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Senate

The Senate met at 9:30 a.m. and was called to order by the President pro tempore [Mr. THURMOND].

PRAYER

The Chaplain, Dr. Lloyd John Ogilvie, offered the following prayer:

Dear God, take hold of us in this time of prayer. Force us to open the icy grip that we have on our problems so that we may with open hands receive Your plans. Help us to be willing to receive Your guidance. Shake any complacency, disturb any pride, and give us Your peace that passes understanding.

Reign as Sovereign Lord in this Chamber. Guide the deliberations, debates, and decisions of this day. Help the Senators to listen to You before they speak so that Your truth and justice may refine all that is spoken. In it all, may they consider You first, the good of the Nation second, party third, and personal success last of all. You grant Your power to leaders with Your priorities so, dear Lord, confront, challenge, and change us all so that we may know and do Your will. You are our Lord and Savior. Amen.

PLEDGE OF ALLEGIANCE

The Honorable MIKE CRAPO, a Senator from the State of Idaho, led the Pledge of Allegiance as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDENT pro tempore. The Senator from Idaho is recognized.

SCHEDULE

Mr. CRAPO. Mr. President, today the Senate will resume consideration of the conference report to accompany the financial services modernization bill. There are approximately 6 hours of debate remaining under the order. Therefore, Senators can expect a vote on adoption of the conference report this afternoon.

As a reminder, the newest Member of the Senate, LINCOLN CHAFEE, will be sworn in today at 11:30 a.m. in the Senate Chamber. The majority leader encourages all of his colleagues to come to the floor to extend a warm welcome to our new colleague from Rhode Island.

For the remainder of the week, the Senate will consider appropriations bills as they become available and may also consider the bankruptcy reform bill if an agreement can be reached.

I thank my colleagues for their attention.

The PRESIDENT pro tempore. The Senator from Minnesota is recognized.

Mr. WELLSTONE. I thank the Chair.

WELCOME TO LINCOLN CHAFEE

Mr. WELLSTONE. Mr. President, first of all, I join the Senator from Idaho in welcoming Senator CHAFEE to the Senate. His father was a very special Senator, and I don't think any of us will ever forget him. I hope that we will always honor his memory.

RESERVATION OF LEADER TIME

The PRESIDING OFFICER (Mr. CRAPO). Under the previous order, leadership time is reserved.

FINANCIAL SERVICES MODERNIZATION ACT OF 1999—CONFERENCE REPORT

The PRESIDING OFFICER. The Senate will now resume consideration of the conference report to accompany S. 900 which the clerk will report.

The bill clerk read as follows:

Conference report to accompany S. 900, the Financial Services Modernization Act of 1990.

The PRESIDING OFFICER. The Senator from Minnesota is recognized.

Mr. WELLSTONE. I thank the Chair.

Mr. President, before I start, since my remarks will be critical and hard hitting, and, I believe, will marshal considerable evidence for my point of view about this financial modernization act—and I rise to speak in strong opposition to S. 900—I congratulate Senator GRAMM for his political skill. I do not mean this in a cynical way. Cynicism is not my style; it is not the way I approach public service. He has been very skillful in his work, and as a Senator, I pay my respects to his considerable ability.

I rise in strong opposition to S. 900, the Financial Services Modernization Act of 1999. S. 900 would aggravate a trend towards economic concentration that endangers not only our economy, but also our democracy.

S. 900 would make it easier for banks, securities firms, and insurance companies to merge into gigantic new conglomerates that would dominate the U.S. financial industry and the U.S. economy.

Mr. President, this is the wrong kind of modernization at the wrong time. Modernization of the existing confusing patchwork of laws, regulations, and regulatory authorities would be a good thing, but that's not what this legislation is about. S. 900 is really about accelerating the trend towards massive consolidation of the financial sector.

This is the wrong kind of modernization because it fails to put in place adequate regulatory safeguards for these new financial giants the failure of which could jeopardize the entire economy. It's the wrong kind of modernization because taxpayers could be stuck with the bill if these conglomerates become ''too big to fail.''

This is the wrong kind of modernization because it fails to protect consumers. It allows banks, insurance companies and brokerage houses to

share personal information about consumers' credit history, investments, health treatments, and buying habits. It weakens requirements for banks to invest in their own communities. It will result in higher fees for many customers and price gouging of the unwary. And it will squeeze credit for small businesses and rural America.

