

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 President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. DORGAN. Mr. President, I ask unanimous consent to speak as in morning business for 5 minutes.

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

ANTIDERIVATIVE LEGISLATION

Mr. DORGAN. Mr. President, I will soon introduce a piece of legislation dealing with derivatives. The term "derivative" is not readily understood by most.

We read in the newspapers and hear on television reports these days about derivatives. The most recent news story, of course, was about a 28-year-old young fellow, an employee of the Barings Bank of England, a 230-year-old bank.

This young employee of the Barings Bank of England was stationed in Singapore. In Singapore as an employee of an English bank he was betting on the Nikkei index on the Japanese stock exchange. Turns out that he lost \$1 billion, and a 230-year-old British bank went under.

This is not the first time we have heard about derivatives. We heard about derivatives with respect to Orange County, CA. We heard about derivative failures across this country in recent years and it has alarmed some people, and justifiably so. Some who thought their retirement earnings were safe found out that the mutual fund they thought they invested in was, in fact, leveraged with derivatives.

Schoolteachers, school districts, cities, elderly people who had saved for their retirement, all have discovered in recent years the risk and potential danger of derivative trading when they do not know what they are doing. There are worldwide some \$30 to \$35 trillion in derivative contracts.

Derivatives in another manner and another name can be simple hedging, and hedging is a very customary thing to have happened. Banks hedge, farmers hedge. Hedging is a customary transaction. I have no trouble with that. Derivatives have become an international financial game and, in fact, some countries call it wagering or betting.

In this country, we have some very large banks that have begun trading in derivatives on their own account. They are involved in proprietary trading and derivatives in their own account. Not for customers.

The difficulty I have with that is when a financial institution whose deposits are insured by the American taxpayers with Federal deposit insurance, starts putting up a keno pit in their lobby and gambling effectively on derivatives, believing if they lose their shirt, the American taxpayers will pay. That is wrong. I do not believe financial institutions whose deposits are in-

sured by the Federal Government should be involved in any case or under any conditions in trading for their own proprietary accounts in derivatives. It is far too risky and far too fraught with potential failure.

In this case, the failure will be underwritten by the American taxpayers. We have seen a chapter of this in the past. It was called junk bonds in savings and loans. Let us not see that repeat itself in this country with banks and derivatives.

Now, most American banks are not involved in derivative trading. Ninety-nine percent of them are not. But we have several very large banks in the country, some of the largest, that are involved in derivatives, with risks up to 500 percent of their entire capital structure.

I will introduce legislation that I introduced in the previous Congress. It is very simple. It does not prohibit traditional hedging by financial institutions for the purposes of hedging risk. It does prevent and prohibit institutions whose deposits are insured by the Federal Government from trading on a proprietary basis in derivatives. That makes no sense, and we ought to stop it.

The fact is we have Federal regulators involved in looking over their shoulders on derivatives trading, but is like having traffic cops involved in looking at computer crime. It simply does not work.

We have a \$30 to \$35 trillion dollar worldwide derivative business, and we see what can happen. We see what happens when a 28-year-old, working for a British bank, living in Singapore, bets on Japanese stocks and loses \$1 billion, and everyone stands around looking surprised.

We saw everyone scratching their heads looking surprised that Orange County went bankrupt. It is fine to stand up and decide that the regulators have to do their jobs, and we as legislators ought to do ours, and ours ought to be to say to all financial institutions in this country, if you have Federal deposit insurance, you have no business trading in derivatives.

The American taxpayers do not deserve to be stuck with your losses if you want to gamble with their money. I hope some of my colleagues would see merit in this legislation and help me pass it.

I recall the legislation that I offered that finally passed the Congress prohibiting savings and loans from buying junk bonds. There was a struggle to get that passed, but I finally did. The reason I got it passed was, unfortunately, we had already lost a bundle by having S&L's buy junk bonds. They are up to their neck in debt with junk bonds.

It should never have happened. The ultimate absurdity was the Federal Government ended up owning junk bonds in the Taj Mahal Casino because an S&L that went bankrupt owned Taj Mahal junk bonds that were nonperformers and the Federal Government

ended up owning bank junk bonds in a casino.

That is the absurdity where we got with junk bonds, and we will head the same way with derivatives, mark my words, unless we decide that institutions whose deposits are insured ought not to bet on derivatives.

That is the purpose of my legislation. My hope is that several colleagues will see fit to pass this legislation in the near future. I thank my colleague from Ohio for indulging me with his statement.

Mr. GLENN. Mr. President, I suggest the absence of a quorum.

I ask that the time be charged to both sides.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

The PRESIDING OFFICER (Mr. GRAMS). Without objection, it is so ordered.

UNFUNDED MANDATE REFORM ACT OF 1995—CONFERENCE REPORT

The Senate continued with the consideration of the conference report.

Mr. GLENN. Mr. President, in thanking people who were instrumental in putting together this kind of legislation, I think we probably were remiss in not thanking Tony Coe, who did so much in the legislative counsel's office in putting together draft after draft after draft of this.

I saw him walking through the Chamber a moment ago, and I want him to step outside just for a moment. I say to Tony, we thank him for all his efforts. I know he does long hours over in the legislative counsel's office putting together some of these legislative proposals which have to be written and rewritten, as this one was.

We were spelling out a while ago people instrumental in getting this legislation through, and Tony certainly deserves to be commended for his efforts on behalf of this legislation, too, and we are glad to recognize him for it.

Mr. KEMPTHORNE addressed the Chair.

The PRESIDING OFFICER. The Senator from Idaho.

