

answered, the sad reality is that what happened today in Seattle and what happened yesterday in Honolulu could happen in anyone's hometown tomorrow.

We have been told by the chairman of the House Judiciary Committee, Henry Hyde, that it is not likely the conference will meet in the next few days on this gun control bill. That is a shame. We may leave this year doing absolutely nothing to make America's streets safer.

Frankly, this Congress, again, has put first things last. We have done some good things today; we are proud of them, I am sure. But tonight's news will not herald our accomplishments on the Senate floor. Tonight's news reports another tragedy in America, a tragedy in America which this Senate and this House of Representatives refuses to even acknowledge.

I yield the floor.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. Mr. President, I can't help but lament that we have an administration that has prosecuted fewer people for gun violations than any administration in modern history. That is something that could be done today. It could have started this afternoon; it could have begun 7 years ago; but it was not.

FINANCIAL SERVICES MODERNIZATION ACT OF 1999—CONFERENCE REPORT

Mr. GRAMM. Mr. President, it is with great pleasure that under the previous agreement I call up the conference report to accompany S. 900, the Financial Services Modernization Act of 1999.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 900), to enhance competition in the financial services industry by providing a prudential framework for the affiliation of banks, securities firms, insurance companies, and other financial service providers, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective House as follows:

That the Senate recede from its disagreement to the amendment of the House to the text of the bill and agree to the same with an amendment and the House agree to the same.

That the House recede from its amendment to the title of the bill; signed by a majority of the conferees on the part of both Houses.

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 November 2, 1999.)

Mr. GRAMM. Mr. President, in case any of our colleagues are watching, let me try to outline what we were going to do tonight.

Senator SARBANES and I are going to make opening statements tonight. It is our understanding that no one else wishes to speak tonight. Then it would be our objective to reserve the remainder of our time for the debate tomorrow. Then the Senate would begin the process of shutting down for the evening.

Mr. SARBANES. Mr. President, will the chairman yield?

Mr. GRAMM. I am happy to yield.

Mr. SARBANES. Mr. President, as I understand it, there is a time agreement which has been entered into, which I hope all Members are aware of, with 4 hours equally divided between the chairman and the ranking member. There is an hour for Senator SHELBY, and an hour for Senator WELLSTONE, 30 minutes for Senator BRYAN, and 20 minutes for Senator DORGAN.

I understand Senator WELLSTONE intends to be here in the morning at 9:30 to start using his time, which is when the Senate will come in. I presume we will then work right straight through.

I think we ought to say to Members that we intend to try to carry this thing through to completion and run our time straight through, which would enable us to finish this bill by mid afternoon.

I understand the House would like to act on this matter yet tomorrow. Of course, that would be assisted, if we could move it through the Senate in a reasonable time.

Parliamentary inquiry: If quorum calls are registered, is the time then drawn down equally from allocations of time?

The PRESIDING OFFICER. Only by unanimous consent. Otherwise, it is charged to the side to which it is assigned.

Mr. SARBANES. I am sure the chairman and I can work that out between us. I think it would be our intention not to have quorum calls. We want people to come and use this time, and not end up drawing it down.

I think we ought to, in effect, alert our Members to that effect, and also of our desire to be able to move straight through. So for Members who wish to speak beginning about 10:15 or 10:30, the thing will be open for Members to get time and speak on this conference report.

Mr. GRAMM. Mr. President, I join Senator SARBANES in urging Senators who want to speak on the bill, and I know there will be many, to be here. The clock will run. We will have to take a break right before 12 o'clock to swear in Senator Chafee, but except for that period of time where we will be off this bill, it will be my intention, and I know it is the intention of the leadership on both sides of the aisle, to stay on the bill until we finish it.

Today we are bringing to the floor a bill that has been a long time in the making. When Glass-Steagall was adopted, Franklin Roosevelt called it the most important and far-reaching legislation ever enacted by the Amer-

ican Congress. In fact, Time magazine just yesterday called it the defining financial legislation of the 20th century. Yet, while it is both of those, or has become both of those, Senator Glass almost immediately after the adoption of the Act bearing his name began to have second thoughts and started the process of overturning Glass-Steagall.

We are here today with a bill which I believe will prove to be the most important banking bill in 60 years. It does overturn the key provision of Glass-Steagall that basically divided the American financial system into securities and banking halves. In the process an unnatural competitive environment was created, and over time, the market and the regulators have through a variety of innovations sought to undo this separation.

This bill we bring to the floor of the Senate basically knocks down the barriers in American law that separate banking from insurance and banking from securities. These walls, over time, because of innovative regulators and because of the pressure of the market system, have come to look like very thin slices of Swiss cheese. As a result, we already have substantial competition occurring, but it is competition that is largely inefficient and costly, it is unstable, and it is not in the public interest for this situation to continue.

The Financial Services Modernization Act strikes down these walls and opens up new competition. It will create wholly new financial services organizations in America. It will literally bring to every city and town in America the financial services supermarket.

Americans today spend about \$350 billion on financial services—on fees and charges and interest. Most people who have looked at the capacity for our markets under a more rational system believe, as I believe, that there are tens of billions of dollars of savings for the American consumer that will be produced by the reforms of this bill.

This bill will allow Dicky Flatt, a printer in Mexia, Texas, to go to the bank and take the checks he has received in his print shop that day and do his banking, deal with his insurance business, work on the retirement program that he and his wife and his employees have, all in one location with all the efficiencies and synergies that come from that.

This is a dramatic bill that will produce new products. It will produce a diversity of financial services and products that we have never seen before. Because of the competition in allowing these three major industries to compete head on, these products will be produced and these services will be provided at lower prices than we have ever seen.

There has been great debate in the media, and it will go on until the facts are in, as it should. That is what happens in a free society. But when people ask me who benefits from this bill, I answer, everybody who uses financial

services will benefit from this bill: Everybody who borrows money, everybody who has a checking account or a credit card, everybody who buys insurance or securities, everybody who is engaged in modern financial transactions. When you sum all that up, that is everybody in America, for all practical purposes.

Once we had decided to tear down these barriers, the logical question was, in providing these new financial services and these new products, how were they going to be provided? Were they going to be provided within the bank itself, or were they going to be provided in a holding company, separated from the bank? We had a very heated debate and, I believe, a debate with very high intellectual content on that subject on the floor of the Senate. It was decided in the Senate by a relatively close vote. It is one of these issues on which everybody's eyes glaze over, but it is an issue that has profound importance.

What we have produced in this bill, which is what is always produced in the legislative process, is a compromise. I think the compromise on the question of whether banks should provide these new services within the bank or outside the bank is a good compromise, and I strongly support it. I want to congratulate Larry Summers, the Secretary of the Treasury, and Alan Greenspan, the Chairman of the Board of Governors of the Federal Reserve System, for working out this compromise. I very strongly support it.