Most importantly, this is the wrong kind of modernization because it encourages the concentration of more and more economic power in the hands of fewer and fewer people. This concentration will wall off enormous areas of economic decision-making from any kind of democratic input or accountability.

I don't think there's any doubt that S. 900 will set in motion a tidal wave of big-money mergers. That's the whole point of the bill, really. The Washington Post quotes industry officials as saying that ''the point of reform is to make it as easy as possible for financial services companies to merge with one another and share customer names, addresses, and account data.''

S. 900 will prompt other banks to start courting insurance and securities firms, and it will put increasing pressure on banks of every size to find new partners. According to the Post, ''Analysts say it's likely to set off a spate of mergers over the next few years . . . and will cause consolidation of much of the industry into a handful of financial conglomerates.''

Fed Chairman Alan Greenspan has acknowledged that this kind of consolidation poses dangers for the stability of our financial system. In a speech on October 11, 1999, Mr. Greenspan said, ''We face the reality that the megabanks being formed by growth and consolidation are increasingly complex entities that create the potential for unusually large systemic risks in the national and international economy should they fail.''

Last week Jeffrey Garten, an investment banker who served as Under Secretary of Commerce in the Clinton administration, issued a similar warning on the opinion page of the New York Times. ''Megabanks like Citigroup or the new Bank of America have become too big to fail. Were they to falter, they could take the entire global financial system down with them.''

The question we have to ask, then, is whether there's any danger that these financial goliaths could actually falter. Well, if we listen to Alan Greenspan, maybe there is. In an October 14 speech, the Fed Chairman warned that financial institutions may be underestimating the risk of a ''sharp reversal of confidence'' in the stock market. Mr. Greenspan was talking about not just a ''correction'' or a ''bubble'' in the market, but a much deeper loss of confidence like the one that occurred last year after Russia defaulted on part of its debt. The result could be ''panic reactions'' that cause financial markets to ''seize up.''

Something doesn't add up here. If Alan Greenspan is right that we need to be on guard against a ''sharp reversal of confidence'' that could cause financial markets to ''seize up''; and if the Fed Chairman is right that financial consolidation creates the potential for unusually large ''systemic risks'' should these conglomerates fail; and if Jeffrey Garten is right that their failure could bring the entire global financial system tumbling down; then it doesn't seem to make a whole lot of sense to increase those systemic risks by fostering even more concentration. Yet that is precisely what S. 900 does.

The problem with S. 900 is that its regulatory reach does not match the size of the new conglomerates. S. 900 does set up firewalls to protect banks from failures of their insurance and securities affiliates. But even Alan Greenspan has admitted that these firewalls would be weak. Earlier this year, economists Robert Auerbach and James Galbraith warned that ''the firewalls may be little more than placing potted plants between the desks of huge holding companies.''

And as the Chairwoman of the FDIC has testified, ''In times of stress, firewalls tend to weaken.'' Regulators will have little desire to stop violations of these firewalls if they think a holding company is ''too big to fail.'' In his New York Times article, former Under Secretary of Commerce Jeffrey Garten concluded, ''The seesaw of private and public power is seriously unbalanced.''

We seem determined to unlearn the lessons from our past mistakes. Scores of banks failed in the Great Depression as a result of unsound banking practices, and their failure only deepened the crisis. Glass-Steagall was intended to protect our financial system by insulating commercial banking from other forms of risk. It was one of several stabilizers designed to keep a similar tragedy from recurring. Now Congress is about to repeal that stabilizer without putting any comparable safeguard in its place.

In a stinging attack on S. 900, conservative columnist William Safire wrote earlier this week,

> Global financiers are given the green light for ever-greater concentration of power. Few remember the reason for those firewalls: to curtail the spread of the sort of panic from one financial segment to another that helped lead to the Great Depression. But today's lust for global giantism has swept aside the voices of prudence.

And what about the lessons of the Savings and Loan Crisis? The Garn-St Germain Act of 1982 allowed thrifts to expand their services beyond basic home loans. Only seven years later taxpayers were tapped for a multibillion dollar bailout.

I'm afraid we're running the same kind of risks with S. 900. These financial conglomerates may well be tempted to run greater risks, knowing that taxpayers will come to their rescue if things go bad. In a letter to me earlier this week, Professor Bob Auerbach of the LBJ School wrote, ''Taxpayers should be notified that [S. 900] substantially increases their risk on the $2.8 trillion in federally insured deposits for which they are liable.''

