NEW JERSEY'S NEW GENETIC ANTIDISCRIMINATION LEGISLATION

(Ms. SLAUGHTER asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. SLAUGHTER. Mr. Speaker, I was pleased to read today that the New Jersey Legislature approved legislation to prohibit health insurance companies from discriminating against consumers based on their genetic information.

This bill was passed unanimously, showing the broad, bipartisan consensus on the need for the legislation.

On the Federal level, I have introduced comprehensive legislation to ban discrimination in health insurance.

No one, Mr. Speaker, should be punished for simply having the genes they inherited.

We are already hearing terrible stories about people denied coverage for genetic disorders because of preexisting conditions.

Our understanding of genetics and the role they play in disease are progressing at breakneck speed, especially through programs like the Human Genome Project.

We have identified genes associated with breast cancer, cystic fibrosis, Alzheimer's, and, most recently, skin cancer.

Our lives must keep pace to protect consumers from the abuse of personal information and that protection should be nationwide.

Therefore, I urge my colleagues to support H.R. 2847, cosponsored in the Senate by Senator SNOWE of Maine.

TOLL INCREASES IN CHURCH BURNINGS

(Mr. THOMPSON asked and was given permission to address the House for 1 minute.)

Mr. THOMPSON. Mr. Speaker, for 109 years the Mount Pleasant Missionary Baptist Church has served the people of the small rural town of Kossuth, MS. Today all that remains of that church and the Central Grove Baptist Church, another small black church barely 5 miles away, is ashes.

The members of these two churches awoke this morning to find their names added to the long toll of over 100 heartbroken congregations since 1991. Though they rise from their beds surrounded by ruins, the people of these two churches did not awake to defeat, but determination.

You see Mr. Speaker, these two Mississippi churches were built years ago with old bricks and wood by the sons and daughters of slaves. The structures may be burned, but their foundations were laid in the spirit of hope, and neither hatred nor evil has the power to destroy them forever. It is the spirit of these congregations that will rise, steeped in faith, to take up hammers and mortar to rebuild our churches.

Those of you who come in the dark shadows, beware.

TIME TO PASS HEALTH REFORM

(Mr. GENE GREEN of Texas asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GENE GREEN of Texas. Mr. Speaker, now that the leadership in the Senate has changed, we are beginning to see some real movement on the Kennedy-Kassebaum health care reform bill.

Unlike Bob Dole, the current majority leader in the Senate understands the urgency to bring this bill to a vote and is working toward an agreement.

For months and even years, Americans have been asking for portability in health insurance and coverage for preexisting conditions. But House Republicans have demanded the inclusion of full-fledged medical savings accounts, the so-called MSA's, malpractice reform and the taking away of State regulation over multiple employer welfare plans, or the MEWA's. That inclusion of issues will kill the bill.

Americans want the ability to take their insurance coverage with them when they change jobs and they want to be covered for preexisting conditions. The Kassebaum-Kennedy bill makes this possible. It is time to stop playing games with the American people and pass reasonable health care reform now.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. WELLER). Pursuant to the provisions of clause 5 of rule I, the Chair announces that he will postpone further proceedings today on each motion to suspend the rules on which a recorded vote or the yeas and nays are ordered or on which the vote is objected to under clause 4 of rule XV.

Such rollcall votes, if postponed, will be taken after debate has concluded on all motions to suspend the rules.

SECURITIES AMENDMENTS OF 1996

Mr. BLILEY. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 3005) to amend the Federal securities laws in order to promote efficiency and capital formation in the financial markets, and to amend the Investment Company Act of 1940 to promote more efficient management of mutual funds, protect investors, and provide more effective and less burdensome regulation, as amended.

The Clerk read as follows:

H.R. 3005

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Securities Amendments of 1996''.

(b) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

TITLE I—CAPITAL MARKETS DEREGULATION AND LIBERALIZATION

SEC. 101. SHORT TITLE.

This title may be cited as the ''Capital Markets Deregulation and Liberalization Act of 1996''.

SEC. 102. CREATION OF NATIONAL SECURITIES MARKETS.

(a) SECURITIES ACT OF 1933.—

(1) AMENDMENT.—Section 18 of the Securities Act of 1933 (15 U.S.C. 77r) is amended to read as follows:

''SEC. 18. EXEMPTION FROM STATE REGULATION OF SECURITIES OFFERINGS.

''(a) SCOPE OF EXEMPTION.—Except as otherwise provided in this section, no law, rule, regulation, or order, or other administrative action of any State or Territory of the United States, or the District of Columbia, or any political subdivision thereof—

''(1) requiring, or with respect to, registration or qualification of securities, or registration or qualification of securities transactions, shall directly or indirectly apply to a security that—

''(A) is a covered security; or

''(B) will be a covered security upon completion of the transaction;

''(2) shall directly or indirectly prohibit, limit, or impose conditions upon the use of—

''(A) with respect to a covered security described in subsection (b)(1) or (c)(1)—

''(i) any offering document that is prepared by the issuer; or

''(ii) any offering document that is not prepared by the issuer if such offering document is required to be and is filed with the Commission or any national securities organization registered under section 15A of the Securities Exchange Act of 1934 (15 U.S.C. 78o-3);

''(B) with respect to a covered security described in paragraph (2), (3), or (4) of subsection (b), any offering document; or

''(C) any proxy statement, report to shareholders, or other disclosure document relating to a covered security or the issuer thereof that is required to be and is filed with the

Commission or any national securities organization registered under section 15A of the Securities Exchange Act of 1934 (15 U.S.C. 78o-3); or

''(3) shall directly or indirectly prohibit, limit, or impose conditions, based on the merits of such offering or issuer, upon the offer or sale of any security described in paragraph (1).

''(b) COVERED SECURITIES.—For purposes of this section, the following are covered securities:

''(1) EXCLUSIVE FEDERAL REGISTRATION OF NATIONALLY TRADED SECURITIES.—A security is a covered security if such security is—

''(A) listed, or authorized for listing, on the New York Stock Exchange or the American Stock Exchange, or included or qualified for inclusion in the National Market System of the National Association of Securities Dealers Automated Quotation System (or any successor to such entities);

''(B) listed, or authorized for listing, on a national securities exchange (or tier or segment thereof) that has listing standards that the Commission determines by rule (on its own initiative or on the basis of a petition) are substantially similar to the listing standards applicable to securities described in subparagraph (A); or

''(C) is a security of the same issuer that is equal in seniority or senior to a security described in subparagraph (A) or (B).

''(2) EXCLUSIVE FEDERAL REGISTRATION OF INVESTMENT COMPANIES.—A security is a covered security if such security is a security issued by an investment company that is registered under the Investment Company Act of 1940 (15 U.S.C. 80a et seq.).

''(3) SALES TO QUALIFIED PURCHASERS.—A security is a covered security with respect to the offer or sale of the security to qualified purchasers, as defined by the Commission by rule. In prescribing such rule, the Commission may define qualified purchaser differently with respect to different categories of securities, consistent with the public interest and the protection of investors.

''(4) EXEMPTION IN CONNECTION WITH CERTAIN EXEMPT OFFERINGS.—A security is a covered security if—

''(A) the offer or sale of such security is exempt from registration under this title pursuant to section 4(1) or 4(3), and—

''(i) the issuer of such security files reports with the Commission pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m, 78o(d)); or

''(ii) the issuer is exempt from filing such reports;

''(B) such security is exempt from registration under this title pursuant to section 4(4);

''(C) the offer or sale of such security is exempt from registration under this title pursuant to section 3(a), other than the offer or sale of a security that is exempt from such registration pursuant to paragraph (4) or (11) of such section, except that a municipal security that is exempt from such registration pursuant to paragraph (2) of such section is not a covered security with respect to the offer or sale of such security in the State in which the issuer of such security is located; or

''(D) the offer or sale of such security is exempt from registration under this title pursuant to Commission rule or regulation under section 4(2) of this title.

''(c) CONDITIONALLY COVERED SECURITIES.—

''(1) FEDERALLY REGISTERED OFFERINGS.—Subject to the limitations contained in paragraphs (2) and (3), a security is a covered security if—

''(A) the issuer of such security has (or will have upon conclusion of the transaction) total assets exceeding $10,000,000;

''(B) such security is the subject of a registration statement that is filed with the Commission pursuant to this title; and

''(C) the issuer files with such registration statement audited financial statements for each of the two most recent fiscal years of its operations ending before the filing of the registration statement.

''(2) LIMITATIONS FOR CERTAIN OFFERINGS.—Notwithstanding paragraph (1), a security is not a covered security if such security is—

''(A) a security of an issuer which is a blank check company (as defined in section 7(b) of this title), a partnership, a limited liability company, or a direct participation investment program;

''(B) a penny stock (as such term is defined in section 3(a)(51) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(51)); or

''(C) a security issued in an offering relating to a rollup transaction (as such term is defined in paragraphs (4) and (5) of section 14(h) of such Act (15 U.S.C. 78n(h)(4), (5)).

''(3) LIMITATIONS BASED ON MISCONDUCT.—Notwithstanding paragraph (1), a security is not a covered security—

''(A) with respect to any State, if the issuer, or a principal officer or principal shareholder thereof—

''(i) is subject to a statutory disqualification, as defined in subparagraph (A), (B), (C), or (D) of section 3(a)(39) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(39));

''(ii) has been convicted within 5 years prior to the offering of any felony under Federal or State law in connection with the offer, purchase, or sale of any security, or any felony under Federal or State law involving fraud or deceit; or

''(iii) is currently named in and subject to any order, judgment, or decree of any court of competent jurisdiction acting pursuant to Federal or State law temporarily or permanently restraining or enjoining such issuer, officer, or shareholder from engaging in or continuing any conduct or practice in connection with a security; or

''(B) with respect to a particular State, if the issuer, or a principal officer or principal shareholder thereof—

''(i) has filed a registration statement which is the subject of a currently effective stop order entered pursuant to that State's securities laws within 5 years prior to the offering;

''(ii) is currently named in and subject to any administrative enforcement order or judgment of that State's securities commission (or any agency or office performing like functions) entered within 5 years prior to the offering, or is currently named in and subject to any other administrative enforcement order or judgment of that State entered within 5 years prior to the offering that finds fraud or deceit; or

''(iii) is currently named in and subject to any administrative enforcement order or judgment of that State which prohibits or denies registration, or revokes the use of any exemption from registration, in connection with the offer, purchase, or sale of securities.

''(4) EXCEPTIONS TO LIMITATIONS.—

''(A) DEBT SECURITY EXEMPTION.—The limitations in paragraph (2)(A) shall not apply with respect to the debt securities of any issuer that is a partnership or limited liability company, provided that (i) the issuer is either a registered dealer or an affiliate of such a dealer, (ii) the issuer has, both before and after the offering, capital or equity (each computed in accordance with United States generally accepted accounting principles) of not less than $75,000,000, and (iii) if the issuer is not a registered dealer, such issuer does not use the proceeds of the offering primarily to fund the nonfinancial business of the issuer or any of its affiliates that are not registered dealers.

''(B) MISCONDUCT EXEMPTIONS.—The limitations in paragraph (3)(A) shall not apply if the Commission has exempted the subject person from the application of such paragraph by rule or order, and the limitations in paragraph (3)(B) shall not apply if the securities commission (or any agency or office performing like functions) of the affected State has exempted the subject person from the application of such paragraph by rule or order.

''(C) REASONABLE STEPS.—The provisions of paragraph (3) shall not apply if the issuer has taken reasonable steps to ascertain whether any principal officer or principal shareholder is subject to such paragraph, and such steps do not reveal a person who is subject to such paragraph. An issuer shall be considered to have taken reasonable steps if such issuer or its agent has conducted a search of any centralized data bases that the Commission may designate by rule, and has received an affidavit under oath by each such principal officer or principal shareholder stating that such officer or shareholder is not subject to the provisions of paragraph (3).

''(D) EFFECT OF LIMITATIONS ON REMEDIES.—Notwithstanding paragraph (3), an issuer shall not be subject to a right of rescission under State securities laws solely as a result of the operation of such paragraph.

''(5) NO EFFECT UNDER SUBSECTION (B).—No limitation under this subsection shall affect the treatment of a security that qualifies as a covered security under subsection (b).

''(d) PRESERVATION OF AUTHORITY.—

''(1) FRAUD AUTHORITY.—Consistent with this section, the securities commission (or any agency or office performing like functions) of any State or Territory of the United States, or the District of Columbia, shall retain jurisdiction under the laws of such State, Territory, or District to investigate and bring enforcement actions with respect to fraud or deceit in connection with securities or securities transactions.

''(2) PRESERVATION OF FILING REQUIREMENTS.—

''(A) NOTICE FILINGS PERMITTED.—Nothing contained in this section shall prohibit the securities commission (or any agency or office performing like functions) of any State or Territory of the United States, or the District of Columbia, from requiring the filing of any documents filed with the Commission pursuant to this title solely for notice purposes, together with any required fee.