The compromise allows banks, under very limited circumstances, to provide some of these expanded services within the bank. Basically, those circumstances try to deal with two problems about which many have been concerned. I have been concerned about them, Alan Greenspan was concerned about them, and others were as well. We were concerned about safety and soundness and concentration of financial activities within a bank, driven by the potential for a bank benefiting from a subsidy because deposits are insured by the taxpayer, because the bank has access to the Fed window in borrowing money at lower rates than anybody else, and because of the bank's access to the Fed wire, and transferring funds risk free.

I believe the compromise deals with that by very severely limiting what banks can do within the bank, requiring that banks, in order to provide even limited financial services within the bank, be extremely well managed and well capitalized. That is, they have to have at least an A rating on their subordinated debt. Subordinated debt is the last debt to be paid, so if you are a bank and you have outstanding subordinated debt, that obligation is paid after the depositors, after the creditors, after everybody. For a bank to have an A or an AA or an AAA rating, it has to be extraordinarily well managed and well capitalized, and banks will not be able to engage in activities

within the bank unless they meet that test.

We eliminate the double counting of assets that is inherent in providing these services within the bank. If you provide securities activities and services within the bank by setting up a securities operating subsidiary in the bank, you put capital into that securities business, but because it is under the umbrella of the bank, it counts as part of the capital of the bank even though it is committed to capitalizing the securities business. What we require in this compromise—and I think wisely require—is that we eliminate this double counting by saying the capital that is invested in the subsidiary cannot count as part of the capital of the bank.

We limit all subsidiaries that banks can engage in, and the investments they can make within the bank itself, to no more than 20 percent of the capital of the bank.

So these are very strict limitations. We have an outright prohibition on many activities. In terms of where we started and in terms of the legitimate concerns that were raised on both sides, I think this is a very strong and a very good compromise.

The second major feature of the bill is that we promote and strengthen functional regulation. Under the bill, the general rule is that if you are a bank and you are in the securities business, you are regulated by the Securities and Exchange Commission. If you are a bank and you are in the insurance business, you are regulated by the state insurance commissioner in the area where you are engaged in the insurance business. If you are a bank and you are engaged in banking, you are regulated by the bank regulator. By opting for functional regulation, we preserve consumer protection, we lower costs.

One of the issues on which an extraordinary amount of time was spent and which for 99.99 percent of the American people would be meaningless is the whole issue about swaps and derivatives. We currently have literally trillions of dollars of swaps and derivatives in the global economy that have become the underpinnings of the financial structure of the country. They are used by sophisticated parties. We went to great lengths in this bill not to upset the current regulatory environment for these products, to see that we did not create any new law giving anybody any new, or removing any existing, jurisdiction over swaps or derivatives. I thank Chairman Levitt and Chairman Greenspan for their help on this issue.

Probably the most contentious issue in the bill, as it turned out, was not the decision to repeal Glass-Steagall but what to do with the so-called Community Reinvestment Act, or CRA. The CRA was a bill created in 1977, that started out as a very small program, but over the years it has grown to be a very large program with increased en-

forcement and with greater impact due to the tremendous mergers taking place among financial institutions in America. CRA has literally become bigger than General Motors, Ford, and Chrysler combined. It has evolved in such a way that it not only involves loans but cash payments.

Concerns were raised—and I as chairman of the committee raised many of those concerns—that we needed to begin to see a reform process. We have two changes in the bill that are related to reforming CRA. By far the most important is the sunshine provision. The sunshine provision is very important because it recognizes that banks are making CRA payments as part of compliance practices, that while these payments are made with private funds, they are made under public direction. As a result, this money takes on a very clear government tint because it is paid substantially in part as a way of complying with a Federal mandate that has become a cost of business for people who are engaged in commercial banking in America. Because of the fact that these funds are paid as a result of a Federal mandate and a Federal law and a Federal regulatory process, these funds do take on the characteristic of public funds.

A decision was made in this bill to make two fundamental changes that I believe will change CRA's operation in America. The first was a decision to require a public disclosure and reporting of CRA agreements. I believe this is fundamentally important. If I am a community activist and I am paid \$175,000 in cash by a bank to promote objectives within the community, if people who live in the community don't know that I received the \$175,000, purportedly to serve the needs of the community, how can they hold me accountable as to how I used the money?

Second, we require on an annual basis both the bank and the recipient of money and things of value under the Community Reinvestment Act to disclose in a report what was done with the money. The language of the bill is very precise and quite demanding on this subject. While we have made a strong effort to give the regulators the ability within this language to reduce regulatory burden and paperwork, the language of the law is very clear, and regulators are given no power to decide to negate or refuse to implement this law as it is written. The language is very clear. The language says in setting out the reporting requirement: "The accounting referred to in [the report] shall include a detailed, itemized list of the uses to which such funds have been made, including compensation, administrative expenses, travel, entertainment, consulting and professional fees paid, and such other categories, as determined by regulation by the appropriate Federal banking agency with supervisory responsibility over insured depository institution."

It is our intent that the regulators clearly have the authority within reason to try to minimize regulatory burden. If some of this information is included in someone's tax return and they want to submit their tax return in lieu of the report, clearly the regulator has the power to allow that to be done and to make the tax return public. If the tax return did not include this information, it could not be accepted in lieu of this information.

The flexibility is flexibility in a reasonable enforcement of the law; it is not flexibility on the part of the regulator to decide to negate the law. As chairman, I say when we wrote "de-tailed" and "itemized," we meant it.

As I have discussed with other Members, if one is talking about taking somebody to lunch at McDonald's—we are talking about de minimus amounts—obviously the regulator has the ability to set rules of reason. If one is talking about expenditures of substantial amounts of money either in individual expenditures or the aggregate of those expenditures, or talking about reporting items specifically listed in the law when we wrote it, we meant it. This is critically important. If one is a CRA activist in a city, and they go to Atlanta to a CRA conference, that is a legitimate expenditure to be reported. People expect to see that on their report. If they went to Hawaii for 3 weeks, that should be reported, and people at the local newspaper would have a right, and I think a responsibility, to ask what they were doing with that expenditure.

What we are trying to do is reasonable. I urge the regulators to comply with the law and enforce it as it has been written.

The second reform of CRA we undertake is regulatory relief. Our ranking member and I got a good laugh out of my arithmetic. Senator BYRD objected to people bringing calculators or computers on the floor, so without the aid of my trusty calculator, I estimated the cost of compliance with CRA was \$1 trillion when I meant to say \$1 billion. The point is, for small banks, many of whom have fewer than 10 employees, \$1 billion is a lot of money. What we have done in regulatory relief is this. We said that every bank in America with less than \$250 million in assets will be audited for CRA compliance once every 4 years as the normal audit process if they had a satisfactory rating on their last CRA evaluation. If they had the highest CRA rating, an outstanding, then they would be audited every 5 years. People who work hard to get an outstanding rating would thereby be rewarded.

We put into the language the flexibility, for reasonable cause, that the regulators could go back on a case-by-case basis and reduce or increase the intervals at which such audits would occur. By reasonable cause, we mean based on the actions of the bank, the record of the bank. We are not here giving or intending to give, nor can it

be reasonably construed to give to the regulators, any kind of blank check to alter the intention of this law. If they have a finding on a factual basis that something has changed, they have the right, as anyone would expect, to go in and to audit more or less frequently. However, they have to have a finding based on facts.