And what about the lessons of the Asian crisis? Just recently, the financial press was crowing about the inadequacies of Asian banking systems. Now we're considering a bill that would make our banking system more like theirs. The much-maligned cozy relationships between Asian banks, brokers, insurance companies and commercial firms are precisely the kind of ''crony capitalism'' that S. 900 would promote.

If we want to locate the causes of the Asian crisis, I think we have to look at the reckless liberalization of capital markets that led to unbalanced development and made these economies so vulnerable to investor panic in the first place. The IMF and other multilateral financial institutions failed to understand how dangerous and destabilizing financial deregulation can be without first putting appropriate safeguards in place.

World Bank Chief Economist Joseph Stiglitz wrote last year about the Asian crisis: ''The rapid growth and large influx of foreign investment created economic strain. In addition, heavy foreign investment combined with weak financial regulation to allow lenders in many Southeast Asian countries to rapidly expand credit, often to risky borrowers, making the financial system more vulnerable. Inadequate oversight, not over-regulation, caused these problems. Consequently, our emphasis should not be on deregulation, but on finding the right regulatory regime to reestablish stability and confidence.'' We claim to have learned our lessons from the crisis in Asia, but I'm not so sure we have.

So why on Earth are we doing this? And why now? For whose benefit is this legislation being passed? Financial services firms argue that consolidation is necessary for their survival. They claim they need to be as large and diversified as foreign firms in order to compete in the global marketplace. But the U.S. financial industry is already dominant across the globe, and in recent years has been quite profitable. I see no crisis of competitiveness.

Financial firms also argue that consolidation will produce efficiencies that can be passed on to consumers. But there is little evidence that big mergers translate into more efficiency or better service. In fact, studies by the Federal Reserve indicate just the opposite: there's no convincing evidence that mergers produce greater economic efficiencies. On the contrary, they often lead to higher banking fees and charges for small businesses, farmers, and other customers.

A recent Fed study showed that bigger banks tend to charge higher fees for ATM machines and other services. Bigger banks offer fewer loans for small businesses, and other Fed studies have shown that the concentration of banking squeezes out community banking.

In the long debate over passage of this legislation, there has been a lot of talk about the conflicting interests of bankers, insurance companies, and brokers. There has been a lot of talk about the jurisdictional battles between the Federal Reserve and the Office of the Comptroller of the Currency, the OCC. But there has been precious little discussion in this debate of the public interest.

What about the interests of ordinary consumers? An earlier version of this legislation contained a provision to ensure that people with lower incomes have access to basic banking services. The problem is that banking services are increasingly beyond the reach of millions of Americans. According to U.S. PIRG, the average cost of a checking account is $217 per year, a major obstacle for opening up a bank account for lower-income families. These families have to rely, instead, on usurious check cashing operations and money order services. Nevertheless, this ''basic banking'' provision was stripped out of the bill.

I don't see very much protection for consumers in S. 900, either. Banks that have always offered safe, federally insured deposits will have every incentive to lure their customers into riskier investments. Last year, for example, NationsBank paid $7 million to settle charges that it misled bank customers into investing in risky bonds through a securities affiliate that it set up with Morgan Stanley Dean Witter. S. 900 makes nominal attempts to address these problems, but in the end I am afraid this legislation is an invitation to fraud and abuse.

One of the most objectionable aspects of S. 900 is the absence of protection for consumer privacy. The conference report will allow the various affiliates of a financial conglomerate to share sensitive confidential information about their customers.

William Safire writes:

> As for financial privacy, [S. 900] makes your bank account everyone's business. Without your consent, the private information you write on your mortgage application, with your tax return attached, goes to your insurance company, which already has your health information, and its snoops can also see your investment behavior and what you have been buying with your credit card. Under [S. 900], giant financial conglomerates, using other surveillance to protect against fraud, will know more about your money, your habits, your assets, your disease, and your genetic makeup than your spouse does, and probably more than you do.

I will tell you something. It is a little disconcerting to read columns such as this about the real potential for abuse and serious invasion of citizens' privacy. We need to have much, much more discussion about the implications of this bill for citizens' privacy in Minnesota and all across the country.