''(B) PRESERVATION OF FEES.—Until otherwise provided by State law enacted after the date of enactment of the Securities Amendments of 1996, filing or registration fees with respect to securities or securities transactions may continue to be collected in amounts determined pursuant to State law as in effect on the day before such date.

''(C) FEES NOT PERMITTED ON LISTED SECURITIES.—Notwithstanding subparagraphs (A) and (B), no filing or fee may be required with respect to any security that is a covered security pursuant to subsection (b)(1) of this section, or will be such a covered security upon completion of the transaction, or is a security of the same issuer that is equal in seniority or senior to a security that is a covered security pursuant to such subsection.

''(3) ENFORCEMENT OF REQUIREMENTS.—Nothing in this section shall prohibit the securities commission (or any agency or office performing like functions) of any State or Territory of the United States, or the District of Columbia, from suspending the offer or sale of securities within such State, Territory, or District as a result of the failure to submit any filing or fee required under law and permitted under this section.

''(e) DEFINITIONS.—For purposes of this section:

''(1) PRINCIPAL OFFICER.—The term 'principal officer' means a director, chief executive officer, or chief financial officer of an issuer, or any other officer performing like functions.

''(2) PRINCIPAL SHAREHOLDER.—The term 'principal shareholder' means any person who is directly or indirectly the beneficial owner of more than 20 percent of any class of equity security of an issuer. When two or more persons act as a partnership, limited partnership, syndicate, or other group for the purpose of acquiring, holding, or disposing of securities of an issuer, such syndicate or group shall be deemed a 'person' for purposes of this paragraph. In determining, for purposes of this paragraph, any percentage of a class of any security, such class shall be deemed to consist of the amount of the outstanding securities of such class, exclusive of any securities of such class held by or for the account of the issuer or a subsidiary of the issuer.

''(3) OFFERING DOCUMENT.—The term 'offering document' has the meaning given the term 'prospectus' by section 2(10), but without regard to the provisions of clauses (a) and (b) of such section, except that, with respect to a security described in subsection (b)(2) of this section, such term also includes a communication that is not deemed to offer such a security pursuant to a rule of the Commission.

''(4) PREPARED BY THE ISSUER.—Within 6 months after the date of enactment of the Securities Amendments of 1996, the Commission shall, by rule, define the term 'prepared by the issuer' for purposes of this section.''.

(2) STUDY OF UNIFORMITY.—The Securities Exchange Commission shall conduct a study after consultation with States, issuers, brokers, and dealers on the extent to which uniformity of State regulatory requirements for securities or securities transactions has been achieved for securities that are not covered securities (within the meaning of section 18 of the Securities Act of 1933 as amended by paragraph (1) of this subsection). Such study shall specifically focus on the impact of such uniformity or lack thereof on the cost of capital, innovation and technological development in securities markets, and duplicative regulation with respect to securities issuers (including small business), brokers, and dealers and the effect on investor protection. The Commission shall submit to the Congress a report on the results of such study within one year after the date of enactment of this Act.

(b) BROKER/DEALER REGULATION.—

(1) AMENDMENT.—Section 15 of the Securities Exchange Act of 1934 (15 U.S.C. 78o) is amended by adding at the end the following new subsection:

''(h) LIMITATIONS ON STATE LAW.—

''(1) CAPITAL, MARGIN, BOOKS AND RECORDS, BONDING, AND REPORTS.—No law, rule, regulation, or order, or other administrative action of any State or political subdivision thereof shall establish capital, custody, margin, financial responsibility, making and keeping records, bonding, or financial or operational reporting requirements for brokers, dealers, municipal securities dealers, government securities brokers, or government securities dealers that differ from, or are in addition to, the requirements in those areas established under this title. The Commission shall consult periodically the securities commissions (or any agency or office performing like functions) of the States concerning the adequacy of such requirements as established under this title.

''(2) EXEMPTION TO PERMIT SERVICE TO CUSTOMERS.—No law, rule, regulation, or order, or other administrative action of any State or political subdivision thereof shall require an associated person to register with such State prior to effecting a transaction described in paragraph (3) for a customer in such State if—

''(A) such transaction is effected on behalf of a customer that, for 30 days prior to the day of the transaction, maintains an account with the broker or dealer;

''(B) such associated person is not ineligible to register with such State for any reason other than such a transaction;

''(C) such associated person is registered with a registered securities association and at least one State; and

''(D) the broker or dealer with which such person is associated is registered with such State.

''(3) DESCRIBED TRANSACTIONS.—A transaction is described in this paragraph if—

''(A) such transaction is effected by an associated person (i) to which the customer was assigned for 14 days prior to the day of the transaction, and (ii) who is registered with a State in which the customer was a resident or was present for at least 30 consecutive days during the one-year period prior to the transaction; except that, if the customer is present in another State for 30 or more consecutive days or has permanently changed his or her residence to another State, such transaction is not described in this subparagraph unless the associated person files with such State an application for registration within 10 calendar days of the later of the date of the transaction or the date of the discovery of the presence of the customer in the State for 30 or more consecutive days or the change in the customer's residence;

''(B) the transaction is effected within the period beginning on the date on which such associated person files with the State in which the transaction is effected an application for registration and ending on the earlier of (i) 60 days after the date the application is filed, or (ii) the time at which such State notifies the associated person that it has denied the application for registration or has stayed the pendency of the application for cause; or

''(C) the transaction is one of 10 or fewer transactions in a calendar year (excluding any transactions described in subparagraph (A) or (B)) which the associated person effects in the States in which the associated person is not registered.

''(4) ALTERNATE ASSOCIATED PERSONS.—For purposes of paragraph (3)(A)(ii), each of up to 3 associated persons who are designated to effect transactions during the absence or unavailability of the principal associated person for a customer may be treated as an associated person to which such customer is assigned for purposes of such paragraph.''.

(2) STUDY.—Within 6 months after the date of enactment of this Act, the Commission, after consultation with registered securities associations, national securities exchanges, and States, shall conduct a study of—

(A) the impact of disparate State licensing requirements on associated persons of registered brokers or dealers; and

(B) methods for States to attain uniform licensing requirements for such persons.

(3) REPORT.—Within one year after the date of enactment of this Act, the Commission shall submit to the Congress a report on the study conducted under paragraph (2). Such report shall include recommendations concerning appropriate methods described in paragraph (2)(B), including any necessary legislative changes to implement such recommendations.

(4) TECHNICAL AMENDMENT.—Section 28(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78bb(a)) is amended by striking ''Nothing'' and inserting ''Except as otherwise specifically provided elsewhere in this title, nothing''.

SEC. 103. MARGIN REQUIREMENTS.

(a) MARGIN REQUIREMENTS.—

(1) EXTENSIONS OF CREDIT BY BROKER-DEALERS.—Section 7(c) of the Securities Exchange Act of 1934 (15 U.S.C. 78g(c)) is amended to read as follows:

''(c) UNLAWFUL CREDIT EXTENSION TO CUSTOMERS.—

''(1) PROHIBITION.—It shall be unlawful for any member of a national securities exchange or any broker or dealer, directly or indirectly, to extend or maintain credit or arrange for the extension or maintenance of credit to or for any customer—

''(A) on any security (other than an exempted security), in contravention of the rules and regulations which the Board of Governors of the Federal Reserve System shall prescribe under subsections (a) and (b) of this section;

''(B) without collateral or on any collateral other than securities, except in accordance with such rules and regulations as the Board of Governors of the Federal Reserve System may prescribe—

''(i) to permit under specified conditions and for a limited period any such member, broker, or dealer to maintain a credit initially extended in conformity with the rules and regulations of the Board of governors of the Federal Reserve System; and

''(ii) to permit the extension or maintenance of credit in cases where the extension or maintenance of credit is not for the purpose of purchasing or carrying securities or of evading or circumventing the provisions of subparagraph (A) of this paragraph.

''(2) EXCEPTION.—This subsection and the rules and regulations thereunder shall not apply to any credit extended, maintained, or arranged by a member of a national securities exchange or a broker or dealer to or for a member of a national securities exchange or a registered broker or dealer—

''(A) a substantial portion of whose business consists of transactions with persons other than brokers or dealers; or

''(B) to finance its activities as a market maker or an underwriter;

except that the Board of Governors of the Federal Reserve System may impose such rules and regulations, in whole or in part, on any credit otherwise exempted by this paragraph if it determines that such action is necessary or appropriate in the public interest or for the protection of investors.''.

(2) EXTENSIONS OF CREDIT BY OTHER LENDERS.—Section 7(d) of the Securities Exchange Act of 1934 (78 U.S.C. 78g(d)) is amended to read as follows:

''(d) UNLAWFUL CREDIT EXTENSION IN VIOLATION OF RULES AND REGULATIONS; EXCEPTION TO APPLICATION OF RULES, ETC.—

''(1) PROHIBITION.—It shall be unlawful for any person not subject to subsection (c) of this section to extend or maintain credit or to arrange for the extension or maintenance of credit for the purpose of purchasing or carrying any security, in contravention of such rules and regulations as the Board of Governors of the Federal Reserve System shall prescribe to prevent the excessive use of credit for the purchasing or carrying of or trading in securities in circumvention of the other provisions of this section. Such rules and regulations may impose upon all loans made for the purpose of purchasing or carrying securities limitations similar to those imposed upon members, brokers, or dealers by subsection (c) of this section and the rules and regulations thereunder.

''(2) EXCEPTIONS.—This subsection and the rules and regulations thereunder shall not apply to any credit extended, maintained, or arranged—

''(A) by a person not in the ordinary course of business;

''(B) on an exempted security;

''(C) to or for a member of a national securities exchange or a registered broker or dealer—

''(i) a substantial portion of whose business consists of transactions with persons other than brokers or dealers; or

''(ii) to finance its activities as a market maker or an underwriter;

''(D) by a bank on a security other than an equity security; or

''(E) as the Board of Governors of the Federal Reserve System shall, by such rules, regulations, or orders as it may deem necessary or appropriate in the public interest or for the protection of investors, exempt, either unconditionally or upon specified terms and conditions or for stated periods, from the operation of this subsection and the rules and regulations thereunder;

except that the Board of Governors of the Federal Reserve System may impose such rules and regulations, in whole or in part, on any credit otherwise exempted by subparagraph (C) of this paragraph if it determines that such action is necessary or appropriate in the public interest or for the protection of investors.''.

(b) BORROWING BY MEMBERS, BROKERS, AND DEALERS.—Section 8 of the Securities Exchange Act of 1934 (15 U.S.C. 78h) is amended—

(1) by striking subsection (a), and

(2) by redesignating subsections (b) and (c) as subsections (a) and (b), respectively.

SEC. 104. PROSPECTUS DELIVERY.

(a) REPORT ON ELECTRONIC DELIVERY.—Within six months after the date of enactment of this Act, the Commission shall report to Congress on the steps the Commission has taken, or anticipates taking, to facilitate the electronic delivery of prospectuses to institutional and other investors.

(b) REPORT ON ADVISORY COMMITTEE RECOMMENDATIONS.—Within one year after the date of enactment of this Act, the Commission shall report to Congress on the Commission's views on the recommendations of the Advisory Committee on Capital Formation, including any actions taken to implement the recommendations of the Advisory Committee.

SEC. 105. EXEMPTIVE AUTHORITY.

(a) GENERAL EXEMPTIVE AUTHORITY UNDER THE SECURITIES ACT OF 1933.—Title I of the Securities Act of 1933 (15 U.S.C. 77a et seq.) is amended by adding at the end the following new section:

''SEC. 28. GENERAL EXEMPTIVE AUTHORITY.

''The Commission, by rules and regulations, may conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision or provisions of this title or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.''.

(b) GENERAL EXEMPTIVE AUTHORITY UNDER THE SECURITIES EXCHANGE ACT OF 1934.—Title I of the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is amended by adding at the end the following new section:

''SEC. 36. GENERAL EXEMPTIVE AUTHORITY.

''(a) AUTHORITY.—Except as provided in subsection (b) but notwithstanding any other provision of this title, the Commission, by rule, regulation, or order, may conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision or provisions of this title or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors. The Commission shall by rules and regulations determine the procedures under which an exemptive order under this section shall be granted and may, in its sole discretion, decline to entertain any application for an order of exemption under this section.

''(b) LIMITATION.—The Commission shall not exercise authority under this section to exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from section 15C of this title or the rules or regulations thereunder, or (for purposes of such section 15C or such rules or regulations) from the definitions in paragraphs (42) through (45) of section 3(a) of this title.''.

SEC. 106. PROMOTION OF EFFICIENCY, COMPETITION, AND CAPITAL FORMATION.