When this bill came to the floor of the Senate about a year ago, it had two provisions expanding CRA. One was a provision that said that being out of compliance with CRA was a violation of banking law and could have, in extreme circumstances, subjected a bank officer or director to fines of up to \$1 million, and could have given the regulator the ability to impose strong sanctions against the bank as well. That provision is not present in this bill.

The second provision of the old bill required a maintenance of a CRA rating in order for a bank to conduct certain activities. That provision is not in this bill. That is critically important, because that would literally have given the regulator the ability to force a financial services holding company, that might have hundreds of billions of dollars in assets in the holding company, to unwind investments as a result of literally one branch being out of compliance with CRA.

This bill is very simple and, again, the language is very precise, and meant to be. It says that on the day you become a financial services holding company, you have to have been in compliance with your last CRA report. In other words, with the last audit that was done, you have to have had one of those two ratings, satisfactory or outstanding. This would be in the last CRA report that was filed, and if you had that rating, you are automatically qualified.

Once a company becomes a financial services holding company, they can invest any amount of their money and grow any activity already in engaged in within the financial services holding company, without regard to CRA. If they want to commence a new activity, on the date they make that undertaking they have to have been in compliance with CRA as certified on their last CRA report. This does not trigger a new audit. This does not entertain any new protest. It simply is a verification by the regulator that on that day of commencing their new activity, their most recent evaluation will have shown that they had at least a satisfactory CRA rating.

The next issue we dealt with was financial privacy. When we dealt with the bill in the Senate, this had not yet become an issue that had inflamed the public's consciousness. We adopted the provisions of the minority substitute related to privacy, and it basically had to do with people who willfully misrepresent themselves to get financial data. We come down on them like a ton of bricks, as we should. But by the time the House acted, financial privacy had become a substantial issue, and the

House included very extensive privacy provisions.

We have made changes to those privacy provisions, and I believe we have strengthened them, and we have made the bill better. I want to very briefly say a couple of things about privacy.

Obviously, in the new world in which we live, we have become accustomed to people knowing a great deal about us. The day I turned 50, I got a kit from AARP with all kinds of applications for AARP and a tube of Preparation H. One might say my privacy was invaded, that somehow AARP found out I was 50 years old. My children got a great laugh out of the Preparation H. One could say that somehow my privacy had been breached, but do we really want a society where an organization such as AARP cannot get access to information about when we turn 50 and invite us to join? I chose not to join because 50 sounded younger every minute to me; 57 sounds younger than it used to.

I have hunting dogs, and like many people who have enlightened habits, I subscribe to Gun Dog magazine. I guess because I subscribe to Gun Dog magazine, I get every hunting catalog, every fishing catalog, every dog food catalog, every dog accessory catalog on the planet. I literally get two or three of them a week. Quite frankly, I love getting them.

Did Gun Dog magazine violate my most intimate secrets by selling the list so that I get, every once in a while, free samples of dog food or dog bones or a dried pig's ear? I get a lot of things in the mail. I do not think my privacy is being violated. Maybe some people object to that, but I do not.

What I have tried to do, and what I think we have done in this bill, is we tried to set a rule of reason. Above the archway going into Delphi, the ancient Greeks wrote: Moderation in all things. It is a hard thing for somebody who feels as strongly about things as I do to remember, but everyone should remember it.

We did not want to kill off the information age before it was ever born. We are not writing the final word on privacy. This is something we want to watch and follow and see where abuses are and, when they occur, try to fix them. But, on the other hand, we all benefit. Some people could say we lose.

I do not get a Neiman Marcus catalog. One might ask: How come I do not? Neiman Marcus catalogs cost a lot of money to print and mail, and they have somehow figured out enough about me to figure that I do not buy luxury items, so they do not send me a Neiman Marcus catalog. Again, is that an invasion of my privacy? Is my freedom somehow diminished? I do not think so. The point is, if Neiman Marcus can get the catalog to people who are likely to buy something, they can sell it at a lower price, so society benefits.

This is what we did on privacy: The most important thing we did was not

in the House bill. It was an amendment that was offered by Senator GRAMS and Senator SANTORUM that put into the bill for the first time a full disclosure requirement. It requires every bank in America, when you open your account, to tell you precisely what their policy is: Do they share personal financial information within the bank? Do they share it outside the bank? We have a comprehensive listing of the conditions they have to meet. Do they disclose nonpublic information once you are no longer a customer? And what do they do to protect information?

Why is this important? This is important because this is the ultimate protection of privacy. If I do not believe a bank protects my privacy, I do not want to bank with them. I can bank with somebody else. If millions of people feel the way I do, you will get banks that will set out policies of not sharing information, and they will attract customers.

For example, I am proud to have an American Express card. American Express is a great American company. And I am proud I have been a member since 1970 something. They say that they do not share my information on that card with anybody.

I do not get that same guarantee from another card, but I get that guarantee from American Express. I happen to have a variety of credit cards. Obviously, I am not very worried about it, but if I were worried about it, I could just use my American Express Card. So I have an opt-in when people give me full information. If I do not like their policy, I do not become their customer. I can opt out. That is the basic freedom.

I just add, freedom is based on knowledge and the right to choose, not based on government. I believe that we are guaranteeing that with full disclosure.

Second, we adopted the House provision that said if the bank was going to use, or the financial services holding company was going to let people outside the bank have access to, the information, they have to give you the right to opt out. That provision was adopted.

Finally, we have a provision in the language which will allow financial institutions to partner with other financial services providers. This will give flexibility that we hope will be implemented to allow, in particular, small banks to share information with their business partners in a manner so that they can compete with a larger corporation that does a variety of activities within the corporation or among its affiliates.

Let me talk about one other issue, and then I want to say some thanks and stop, because I know Senator SARBANES wants to speak, and we want to go home.

This is not the end of the process. I believe this is the most important banking bill in 60 years. But there will be another banking bill within 10 years, and it will deal with commerce. Banking and commerce is already a re-

ality. This bill is a pause, and it is only a pause, and it is not going to last very long.

One of the things that is in this bill, which I am opposed to—it was adopted by a two-thirds vote in the Senate, and here we live by majority rule, by and large—but basically this was a provision that said if you went in and invested money as a commercial company, in a thrift—and many people did when many thrifts were in trouble and we did not have money enough to shut them down—that now you cannot sell your charter unless the charter is broken apart into its component parts.

I do not believe this provision and other prohibitions against commerce and banking will last very long. It is just my opinion. I do not view with any great horror the possibility of going to Wal-Mart and having them sell financial services. In fact, I view it as something that would be good. They now do it all over America in partnership with city banks in those towns, but they can only get partners where they have enough customers to make it worthwhile to the bank.

The idea they might someday be able to provide the service as part of the overall functioning of Wal-Mart, through a thrift charter or through a credit union charter or a banking charter, I see that as a positive thing. I suspect that a very substantial number of Wal-Mart employees do not have a banking relationship with a credit union or an S&L or a bank. Many of their customers do not. And taking services to them, I would view as a public good, not a public evil. But other people see it differently.