I am going to repeat the last part of this quote:

> Under S. 900, giant financial conglomerates, using other surveillance to protect against fraud, will know more about your money, your habits, your assets, your diseases, and your genetic makeup than your spouse does, and probably more than you do.

Law Professor Joel Reidenberg of Fordham University concludes:

> This is an astounding loss of privacy for the American citizens.

I want to shout from the floor of the Senate that this is an astounding loss of privacy for American citizens.

The impact of S. 900 on the Community Reinvestment Act, CRA, is another cause for real concern. When the Senate considered S. 900 earlier this year, I argued that if we were serious about modernizing the financial sector of our country, we should be serious about modernizing CRA along with it. There have been few financial tools available to families and communities that have been as effective and have had as great an impact—positive impact—as CRA. An estimated $1 trillion has been reinvested in our towns and cities, thanks to this CRA legislation.

Under the S. 900 conference report, communities, consumers, and public interest organizations will see their opportunities for public comment limited. They will not have a chance to comment on mergers when banks that have received a satisfactory CRA rating are applying to become financial holding companies. To me, this looks more like a rollback than it does modernization.

Finally, under the S. 900 conference report, smaller banks that receive a satisfactory CRA rating will be reviewed every 4 years instead of every 2. Smaller banks that receive an excellent CRA rating will be reviewed every 5 years. Since an estimated 97 percent of all small banks currently receive a satisfactory or better CRA rating, S. 900 will essentially remove the majority of banks from the regular CRA review process. There are a number of reasons why banks must be reviewed by regulators, but it is only with regard to CRA that we are cutting back on the requirements for review.

In reality, S. 900 reflects the same priority of interests as financial consolidation itself. It offers a little something for everybody in the financial services industry. It is a Santa's wish list for the big banks. It gives enough to securities firms and the insurance industry to keep them on board. But it basically has nothing to offer for low-income families, nothing for rural and minority communities, and very little for consumers.

This should not be surprising. I don't think it is a mere coincidence that finance, insurance, and real estate spend more than any other industries on congressional campaigns and lobbying on Capitol Hill. This is a reformer's dream issue. There is no one-to-one correlation, of course; their influence is felt at a systemic level. And I have congratulated some of my colleagues on their political skill. But I do not think it is a coincidence that the finance, insurance, and real estate interests spend more than any other industries on congressional campaigns and on lobbying Capitol Hill. Last year, they shelled out more than $200 million on lobbying activities, according to the Center for Responsive Politics, and they have made more than $150 million in campaign contributions since 1996.

As William Safire wrote on November 1:

> Generous financial lobbies have persuaded our leaders that in enormous size there is strength.

Generous lobbies have been making the same case in other industries as well, with equal success. Similar consolidation is occurring in agriculture, the media, entertainment, health care, airlines, telecommunications, you name it. Teddy Roosevelt, where are you when we need you? Who is going to take on these monopolies?

Who is going to call for some serious antitrust action? When are we going to be on the side of people and consumers?

In fact, we are witnessing the biggest wave of mergers and economic concentration since the late 1800s.

There were 4,728 reportable mergers in 1998, compared to 3,087 in 1993, 1,521 in 1991, and a mere 804 in 1980.

As Joel Klein, head of the Justice Department's Antitrust Division, pointed out, the value of last year's mergers equals the combined value of all mergers from 1999 to 1996—put together.

What is in store for us if we allow this trend to continue? Pretty soon we are going to have three financial service firms in this country, four airlines, two media conglomerates, and five energy giants.

Huge financial conglomerates the size of Citigroup will truly be ''too big to fail.'' Government officials and Members of the Congress will be prone to confuse Citigroup's interests with the public interest, if they don't already.

What happens, for example, when one of these colossal conglomerates decides it might like to turn a profit by privatizing Social Security? Who is going to stand in their way? That is a trick question, of course, because we already face that dilemma today. But I contend that the economic concentration resulting from the passage of S. 900 would only make that problem worse.

The bigger these financial conglomerates get, the more influence they have over public policy choices. The bigger they get, the more money they will have to spend on political campaigns. The bigger they get, the more lobbyists they will be able to amass on Capitol Hill. And the bigger they get, the more weight they will carry in the media.

I am going to repeat that.

The bigger these financial conglomerates get, the more influence they are going to have over public policy choices. The bigger they get, the more money they will have to spend on political campaigns. The bigger they get, the more lobbyists they will have to amass on Capitol Hill. And the bigger

they get, the more weight they will carry with the media.