(a) SECURITIES ACT OF 1933.—Section 2 of the Securities Act of 1933 (15 U.S.C. 77b) is amended—

(1) by inserting ''(a) DEFINITIONS.—'' after ''SEC. 2.''; and

(2) by adding at the end the following new subsection:

''(b) CONSIDERATION OF PROMOTION OF EFFICIENCY, COMPETITION, AND CAPITAL FORMATION.—Whenever pursuant to this title the Commission is engaged in rulemaking and is required to consider or determine whether an action is necessary or appropriate in the public interest, the Commission shall also consider, in addition to the protection of investors, whether the action will promote efficiency, competition, and capital formation.''.

(b) SECURITIES EXCHANGE ACT of 1934.—Section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c) is amended by adding at the end the following new subsection:

''(f) CONSIDERATION OF PROMOTION OF EFFICIENCY, COMPETITION, AND CAPITAL FORMATION.—Whenever pursuant to this title the Commission is engaged in rulemaking, or in the review of a rule of a self-regulatory organization, and is required to consider or determine whether an action is necessary or appropriate in the public interest, the Commission shall also consider, in addition to the protection of investors, whether the action will promote efficiency, competition, and capital formation.''.

(c) INVESTMENT COMPANY ACT of 1940.—Section 2 of the Investment Company Act of 1940 (15 U.S.C. 80a–2) is amended by adding at the end the following new subsection:

''(c) CONSIDERATION OF PROMOTION OF EFFICIENCY, COMPETITION, AND CAPITAL FORMATION.—Whenever pursuant to this title the Commission is engaged in rulemaking and is required to consider or determine whether an action is consistent with the public interest, the Commission shall also consider, in addition to the protection of investors, whether the action will promote efficiency, competition, and capital formation.''.

SEC. 107. PRIVATIZATION OF EDGAR.

(a) EXAMINATION.—The Securities and Exchange Commission shall examine proposals for the privatization of the EDGAR system. Such examination shall promote competition in the automation and rapid collection and dissemination of information required to be disclosed. Such examination shall include proposals that maintain free public access to data filings in the EDGAR system.

(b) REVIEW AND REPORT.—Within 180 days after the date of enactment of this Act, the Commission shall submit to the Congress a report on the examination under subsection (a). Such report shall include such recommendations for such legislative action as may be necessary to implement the proposal that the Commission determines most effectively achieves the objectives described in subsection (a).

SEC. 108. COORDINATION OF EXAMINING AUTHORITIES.

(a) AMENDMENTS.—Section 17 of the Securities Exchange Act of 1934 (15 U.S.C. 78q) is amended by adding at the end the following new subsection:

''(i) COORDINATION OF EXAMINING AUTHORITIES.—

''(1) ELIMINATION OF DUPLICATION.—The Commission and the examining authorities, through cooperation and coordination of examination and oversight as required by this subsection, shall eliminate any unnecessary and burdensome duplication in the examination process.

''(2) PLANNING CONFERENCES.—

''(A) The Commission and the examining authorities shall meet at least annually for a national general planning conference to discuss coordination of examination schedules and priorities and other areas of interest relevant to examination coordination and cooperation.

''(B) Within each geographic region designated by the Commission, the Commission and the relevant examining authorities shall meet at least annually for a regional planning conference to discuss examination schedules and priorities and other areas of related interest, and to encourage information-sharing and to avoid unnecessary duplication of examinations.

''(3) COORDINATION TRACKING SYSTEM FOR BROKER-DEALER EXAMINATIONS.—

''(A) The Commission and the examining authorities shall prepare, on a periodic basis in a uniform computerized format, information on registered broker and dealer examinations and shall submit such information to the Commission.

''(B) The Commission shall maintain a computerized database of consolidated examination information to be used for examination planning and scheduling and for monitoring coordination of registered broker and dealer examinations under this section.

''(4) COORDINATION OF EXAMINATIONS.—

''(A) The examining authorities shall share among themselves such information, including reports of examinations, customer complaint information, and other non-public regulatory information, as appropriate to foster a coordinated approach to regulatory oversight of registered brokers and dealers subject to examination by more than one examining authority.

''(B) To the extent practicable, the examining authorities shall assure that each registered broker and dealer subject to examination by more than one examining authority that requests a coordinated examination shall have all requested aspects of the examination conducted simultaneously and without duplication of the areas covered. The examining authorities shall also prepare an advance schedule of all such coordinated examinations.

''(5) PROHIBITED NON-COORDINATED EXAMINATIONS.—Any examining authority that does not participate in a coordinated examination pursuant to paragraph (4) of this subsection shall not conduct a routine examination other than a coordinated examination of that broker or dealer within 9 months of the conclusion of a scheduled coordinated examination.

''(6) EXAMINATIONS FOR CAUSE.—At any time, any examining authority may conduct an examination for cause of any broker or dealer subject to its jurisdiction.

''(7) BROKER-DEALER EXAMINATION EVALUATION PANEL.—The Commission shall establish an examination evaluation panel composed of representatives of registered brokers and dealers that are members of more than one self-regulatory organization that conducts routine examinations. Prior to each national general planning conference required by

paragraph (2)(A) of this subsection, the Commission shall convene the examination evaluation panel to review consolidated and statistical information on the coordination of examinations and information on examinations that are not coordinated, including the findings of Commission examiners on the effectiveness of the examining authorities in achieving coordinated examinations. The Commission shall present any findings and recommendations of the examination evaluation panel to the next meeting of the national general planning conference, and shall report back to the examination evaluation panel on the actions taken by the examining authorities regarding those findings and recommendations. The examination evaluation panel shall not be subject to the Federal Advisory Committee Act (5 U.S.C. App.).

''(8) REPORT TO CONGRESS.—Within one year after the date of enactment of this Act, the Commission shall report to the Congress on the progress it and the examining authorities have made in reducing duplication and improving coordination in registered broker and dealer examinations, and on the activities of the examination evaluation panel. Such report shall also indicate whether the Commission has identified additional redundancies that have failed to be addressed in the coordination of examining authorities, or any recommendations of the examination evaluation panel established under paragraph (7) of this subsection that have not been addressed by the examining authorities or the Commission.''.

(b) DEFINITION.—Section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78e) is amended by adding at the end the following paragraph:

''(54) The term 'examining authority' means any self-regulatory organization registered with the Commission under this title (other than registered clearing agencies) with the authority to examine, inspect, and otherwise oversee the activities of a registered broker or dealer.''.

SEC. 109. FOREIGN PRESS CONFERENCES.

No later than one year after the date of enactment of this Act, the Commission shall adopt rules under the Securities Act of 1933 concerning the status under the registration provisions of the Securities Act of 1933 of foreign press conferences and foreign press releases by persons engaged in the offer and sale of securities.

SEC. 110. REPORT ON TRUST INDENTURE ACT OF 1939.

Within 6 months after the date of enactment of this Act, the Securities and Exchange Commission shall submit to the Congress a report on the benefits of, the continuing need for, and, if necessary, options for the modification or elimination of, the Trust Indenture Act of 1939 (15 U.S.C. 77aaa et seq.).

TITLE II—INVESTMENT COMPANY ACT AMENDMENTS

SEC. 201. SHORT TITLE.

This title may be cited as the ''Investment Company Act Amendments of 1996''.

SEC. 202. FUNDS OF FUNDS.

Section 12(d)(1) of the Investment Company Act of 1940 (15 U.S.C. 80a–12(d)(1)) is amended—

(1) in subparagraph (E)(iii)—

(A) by striking ''in the event such investment company is not a registered investment company,''; and

(B) by inserting ''in the event such investment company is not a registered investment company'' after ''(bb)'';

(2) by redesignating existing subparagraphs (G) and (H) as subparagraphs (H) and (I), respectively;

(3) by inserting after subparagraph (F) the following new subparagraph:

''(G) The provisions of this paragraph (1) shall not apply to securities of a registered open-end company (the 'acquired company') purchased or otherwise acquired by a registered open-end company (the 'acquiring company') if—

''(i) the acquired company and the acquiring company are part of the same group of investment companies;

''(ii) the securities of the acquired company, securities of other registered open-end companies that are part of the same group of investment companies, Government securities, and short-term paper are the only investments held by the acquiring company;

''(iii)(I) the acquiring company does not pay and is not assessed any charges or fees for distribution-related activities with respect to securities of the acquired company unless the acquiring company does not charge a sales load or other fees or charges for distribution-related activities; or

''(II) any sales loads and other distribution-related fees charged with respect to securities of the acquiring company, when aggregated with any sales load and distribution-related fees paid by the acquiring company with respect to securities of the acquired company, are not excessive under rules adopted pursuant to either section 22(b) or section 22(c) of this title by a securities association registered under section 15A of the Securities Exchange Act of 1934 or the Commission;

''(iv) the acquired company shall have a fundamental policy that prohibits it from acquiring any securities of registered open-end companies in reliance on this subparagraph or subparagraph (F) of this subsection; and

''(v) such acquisition is not in contravention of such rules and regulations as the Commission may from time to time prescribe with respect to acquisitions in accordance with this subparagraph as necessary and appropriate for the protection of investors.

For purposes of this subparagraph, a 'group of investment companies' shall mean any two or more registered investment companies that hold themselves out to investors as related companies for purposes of investment and investor services.''; and

(4) adding at the end the following new subparagraph:

''(J) The Commission, by rules and regulations upon its own motion or by order upon application, may conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions from any provisions of this subsection, if and to the extent such exemption is consistent with the public interest and the protection of investors.''.

SEC. 203. REGISTRATION OF SECURITIES.

(a) AMENDMENTS TO REGISTRATION STATEMENTS.—Section 24(e) of the Investment Company Act of 1940 (15 U.S.C. 80a–24(e)) is amended—

(1) by striking paragraphs (1) and (2);

(2) by redesignating paragraph (3) as subsection (e); and

(3) in subsection (e) (as so redesignated) by striking ''pursuant to this subsection or otherwise''.

(b) REGISTRATION OF INDEFINITE AMOUNT OF SECURITIES.—Section 24(f) of the Investment Company Act of 1940 (15 U.S.C. 80a–24(f)) is amended to read as follows:

''(f) REGISTRATION OF INDEFINITE AMOUNT OF SECURITIES.—

''(1) INDEFINITE REGISTRATION OF SECURITIES.—Upon the effectiveness of its registration statement under the Securities Act of 1933, a face-amount certificate company, open-end management company, or unit investment trust shall be deemed to have registered an indefinite amount of securities.

''(2) PAYMENT OF REGISTRATION FEES.—Within 90 days after the end of the company's fiscal year, the company shall pay a registration fee to the Commission, calculated in the manner specified in section 6(b) of the Securities Act of 1933, based on the aggregate sales price for which its securities (including, for this purpose, all securities issued pursuant to a dividend reinvestment plan) were sold pursuant to a registration of an indefinite amount of securities under this subsection during the company's previous fiscal year reduced by—

''(A) the aggregate redemption or repurchase price of the securities of the company during that year, and

''(B) the aggregate redemption or repurchase price of the securities of the company during any prior fiscal year ending not more than 1 year before the date of enactment of the Investment Company Act Amendments of 1996 that were not used previously by the company to reduce fees payable under this section.

''(3) INTEREST DUE ON LATE PAYMENT.—A company paying the fee or any portion thereof more than 90 days after the end of the company's fiscal year shall pay to the Commission interest on unpaid amounts, compounded daily, at the underpayment rate established by the Secretary of the Treasury pursuant to section 3717(a) of title 31, United States Code. The payment of interest pursuant to the requirement of this paragraph shall not preclude the Commission from bringing an action to enforce the requirements of paragraph (2) of this subsection.

''(4) RULEMAKING AUTHORITY.—The Commission may adopt rules and regulations to implement the provisions of this subsection.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall be effective 6 months after the date of enactment of this Act or on such earlier date as the Commission may specify by rule.

SEC. 204. INVESTMENT COMPANY ADVERTISING PROSPECTUS.

Section 24 of the Investment Company Act of 1940 (15 U.S.C. 80a–24) is amended by adding at the end the following new subsection:

''(g) In addition to the prospectuses permitted or required in section 10 of the Securities Act of 1933, the Commission shall permit, by rules or regulations deemed necessary or appropriate in the public interest or for the protection of investors, the use of a prospectus for the purposes of section 5(b)(1) of such Act with respect to securities issued by a registered investment company. Such a prospectus, which may include information the substance of which is not included in the prospectus specified in section 10(a) of the Securities Act of 1933, shall be deemed to be permitted by section 10(b) of such Act.''.

SEC. 205. VARIABLE INSURANCE CONTRACTS.

(a) UNIT INVESTMENT TRUST TREATMENT.—Section 26 of the Investment Company Act of 1940 (15 U.S.C. 80a–26) is amended by adding at the end the following new subsection:

''(e)(1) Subsection (a) shall not apply to any registered separate account funding variable insurance contracts, or to the sponsoring insurance company and principal underwriter of such account.