What we are doing in this bill is agreeing that we have a pause. I do not believe it will last long. I think in 10 years we will have widespread commerce and banking in America.

I want to just say some thanks.

I thank Al D'Amato. I do not want people to forget that this bill did not start on my watch as chairman. This bill started when Al D'Amato was chairman of the Senate Banking Committee. And while that bill did not become law, and while in some ways this bill is very different from that bill, in other ways the two bills are very similar.

Al D'Amato did probably his best legislative work in his career in helping to move this process forward. When we started, we started where Al D'Amato left off. So I think the former chairman of this committee is due a substantial amount of the credit. I wanted to be sure that I began with that, and I did not want to forget to say that.

I thank Senator LOTT for his strong, committed support. I think it is clear, without his support, with the long and difficult negotiations we have had, that this bill would be very different from what it is today. I can assure you, as every Member of the Senate knows, when you have your leadership's support, it is like having a good stone wall to your back in a gun fight. It does not

keep you from getting killed, but at least nobody shoots you in the back. It has been a very important thing to me as we have negotiated out this bill, very important in a difficult process.

I thank Senator SARBANES, who is very knowledgeable and experienced on these issues. I thank him for his input, and that has been input that has varied, from issues to issues themselves, to advice on how, as a brand new chairman, I was conducting my part of the conference. I would have to say that more often than not I think he was right in the comments he made. I believe I have learned from that process.

I thank Senator JOHNSON, the first Democrat who signed the conference report.

I thank Senators DODD and EDWARDS and SCHUMER and BAYH. They were real catalysts in getting the administration together with us to push the ball over the goal line. I think they contributed significantly in doing that.

I thank Chairman LEACH, the chairman of the House Banking Committee, who also served as the chairman of the conference. There have been people in the media who tried to portray this conference as a contest somehow between Congressman LEACH and me. I do not think that is fair to me or to Congressman LEACH. I think Chairman LEACH did a great job. I think he contributed to the process. I would have to say there were difficult times in trying to work things out. Our approaches were very different. But in the end, it worked. And the great thing about success is, it has a thousand parents, and we can all claim credit; and we would have all rightly gotten blamed had we failed.

I thank Chairman BLILEY. I knew TOM much better than I knew Congressman LEACH when we started the process. I thank him for his leadership on securities issues and on the bill itself.

I thank Congressmen LAFALCE and VENTO, the ranking Democrat members of the House Banking Committee, for their input and their knowledge and their leadership.

I thank Congressman RICHARD BAKER, who I believe is a very talented young man, and certainly one of the most knowledgeable people in the House of Representatives on banking issues.

I thank Larry Summers and Gene Sperling. I had many hours of negotiating with them and others, and alone with them. If you could make a living selling them something or buying something from them to resell, you would be pretty good. They negotiated hard. They were totally honorable in their negotiations. I am glad that we reached a product that they have enthusiastically endorsed and I have endorsed.

I thank Arthur Levitt, Chairman of the Securities and Exchange Commission. Chairman Levitt raised legitimate security concerns that I thought should be addressed. I and others sat

down with Chairman Levitt and heard him out, and he had a substantial impact on the bill.

I thank Federal Reserve Board Chairman Alan Greenspan. I have said it on many occasions—and I am always happy to say it again—Alan Greenspan is the greatest central banker in American history; therefore by definition, the greatest central banker in the history of the world. He probably had as much impact on this bill as any non-Member did. His input and impact were always positive. And from the operating subsidiary issue, to virtually hundreds of other issues, his input was critically important.

And his general counsel, Virgil Mattingly, is one of these indispensable people who the public never knows about—thinks of them as faceless bureaucrats—but the reality is, his institutional knowledge and good sense had a substantial impact on this bill.

I thank all of my Republican colleagues on the conference. We had, at least in my opinion, an effort on the part of some on the House side to try to satisfy everybody. As a result, we got all sorts of amendments that came over to our side of the conference which basically were in conflict with the underlying logic of the bill, many of them popular, as various interest groups tried to go back and recut their deal once more or gain some special privilege or special advantage. I thank Senator SHELBY, Senator MACK, Senator BENNETT, Senator GRAMS, Senator ALLARD, Senator HAGEL, Senator ENZI, Senator SANTORUM, Senator BUNNING, and Senator CRAPO for consistently and courageously voting down every one of those amendments.

We have one of the cleanest pieces of major legislation I have seen and, I believe, one of the cleanest bills that has passed Congress in the last 20 years, in large part because these Members knew what they wanted to do. They took a position, and they stuck with it consistently throughout the process.

I thank Senator BENNETT, who was chairman of the Subcommittee on Financial Institutions, the subcommittee with jurisdiction over major portions of this bill. I thank Senator HAGEL for his leadership on Federal Home Loan Bank issues. I thank Senators GRAMS and SANTORUM on privacy issues.

Finally, I want to thank some people on my staff. I thank Dina Ellis, who has done all the hard work on CRA. She is a very sweet lady with a very soft voice, but she is a very serious, tough person. Much of our success in bringing sunshine to CRA and regulatory relief to smaller banks has been due to her great work.

I thank Christi Harlan, who has taken the duller of issues that are totally incomprehensible to most people and done an excellent job in trying to communicate to the media in a form they could understand what was going on and why it mattered.

I thank Steve McMillin, who is an indispensable staff member to me. He

came to work for me right out of college from the University of Texas. I am from Texas A&M, so I didn't start with any kind of overwhelming expectations. But Steve McMillin has become an indispensable person to me as a legislator. It would be virtually impossible to run my office and do what I do without him.

I thank Geoff Gray for his legal work in burrowing in on the issues that didn't seem important until he spoke up. But when he spoke up, they became very important.

I thank Linda Lord. Linda Lord, throughout this process, has known more about this bill and more about the underlying law that it changed than all the staff members of all the Members of the House and Senate, of all the staff members of the Treasury and the Federal Reserve Bank and the Securities and Exchange Commission, and all of the outside lawyers who were hired by people to represent their interests, all combined. Her knowledge and the force with which she has presented it have had a dramatic impact on this bill. In fact, the words of this bill are largely her words. She has been an indispensable person in doing this bill.

I thank Joe Kolinski, who organized the conferences. It was a nightmare, moving from place to place. He was able to do it all. The mikes always worked. There was plenty of water. It was always crowded, which made people uncomfortable and got them to move on, which was very helpful.

Finally, I thank our staff director, Wayne Abernathy. Wayne started on the Banking Committee as an intern and is now the staff director. He knows everything about these issues. I trust his judgment as well as I trust my own judgment. I think I can sum up his contribution—the way I feel about him—by simply quoting a great philosopher who once said: In no way can you get a keener insight into the true nature of a leader than by looking at the people with whom he surrounds himself. I would be very proud to have anybody on Earth judge me by Wayne Abernathy. I think they would be giving me mercy and not justice by doing it.

