1999.

In July, the House passed its version of financial modernization (H.R. 10), with a broad bipartisan vote of 343–86. The Senate passed a partisan product (S. 900) by a narrow margin of 54–44, a bill which the White House indicated it would veto because of its negative impact on the national bank charter, highly problematic provisions on the Community Reinvestment Act (CRA) and its nonexistent privacy protections.

The conference report necessarily represents a compromise between the two versions. But it is a good and balanced compromise. It effectively modernizes our financial system, while ensuring strong protections for consumers and communities. As a result, the Administration strongly supports the conference report.

There are clear gains for our financial services system, for consumers and for communities in this bill is enacted. There are clear losses if it is not.

Without this bill, banks will continue to expand into securities and insurance business as they have been doing for some years under current law. However, they will do so without CRA coverage; without privacy protections; without the regulatory oversight and regulatory protections enhanced in this bill; and with artificial structural limitations that will place the U.S. financial services industry at a clear competitive disadvantage. Without this bill, commercial firms will continue to move more and more into the banking business, with no real limitations.

I would like to review the major provisions of the bill and the intent of those provisions.

FINANCIAL MODERNIZATION

This bill permits the creation of new financial services holding companies which can offer a full range of financial products under a strong regulatory regime based on the principle of functional regulation. Banks currently engage in securities and insurance activity under existing law and court interpretations of that law, including the Bank Holding Company Act, the Federal Reserve Act, the National Banks Act, and various state laws. This conference report ensures that such activities will occur, in the future, with appropriate regulatory oversight based on the principle of functional regulation. The conference report also provides for appropriate ''umbrella'' authority at the holding company level by the Federal Reserve, and essential consumer and community protections.

The conference report, in contrast to the Senate bill, clearly preserves the strength of the national bank charter by giving institutions a choice of corporate structure through which they can conduct their business consistent with the original House product.

I would like to clarify the intent of this legislation as it pertains to the market-making, dealing and other activities of securities affiliates of financial holding companies. Currently, bank holding companies are generally prohibited from acquiring more than five percent of the voting stock of any company whose activities are not closely related to banking. The Federal Reserve has determined that a securities affiliate of a bank holding company cannot acquire or retain more than five percent of the voting shares of a company in a market-making or dealing capacity. In addition, for purposes of determining compliance with this five-percent limit, the Federal Reserve has required that the voting shares held by the securities affiliate be aggregated with the shares held by other affiliates of the bank holding company.

I would like to make clear that, by permitting financial holding companies to engage in underwriting, dealing and market making, Congress intends that the five-percent limitation no longer apply to bona fide securities underwriting, dealing, and market-making activities. In addition, voting securities held by a securities affiliate of a financial holding company in an underwriting, dealing or market-making capacity would not need to be aggregated with any shares that may be held by other affiliates of the financial holding company. This is necessary under the bill so that bank-affiliated securities firms can conduct securities activities in the same manner and to the same extent as their non-bank affiliated competitors, which is one of the principal objectives of the legislation. The elimination of the restriction applies only to bona fide securities underwriting, dealing, and market-making activities and does not permit financial holding companies and their affiliates to control non-financial companies in ways that are otherwise impermissible under the bill.

The Conference Committee agreed to make the effective date of implementation of Title I, except for Section 104, 120 days from the date of enactment. We reached this decision to provide the regulators with an opportunity to implement this legislation effectively. It is the intent of the Conferees that Title I become effective 120 days after enactment even if the agencies are not able to complete all of the rulemaking required under the act during that time.

In addition, it should be noted that in some instances, no rule writing is required. For example, new Section 4(k)(4) of the Bank Holding Company Act, as added by Section 103 of the bill, explicitly authorizes bank holding companies which file the necessary certifications to engage in a laundry list of financial activities. These activities are permissible upon the effective date of the act without further action by the regulators. The Conferees recognize, however, that refinements in rulemaking may be necessary and desirable going forward, and for example, have specifically authorized the Federal Reserve and the Treasury Department to jointly issue rules on merchant banking activities. If regulators determine that any such rulemaking is necessary, the Conferees encourage them to act expeditiously.

COMMUNITY REINVESTMENT ACT (CRA)

DISCLOSURE AND REPORTING OF CRA AGREEMENTS

While I support the general concept of disclosure, the so-called ''sunshine'' provision could be pernicious because it could cast aspersions on the many constructive partnerships between banks and community groups that are helping to bring thousands of communities and millions of Americans into the financial mainstream.

Fortunately, however, the bill now substantially limits the scope, reporting requirements, and penalties for violating the disclosure requirements.

The ''sunshine'' amendment applies only to agreements that would ''materially impact'' a bank's CRA rating or a regulator's decision to approve a bank's application. Few if any agreements with major banks would have so large an impact. Indeed, it would neither make sense nor be workable to require annual reports for every contract between a bank and every community partner merely because they had discussed how to best meet CRA requirements. In addition, grants and cash payments under $10,000 and loans under $50,000 would be automatically exempted, as would most market rate loans that are not re-lent. I also strongly encourage the regulators to use their