''(2) It shall be unlawful for any registered separate account funding variable insurance contracts, or for the sponsoring insurance company of such account, to sell any such contract, unless—

''(A) the fees and charges deducted under the contract in the aggregate are reasonable in relation to the services rendered, the expenses expected to be incurred, and the risks assumed by the insurance company, and the insurance company so represents in the registration statement for the contract; and

''(B) the insurance company (i) complies with all other applicable provisions of this section as if it were a trustee or custodian of the registered separate account; (ii) files with the insurance regulatory authority of a State an annual statement of its financial condition, which most recent statement indicates that it has a combined capital and surplus, if a stock company, or an unassigned surplus, if a mutual company, of not less than $1,000,000, or such other amount as the Commission may from time to time prescribe by rule as necessary or appropriate in the public interest or for the protection of investors; and (iii) together with its registered separate accounts, is supervised and examined periodically by the insurance authority of such State.

''(3) The Commission may adopt such rules and regulations under paragraph (2)(A) as it determines are necessary or appropriate in the public interest or for the protection of investors. For the purposes of such paragraph, the fees and charges deducted under the contract shall include all fees and charges imposed for any purpose and in any manner.''.

(b) PERIODIC PAYMENT PLAN TREATMENT.—Section 27 of such Act (15 U.S.C. 80a–27) is amended by adding at the end the following new subsection:

''(i)(1) This section shall not apply to any registered separate account funding variable insurance contracts, or to the sponsoring insurance company and principal underwriter of such account, except as provided in paragraph (2).

''(2) It shall be unlawful for any registered separate account funding variable insurance contracts, or for the sponsoring insurance company of such account, to sell any such contract unless (A) such contract is a redeemable security, and (B) the insurance company complies with section 26(e) and any rules or regulations adopted by the Commission thereunder.''.

SEC. 206. REPORTS TO THE COMMISSION AND SHAREHOLDERS.

Section 30 of the Investment Company Act of 1940 (15 U.S.C. 80a–29) is amended—

(1) by striking paragraph (1) of subsection (b) and inserting the following:

''(1) such information, documents, and reports (other than financial statements), as the Commission may require to keep reasonably current the information and documents contained in the registration statement of such company filed under this title; and'';

(2) by redesignating subsections (c), (d), (e), and (f) as subsections (d), (e), (g), and (h), respectively;

(3) by inserting after subsection (b) the following new subsection:

''(c) In exercising its authority under subsection (b)(1) to require the filing of information, documents, and reports on a basis more frequently than semi-annually, the Commission shall take such steps as it deems necessary or appropriate, consistent with the public interest and the protection of investors, to avoid unnecessary reporting by, and minimize the compliance burdens on, registered investment companies and their affiliated persons. Such steps shall include considering and requesting public comment on—

''(1) feasible alternatives that minimize the reporting burdens on registered investment companies; and

''(2) the utility of such information, documents, and reports to the Commission in relation to the costs to registered investment companies and their affiliated persons of providing such information, documents, and reports.'';

(4) by inserting after subsection (e) (as redesignated by paragraph (2) of this section) the following new subsection:

''(f) The Commission may by rule require that semi-annual reports containing the information set forth in subsection (e) include such other information as the Commission deems necessary or appropriate in the public interest or for the protection of investors. In exercising its authority under this subsection, the Commission shall take such steps as it deems necessary or appropriate, consistent with the public interest and the protection of investors, to avoid unnecessary reporting by, and minimize the compliance burdens on, registered investment companies and their affiliated persons. Such steps shall include considering and requesting public comment on—

''(1) feasible alternatives that minimize the reporting burdens on registered investment companies; and

''(2) the utility of such information to shareholders in relation to the costs to registered investment companies and their affiliated persons of providing such information to shareholders.''; and

(5) in subsection (g) (as so redesignated) by striking ''subsections (a) and (d)'' and inserting ''subsections (a) and (e)''.

SEC. 207. BOOKS, RECORDS AND INSPECTIONS.

Section 31 of the Investment Company Act of 1940 (15 U.S.C. 80a–30) is amended—

(1) by striking subsections (a) and (b) and inserting the following:

''(a) Every registered investment company, and every underwriter, broker, dealer, or investment adviser that is a majority-owned subsidiary of such a company, shall maintain and preserve such records (as defined in section 3(a)(37) of the Securities Exchange Act of 1934) for such period or periods as the Commission, by rules and regulations, may prescribe as necessary or appropriate in the public interest or for the protection of investors. Every investment adviser not a majority-owned subsidiary of, and every depositor of any registered investment company, and every principal underwriter for any registered investment company other than a closed-end company, shall maintain and preserve for such period or periods as the Commission shall prescribe by rules and regulations, such records as are necessary or appropriate to record such person's transactions with such registered company. In exercising its authority under this subsection, the Commission shall take such steps as it deems necessary or appropriate, consistent with the public interest and for the protection of investors, to avoid unnecessary recordkeeping by, and minimize the compliance burden on, persons required to maintain records under this subsection (hereinafter in this section referred to as 'subject persons'). Such steps shall include considering, and requesting public comment on—

''(1) feasible alternatives that minimize the recordkeeping burdens on subject persons;

''(2) the necessity of such records in view of the public benefits derived from the independent scrutiny of such records through Commission examination;

''(3) the costs associated with maintaining the information that would be required to be reflected in such records; and

''(4) the effects that a proposed recordkeeping requirement would have on internal compliance policies and procedures.

''(b) All records required to be maintained and preserved in accordance with subsection (a) of this section shall be subject at any time and from time to time to such reasonable periodic, special, and other examinations by the Commission, or any member or representative thereof, as the Commission may prescribe. For purposes of such examinations, any subject person shall make available to the Commission or its representatives any copies or extracts from such records as may be prepared without undue effort, expense, or delay as the Commission or its representatives may reasonably request. The Commission shall exercise its authority under this subsection with due regard for the benefits of internal compliance policies and procedures and the effective implementation and operation thereof.'';

(2) by redesignating existing subsections (c) and (d) as subsections (e) and (f), respectively; and

(3) by inserting after subsection (b) the following new subsections:

''(c) Notwithstanding any other provision of law, the Commission shall not be compelled to disclose any internal compliance or audit records, or information contained therein, provided to the Commission under this section. Nothing in this subsection shall authorize the Commission to withhold information from Congress or prevent the Commission from complying with a request for information from any other Federal department or agency requesting the information for purposes within the scope of its jurisdiction, or complying with an order of a court of the United States in an action brought by the United States or the Commission. For purposes of section 552 of title 5, United States Code, this section shall be considered a statute described in subsection (b)(3)(B) of such section 552.

''(d) For purposes of this section—

''(1) 'internal compliance policies and procedures' means policies and procedures designed by subject persons to promote compliance with the Federal securities laws; and

''(2) 'internal compliance and audit record' means any record prepared by a subject person in accordance with internal compliance policies and procedures.''.

SEC. 208. INVESTMENT COMPANY NAMES.

Section 35(d) of the Investment Company Act of 1940 (15 U.S.C. 80a–34(d)) is amended to read as follows:

''(d) It shall be unlawful for any registered investment company to adopt as a part of the name or title of such company, or of any securities of which it is the issuer, any word or words that the Commission finds are materially deceptive or misleading. The Commission is authorized, by rule, regulation, or order, to define such names or titles as are materially deceptive or misleading.''.

SEC. 209. EXCEPTIONS FROM DEFINITION OF INVESTMENT COMPANY.

(a) AMENDMENTS.—Section 3(c) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(c)) is amended—

(1) in paragraph (1), by inserting after the first sentence the following new sentence: ''Such issuer nonetheless is deemed to be an investment company for purposes of the limitations set forth in section 12(d)(1)(A)(i) and (B)(i) governing the purchase or other acquisition by such issuer of any security issued by any registered investment company and the sale of any security issued by any registered open-end company to any such issuer.'';

(2) in subparagraph (A) of paragraph (1)—

(A) by inserting after ''issuer,'' the first place it appears the following: ''and is or, but for the exception in this paragraph or paragraph (7), would be an investment company,''; and

(B) by striking all that follows ''(other than short-term paper)'' and inserting a period;

(3) in paragraph (2)—

(A) by striking ''and acting as broker,'' and inserting ''acting as broker, and acting as market intermediary,''; and

(B) by adding at the end of such paragraph the following new sentences: ''For the purposes of this paragraph, the term 'market

intermediary' means any person that regularly holds itself out as being willing contemporaneously to engage in, and is regularly engaged in the business of entering into, transactions on both sides of the market for a financial contract or one or more such financial contracts. For purposes of the preceding sentence, the term 'financial contract' means any arrangement that (A) takes the form of an individually negotiated contract, agreement, or option to buy, sell, lend, swap, or repurchase, or other similar individually negotiated transaction commonly entered into by participants in the financial markets; (B) is in respect of securities, commodities, currencies, interest or other rates, other measures of value, or any other financial or economic interest similar in purpose or function to any of the foregoing; and (C) is entered into in response to a request from a counterparty for a quotation or is otherwise entered into and structured to accommodate the objectives of the counterparty to such arrangement.''; and

(4) by striking paragraph (7) and inserting the following:

''(7)(A) Any issuer (i) whose outstanding securities are owned exclusively by persons who, at the time of acquisition of such securities, are qualified purchasers, and (ii) who is not making and does not presently propose to make a public offering of such securities. Securities that are owned by persons who received the securities from a qualified purchaser as a gift or bequest, or where the transfer was caused by legal separation, divorce, death, or other involuntary event, shall be deemed to be owned by a qualified purchaser, subject to such rules, regulations, and orders as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

''(B) Notwithstanding subparagraph (A), an issuer is within the exception provided by this paragraph if—

''(i) in addition to qualified purchasers, its outstanding securities are beneficially owned by not more than 100 persons who are not qualified purchasers if (I) such persons acquired such securities on or before December 31, 1995, and (II) at the time such securities were acquired by such persons, the issuer was excepted by paragraph (1) of this subsection; and

''(ii) prior to availing itself of the exception provided by this paragraph—

''(I) such issuer has disclosed to such persons that future investors will be limited to qualified purchasers, and that ownership in such issuer is no longer limited to not more than 100 persons, and

''(II) concurrently with or after such disclosure, such issuer has provided such persons with a reasonable opportunity to redeem any part or all of their interests in the issuer for their proportionate share of the issuer's current net assets, or the cash equivalent thereof.

''(C) An issuer that is excepted under this paragraph shall nonetheless be deemed to be an investment company for purposes of the limitations set forth in section 12(d)(1)(A)(i) and (B)(i) governing the purchase or other acquisition by such issuer of any security issued by any registered investment company and the sale of any security issued by any registered open-end company to any such issuer.

''(D) For purposes of determining compliance with this paragraph and paragraph (1) of this subsection, an issuer that is otherwise excepted under this paragraph and an issuer that is otherwise excepted under paragraph (1) shall not be treated by the Commission as being a single issuer for purposes of determining whether the outstanding securities of the issuer excepted under paragraph (1) are beneficially owned by not more than 100 persons or whether the outstanding securities of the issuer excepted under this paragraph are owned by persons that are not qualified purchasers. Nothing in this provision shall be deemed to establish that a person is a bona fide qualified purchaser for purposes of this paragraph or a bona fide beneficial owner for purposes of paragraph (1) of this subsection.''.

(b) DEFINITION OF QUALIFIED PURCHASER.—Section 2(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a)) is amended by inserting after paragraph (50) the following new paragraph:

''(51) 'Qualified purchaser' means—

''(A) any natural person who owns at least $10,000,000 in securities of issuers that are not controlled by such person, except that securities of such a controlled issuer may be counted toward such amount if such issuer is, or but for the exception in paragraph (1) or (7) of section 3(c) would be, an investment company;

''(B) any trust not formed for the specific purpose of acquiring the securities offered, as to which the trustee or other person authorized to make decisions with respect to the trust, and each settlor or other person who has contributed assets to the trust, is a person described in subparagraph (A) or (C); or

''(C) any person, acting for its own account or the accounts of other qualified purchasers, who in the aggregate owns and invests on a discretionary basis, not less than $100,000,000 in securities of issuers that are not affiliated persons (as defined in paragraph (3)(C) of this subsection) of such person, except that securities of such an affiliated person issuer may be counted toward such amount if such issuer is, or but for the exception in paragraph (1) or (7) of section 3(c) would be, an investment company.

The Commission may adopt such rules and regulations governing the persons and trusts specified in subparagraphs (A), (B), and (C) of this paragraph as it determines are necessary or appropriate in the public interest and for the protection of investors.''.

(c) CONFORMING AMENDMENT.—The last sentence of section 3(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(a)) is amended—

(1) by inserting ''(i)'' after ''of the owner''; and

(2) by inserting before the period the following: '', and (ii) which are not relying on the exception from the definition of investment company in subsection (c)(1) or (c)(7) of this section''.

(d) RULEMAKING REQUIRED.—

(1) IMPLEMENTATION OF SECTION 3(C)(1)(B).—Within one year after the date of enactment of this Act, the Commission shall prescribe rules to implement the requirements of section 3(c)(1)(B) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(c)(1)(B)).