I thank everybody for their contribution, and I yield the floor.

The PRESIDING OFFICER (Mr. BROWNBACK). The Senator from Maryland.

Mr. SARBANES. Mr. President, I rise in support of the conference report on the Financial Services Modernization Act of 1999.

The Congress has struggled for over two decades with the issue of whether to permit banks to affiliate with securities firms and insurance companies. This issue raises important questions for the safety and soundness of the financial system, important questions about the concentration of economic power, important questions about consumer protection, and important questions about access to credit for all Americans.

These are far-reaching and difficult public policy issues. The fact that they are so far-reaching and difficult, combined with differences among affected financial sectors—sectors of the financial industry over what should be contained in legislation and how to balance the concerns of consumers, the important consideration of safety and soundness and of assuring that the credit system will work to the benefit of all Americans—has made the enactment of a bill a significant challenge over an extended period of time.

In recent years, actions by regulators have permitted significant affiliations between banks and nonbank financial companies to take place. It is very important to keep that in mind as we consider enacting a piece of legislation because one has to be very much aware of what has transpired and the changes that have taken place in the financial arena as they consider the changes this legislation would now permit. Very frankly, the issue for Congress is not whether these affiliations should occur, because they have occurred one way or another, but whether they should take place on an orderly basis in the context of a responsible statutory framework or, instead, on an ad hoc basis as permitted by the regulators.

In my view, the preferable circumstance is for these affiliations to take place in the context of a responsible statutory framework established by the Congress, a framework that provides the regulators sufficient authority to protect the safety and soundness of the financial system, which maintains the separation of banking and commerce, protects consumers, preserves the relevance of the Community Reinvestment Act, and provides a choice to banks to conduct their expanded activities either through a holding company or a subsidiary of the bank.

It was not clear at the beginning of this Congress whether these goals could be achieved. The Senate passed a bill by the relatively close margin of 54-44 that, in my judgment, did not meet these objectives and was the object of a strong veto threat by the President. The House of Representatives, on the other hand, had passed a bill that largely met these objectives and that the Administration was prepared to support.

Today I am pleased to say to my colleagues that, in my view and in the view of the Administration, the bill produced by the conference committee is perceived as basically meeting the necessary standards. It is for that reason I am prepared to support the conference report. It is my understanding that the President is prepared to sign this legislation into law.

I ask unanimous consent that a letter from Secretary Summers to Senator DASCHLE stating the Administration's position, indicating their strong support for this legislation and urging its adoption, be printed in the RECORD at the end of my statement.

The PRESIDING OFFICER. Without objection, it is so ordered.
(See Exhibit 1.)

Mr. SARBANES. Mr. President, I want to take a few minutes to lay out why, on balance, I believe the enactment of this conference report is in the public interest.

First, the legislation gives the regulators significant authority to supervise newly affiliated financial companies and protect the safety and soundness of the financial system. I started with the safety and soundness issue because I think it is paramount. I think the U.S. economy, in large part, depends on the confidence in the safety and soundness of our economic and financial institutions. If we are to lose that confidence, which exists not only in this country, but around the world, I think we would be in severe difficulties in a very broad and fundamental economic sense. So safety and soundness, I think, always has to be at the very top of the list of our concerns.

Specifically, section 114 of the conference report provides the Federal Reserve, the Comptroller of the Currency, and the FDIC authority to place restrictions or requirements on relationships or transactions between a bank and an affiliated company or a subsidiary, appropriate to prevent an evasion of any provision of law applicable to depository institutions, or—and I quote the bill now, soon to become a statute, I hope—“to avoid any significant risk to the safety and soundness of depository institutions, or any Federal deposit insurance fund, or other adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices.”

This important and broad delegation of authority to require “firewalls” to protect the federally insured bank from nonbank affiliates or subsidiaries emphasizes the important burden being placed on the regulators by this legislation to develop a coherent, responsible, safe and prudent approach to the supervision of the financial system. The permission contained herein for the expansion of activities calls for vigilant supervision of the financial system by the regulators. The legislation, in my view, provides the regulators the authority to do the job, but the responsibility will be on them to carry it out.

So this “firewall” provision that is in the conference report, which was actually taken from the House bill—we had no comparable provision on this side—gives the regulators the authority, I believe, to ensure a responsible, safe, and prudent approach. But it places, I think, a significant responsibility upon the regulators to exercise this authority in a way that it ensures that these objectives are realized.

This legislation also codifies a principle of functional regulation under which bank activities are generally supervised by bank regulators, securities activities by securities regulators, and

insurance activities by insurance regulators. New financial activities are the joint responsibility of the Federal Reserve and the Treasury, which also serve as the umbrella regulators respectively of a financial holding company or a bank and its operating subsidiaries.

Now, secondly, the conference report strengthens the separation that currently exists in our financial system between banking and commerce. Financial authorities, including Federal Reserve Chairman Alan Greenspan, Treasury Secretary Larry Summers, former Treasury Secretary Bob Rubin, former Federal Reserve Board Chairman Paul Volcker, and many other commentators, such as Henry Kaufman, Gerald Corrigan—and the list goes on—have expressed strong concerns about the mixing of banking and commerce, particularly in light of the recent experiences in Asia.

The conference report, therefore, closes the so-called unitary thrift holding company loophole to the separation of banking and commerce. The report before us prohibits all unitary thrift holding companies from having commercial affiliates. In addition, it prohibits exists unitary thrift holding companies from being transferred to commercial companies. This prohibition on transfer to commercial companies was added to the Senate bill on the floor by an amendment offered by my colleague, Senator JOHNSON of South Dakota, and it carried in the Senate by a 2-to-1 vote and was subsequently adopted by the conference committee.

In addition, the conference report contains important limitations similar to the House bill on merchant banking activities and activities complementary to financial activities that are designed to maintain the separation of banking and commerce.

In regard to merchant banking, the conference report allows a financial holding company to retain a merchant banking investment only for a limited period of time and generally prohibits the company from routinely managing or operating a nonfinancial company held as a merchant banking investment. Importantly, the conference report also gives the Federal Reserve and the Treasury the authority to jointly develop implementing regulations on merchant banking activities that they deem appropriate to further the purposes and prevent evasions of the conference report and the Bank Holding Company Act. Under this authority, the Federal Reserve and the Treasury may define relevant terms and impose such limitations as they deem appropriate to ensure that this new authority does not foster conflicts of interest or undermine the safety and soundness of depository institutions, or the conference report’s general prohibition on the mixing of banking and commerce.

In regard to activities determined by the Federal Reserve Board to be complementary to financial activities, it is

expected that such activities will not be significant in size, and determinations will be made on a case by case basis.

Third, with respect to consumer protections, the conference report contains important protections for consumers regarding the sale of uninsured financial products by banks. The conference report provides the Securities and Exchange Commission significant authority to supervise the securities activities of banks and includes several crucial investor protections. The conference report incorporates provisions to ensure the SEC can adequately regulate bank-sponsored mutual funds. These provisions are necessary to ensure that the SEC has adequate information about and inspection authority over bank investment advisers to inspect for trading violations, such as front-running and personal trading.

