

(2) in clause (ii)(I)—

(A) by inserting "the sum of" before "the expenditures"; and

(B) by inserting ", and any additional qualified State expenditures, as defined in section 409(a)(7)(B)(i), for child care assistance made under the Child Care and Development Block Grant Act of 1990" before the semicolon.

(c) CLARIFICATION OF HEADING.—The heading of section 116(b)(1) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 is amended by inserting "LIMITATION ON FISCAL YEARS 1996 AND 1997 PAYMENTS" after "DATE".

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of and the amendments made by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

## SEC. 2. EXTENSION OF NORTHERN GREAT PLAINS RURAL DEVELOPMENT COMMISSION.

Section 11 of the Northern Great Plains Rural Development Act (Public Law 103-318; 7 U.S.C. 2661 note) is amended by striking "the earlier" and all that follows through the period at the end and inserting "September 30, 1997."

## PROVIDING FOR THE CONVENING OF THE 105TH CONGRESS AND COUNTING ELECTORAL VOTES

Mr. MURKOWSKI. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of House Joint Resolution 198 regarding the convening of the 105th Congress and the counting of electoral votes which was received from the House.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

A joint resolution (H.J. Res. 198) appointing the day for the convening of the first session of the One Hundred Fifth Congress and the day for the counting in Congress of the electoral votes for President and Vice President cast in December of 1996.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the joint resolution?

There being no objection, the Senate proceeded to consider the joint resolution.

Mr. MURKOWSKI. Mr. President, it is my understanding from the clerk that the Senate will come back on the 7th and count the electoral votes on the 9th.

The PRESIDING OFFICER. That is the understanding of the Chair.

Mr. MURKOWSKI. I thank the Chair.

I ask unanimous consent that the resolution be deemed read a third time, passed, and the motion to reconsider be laid upon the table.

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

The joint resolution (H.J. Res. 198) was deemed read a third time, and passed.

## THE NATIONAL SECURITIES MARKETS IMPROVEMENT ACT OF 1996—CONFERENCE REPORT

Mr. MURKOWSKI. Mr. President, I submit a report of the committee of

conference on (H.R. 3005) and ask for its immediate consideration.

The PRESIDING OFFICER. The report will be stated.

The clerk read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to 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, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses this report, signed by a majority of the conferees.

The PRESIDING OFFICER. Without objection, the Senate will proceed to the consideration of the conference report.

(The conference report is printed in the House proceedings of the RECORD of September 28, 1996.)

Mr. D'AMATO. Mr. President, today I speak in support of H.R. 3005, the National Securities Markets Improvement Act of 1996. This bill is a critical piece of securities legislation that will vastly improve our securities markets and provide important investor and consumer protections.

As most of my colleagues already know, an earlier version of this bill, S. 1815, passed the Senate unanimously in late June. That bill enjoyed strong bipartisan support. As testament to that support, we were able to introduce the bill, mark it up in committee, and pass it through the Senate within 2 months.

Through hard work on both sides of the Capitol, the House and Senate conference on H.R. 3005 produced a sound bill that thoughtfully and carefully tightens the securities laws. I thank my distinguished colleagues and conferees whose tenacity and dedication have made it possible to produce this legislation. I thank the chairman and ranking member of the Securities Subcommittee, Senators GRAMM and DODD, along with the ranking member of the full committee, Senator SARBANES. I also thank my esteemed colleague, Senator BENNETT, who has been very helpful to the committee on securities legislation this Congress. I thank the staffs: Howard Mennell, Steve Harris, Laura Unger, Wayne Abernathy, Mitchell Feuer, Andrew Lowenthal, and Robert Cresanti, as well as the legislative counsel, Laura Ayud, who literally made this bill possible.

Mr. President, I urge the Senate to act expeditiously on this conference report so that we may then forward it to the White House for the President's signature.

The National Securities Markets Improvement Act of 1996 is a significant piece of legislation that will ensure that the U.S. securities market remains the pre-eminent securities market in the world. The U.S. securities market has the most capital and the most investors. Over 50 million Americans own stocks, not counting more

than 10,000 institutional investors. Last year, the U.S. stock market had \$7.98 trillion in capital—close to half the amount of capital in the entire world market.

This legislation will make it easier to raise capital in the securities market. The bill will create a new category of unregistered private investment companies that will help venture capitalists tap the capital markets to fund business endeavors. It will also bring more funding and investment to small business by making it easier for economic, business, and industrial development companies to raise money without having to register with the SEC and by providing liquidity and investment opportunities to business development companies.