(2) EMPLOYEE EXCEPTION.—Within one year after the date of enactment of this Act, the Commission shall prescribe rules pursuant to its authority under section 6 of the Investment Company Act of 1940 (15 U.S.C. 80a–6) to permit the ownership by knowledgeable employees of an issuer or an affiliated person of the issuer of the securities of that issuer or affiliated person without loss of the issuer's exception under section 3(c)(1) or 3(c)(7) of such Act from treatment as an investment company under such Act.

TITLE III—SECURITIES AND EXCHANGE COMMISSION AUTHORIZATION

SEC. 301. SHORT TITLE.

This title may be cited as the ''Securities and Exchange Commission Authorization Act of 1996''.

SEC. 302. PURPOSES.

The purposes of this title are—

(1) to authorize appropriations for the Securities and Exchange Commission for fiscal year 1997; and

(2) to reduce over time the rates of fees charged under the Federal securities laws.

SEC. 303. AUTHORIZATION OF APPROPRIATIONS.

Section 35 of the Securities Exchange Act of 1934 is amended to read as follows:

''SEC. 35. AUTHORIZATION OF APPROPRIATIONS.

''There are authorized to be appropriated to carry out the functions, powers, and duties of the Commission $317,000,000 for fiscal year 1997.''.

SEC. 304. REGISTRATION FEES.

Section 6(b) of the Securities Act of 1933 (15 U.S.C. 77f(b)) is amended to read as follows:

''(b) REGISTRATION FEE.—

''(1) RECOVERY OF COST OF SERVICES.—The Commission shall, in accordance with this subsection, collect registration fees that are designed to recover the costs to the government of the securities registration process, and costs related to such process, including enforcement activities, policy and rulemaking activities, administration, legal services, and international regulatory activities.

''(2) FEE PAYMENT REQUIRED.—At the time of filing a registration statement, the applicant shall pay to the Commission a fee that shall be equal to the sum of the amounts (if any) determined under the rates established by paragraphs (3) and (4). The Commission shall publish in the Federal Register notices of the fee rates applicable under this section for each fiscal year. In no case shall the fee required by this subsection be less than $200, except that during fiscal year 2002 or any succeeding fiscal year such minimum fee shall be $182.

''(3) GENERAL REVENUE FEES.—The rate determined under this paragraph is a rate equal to $200 for each $1,000,000 of the maximum aggregate price at which such securities are proposed to be offered, except that during fiscal year 2002 and any succeeding fiscal year such rate is equal to $182 for each $1,000,000 of the maximum aggregate price at which such securities are proposed to be offered. Fees collected during any fiscal year pursuant to this paragraph shall be deposited and credited as general revenues of the Treasury.

''(4) OFFSETTING COLLECTION FEES.—

''(A) IN GENERAL.—Except as provided in subparagraphs (B) and (C), the rate determined under this paragraph is a rate equal to the following amount for each $1,000,000 of the maximum aggregate price at which such securities are proposed to be offered:

''(i) $103 during fiscal year 1997;

''(ii) $70 during fiscal year 1998;

''(iii) $38 during fiscal year 1999;

''(iv) $17 during fiscal year 2000; and

''(v) $0 during fiscal year 2001 or any succeeding fiscal year.

''(B) LIMITATION; DEPOSIT.—Except as provided in subparagraph (C), no amounts shall be collected pursuant to this paragraph (4) for any fiscal year except to the extent provided in advance in appropriations acts. Fees collected during any fiscal year pursuant to this paragraph shall be deposited and credited as offsetting collections in accordance with appropriations Acts.

''(C) LAPSE OF APPROPRIATIONS.—If on the first day of a fiscal year a regular appropriation to the Commission has not been enacted, the Commission shall continue to collect fees (as offsetting collections) under this paragraph at the rate in effect during the preceding fiscal year, until such a regular appropriation is enacted.''.

SEC. 305. TRANSACTION FEES.

(a) AMENDMENT.—Section 31 of the Securities Exchange Act of 1934 (15 U.S.C. 78ee) is amended to read as follows:

"SEC. 31. TRANSACTION FEES.

''(a) RECOVERY OF COST OF SERVICES.—The Commission shall, in accordance with this subsection, collect transaction fees that are designed to recover the costs to the Government of the supervision and regulation of securities markets and securities professionals, and costs related to such supervision and regulation, including enforcement activities, policy and rulemaking activities, administration, legal services, and international regulatory activities.

''(b) EXCHANGE-TRADED SECURITIES.—Every national securities exchange shall pay to the Commission a fee at a rate equal to $33 for each $1,000,000 of the aggregate dollar amount of sales of securities (other than bonds, debentures, and other evidences of indebtedness) transacted on such national securities exchange, except that for fiscal year 2002 or any succeeding fiscal year such rate shall be equal to $25 for each $1,000,000 of such aggregate dollar amount of sales. Fees collected pursuant to this subsection shall be deposited and collected as general revenue of the Treasury.

''(c) OFF-EXCHANGE-TRADES OF EXCHANGE REGISTERED SECURITIES.—Every national securities association shall pay to the Commission a fee at a rate equal $33 for each $1,000,000 of the aggregate dollar amount of sales transacted by or through any member of such association otherwise than on a national securities exchange of securities registered on such an exchange (other than bonds, debentures, and other evidences of indebtedness), except that for fiscal year 2002 or any succeeding fiscal year such rate shall be equal to $25 for each $1,000,000 of such aggregate dollar amount of sales. Fees collected pursuant to this subsection shall be deposited and collected as general revenue of the Treasury.

''(d) OFF-EXCHANGE-TRADES OF LAST-SALE-REPORTED SECURITIES.—

''(1) COVERED TRANSACTIONS.—Every national securities association shall pay to the Commission a fee at a rate equal to the dollar amount determined under paragraph (2) for each $1,000,000 of the aggregate dollar amount of sales transacted by or through any member of such association otherwise than on a national securities exchange of securities (other than bonds, debentures, and other evidences of indebtedness) subject to prompt last sale reporting pursuant to the rules of the Commission or a registered national securities association, excluding any sales for which a fee is paid under subsection (c).

''(2) FEE RATES.—Except as provided in paragraph (4), the dollar amount determined under this paragraph is—

''(A) $12 for fiscal year 1997;

''(B) $14 for fiscal year 1998;

''(C) $17 for fiscal year 1999;

''(D) $18 for fiscal year 2000;

''(E) $20 for fiscal year 2001; and

''(F) $25 for fiscal year 2002 or for any succeeding fiscal year.

''(3) LIMITATION; DEPOSIT OF FEES.—Except as provided in paragraph (4), no amounts shall be collected pursuant to this subsection (d) for any fiscal year beginning before October 1, 2001, except to the extent provided in advance in appropriations Acts. Fees collected during any such fiscal year pursuant to this subsection shall be deposited and credited as offsetting collections to the account providing appropriations to the Commission, except that any amounts in excess of the following amounts (and any amount collected for fiscal years beginning on or after October 1, 2001) shall be deposited and credited as general revenues of the Treasury:

''(A) $20,000,000 for fiscal year 1997;

''(B) $26,000,000 for fiscal year 1998;

''(C) $32,000,000 for fiscal year 1999;

''(D) $32,000,000 for fiscal year 2000;

''(E) $32,000,000 for fiscal year 2001; and

''(F) $0 for fiscal year 2002 and any succeeding fiscal year.

''(4) LAPSE OF APPROPRIATIONS.—If on the first day of a fiscal year a regular appropriation to the Commission has not been enacted, the Commission shall continue to collect fees (as offsetting collections) under this subsection at the rate in effect during the preceding fiscal year, until such a regular appropriation is enacted.

''(e) DATES FOR PAYMENT OF FEES.—The fees required by subsections (b), (c), and (d) of this section shall be paid—

''(1) on or before March 15, with respect to transactions and sales occurring during the period beginning on the preceding September 1 and ending at the close of the preceding December 31; and

''(2) on or before September 30, with respect to transactions and sales occurring during the period beginning on the preceding January 1 and ending at the close of the preceding August 31.

''(f) EXEMPTIONS.—The Commission, by rule, may exempt any sale of securities or any class of sales of securities from any fee imposed by this section, if the Commission finds that such exemption is consistent with the public interest, the equal regulation of markets and brokers and dealers, and the development of a national market system.

''(g) PUBLICATION.—The Commission shall publish in the Federal Register notices of the fee rates applicable under this section for each fiscal year.''.

(b) EFFECTIVE DATES; TRANSITION.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendment made by subsection (a) shall apply with respect to transactions in securities that occur on or after January 1, 1997.

(2) OFF-EXCHANGE TRADES OF LAST SALE REPORTED TRANSACTIONS.—The amendment made by subsection (a) shall apply with respect to transactions described in section 31(d)(1) of the Securities Exchange Act of 1934 (as amended by subsection (a) of this section) that occur on or after September 1, 1996.

(3) RULE OF CONSTRUCTION.—Nothing in this subsection shall be construed to affect the obligation of national securities exchanges and registered brokers and dealers under section 31 of the Securities Exchange Act of 1934 (15 U.S.C. 78ee) as in effect prior to the amendment made by subsection (a) to make the payments required by such section on March 15, 1997.

SEC. 306. TIME FOR PAYMENT.

Section 4(e) of the Securities Exchange Act of 1934 (15 U.S.C. 78d(e)) is amended by inserting before the period at the end thereof the following: ''and the Commission may also specify the time that such fee shall be determined and paid relative to the filing of any statement or document with the Commission''.

SEC. 307. SENSE OF THE CONGRESS CONCERNING FEES.

It is the sense of the Congress that—

(1) the fees authorized by the amendments made by this Act are in lieu of, and not in addition to, any fees that the Securities and Exchange Commission is authorized to impose or collect pursuant to section 9701 of title 31, United States Code; and

(2) in order to maintain the competitiveness of United States securities markets relative to foreign markets, no fee should be assessed on transactions involving portfolios of equity securities taking place at times of day characterized by low volume and during non-traditional trading hours.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Virginia [Mr. BLILEY] and the gentleman from Massachusetts [Mr. MARKEY] each will control 20 minutes.

The Chair recognizes the gentleman from Virginia [Mr. BLILEY].

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

(Mr. BLILEY asked and was given permission to revise and extend his remarks.)

Mr. BLILEY. Mr. Speaker, today, the House will consider H.R. 3005, the securities amendments of 1996. This is good bipartisan legislation. It is designed to help small business find the money it needs to create new jobs, and increase the returns to pension funds, mutual funds and other savings vehicles in which our citizens are saving for their retirement and for the education of their children. I am pleased that this bill has bipartisan support, and has been endorsed by SEC Chairman Arthur Levitt. The bill being considered is an amended version of that which was reported from the Commerce Committee. I will insert an explanation of these changes which I have prepared in the RECORD immediately following my statement.

This bill accomplishes significant changes in the securities laws. Chief among these is the elimination of State regulation of large securities offerings and of mutual funds that we have found duplicates the extensive system of SEC regulation. It is high time that we move to facilitate national capital markets by having a unitary Federal system of regulation of offerings. We believe that this system will reduce regulatory burdens on companies seeking to raise capital, and will not imperil the fine record of investor protection built up by the SEC

The bill codifies the existing exemption from State regulation for companies that are listed on a national securities exchange. Both the debt and equity offerings of these companies will be exempt from State regulation. The legislation provides that other regional exchanges that develop listing standards comparable to those of the national exchanges can also be certified by the SEC and gain the advantages of this exemption.

The legislation provides that offers and sales of securities to qualified purchasers will be exempt from State regulation. We believe that institutional investors are capable of assessing offerings without the need of a second layer of regulation. This will help to increase the rate of return to these institutional investors who are the savings vehicles for people's retirement and for their children's education.

The legislation provides relief from a second tier of regulation to the brokerage industry in a number of areas. The bill preempts State authority over capital, margin, books and records of brokerage firms. The bill also provides a uniform exception from State registration for brokers whose customers go on vacation or are temporarily out of State.

The legislation also ends anticompetitive barriers on broker dealer borrowing. The Government has given a legal monopoly to commercial banks to lend money to brokers. That legal monopoly harms competition and raises costs to our country's brokers. Eliminating this barrier will, in the words of Federal Reserve Chairman Alan Greenspan, increase the safety and soundness of the financial system. In April, the Board of Governors of the Federal Reserve adopted changes to regulation T, eliminating a substantial number of the rules regulating broker dealer lending, including elimination of margin requirements on high quality debt securities and arranged transactions. We applaud the action of Chairman Greenspan and the board which will have the effect of making our brokerage firms more competitive without sacrificing safety and soundness.