The provisions also address potential significant conflicts of interest that may impact banks that advise registered investment companies. The conference report also ensures SEC protections for new hybrid products and for most sales of securities by banks. It also includes protections for sales of sophisticated securities instruments to retail investors.

Similarly, the conference report requires the Federal banking agencies to issue consumer protection regulations within one year, applicable to the sale of insurance by any bank or other depository institution, or by any person on behalf of such an institution. The regulations will give protection over several aspects of insurance sales, such as sales practices, including anti-tying and anti-coercion rules; advertising; location, limiting sales to an area physically segregated from where deposits are taken; and qualification and licensing of sales personnel.

The conference report also preserves important authorities for the States to provide consumer protection on bank sales of insurance products. These protections were in the House bill and were included in the Senate bill by an amendment offered by Senator BRYAN during the markup in the Banking Committee. It was in the legislation that came to the Senate floor, and was passed by the Senate.

Fourth, with respect to the operating subsidiary issue, the conference report contains a provision authorizing banks to conduct certain new activities through an operating subsidiary of the bank. I will not go into this provision in detail. I simply note that it was worked out between the Treasury and the Federal Reserve over an extended period of time, and was crucial to the Administration giving its support to this bill. It will give financial services firms some latitude in choosing the corporate structure that best serves their customers.

In regard to the Community Reinvestment Act, this legislation establishes a fundamental principle: No bank or financial holding company can

engage in any new activities authorized by the bill, or engage in any new merger or acquisition authorized by the bill, if the bank or financial holding company does not have a satisfactory CRA rating.

This requirement on a bank or financial holding company for a satisfactory CRA rating in order to benefit from the new powers provided by the legislation was necessary to preserve the relevance of CRA in the new financial world which will be created by this bill. Without it, a bank's CRA performance would have become irrelevant to what will likely be the most intense area of activity in the financial industry. And the acceptance of this provision was essential for the Administration, and indeed for the Democratic members of the conference committee, to support the conference report.

The conference report does not contain two provisions with respect to CRA that were in the Senate bill, and I think would have been very damaging. One would have provided a safe harbor for banks from public comment on their CRA performance when they submitted an application to a regulator. The second exempted rural banks with assets under \$100 million from CRA altogether.

The conference report does contain a provision providing for banks with assets under \$250 million to have CRA examinations once every 4 years if they have a satisfactory rating, and once every 5 years if they have an outstanding rating. The regulators do retain authority to examine a bank at any time for reasonable cause.

The conference report also contains a provision requiring public disclosure and reporting on CRA agreements. The conference report explicitly directs the regulators to ensure that regulations prescribed by the agencies do not impose an undue burden on parties. In this regard, the statement of managers specifically provides that the reporting requirements of the provision can be fulfilled by the submission of a group's annual audited financial statement, or its Federal income tax return.

This was a provision that was intensely discussed and negotiated. The concept of public disclosure which was in the Senate bill was accepted by the conferees. The question that had to be worked out was exactly what did that mean and what was the reach of it and the requirements of it. As with many other provisions of this bill, the regulators will carry a particular responsibility to implement these provisions in a reasonable and responsible way.

Finally, let me point out where the conference report does not fully address two important areas. First, I do not think that the right of an individual to financial privacy is adequately protected. I expect that issue will be discussed at some length by some of my colleagues in the course of the debate on this conference report. Second, we have not dealt with what I think is a very important issue of what is called "too big to fail."

On the issue of privacy, last January I introduced the "Financial Information Privacy Act of 1999" together with a number of my colleagues, some of whom serve on the Banking Committee. I am frank to say I believe the central issue in this debate on privacy boils down to answering the question: To whom does this personal financial information belong, the individual, or the financial institution? I think upon reflection most people would answer the individual.

This legislation introduced earlier this year would have given an individual the right to "opt out", which would mean the right to say "no" to the sharing of or selling of his or her personal information to an affiliate within a financial services holding company. It also would have required an "opt-in" for the selling of such information to a third party. An "opt-in" would require a customer's informed consent before selling or sharing confidential customer information with an unaffiliated third party.

Neither of these provisions are included in the legislation before us. However, we were able to include in the conference report an amendment that I proposed which ensures that the Federal Government will not preempt stronger State financial privacy laws that exist now or may be enacted in the future. As a result, States will be free to enact stronger privacy safeguards if they deem it appropriate.

I am very frank to say that I think Americans are becoming increasingly concerned about this issue of financial privacy protection. I predict that this issue of privacy will not go away with the passage of this legislation. I know Senators BRYAN and SHELBY took a very strong lead in the conference committee on the privacy issue, along with a number of their colleagues from the House. Many of those who were very supportive of that effort will want to speak at some length on this subject during the discussion of this conference report, and they have specifically reserved time in order to do that.

The conference report also fails to deal with the creation of institutions which may be deemed "too big to fail." The legislation before us substantially transforms the structure of the financial services industry by eliminating restrictions on the affiliations of banks, insurance companies, and securities firms. Despite the benefits which may accrue from such affiliations, there continue to be legitimate concerns that mergers permitted under this bill would create financial organizations so large that they would be deemed "too big to fail."

Organizations as diverse as the American Enterprise Institute, the Brookings Institution, and the former Bankers Roundtable have repeatedly encouraged us to address the "too big to fail" problem by requiring large banking organizations to back some portion of their assets with subordinated debt. Regrettably, the conference

report contains no such mandatory subordinated debt requirement or other market policing mechanisms. The report does contain an 18-month study to be conducted by the Federal Reserve Board and the Treasury Department regarding the use of subordinated debt to protect the financial system, and to protect federally insured deposit funds from the "too big to fail" institutions.

While obviously I think it would have been better to address this issue directly in the legislation, I certainly hope that 18 months from now, if not sooner, the Federal Reserve Board and the Treasury will present the Congress with a joint recommendation together with legislative proposals on how best to deal with the issue of "too big to fail." In trying circumstances, the consequences of failing to deal with this issue could be extremely severe. I am hopeful that the Federal Reserve Board and the Treasury will come back with a joint set of recommendations we can place into law.

These issues—dealing comprehensively with privacy and with "too big to fail"—remain to be addressed as we move into the future.

Finally, I want to make a brief observation about the context in which we are working and have to consider this legislation. The need for this legislation has been influenced by the marketplace. In seeking to respond to the financial needs of their customers, securities firms have offered bank-like products, banks have offered insurance-like products, and both banks and insurance companies have engaged in significant securities activities. This blurring of the lines among banks, securities, and insurance products has been taking place in the marketplace since at least the mid-1970s.

Those who look at this endeavor and say we don't want to allow any of this affiliation to take place need to appreciate and understand, it has been happening in a significant way. A development which began the blurring of the distinction between securities and bank products was the offering by securities firms of cash management accounts. That development added a bank deposit transaction feature to a securities account. It allows customers to write checks on their money market funds, enabling those accounts to function much like the traditional checking account. Subsequently, marketplace changes, regulatory actions, and court decisions have enabled banks to sell insurance and to develop annuity products that have insurance characteristics but are defined as bank products.