Mr. KEMPTHORNE. Mr. President, I want to add my thanks also to Mr. Tony Coe and all that he has done. I think so often people do not realize the intricacies of this and the hours that are put in, and yet, time after time, we require staff to answer the call. Tony has done that in an exemplary fashion. We thank him for that. He has helped significantly, I think, in changing the mindset of how Congress will operate and he can be proud of it.

Mr. President, I suggest the absence of a quorum and ask that the time be equally divided.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

Mr. DOLE. Mr. President, was leader's time reserved?

The PRESIDING OFFICER. Yes, it was.

Mr. DOLE. Mr. President, one of the first decisions I had to make as majority leader was which bill should be designated S. 1. When I considered the message the American people sent us last November, the decision was easy. I chose Senator KEMPTHORNE's unfunded mandates bill, because it shows we are serious about reining in the power of the Federal Government.

The 10th amendment to the U.S. Constitution reads:

The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States, respectively, or to the people.

When the 104th Congress convened, I pledged that we would dust off the 10th amendment, and restore it to its rightful place in the Constitution.

The unfunded mandates bill is the first step in the important process of returning power to the States and to the people. For far too long, Congress has operated under the false assumption that legislation that did not affect the Federal Government had no cost. But, ask any mayor, Governor, county commissioner, or school board official—or any State and local taxpayer—and they will tell you otherwise.

This law will change the way we do business in Washington. Under business-as-usual, Congress had the costly habit of giving State and local governments new responsibilities without supplying the money to pay for these new obligations. Those unfunded mandates have forced State and local officials to cut services or increase taxes in order to keep their budgets in balance.

The unfunded mandates law will be a reality check for advocates of new mandates: the Federal Government should know and pay for the costs of mandates before imposing them on State and local governments, and the Federal Government should know the costs and impacts before imposing them on the private sector.

This law will provide real relief to State and local governments, and to the people who ultimately pay the bills for unfunded mandates—individual American taxpayers.

I am pleased that this bill will pass with strong bipartisan support, and there are a lot of Senators who deserve credit for this initiative's success. Senator GLENN has led the effort on the Democratic side of the aisle, and Senators DOMENICI and ROTH are among those who have also worked hard for this bill.

But no Senator worked harder than our colleague from Idaho, Senator DIRK KEMPTHORNE. He came to the Senate as a mayor, with front-line experience coping with the Federal Government telling him how to run Boise, ID. When he ran for the Senate, he promised the people of Idaho he would fight to stop unfunded mandates. He kept his promise. The first bill he introduced was an unfunded mandates bill—and it attracted only three cosponsors. But that did not stop him. He kept pushing, and he helped mobilize the mayors, county commissioners, and Governors, who stepped up their efforts. After he got more than 51 cosponsors on his unfunded mandates bill, he worked across the aisle to write a bipartisan bill. After that effort was blocked late last year, he spent the recess writing a better, tougher bill. He then spent 11 days and nights tirelessly debating and managing the bill on the floor, and 40 days and nights—it seems there is something else about 40 days and nights—getting it through the conference, successfully resisting efforts to weaken it.

All that work has produced a strong bill that all of us can be proud of, and all of us should vote for.

A few weeks ago, I told mayors they should send Senator KEMPTHORNE and Senator GLENN keys to their cities to thank them for their efforts.

I do not know if they have received any keys yet, but if you can use some, maybe I can round them up. Maybe by now you both have a pocketful of keys, and I am certain there are more on the way.

After all, our Nation's mayors, Governors, county commissioners, and taxpayers would be hard pressed to find a better friend than Senator DIRK KEMPTHORNE.

Mr. President, I urge all of my colleagues to vote for S. 1, and I urge President Clinton to sign it into law at the earliest possible date.

Mr. KEMPTHORNE. Mr. President, I wish to echo what America's mayors, Governors, and county commissioners are saying, and that is their gratitude to Senator DOLE for designating this bill S. 1. That sort of stamp of priority by the majority leader of the Senate went a long way toward helping propel this legislation toward what we believe tomorrow will be its successful conclusion.

So again, on behalf of America's mayors, Governors, and myself, I thank the Senator for the honor of having this legislation designated S. 1.

Mr. President, I am prepared to yield back the remainder of my time.

Mr. GLENN. I yield back my time.

The PRESIDING OFFICER. All time has expired. The vote is scheduled to be held tomorrow.

Mr. GLENN. Parliamentary inquiry, Mr. President. The vote, as I understand it, will be the second vote tomorrow. Is that correct?

The PRESIDING OFFICER. That is correct.

MORNING BUSINESS

(During the session of the Senate, the following morning business was transacted.)

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Thomas, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session the Presiding Officer laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

MESSAGES FROM THE HOUSE

At 11:44 a.m., a message from the House of Representatives, delivered by Mr. Hays, one of its reading clerks, announced that the House has passed the following bill, in which it requests the concurrence of the Senate:

H.R. 956. An act to establish legal standards and procedures for product liability litigation, and for other purposes.

The message also announced that the House insists upon its amendment to (S. 244) An act to further the goals of the Paperwork Reduction Act to have Federal agencies become more responsible and publicly accountable for reducing the burden of Federal paperwork on the public, and for other purposes, and asks a conference with the Senate on the disagreeing votes of the two Houses thereon; and appoints Mr. CLINGER, Mrs. MEYERS of Kansas, Mr. MCHUGH, Mr. MCINTOSH, Mr. FOX of Pennsylvania, Mrs. COLLINS of Illinois, Mr. PETERSON of Minnesota, and Mr. WISE as the managers of the conference on the part of the House.

MEASURES READ THE FIRST TIME

The following bill was read the first time:

H.R. 956. An act to establish legal standards and procedures for product liability litigation, and for other purposes.

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC-512. A communication from the Chairman of the Council of the District of Columbia, transmitting, pursuant to law, copies of D.C. Act 11-12 adopted by the Council on