This legislation requires that the SEC, when making a public interest determination in a rulemaking consider efficiency, competition, and capital formation. This will require the SEC to consider the costs of its rules, which we think is very important in light of the enhanced congressional role mandated for SEC rules and for rules of self regulatory organizations under the Small Business Regulatory Enforcement Act of 1996. The legislative history of the Small Business Act makes clear that SRO rules are considered major rules for purposes of the act. I endorse that interpretation, and expect to work cooperatively with the SEC when it is considering SRO rules.

I would like to commend Chairman FIELDS for his work in crafting the beginnings of a bipartisan agreement on securities reform in the Subcommittee on Telecommunications and Finance. I would like to thank the ranking member of the subcommittee, ED MARKEY, for his fine contributions to the bill. I would like to thank especially the ranking member of the committee, my friend, JOHN DINGELL, for his cooperation and assistance in crafting further changes to the bill.

I urge members to join with us in supporting this legislation.

□ 1445

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

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

(Mr. MARKEY asked and was given permission to revise and extend his remarks and to include extraneous material.)

Mr. MARKEY. Mr. Speaker, I am pleased to rise and speak in support of H.R. 3005, The Securities Amendments of 1996. Let me begin by congratulating the distinguished gentleman from Virginia [Mr. BLILEY], the chairman of the Committee on Commerce, and his counterpart, the distinguished gentleman from Michigan [Mr. DINGELL], the senior Member of the House and the ranking Democrat on the committee. Both directed that we put partisanship aside so that we could work on the three critically important public policy issues that underlie the legislation: the promotion of capital formation, the advancement of efficient markets, and the maintenance of the highest possible standards of investor protection.

Their guidance helped us overcome numerous obstacles, any one of which could easily have upset the delicate compromises that brought us to the House floor today. Even though virtually everyone agrees that the policy objectives of titles I and II of The Securities Amendments of 1996 are extraordinarily important, until March of this year few thought it possible that we could overcome the deep differences as to how we could in fact achieve them. But because of the truly remarkable leadership of the distinguished gentleman from the State of Texas, Chairman JACK FIELDS, my good friend and colleague of the subcommittee, we were able to develop a consensus approach to these issues that ultimately allowed us to bring this bill to the floor.

Indeed, Chairman FIELDS has been the singular driving force in the U.S. Congress behind the idea of comprehensively modernizing our system of securities regulation. His desire to promote capital formation and efficient securities markets is unsurpassed, but it should also be evident that he is committed to making sure that Federal and State securities laws continue to protect American investors from fraud and abuse. Indeed, he recognizes that the unparalleled success of our markets is grounded in the fact that the United States maintains the strongest and most profound commitment to investor protection of any country on Earth. Chairman FIELDS' thoroughgoing commitment to achieving this careful balanced played a crucial role in helping us to develop the historic package of reforms that we will be voting on today. His 2 years as chairman of the subcommittee passing historic telecommunications and now securities legislation will have him being looked back at as the one Republican who understood how to work in a bipartisan fashion during this 2-year period, this brief 2-year period that the Republicans controlled the House of Representatives.

So I want to congratulate the gentleman so much for the incredible job which he has done during his tenure as the chairman of this subcommittee. It is indeed remarkable and historic in fact, which is not an overstatement. Comprehensive financial modernization, as some of our colleagues are painfully aware, can be tauntingly elusive as a goal. Yet in the last 3 months, Chairman FIELDS has given us all a case study about how to get there.

When we step back from the details and examine the Bliley amendment from the broad perspective, two historic qualities stand out. The first is how far we have come in a relatively short time. Six months ago we were on the eve of a huge ideological battle confronted with proposals that in our judgment would have caused considerable damage to markets, to companies, and to investors. Included among them were proposals to preempt virtually every aspect of independent State securities regulation, to repeal suitability requirements that protect institutional investors and deter deceitful conduct, to repeal the Williams Act, which could have encouraged a whole new round of hostile takeovers, to eliminate virtually all margin requirements, which could have fueled all sorts of undesirable speculation in the stock markets at the worst possible time when the markets were already at record highs.

There were several other issues as well. In every one of these areas, we have worked diligently to make extraordinary improvements to the original proposals. The results are contained in title I. Collectively they represent a balance and a sensible, rather than a rigid and ideological approach to modernization. More important, title I is historic because it includes a truly unprecedented legislative effort to modernize and to carefully reallocate important aspects of Federal and State securities laws.

Without in any way compromising our longstanding commitment to maintaining the highest possible standard of investor protection, as anyone involved in its drafting knows, modernizing State securities laws is an extraordinarily sensitive and complex subject. An editorial in this morning's Boston Globe, a copy of which is attached to the statement I will submit for the RECORD, captured this delicacy. While it acknowledges that, quote,

> There is a broad agreement among the industry and regulators that some loosening is in order, but Congress must take care as it balances the sometimes conflicting interests of free markets and the reality of those who would exploit them.

I have always agreed with that view personally and as a result have given a tremendous amount of thought to this particular section of the legislation, especially careful consideration of this section was necessary in part because the States have historically filled such a profound and irreplaceable role in protecting small investors from fraud and abuse. Two years ago, I was deeply honored to receive an investor protection award from the Association of State Securities Administrators, the first non-NASAA North American Securities Administrator member to ever receive the award.

I said at that time the States are the ones who work the front lines and serve as the Nation's early warning system for financial fraud. You are the ones who witness most closely the terrible consequences of these frauds, not just the frustration and the anger of having been robbed, but the heartache and the tragedy of dreams that have been stolen, dreams about sending a

child to college or about planning for retirement years. Over the years, your extraordinary and unwavering commitment to promoting the interests of small investors has made NASA a powerful and respected and necessary presence on Capitol Hill.

The Bliley amendment and the committee report that accompanies explicitly provide that the States continue to have available to them the full arsenal of powers needed to investigate and to enforce laws against fraud and to continue their ability to protect the small investor of this country. Similarly, the committee report also makes clear that nothing in this legislation alters or affects in any way any State statutory or common laws against fraud or deceit, including private actions brought pursuant to such laws.

Such a provision was essential to prevent this legislation from getting caught up in the disputes that surround that issue. In several other ways, title I to the Bliley amendment largely strikes the proper balance between promoting efficiency and growth while ensuring integrity and fairness.

The second historic quality about the Bliley amendment is that it includes the first significant proposal to affect the regulation of the mutual fund industry in more than a generation. I am proud to have joined with Chairman FIELDS and Chairman BLILEY, Mr. DINGELL, and others as an original cosponsor of these proposals, and I am delighted that Members of the Senate Committee on Banking, Housing, and Urban Affairs have also taken a very strong interest in them. Most important, this part of the legislation recognizes the fundamentally national character of the fund industry by assigning exclusive responsibility for the routine review of mutual fund offering documents and related sales material to the SEC and the NASD.

Title II of the Bliley amendment also encourages further innovation in this industry by allowing for the first time documents known as advertising prospectuses, and for modestly liberalizing the rules for fund of funds. At the same time, however, the Bliley amendment also recognizes the extraordinary and rapidly growing importance of mutual fund investments to the financial health of average Americans by continuing to permit States to investigate sales practice abuses and other types of fraudulent or deceitful activity.

In addition, the bill recognizes the critical challenge facing the Securities and Exchange Commission, which must maintain its successful record of overseeing the fund industry at a time when mutual funds are growing exponentially and the industry is becoming more diverse and complex. Thus, the Bliley amendment gives the Securities and Exchange Commission the authority to obtain information it must have if it is to determine accurately whether funds are in compliance with the investor protection provisions of the Federal law. This provision has been carefully negotiated with the Securities and Exchange Commission and the fund industry, and it is an essential part of the balance of the bill which we have put together today which ensures that the information is there which guarantees investor protection.

Mr. Speaker, I cannot again praise the gentleman from Virginia [Mr. BLILEY] and the gentleman from Michigan [Mr. DINGELL] enough for their leadership and to single out the gentleman from Texas [Mr. FIELDS] here near the end of his final year in Congress for his special work in putting together this legislation today.

Mr. Speaker, I would like to close by thanking those who worked tirelessly to bridge the gap that divided Democrats and Republicans on these important issues.

Before concluding, I also believe a brief comment is due about the fact that title III has been included as part of the Bliley amendment. I understand that this legislation has already passed the House, and is being included with this bill today in order to facilitate a conference on the subject. and I am well aware of the unnecessary funding fights that have hampered and demoralized the SEC in recent years. But I believe the administration has raised important concerns about the implications of the authorization bill that we need to explore, I am committed to working with the administration to see if we can somehow reconcile the important competing policy considerations that relate to this issue.

As a practical matter, this bill could not have reached the floor today without the tremendous commitment of time and energy on the part of our staff: Linda Dallas Rich and David Cavicke, for the Republicans; Consuela Washington, Jeff Duncan, and Timothy Forde, for the Democrats; and Steve Cope, our exceptionally talented and exceedingly patient legislative counsel. Senior staff of the SEC, under the direction and with the encouragement of Chairman Arthur Levitt, also provided us with critically important assistance at key times over the last few months. All are to be commended for an extraordinary job.

Finally, I doubt that we would have reached this consensus without the good faith participation of the States. As proposals and ideas have been floated back and forth about how to change State laws and regulations, the States have always responded stoically—with good humor as well as with good faith. Neil Sullivan and Dee Harris have provided remarkable leadership throughout this difficult process. I have never been as proud of this group as I am today.

While there are not many legislative days left in this session of Congress, I still think that we have a good chance of seeing much of what we vote on here today enacted into law within a few months. That remarkable prospect would not have been possible without the leadership of Chairman BLILEY, Chairman FIELDS, Ranking Democrat DINGELL, and the steadfast support of our colleagues on both sides of the aisle. I look forward to working with them to secure the bill's passage through the Senate and its signature by the President.

Mr. Speaker, include for the RECORD the following article.

[From the Boston Globe, June 18, 1996]

INSECURITY REGULATION

The Massachusetts congressional delegation will do well to listen to the concerns of Secretary of State William Galvin as it contemplates legislation loosening regulation of securities dealers.

Although there is broad agreement among the industry and regulators that some loosening is in order—the National American Securities Administrators Association (NASAA) hopes that a suitable bill can be drafted during the current session of Congress—Galvin wants a more thorough review that would likely push action into the next session.

Among the issues Galvin and his NASAA colleagues agree are troubling would be relaxing rules for unlicensed broker employees or sales agents who may use high-powered selling tactics to entice the unwary into unwise investments. Many such sales practices are engaged in by smaller brokerage firms, involving small corporations with fewer shares, which create markets that can be volatile and even treacherous. These companies do not attract the institutional interest that is important with larger stocks in establishing more financially credible pricing.

The US Securities and Exchange Commission has historically relied on states to supplement its enforcement activities against shady sales practices by concentrating on these smaller brokerages. The states' task is complicated enough already by the tendency of victims to be embarrassed at having been taken in. Galvin is worried that Congress will prevent states from taking up even those cases where victims do protest.

Those worries deserve the attention of the industry, whose preponderantly ethical members are injured by the misdeeds of a few slick dealers. Congress must take care as it balances the sometimes conflicting interests of free markets and the reality of those who would exploit them.

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

Mr. Bliley. Mr. Speaker, I yield as much time as he may consume to the gentleman from Texas [Mr. FIELDS], the chairman of the subcommittee who put so much work into this bill.

(Mr. FIELDS of Texas asked and was given permission to revise and extend his remarks.)

Mr. FIELDS of Texas. Mr. Speaker, first of all, I would be remiss if I did not point out that the gentleman from Virginia [Mr. BLILEY] is once again bringing a very complex piece of legislation to the floor that is meaningful in reform and it is bipartisan in nature.

For me personally, this is an exciting day, exciting because we have been able to negotiate in a very complex issue area with bipartisan cooperation, and we dramatically reform and modernize the regulation of this country's capital markets. I would be less than candid if I did not say that part of my excitement is in the fact that we were able to forge and pass this legislation when everyone said that it could not be done, and we were told earlier that our telecommunications reform legislation was too complex and too contentious to pass.

With each of these difficult subject matter areas, the gentleman from Massachusetts [Mr. MARKEY], my good friend and ranking minority member of our subcommittee, and I were able to find commonality rather than partisanship, were able to exercise our personal friendship in representing our Members and our constituencies rather than looking for political points to score.

Mr. Speaker, I appreciate all the nice things that the gentleman said about me just a moment ago, but I want to say ''ditto'' so that the gentleman does not get one up in terms of being overly nice with his compliments. I also want to say that we shared the beliefs of investor protection. We believed that there should be a reliable, secure, and transparent market.

□ 1500

We differed on a few points, and agreed to disagree and consider these points of difference at some other time. If we had wanted to find the differences and tear this legislation apart, we could have done so.

It has been surprising to me that many in our capital markets have yet to appreciate or understand what this legislation actually accomplishes. I think this stems from the fact that the markets are not accustomed to Congress being proactive instead of just reacting to a market crisis or scandal. To many, it has not sunk in yet that this legislation dramatically reforms the 1933, 1934, and 1940 laws relative to the securities and mutual fund industries.