The bill will promote capital formation by eliminating many overlapping State and Federal requirements for registering securities. It eases the restrictions on borrowing that currently restricts U.S. broker-dealers' sources of funding their business. The bill will make U.S. broker-dealers more competitive in the global markets. It will also allow U.S. firms to pass on substantial savings to their customers.

This bill will make the securities laws reflect the reality of today's marketplace. It will simplify procedures for paying fees and making disclosures. It will give the Securities and Exchange Commission flexibility to adapt to the changing financial market by letting the SEC say the securities laws don't apply where they don't make sense.

This legislation will tighten up regulation by giving the States and the SEC distinctly separate regulatory roles. It will divide between the SEC and the States regulation of the 22,000 registered investment advisers who are entrusted with \$10.6 trillion in customer funds—much of which represents savings and retirement money. As a result, investment advisers will be better regulated and consumers and investors better protected.

The bill will make the mutual fund market a national market, that will be comprehensively regulated by the SEC. Mutual funds have become a household commodity in the last several years with almost one-third of U.S. households—that's 30 million households—owning a total of \$2.7 trillion in mutual funds. This bill recognizes that the growth in the mutual fund industry means that it is no longer practicable for all 50 States to have a hand in what goes into a mutual fund prospectus.

This legislation also makes sure investors and consumers are not confused about what's in a mutual fund by giving the SEC authority to set standards on mutual fund names.

This is not a controversial bill, it enjoys support on both sides of the aisle. It thoughtfully and carefully tightens the laws governing the securities market. I commend my colleagues and their staff for their excellent work in drafting this legislation and urge my

colleagues to support passage of the bill.

Mr. DODD. Mr. President, I rise today to join my colleagues in supporting the passage of the conference report on H.R. 3005, the National Securities Markets Improvement Act of 1996. Allow me to begin by offering my heartfelt congratulations to my fellow conferees: Senators D'AMATO, SARBANES, GRAMM, and BENNETT, with whom I worked very closely in first creating and now passing this thoughtful and strongly bipartisan bill. I believe that the high quality of this legislation is demonstrable proof of what can be accomplished when we set aside our partisan differences to work for the good of the Nation.

As I've said many times, the U.S. capital markets are vitally important for the good economic health not only of virtually every American company but for millions and millions of individual investors who have placed some of their assets either directly in securities or, as has become more and more common, into mutual funds.

Sustained economic growth is heavily dependent upon the continuing ability of our capital markets and financial services industry to function efficiently and with integrity. If companies find impediments to obtaining capital, they will not grow. If individuals find impediments to their access to securities and other investments, they will not save.

Taking steps to enhance the access of both corporations and individuals to the securities markets is a prudent means by which Congress can help sustain or even increase the Nation's rate of economic growth.

Furthermore, the American capital markets are the envy of the world. No other Nation enjoys the international reputation of our capital markets and it is necessary for Congress periodically to review and modernize, where necessary, the laws that make our markets and our financial services industry the world's leader.

I will acknowledge that it took us a little longer to get to this point than I had anticipated when the Senate passed S. 1815 at the end of June. Despite the other body's initially leisurely attitude toward conference negotiations, we have collectively achieved an excellent product.

This conference report, which I hope that the Senate will adopt today, is the culmination of a lengthy bipartisan effort to reform those aspects of the securities laws that are an outdated impediment to the efficient functioning of the securities industry.

The legislation will also provide clearer statutory directives to both State and Federal regulators so that the integrity of—and confidence in—our capital markets and financial services industry is enhanced.

Without going into excruciating detail, let me just highlight the main areas that this legislation covers: it improves the regulation of investment

advisors by clarifying the proper roles of the SEC and the State regulators; it modernizes and streamlines the regulation of mutual funds on the one hand, and provides badly needed modernization of the statutes covering hedge funds and venture capital funds on the other hand; it provides for clarification on a host of technical matters ranging from treatment of church pension plans to the access by U.S. journalists to foreign issuer press conferences. And, significantly, the bill creates the mechanism for increased regulatory flexibility so that the SEC will have the ability to keep pace with needed regulatory changes as the needs and demands both of investors and the financial industry develop over time.

As I mentioned earlier, the legislation will allow the creation of a new kind of private investment company that is exempt from the restrictions of the Investment Company Act of 1940. Because this is a new mechanism for fund managers to use, we provide safeguards for participants in existing private investment companies. Any fund manager seeking to convert their existing fund to a new fund—called 3(c)[7] funds in the bill—must offer all their participants the option to first “cash out.” It is further the intent of the conferees that these dissenter's rights not be evaded by fund managers who might seek to either invest their existing fund solely in the new fund or to simply have the old fund exactly mirror the investment decisions of the new fund. The conferees expect the commission to be particularly vigilant in this matter. It is also the expectation of the conferees that the commission act swiftly to define the term “Beneficial owners.” It is the intent of the conferees that when such notices are given to institutional investors, the notice be given only to the controlling entity of that institution, not directly to all of the investing institution's underlying investors or participants.