On the commercial banking side, interpretations of existing laws have brought about a significant shift in ownership of firms underwriting securities. As of this past September, all the top 20 bank holding companies had what are known as section 20 subsidiaries that may engage under certain conditions in securities underwriting.

Updating our financial services laws is not only important to enable financial services firms to respond to the financial service needs of their customers, it is also important in order to ensure that appropriate regulatory oversight is maintained in the evolving marketplace.

In my view, this conference report will put in place a rational legislative framework for the future evolution of the U.S. financial services industry. It is a framework that will preserve safety and soundness, maintain the separation of banking and commerce, provide meaningful consumer protections, and preserve the relevance of the Community Reinvestment Act. I urge my colleagues to support this legislation.

I extend my congratulations to the chairman of the Banking Committee, Senator GRAMM. It has been a long ride, as one might say, with its ups and downs. However, the ship has been brought into port, so to speak. With the various accommodations worked out in the course of the conference, I expect the very close vote on the Senate bill will shift very markedly in the direction of support for this conference report.

I echo Senator GRAMM's commendation of House Banking Committee Chairman LEACH who was chairman of the conference committee. Chairman LEACH showed great fairness and calm under pressing circumstances. He kept the process working at times when it might otherwise have been in some jeopardy. Congressman LAFALCE as ranking member of the House Banking Committee, Congressman BLILEY and Congressman DINGELL, the chairman and ranking member of the House Commerce Committee, and indeed all the members of the conference who in one way or another played very constructive roles in trying to work this situation out deserve commendation.

I am particularly grateful to my Democratic colleagues on the Banking, Housing, and Urban Affairs Committee for working through and joining together as we sought to achieve legislation that would meet our desires and meet the perceptions of the Administration and therefore bring about a Presidential signature at the end of this process. All Members on both sides of the aisle did not want to go through this very extended process and then have it vetoed and have to start all over again. Fortunately, we have accomplished that.

Federal Reserve Board Chairman Greenspan played a significant role, as did the members of his staff who are extremely able, as did Treasury Secretary Summers and the members of his Treasury staff. I also acknowledge the role Bob Rubin has played in shaping where we are today, although he is no longer Secretary of the Treasury. Chairman GRAMM appropriately recognized the role Chairman D'AMATO played in moving this legislation along. The Chairman of the SEC, Arthur Levitt, was important on the investor protection provisions.

Finally, I thank the staff on this side of the aisle. Chairman GRAMM has recognized staff on his side of the aisle. I have high respect for their commitment and their competency. I don't think people fully appreciate the kind of dedication staff provides when Members are working through a very complex, complicated piece of legislation such as this. In this we have not only the concepts on which to reach agreement, but we have to work the concepts in the statutory language in a way that embodies what the understanding was that will also work in a technical and complex way. We are dealing with the sort of issues where, if it does not work, there are problems. I am hopeful we won't have to come back with extended technical corrections with respect to this legislation. If that is the case, obviously, we bow our heads to the staff.

On our side, I acknowledge our staff director Steve Harris, Marty Gruenberg, Patience Singleton, Dean Shahinian, Mitchell Feuer, Michael Beresik, Jonathan Miller, Yael Belkind, Erin Hanson, and Christen Schaefer. That is a long list, but it is a long list because some of the people are no longer on the staff. This issue has been going on long enough that people have come and gone. A number of those I listed are no longer on the staff, but they were here through at least part, if not a lot, of this effort. They made a significant contribution. It would be an oversight not to reference them.

Tomorrow, obviously, we will resume the debate. We will have the opportunity to hear from a number of our colleagues on this issue. I anticipate we will be able to go to a vote by mid-afternoon on this very important piece of legislation.

I yield the floor.

EXHIBIT 1

DEPARTMENT OF THE TREASURY,
Washington, DC, November 3, 1999.

Hon. TOM DASCHLE,
U.S. Senate,
Washington, DC.

DEAR TOM: The Administration strongly supports passage of S. 900, the Gramm-Leach-Bliley Act of 1999. This legislation will modernize our financial services laws to better enable American companies to compete in the new economy.

The bill makes the most important legislative changes to the structure of the U.S. financial system since the 1930s. By allowing a single organization to offer any type of financial product, the bill stimulate competition, thereby increasing choice and reducing costs for consumers, communities and businesses. Americans spent over \$350 billion per year on fees and commissions for brokerage insurance, and banking services. If increased competition yielded savings to consumers of even 5 percent, they would save over \$18 billion per year.

Removal of barriers to competition will also enhance the stability of our financial services system. Financial firms will be able to diversify the product offerings and thus their sources of revenue. They also will be better able to compete in global financial markets.

The President has strongly supported the elimination of barriers to financial services

competition. He has made clear, however, that any financial modernization bill must also preserve the vitality of the Community Reinvestment Act, enhance consumer protection to the privacy and other areas, follow financial services firms to choose the corporate structure that best serves their customers, and continue the traditional separation of banking commerce. As approved by the Conference Committee, S. 900 accomplishes each of these goals.

With respect to CRA, S. 900 establishes an important, prospective principle: banking organizations seeking to take advantage of new, non-banking authority must demonstrate a satisfactory record of meeting the credit needs of all the communities they serve, including low and moderate income communities. Thus, S. 900 for the first time prohibits a bank or holding company from expanding into newly authorized businesses such as securities and insurance underwriting unless all of its insured depository institutions have a satisfactory or better CRA rating. Furthermore, CRA will continue to apply to all banks, and existing procedures for public comment on, and CRA review of, any application to acquire or merge with a bank will be preserved. The bill offers further support for community development in the form of a new program to provide technical help to low- and moderate-income micro-entrepreneurs.

The bill includes other measures affecting CRA that have been narrowed significantly from their earlier Senate form. The bill includes a limited extension of the CRA examination cycle for small banks with outstanding or satisfactory CRA records, but expressly preserves the ability of regulators to examine a bank any time for reasonable cause, and does not affect regulators ability to inquire in connection with an application. Finally, the bill includes a requirement for disclosure and reporting of CRA agreements. We believe that the legislation and its legislative history have been constructed to prevent undue burdens from being imposed on banks and those working to stimulate investment in underserved communities.

In May, the President stressed the importance of adopting strong and enforceable privacy protections for consumers financial information. S. 900 provides protections for consumers that extend far beyond existing law. For the first time, consumers will have an absolute right to know if their financial institution intends to share or sell their personal financial data, and will have the right to block sharing or sale outside the financial institutions' corporate family. Of equal importance, these restrictions have teeth. S. 900 gives regulatory agencies full authority to enforce privacy protections, as well as new rulemaking authority under the existing Fair Credit Reporting Act. The bill also expressly preserves the ability of states to provide stronger privacy protections. In addition, it establishes new safeguards to prevent pretext calling, by which unscrupulous operators seek to discover the financial assets of consumers. In sum, we believe that this reflects a real improvement over the status quo; but, we will not rest. We will continue to press for even greater protections—especially effective choice about whether personal financial information can be shared with affiliates.