So just as we reformed the 1934 Communications Act and brought the communications industry into the 21st century, so too are we reforming the securities and mutual fund industries into the 21st century in an era of modern regulation without compromising one aspect of investor protection.

When I introduced the capital markets bill back in July of last year, I said you have to begin the dialog someplace. I said that that initial bill was a work in progress. And to the credit of my subcommittee members who originally cosponsored the legislation last July, who, along with me, endured some criticism, they never wavered in their belief that our capital markets needed to be reformed and modernized, and we never lost our resolve to come to this day, and we were encouraged to see some of the things that happened once the debate was begun just with the introduction of the bill.

Chairman Levitt gave a speech in Vancouver which I think will go down as one of the most significant events in the modernization of our capital markets regulatory regime, when he suggested that there were problems in duplicative regulation at the State and Federal level. Then the SEC began to recommend eliminating unnecessary and redundant regulations. Margin reform was acted upon by the Federal Reserve. A memorandum of understanding was entered into by the SEC, the exchanges, and the National Association of Securities Dealers to streamline the examination of broker dealers. Many say that these reforms would not have happened or would have come about much slower if the dialog had not been initiated.

So today we bring to the House a very complex piece of dramatic reform legislation, in a complex subject matter area, but, again, with broad bipartisan support and effort.

In the most simplistic of terms, this legislation does the following: Investment company securities sold in the secondary market and many securities exempt from Federal registration will be subject to a single national regulatory system. In addition, securities sold by the cream of the small cap companies, companies with assets of at least $10 million and 2 years of operations, will be subject only to Federal regulation.

This bill recognizes that we have entered the information age and requires the SEC to report to Congress on the steps taken to facilitate the electronic delivery of prospectuses.

We give a general grant of exemptive authority to the SEC under both the 1933 and 1934 acts to eliminate rules and regulations that no longer serve a legitimate purpose.

We require the SEC when promulgating a rule or granting an exemption to consider efficiency, promotion of capital formation, and competition as criteria in addition to investor protection. We require the SEC to examine proposals for the privatization of EDGAR.

I want to stop just a moment and give special credit to the gentleman from New York, DAN FRISA, who not only worked tirelessly on this provision, but authored the definitive document on EDGAR and the SEC's information management system.

In title II we permit all mutual fund companies to create a fund of funds. We permit mutual funds to advertise more information than is permitted under current law. We also preempt the State from duplicative State regulations, recognizing that this is a national marketplace and our companies are competing in a global way.

Mr. Speaker, this brief and cursory explanation does not do justice to the historic reform that this legislation represents. This House should be proud of what we are accomplishing today. The House should be proud of the gentleman from Virginia, Chairman BLILEY, for moving this bill forward in the way that he did. It should be proud of the ranking minority member from Michigan [Mr. DINGELL] who has always been willing to work in a positive and bipartisan manner with all of the Members of our committee.

But, again, Mr. Speaker, I would be remiss if I did not give special credit and focus on my good friend, the gentleman from Massachusetts, ED MARKEY, who came to my office 2 nights before we were to mark up the capital markets bill in the subcommittee, and we sat together for 2 hours as we negotiated the bill. It was in those 2 hours as we negotiated the bill. It was in those 2 hours, without staff, that through our friendship, we found commonality, to serve the interests of our constituents and the people who will be affected by this reform, the investors of this country, and the capital markets community.

I would be further remiss if I did not acknowledge the hard work and personal engagement of Chairman Arthur Levitt. Without his personal efforts we would not be poised to pass this historic legislation. I believe Chairman Levitt will go down as one of the greatest, if not the greatest, SEC chairman that has ever served our country in that capacity.

Finally, I must give credit to a staff who took what Mr. MARKEY and I initially agreed upon, put it in legislative language for the subcommittee, further refined it at the full committee, and then brought us to this point today. Special thanks to David Cavicke, Linda Rich, Brian McCullough, and on the minority staff Jeff Duncan, Tim Ford, and Consuela Washington. And, of course, a special thanks to Christy Strawman on my personal staff, and a special thanks to the greatest draftsman in the House, Steve Cope.

Mr. MARKEY. Mr. Speaker, I yield 5 minutes to the gentleman from Michigan [Mr. DINGELL], the ranking Democrat on the Committee on Commerce.

(Mr. DINGELL asked and was given permission to revise and extend his remarks.)

Mr. DINGELL. Mr. Speaker, I rise in support of the legislation and urge its passage by the House.

The bill has come a long way since title I was originally proposed last July as H.R. 2131. It was controversial legislation then which would have, amongst other things, repealed the Trust Indenture Act and key protections under the Williams Act and Federal margin provisions, negated antifraud protections and suitability obligations on broker dealers to institutional investors, and decimated securities regulation and enforcement at the State level. That bill, thank heaven, is not this bill.

With that, I wish to commend my good friend, the gentleman from Texas [Mr. FIELDS], the chairman of the subcommittee, and the gentleman from Massachusetts [Mr. MARKEY], for their outstanding efforts in reforming that legislation into something we could rejoice in and pass today. I want to again commend Mr. FIELDS, the chairman of the subcommittee, and the gentleman from Virginia, Mr. BLILEY, the chairman of the Committee on Commerce, for working with Members on this side of the aisle, the Securities and Exchange Commission, State securities regulators, and the securities industry to write the balanced legislation that we consider today.

I will express my personal thanks to the gentleman from Massachusetts [Mr. MARKEY] for his important leadership on and contributions to this bill.

Others will be describing the floor amendment in great detail. There are a few points I would like to make. In his November 30, 1995, testimony before our committee, a great and decent man and an outstanding regulator, Chairman Levitt, stated that: ''State securities regulators play an essential role in the regulation of the U.S. securities industry. State regulators are often the

first line of defense against developing problems. They are the 'local cops' on the beat who can quickly detect and respond to violations of law.''

I strongly agree with those sentiments. Nothing that we do in this legislation should undercut the authority and ability of States to detect and take action against securities fraud and sales practice abuses. I will continue to work on this issue in conference with the Senate.

While I support the bill's grant of exemptive authority to the SEC under the Securities Act of 1933 and the Securities Exchange Act of 1934, I want it clearly understood that this bill does not grant the SEC the authority to grant exemptions from the antifraud provisions of either act. In determining the public interest, Congress has expressed the public interest through the express provisions of law that it has enacted. The SEC may not administratively repeal these provisions by use of the new exemptive authority.

I support responsible efforts to reform and modernize the securities laws consistent with the maintenance of investor protections and the transparency, integrity, and fairness of the U.S. securities markets. Our capital markets run on investor confidence, and that confidence will disappear, and the liquidity and efficiency of our markets will be seriously impaired, if investors believe that we are turning the hen-house sentry posts over to the foxes or abolishing half the sentry posts at a time of increases poaching. For example, yesterday's Wall Street Journal [Investigators Tie Brokers To Bribes, Monday, June 17, 1996, at C1] reported that dozens of stockbrokers around the country are suspected of taking hidden payments from promoters to sell stocks to their customers. The March 1996 report of the SEC–SRO–State Joint Regulatory Sales Practice Sweep found that: one-fifth of the examinations resulted in enforcement referrals and an additional one-fourth of the examinations resulted in the issuance of letters of caution of deficiency letters; almost one-half of the branches that engage in some type of cold calling evidence cold-calling violations or deficiencies; supervisors in many of the branches examined conduct inadequate or no routine review of registered representatives' customer service transactions to detect sales practice abuses; and many of the branches examined utilized only minimum hiring procedures and some of these are willing to employ registered reps with a history of disciplinary actions or customer complaints.

SEC resources are also an important part of this enforcement equation. Title III of the floor amendment includes the text of the SEC reauthorization bill that passed the House unanimously in march of this year. As I understand it, the inclusion of this title is intended to facilitate good faith negotiations between the House, Senate, and OMB to resolve longstanding questions about SEC fees. Although the administration supports other provisions of H.R. 3005, it has expressed serious concerns with reauthorization provisions that would reduce or eliminate the use of increased securities registration and transaction fees for general-fund purposes. I intend to continue to work with the administration to address their concerns with this provision, and hope my colleagues on the Majority side will join in the effort to get a cooperative resolution of this issue.

Also I wanted to just observe that this House is going to seriously miss my friend from Texas, Mr. FIELDS, when he goes. He has been a distinguished Member of this body, a fine chairman of this subcommittee, a valuable friend of mine, a responsible and decent Member of this body, and I am pleased that he is not yet leaving us. I do want the Record to show the high regard in which I hold the fine gentleman from Texas.

Mr. BLILEY. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from Ohio [Mr. OXLEY], the vice chairman of the subcommittee.

Mr. OXLEY. Mr. Speaker, I thank the gentleman for yielding me time.

Mr. Speaker, never in our wildest dreams could we imagine we would be on the floor today on a suspension calendar to pass H.R. 3005, the securities amendments of 1996. I want to pay tribute to the gentleman from Texas, Chairman FIELDS, for his great leadership, as well as the chairman of the full committee, the gentleman from Virginia, Mr. BLILEY, along with our good friend, the gentleman from Massachusetts, ED MARKEY, the ranking member of the subcommittee, and the ranking member, the gentleman from Michigan, Mr. DINGELL, for their hard work, and also to Chairman Levitt for providing the kind of leadership at the SEC that we have come to expect from that fine gentleman. This bill is a product of the work that all of the aforementioned gentlemen put in on this very important bill.

Times are changing and the way Americans invest are changing. The laws regarding securities and mutual fund policies must change as well. According to the Fed, in 1980 the average American household had one-third of its liquid assets in securities. By 1995 it had two-thirds of its liquid assets in securities.

For once, Congress is taking positive action in the area of securities law and not reacting to a crisis or to a scandal. The bill is designated to promote capital formation, efficiency and competition, without compromising the integrity of our confidence in the financial marketplace. The bill repeals or amends sections of the Securities Act of 1933, the SEC Act of 1934, and the Investment Company Act of 1940. The bill creates a national system of securities regulation, eliminating duplication in State and Federal regulation for exchange listed securities, securities offerings to qualified investors, and mutual funds. This will lower the administrative and regulatory costs to investors across the country and increase returns to mutual funds and other savings vehicles.

On the issue of institutional suitability, let me say during our hearings we heard from three former SEC commissioners, the Public Securities Administration, the PSA, and others in the private sector on the need for reform. We plan to pursue that issue in the next Congress.

☐ 1515

Mr. BLILEY. Mr. Speaker, I yield 2 minutes to the gentleman from Washington, Mr. RICK WHITE, a valued member of the committee.

Mr. WHITE. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, 2 years ago, I was a business lawyer, now I am a humble freshman Member of Congress. I would have to say that it has been a great privilege to serve on this subcommittee and this committee, where we have actually gotten some important things done during this Congress.

It has been my privilege to serve with the gentleman from Virginia, Chairman BLILEY, the gentleman from Texas, JACK FIELDS, the subcommittee chairman, and with the ranking members, the gentleman from Michigan, JOHN DINGELL, and the gentleman from Massachusetts, EDWARD MARKEY, especially on this bill, where we were able to work together and do something that really needed to be done.

Mr. Speaker, the fact is, as we heard so many times during the hearings on this bill, the United States right now has the best capital markets in the world. But I remember my days when I was a lawyer, it was only 2 years ago, and I dabbled in securities law at that time. And in my office, right down the hall were the real securities lawyers in my firm, and I well remember the days when those securities lawyers and the people working for them would be tearing out their hair and rending their garments because of all the regulations and hoops they had to jump through in order to get a securities offering done.

The fact is, Mr. Speaker, the price of liberty is eternal vigilance, and that maxim applies in the securities market just like in every place else. The great thing about this bill is that it modernizes our securities laws and puts them in line for what we are going to need in the 21st century.

One of the main problems we have had, and one of the things that I notices when I was a lawyer, is that when we want to issue a big securities offering, not only do we have to get approval from Washington, DC, we have to get approval from 52 States and other offices in order to get that securities offering approved. That was one of the reasons that the lawyers down the hall from me would tear out their hair whenever they had to go through this process.

Our bill fixes that. For large offerings, there is one market from now on. It streamlines it, makes it make a lot more sense. Our bill also tries to bring us into the 21st century is providing information to investors. Right now, the law says we have to provide investors with a big thick book every time we are to issue a securities offering. But in the future, if the SEC allows us to do that, we will be able to do it by the Internet or fax or some other electronic means. That is getting us ready for the 21st century.

The fact is, Mr. Speaker, our job is not over. We have some more work we need to be beyond this bill to bring our securities in line with the 21st century, but it is a good step in the right direction, I am proud to be a part of it, and I urge all my colleagues to vote for this bill.

Mr. MARKEY. Mr. Speaker, I yield myself the balance of my time in which to close the debate.