I am also pleased that the conference report will require the Commission to study the impact of recent judicial and regulatory rulings that have limited the ability of shareholders to offer proposals at shareholder meetings regarding a company's employment practices. The abilities of shareholders to offer such kinds of resolutions such as the “Sullivan principles” for South Africa and the “MacBride principles” for Northern Ireland have had a direct impact on ensuring that U.S. corporations do not participate in the loathsome discriminatory practices that occurred—or still occur—in those Nations. I look forward to the results of the Commission's study in a year's time.

I would also note a few important provisions from the House bill that were included in this conference report. First, the conference report contains a 10-year authorization for the Securities and Exchange Commission that will reduce registration fees that were a drag on capital formation and will provide a

level playing field for transaction fees on the New York Stock Exchange, the American Stock Exchange, and the NASDAQ stock market. This provision is a huge improvement over the House's original plan, since the plan first adopted by the House would have caused a negative impact upon programs in the Commerce Department, Justice Department and the State Department.

The Senate played a critical role in forcing the other body to reach agreement with the administration and Senate appropriators so that the goal of fee reduction could be achieved without harming other important Federal programs.

The conference report also contains a requirement for the establishment of uniform State laws on books and records for broker-dealers. While this uniformity has long been sought by State regulators, the SEC and industry, I remain concerned that some States will have to adjust their laws regarding books and records kept at branch offices. It is the intent of the conferees that the SEC work closely with the States to determine what records should be maintained at branch offices and to establish a mechanism so that States could require such records be kept in the branch office, rather than at a back office halfway across the Nation.

At this time, it is also appropriate to thank the Senate staffers who have worked so hard on turning ideas and goals into concrete legislation. I extend my congratulations and appreciation to Andrew Lowenthal from my staff; Laura Unger, the majority counsel; Mitchell Feuer, the minority counsel; and, Wayne Abernathy, the majority staff director of the Securities Subcommittee. I would also like to extend my thanks to someone who frequently, though unjustly, goes unmentioned when accolades are given on the floor—Laura Syoud of the Senate legislative counsel's office whose expertise was invaluable in solving some of the most difficult problems we confronted in drafting not only this conference report, but in the original Senate legislation.

Mr. President, this is a carefully balanced bill that, upon enactment by President Clinton, will improve our Nation's securities laws to allow the markets to function more efficiently, while balancing those reforms by maintaining, and in some cases enhancing, the full strength of investor protections that have made our markets the best in the world.

I urge my colleagues to support adoption of this important legislation.

Mr. SARBANES. Mr. President, I am pleased that the Congress has today enacted H.R. 3005, the National Securities Markets Improvement Act of 1996. Both the Senate and the House of Representatives passed legislation intended to promote efficiency in the regulation of mutual funds, better allocation of responsibility between Federal and State

securities regulators, and elimination of outdated provisions. While the two bills had much in common, they also differed in certain respects. I commend Senator D'AMATO for his leadership of the Conference Committee, which has successfully bridged the differences between the two bills. Credit also goes to Senator GRAMM, Senator DODD, Senator BENNETT, and the House Conferees. The final product is a reasonable bill that deserves support.

This bill has two major themes: first, improvement of mutual fund regulation, and second, reallocation of responsibility between Federal and State securities regulators. It is appropriate to review the regulation of mutual funds, given the tremendous growth in this segment of the financial services industry. Mutual fund assets now equal insured bank deposits in size. The legislation contains a number of provisions supported by the SEC that are intended to allow mutual funds to operate more flexibly. These provisions include allowing the SEC to require mutual funds to provide shareholders with more current information and to maintain additional records that will be available to the SEC. Given the importance that mutual funds now have as an investment vehicle for millions of American households, it is crucial that information be available for mutual fund shareholders, and these provisions address that need. Both the Senate and House bills contained provisions creating a new exemption for funds open solely to sophisticated investors known as qualified purchasers. In the conference report, the House and Senate reached a compromise on the definition of qualified purchaser.