We are pleased that the bill promotes innovation and competition in the financial sector, by allowing banks to choose whether to conduct most new non-banking activities, including securities underwriting and dealing, in either a financial subsidiary or an affiliate of a bank.

The bill also promotes the safety and soundness of the financial system by enhancing the traditional separation of banking and

commerce. The bill strictly limits the ability of thrift institutions to affiliate with commercial companies, closing a gap in existing law. The bill also includes restrictions on control of commercial companies through merchant banking.

Although the Administration strongly supports S. 900, there are provisions of the bill that concern us. The bill's redomestication provisions could allow mutual insurance companies to avoid state law protecting policyholders, enriching insiders at the expense of consumers. The Administration intends to monitor any redomestications and state law changes closely, and return to the Congress if necessary. The bill's Federal Home Loan Bank provisions fail to focus the System more on lending to community banks and less on arbitrage activities short-term lending that do not advance its public purpose.

The Administration strongly supports S. 900, and urges its adoption by the Congress. Sincerely,

LAWRENCE H. SUMMERS.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. Mr. President, I thank Senator SARBANES for his kind remarks and for remembering Bob Rubin, who was a very major contributor to this bill. Let me also say that I think it would be helpful if in the morning everyone will come over so we do not have long pauses. My concern is that we do have a lot of people who are going to want to speak on this bill. We are going to be forced to try to stay with the schedule because the House wants to vote on this tomorrow afternoon. So I hope people will come over and speak so we do not end up with this problem where people are given 1 or 2 minutes when they have something they need to say.

I think that can be avoided if people come over early.

Mr. SARBANES. If the chairman will yield, I want to echo the chairman's comments. I say to our colleagues, if Senators will come early on and we can perhaps sequence them, we can give them more time than if some of the time is used up in quorum calls. Waiting for people to come becomes lost time. Then, when people come over, we may be very limited in how much time we have available to give them.

If Senators have statements they want to make of some consequence, we very much hope they will come over and do that.

Mr. GRAMM. Mr. President, we both want to reserve the remainder of our time for use tomorrow.

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

MORNING BUSINESS

Mr. GRAMM. Mr. President, I now ask unanimous consent there be a period for the transaction of routine morning business with Senators permitted to speak for up to 10 minutes each.

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

WOOL TARIFFS

Mr. MOYNIHAN. Mr. President, a moment on a matter that is not in-

cluded in the trade legislation that has just been approved by the Senate—the near-exorbitant tariff on fine wool fabrics. This modest proposal appears to have generated an inordinate amount of controversy, all the more baffling because the facts are so persuasive.

We have just a few suit manufacturers left in the United States, including Hickey-Freeman, which has produced fine tailored suits in Rochester, New York since 1899. Our tariffs are stacked against them.

There is only a limited supply in the United States of fine wool fabric. The suit makers must import significant quantities of this fabric, at a current tariff rate of 30.6%. But importers can bring in completely finished wool suits duty free from Canada and Mexico, and subject to a 19.8% duty when imported from other sources. This anomaly in our tariff schedule—this tariff “inversion”—puts domestic manufacturers of wool suits at a significant disadvantage.

Senators SCHUMER, DURBIN, HAGEL, MIKULSKI, SPECTER, NICKLES, FITZGERALD, SANTORUM, GRAMM, and THOMPSON have joined me in sponsoring a very modest measure that would provide temporary relief to the suit-makers. We have proposed that the tariff on the very finest wool fabric—produced in only limited quantities in the United States—be suspended for a short period, and that the tariff on other classes of fine wool fabric be reduced to 19.8%—hardly a negligible tariff. This was an effort to provide some relief to our suit makers.

Through the good offices of the Chairman of the Finance Committee, we undertook to address the concerns that has been raised when our bill was first introduced. After a series of meetings with all of the interested parties—and there are many—we modified our proposal to address, in a constructive way, the concerns that were raised.

Our first compromise proposal was rejected out of hand. No counterproposal was forthcoming. The objection stems chiefly from two sources: a fabric manufacturer that is not currently producing the fine wool fabric at issue—but promises to do so in the future, principally from a plant it is building in Mexico; and from the American Sheep Industry Association—this despite the fact that wool of the quality required for suit fabric is sourced overwhelmingly from Australia.

I am at a loss to explain the vehemence of the opposition. The fabric producer that so strongly opposes this legislation—Burlington Industries—is positioning itself to compete in the global market. As it ought to do.

On January 26, 1999, the company announced a major reorganization. To quote, “operations will be streamlined and U.S. capacity will be reduced by 25%.” Let me repeat: “U.S. capacity will be reduced by 25%.” The company announced that 2900 jobs would be eliminated, an announcement made just one month after the company re-

ported to its shareholders—on December 2, 1998, that “we have launched a major growth initiative in Mexico.”

There followed an announcement to its customers that the fine wool fabric used to manufacture men's suits—so called “fancies”—would not be available for a time.

Even so, we cannot get agreement on tariff relief for our suit makers, who have greater need than ever for imported fabric. They must still pay a 31% tariff on imported fine wool fabric. We ought to enable them to remain competitive, just as Burlington has taken steps to remain competitive.

We have kept at it. In recent days, our efforts have intensified. With a great deal of good will on the part of all interested parties, it appears that we may be inching toward an agreement that would, in fact, benefit all parties in some measure.

We have included a place-holder in the trade legislation—not a solution to the wool tariffs problem, but a provision that will allow our discussions to continue over the next several days.

I do thank the chairman and his staff—particularly Grant Aldonas—for their efforts, as well as the considerable interest and attention of Senators DURBIN, SCHUMER, and BAUCUS, all of whom are eager, as am I, to work this out. I intend to continue to work with our chairman and with others to resolve this matter.

PRESCRIPTION DRUGS

Mr. WYDEN. Mr. President, the issue of prescription drugs for the Nation's senior citizens is back in the headlines this morning with yet another study having been published that millions of senior citizens in America cannot afford their prescriptions.

This is the 12th time I have come to the floor in recent days to talk about this issue because I think it is so critical that the Senate act in a bipartisan way to deal with what are clearly the great out-of-pocket costs for the Nation's older people. Specifically, as this poster next to me says, I have been urging senior citizens to send in copies of their prescription drug bills to each of us in the Senate in Washington, DC.

The reason I hope we will hear from seniors around the country is there is one bipartisan bill, one that is before the Senate now, to deal with this question of prescription needs for seniors. It is the bill on which Senator OLYMPIA SNOWE and I have teamed up in recent months, and 54 Members of this body, the majority, have already voted for the funding plan that is laid out in the Snowe-Wyden legislation. So we have 54 Members of the Senate on record as supporting a specific plan to cover prescription drugs for the Nation's older people.

The model in the Snowe-Wyden legislation is something that every Member of the Senate is familiar with because it is the model we have for health care for ourselves and our families. The