Mr. Speaker, what I would like to do is thank those who helped to bridge the gaps between the Democrats and Republicans in making this legislation possible; because, as a practical matter, this bill could not have become law, reached the floor today, without a tremendous amount of dedication and hard work on the part of many people. But a small number deserve to be especially singled out, and I begin with Linda Dallas Rich and David Cavicke and Kristy Strahman, who served the majority extremely well over this past year and a half in bringing this bill to this place.

On the Democratic side, without the historic work of Consulea Washington and Jeff Duncan and Tim Forde, who dedicated personally this last year and a half to this particular piece of legislation, we could not have been here.

And to Steve Cope, our exceptionally talented and exceedingly patient legislative counsel, the senior staff of the Securities and Exchange Commission, under the direction of our very distinguished chairman, Arthur Levitt, who provided us with critically important assistance at key times over the last few months, all are to be commended for an extraordinary job.

Finally, I doubt we would have reached the consensus without the good faith participation of the States. As proposals and ideas have been floated back and forth about how to change State laws and regulations, the States have always responded stoically, with good humor as well as with good faith. Neil Sullivan and Dee Harris have provided remarkable leadership throughout this difficult process. I have never been as proud of that group as I am here today.

While there are not many legislative days left in this session of Congress, I still think that we have a good chance of seeing much of what we vote on there today enacted into law within the next couple of months. That remarkable prospect would not have been possible without the leadership of the gentleman from Virginia, Chairman BLILEY, and of the ranking minority leader, the gentleman from Michigan, JOHN DINGELL, of the Committee on Commerce. Their historic roles in securities legislation in very well known and appreciated.

And especially, as has been noted several times before, to my good friend, the gentleman from Texas, JACK FIELDS, of this subcommittee, who has worked long and hard to bring this historic piece of legislation here to the floor.

Mr. FIELDS of Texas. Mr. Speaker, will the gentleman yield?

Mr. MARKEY. I yield to the gentleman from Texas.

Mr. FIELDS of Texas. Mr. Speaker, I appreciate all of the gentleman's kind remarks. I think it is refreshing for the public and the country at large to see both sides of the aisle working in an extremely complex issue area, working together and finding commonality.

Mr. Speaker, I want to say on behalf of the gentleman that he made this process a dialog, creating that opportunity for us to discuss and find where we could agree, and helped bring us to this important day today. Certainly I think it is historic, and I just want to compliment the gentleman.

Mr. MARKEY. Mr. Speaker, reclaiming my time, I thank the gentleman, and I look forward to its passage in the Senate and to the President's signature on this bill as well, which is the only appropriate ending to this.

Mr. BLILEY. Mr. Speaker, how much time do I have remaining?

The SPEAKER pro tempore (Mr. WELLER). The gentleman from Virginia [Mr. BLILEY] has 3 minutes remaining.

Mr. BLILEY. Mr. Speaker, I yield myself 30 seconds.

Mr. MORAN. Mr. Speaker, will the gentleman yield?

Mr. BLILEY. I yield to the gentleman from Virginia.

Mr. MORAN. Mr. Speaker, I hate to get in the middle of this exchange of roses, but our State Corporation Commission in Virginia, that I am sure the chairman is very much aware of, has some concerns in that we essentially wipe out of a lot of the State laws. I can understand why we do, but they are very much afraid that they will not have the time to go through their legislative and rulemaking process because they now require regulation fees and the filing of notice of mutual fund shares. And they are afraid as well that without doing so, they will not have sufficient enforcement authority under their current State law. Can the chairman assure us that it will be worked out?

Mr. BLILEY. Mr. Speaker, reclaiming my time, they have all of that enforcement authority and they retain their fees.

Mr. MORAN. They retain their fees and enforcement authority.

Mr. BLILEY. That is correct.

Mr. MORAN. Mr. Speaker, I thank the gentleman for putting that on the record.

Mr. BLILEY. Mr. Speaker, I yield 30 seconds to the gentleman from New York [Mr. LAZIO] for the purpose of a colloquy.

Mr. LAZIO of New York. Mr. Speaker, I thank the gentleman for yielding me this time.

As the chairman knows, there are about 20 Members of Congress, including the gentleman from New York, Congressman DAN FRISA, who have expressed deep concerns about preferencing on securities exchanges. Preferencing enables broker-dealers to take the other side of their own customer orders, to the exclusion of competing market interest. It is a de facto form of collusion. Perferencing was not permitted on securities exchanges until 1991, when the Cincinnati Stock Exchange began a preferencing pilot program.

I want to address this to the gentleman from Texas, if I can, and ask him if in the course of deliberation, as the bill moves forward in the conference process, if he would work with me and the others who are interested in this subject to ensure that this issue is addressed?

Mr. BLILEY. Mr. Speaker, I yield such time as he may consume to the gentleman from Texas [Mr. FIELDS] for a brief comment.

Mr. FIELDS of Texas. Mr. Speaker, I want to respond to the gentleman that it is my intent to work with all Members of the House and develop the best possible piece of legislation that can be developed.

Mr. BLILEY. Mr. Speaker, how much time remains?

The SPEAKER pro tempore. The gentleman from Virginia [Mr. BLILEY] has 2 minutes remaining.

Mr. BLILEY. Mr. Speaker, I yield 1 minute to the gentleman from Wisconsin, Mr. TOBY ROTH, a member of the Committee on Banking and Financial Services.

Mr. ROTH. Mr. Speaker, I thank my friend, the chairman, for yielding me this time and I congratulate him and the other members of this committee who have done such a fine job on this bill.

I have listened attentively to the debate here this afternoon. This is a good bill and I hope everyone votes for it. I did have a question about the States and how they will be impacted and we heard that in the debate here before. This bill will eliminate any duplications between State and Federal regulations governing mutual funds and other security activities.

Mr. Speaker, serving on the Committee on Banking and Financial Services, I have had a great deal of interest in legislation like this. The measure before us is not perfect, but it is going because it has been scaled down a long way from the controversial changes that it first had, but this is a good piece of legislation.

Even though this legislation preempts some State powers over securities, the bill would preserve a significant role for the State regulators. For

example, the State would no longer have jurisdiction over mutual funds, and the bill would scale back State regulation securities offerings, substituting Securities and Exchange Commission for a dual State-Federal system in place. But, on the other hand, this is a good bill, it is a well balanced bill, and I hope we all vote for it.

Mr. BLILEY. Mr. Speaker, I yield 1 minute, the balance of my time, to the gentleman from New York [Mr. FRISA], a member of the committee.

Mr. FRISA. Mr. Speaker, I thank the chairman for yielding me this time, and I would like to take this opportunity in joining with my colleagues from both sides of the aisle in acknowledging the tremendous leadership that the gentleman from Virginia, Chairman BLILEY, of the Committee on Commerce, has exhibited in this case to bring both sides together in a very complex issue, which, most importantly, will benefit the investors, all of them, the individual families who invest as well as the large pools of money that invest; because, really, Mr. Speaker, those investors are the few that drive the engine of the American economy by investing in the stock market their hard-earned money so that corporations will have the funds to invest in capital and in jobs. I think it represents yet another victory for the people and for the Committee on Commerce in crafting this bipartisan legislation.

I think it is also important, Mr. Speaker, to acknowledge that the chairman of the Securities and Exchange Commission, Arthur Levitt, has worked with us as well in order to craft this agreement. And I think, finally, the gentleman from Texas [Mr. FIELDS], the chairman of the subcommittee, who I have been pleased to work with, and the gentleman from Massachusetts [Mr. MARKEY], the ranking member of the subcommittee, have provided leadership as well.

Mr. Speaker, I say to the gentleman from Virginia [Mr. BLILEY] and to all the others, this entire House can be proud of this legislation. I urge its adoption.

Mr. HASTERT. Mr. Speaker, I am glad to see consensus has been reached to move ahead with bipartisan legislation that will equip America's capital markets to compete in the global marketplace. The changes in this bill will ultimately make it easier for business people and investors all over this Nation to reach the American Dream.

We all know that communications technologies have made the world a smaller place. People and businesses looking for capital, or those looking to invest, are now able to shop around the world. They look for those markets that provide the highest degree of integrity, transparency, and liquidity, but do not require unnecessary or burdensome red tape.

H.R. 3005 makes commonsense changes to a system that today, makes the cost of capital generation unnecessarily high and overburdens the Securities and Exchange Commission. The most fundamental change provides efficiency by dividing financial instruments into those that are national in scope and those that are not. This allows the SEC to focus its resources as the sole regulator of larger, national offerings, while the States will carry out the crucial role of regulating smaller offerings. This change enables regulators to concentrate on those instruments they are best suited to oversee. At the same time, eliminating duplicative registration requirements will reduce the cost of raising capital. Thus, more companies will be able to create jobs, pay out higher dividends, and further expand their business.

These are the tangible effects of the bill we are addressing today. Thus, this bill moves entrepreneurs and investors one step closer to fulfilling the American Dream. Congress can and should continue to enact legislation that provides hope to the citizens of this Nation.

Mrs. COLLINS of Illinois. Mr. Speaker, during three hearings held on securities amendments, the Commerce Committee heard support for sensible, targeted efforts to reform Federal securities laws to promote greater efficiency and capital formation in U.S. financial markets. We also heard from a number of witnesses, including Securities and Exchange Commission Chairman Arthur Levitt, who urged us to proceed carefully and cautiously, keeping in mind the fact that investor confidence and consumer protection must not in any way be compromised in this undertaking. I agree fully. I was extremely pleased that a bipartisan agreement was reached that heeded Chairman Levitt's sage device.

As we all know, U.S. capital markets are the strongest financial markets in the world. Today, nearly one-third of all families in the Nation have a portion of their savings invested in stocks, bonds, and mutual funds in order to ensure a better future for themselves and their loved ones. These investors have trust in their investments because our regulatory system has proven beneficial in protecting individuals from fraud and abuse perpetuated by unscrupulous brokers and dealers. We will be preserving and strengthening this trust with the legislation we consider before us today.

This legislation will maintain the authority of State securities regulators to police wrongdoing. In addition, the legislation in its current form ensures that the SEC mandate to protect American investors and the public interest as well as the long-term stability of our major markets remains intact. This is a most important point. While there is room to fine tune the regulatory functions of the SEC, reforms must never be structured in such a way that they undermine consumer confidence.

This bill, H.R. 2005, does not seek to greatly limit inspections of brokerage firms who have violated SEC rules or relieve firms of liability for recommending unsuitably risky investments to institutional clients. The bill also modifies previous language that would have eliminated the requirement in current law that investors be sent a prospectus and informed of the risks they face before they buy newly offered securities by requiring the SEC to move forward with its study of this issue.

Mr. Speaker, there is undoubtedly a need to monitor mutual fund regulation to fully account for the constantly evolving size, complexity, and investment opportunities of our Nation's financial markets. While mutual funds have grown by more than 20 percent annually throughout the 1980's and into the 1990's, Congress has not addressed the issue of fund regulation since 1970. This bill updates our securities laws.

I urge my colleagues to support H.R. 3005.

Mr. ACKERMAN. Mr. Speaker, on May 9, 1996, 18 of my colleagues and I wrote to the SEC to express our strong concern about the SEC's order giving permanent approval to a preferencing program on the Cincinnati Stock Exchange, the CSE. Among the important issues raised in the letter was the adequacy of the CSE's surveillance system.

Preferencing enables a broker-dealer to take the other side of its own customer order, to the exclusion of the other competing market interest. Because preferencing presents a broker-dealer with a conflict between its duty to its customer as a broker and its financial self-interest as a dealer, an effective surveillance system is especially important. Among the unanswered questions about the CSE preferencing program is whether the CSE's surveillance system can ensure that dealers taking the other side of their customers' orders fulfill their fiduciary obligations to achieve the best price for their customers. Given the SEC's traditional emphasis on investor protection, it is surprising that the order approving the CSE preferencing program does not address this issue.

Mr. Speaker, today we take up H.R. 3005, the securities amendments of 1996. This legislation does not address the issue of preferencing but I understand that similar legislation in the other body may contain a provision directing the SEC to undertake detailed study of preferencing on exchange markets. Such a study would likely provide answers to some of the unanswered questions about preferencing on the CSE, such as the adequacy of the CSE's surveillance system. Unless such a study concludes that there are tangible benefits to investors and to the capital formation process from this questionable practice, I would support efforts to move swiftly to ban preferencing on exchanges.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Virginia [Mr. BLILEY] that the House suspend the rules and pass the bill, H.R. 3005, as amended.

The question was taken.

Mr. BLILEY. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 5 of rule I and the Chair's prior announcement, further proceedings on this motion will be postponed.

GENERAL LEAVE

Mr. BLILEY. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on H.R. 3005 the bill just considered.

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

There was no objection.

ANTI-CAR THEFT IMPROVEMENTS ACT OF 1996

Mr. MCCOLLUM. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 2803) to amend the anti-car theft provisions of title 49, United