With respect to the role of the States in securities regulation, let me say that State securities regulators play a crucial role in policing our markets. Still, dual regulation need not mean duplicative regulation. The State regulators themselves have convened a task force to recommend how securities regulation can be made more efficient and effective by dividing authority between the Federal and State level. This conference report retains the provision of the Senate bill, that the SEC may preempt State laws only with respect to securities traded on the New York Stock Exchange, the American Stock Exchange, the NASDAQ, or other exchanges with substantially similar listing standards. The provision in the House bill would have preempted State law for securities not traded on an exchange. The conference report does contain preemption provisions from the House bill that were not present in the Senate bill, addressing secondary trading and regulation of brokerage firms.

The House and Senate compromised on the investment adviser provisions of the Senate bill. These would have removed investment advisory firms with \$25 million or more under management from State regulation. The conference report provides that investment ad-

viser representatives of such firms will continue to be licensed by the States in which they have places of business. The bill does not prohibit a State from requiring that investment adviser representatives doing business in that State designate a place of business in the State, such as an address for service of process, for purposes of maintaining State licensing authority over such individuals.

This is a moderate bill, and appropriately so, for the Federal and State laws governing our securities markets and the participants in those markets are not in need of wholesale changes. All the evidence suggests that the U.S. securities markets are functioning well. Companies continue to raise capital in the U.S. markets in record amounts. In addition to established businesses, new companies have been raising capital in record amounts. Individual investor confidence in the securities markets, measured by direct investment in securities and investment through mutual funds and pension plans, remains high. The U.S. securities markets retain their preeminent position in the world.

As passed by the conference, this bill strikes a reasonable balance. It should improve efficiency in the regulation of our securities markets without unduly limiting the authority of the State regulators, thereby exposing investors to sharp practices. The bill received support from Democratic and Republican House and Senate conferees, and was passed by the House unanimously 2 days ago. I am pleased that the House and Senate, Democrats and Republicans alike, were able to reach consensus on this legislation.

Mr. MURKOWSKI. Mr. President, I ask unanimous consent that the conference report be considered as adopted, the motion to reconsider be laid upon the table, and statements relating to the report appear at the appropriate place in the RECORD.

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

The conference report was agreed to.

#### RECESS

The PRESIDING OFFICER. Under the previous order, the hour of 12:30 p.m. having arrived, and passed, the Senate will stand in recess until 2:15.

Thereupon, the Senate, at 12:35 p.m., recessed until 2:13 p.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. SMITH).

#### FEDERAL AVIATION REAUTHORIZATION—CONFERENCE REPORT

The Senate resumed consideration of the conference report.

The PRESIDING OFFICER. Under the previous order, there will be 3 hours of debate on the conference report equally divided.

Mr. McCAIN addressed the Chair.

The PRESIDING OFFICER. The Senator from Arizona is recognized.

Mr. McCAIN. Mr. President, I designate myself as being in charge of the time for this side of the aisle.

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

Mr. McCAIN. Mr. President, I will be brief.

We have decided and the reality is that we will pass this bill. Under the unanimous-consent agreement we entered into yesterday, we will have a cloture vote on Thursday, it is obvious that there are well in excess of 60 votes for passage of this conference report. Unfortunately, for reasons that are not clear to me, the other side has chosen to delay until Thursday that cloture vote. Then, of course, there is the possibility of utilizing time after that.

Meanwhile, funding for much-needed projects is being held up. Funding for projects that are vital, in the view of many States throughout the country, which I will be describing at a later time, is being held up. I do not know why it is being held up. I do not know if it is at the behest of the Teamsters Union. I do not know if it is at the behest of some other labor unions. I do not know why. This provision was inserted by the Senator of South Carolina in conference and voted and carried nearly unanimously. It was the correction of a technical error. Now, the Senator from Massachusetts has tied up the Senate, going through the arcane obstruction and delay such as having the bill read for nearly 5 hours last evening. All but two pages of it were required to be read last night. I do not know why that happened, but the fact is we should be taking up this conference report and passing it right now. There are plenty of Senators who are still in town. We could do it now.

Why the Senator from Massachusetts insists on delaying these programs and projects—do you know what these programs and projects are? These are jobs. These are real jobs for working men and women around America who want to move forward to take their jobs and are now precluded from doing so until this conference report is signed.

The fiscal year ended last night at midnight. We are now a little more than 14 hours into the new fiscal year and thousands, literally thousands of men and women who are not working on these critically needed airport projects. We are now 14 hours into the new fiscal year where much needed improvements having to do with aviation safety and airport security are not being accomplished. We will go into Thursday at minimum, which is 2 more days away. Then the conference report is signed. Then it has to go to the President's desk for signature. We could be talking about several days, all because the Senator from Massachusetts objects to us moving ahead and voting on the conference report which has the overwhelming support of the Members of the Senate. Let me be clear, the provision in question was proposed on his side of the aisle in the conference, which was a technical correction to a drafting error and we all