It is a vicious cycle. These financial conglomerates used their political clout to shape public policy that helped them grow so big in the first place. Now their overwhelming size makes it easier for them to dictate policies that will help them get even bigger. It is a vicious cycle.

Jeffrey Garten's remarkable October 26th column in the New York Times called attention to this problem. ''Many megacompanies may be beyond the law,'' Garten said.

Their deep pockets can buy teams of lawyers that can stymie prosecutors for years. And if they lose in court, they can afford to pay huge fines without damaging their operations.

Moreover, no one should be surprised that mega-companies navigate our scandalously porous campaign financing system to influence tax policy, environmental standards, Social Security financing, and other issues of national policy. Yes, companies have always lobbied, but these huge corporations often have more pull. Because there are fewer of them, their influence can be more focused and, in some cases, the country may be highly dependent on their survival.

For example, corporate giants can have enormous leverage when they focus on America's foreign and trade policy. Defense contractors like Lockheed Martin, itself a result of a merger of two big firms, were able to exert extraordinarily powerful force to influence legislation that approved enlarging NATO, a move that opened up new markets for American weapons sales to Poland and the Czech Republic.

Companies like Boeing, which not long ago acquired McDonnell Douglas, have expanded their already formidable influence on trade policy toward countries like China. Boeing is now the only American commercial aircraft manufacturer.

Corporations like Exxon-Mobil will negotiate with oil-producing countries almost as equals, conducting the most powerful private diplomacy since the 19th century, when the British East India Company wielded near-sovereign influence in Asia.

As long as the economy remains strong, the rise of corporate power with inadequate public oversight will not be high on the national agenda. But sooner or later—perhaps starting with the next serious economic downturn—the United States will have to confront one of the great challenges of our times: How does a sovereign nation govern itself effectively when politics are national and business is global?

When the answers start coming, they could be as radical and as prolonged as the backlash against unbridled corporate power that took place during the first 40 years of this century.

Indeed, we've been through this before. At the end of the 19th century, industrial concentration accelerated at an alarming pace. Various observers—including the columnist and author E.J. Dionne, former House Speaker Newt Gingrich, and the philosopher Michael Sandel—have noted the similarities between that era and our own.

In the Gilded Age of the late 1800s and the Progressive Era of the early 1900s, the danger of concentrated economic power was widely recognized and hotly debated. And this speech on the floor of the Senate I give with a sense of history because I believe this will become a front-burner issue in America politics. Many Americans deeply believed that a free and democratic society could not prosper with such concentration of power and inequalities of wealth. As the great Supreme Court Justice Louis Brandeis said, ''We can have democracy in this country, or we can have wealth in the hands of a few. We can't have both.''

The idea that concentrations of wealth, of economic power—which is exactly what S. 900 is all about—and of political power are unhealthy for our democracy is a theme that runs throughout American history, from Thomas Jefferson to Andrew Jackson to the Progressive Era to the New Deal. Thomas Jefferson and Andrew Jackson warned not only against concentration of political power, but also against concentration of economic power.

We should not, Senators, let that debate die out. That is why I come to the floor of the Senate today. That debate is a vital part of our democratic—with a small ''d''—heritage. It is a heritage that teaches us that ordinary people should have more say about the economic decisions that affect their lives.

Weakening CRA isn't going to give them that. No amount of anti-government rhetoric is going to give them that. But enforcing some meaningful consumer protections certainly would. So would protecting the privacy of sensitive personal information. And so would putting a stop to mergers that crowd out community banking, squeeze credit for small businesses, and open the door to higher fees and more gouging of consumers.

A lot of banks don't like the CRA. A lot of financial service firms don't want to be bothered with regulations to protect individual privacy. They denounce them as ''big government'' and ''overregulation.'' But for most people, which is the greater danger in these situations—concentration of political power in the Government, or concentration of economic power? I don't think it is a close call.

When I go to the Town Talk Cafe in Willmar, MN, or any cafe in MN, and I talk and listen to people over a cup of coffee or two, I find people have what I describe as a healthy distrust of big government, a healthy distrust of overly centralized and overly bureaucratized public policy.

I love it when people say, get us some capital, let us make things happen at the neighborhood and community level. I love the idea of homegrown economies. I prefer that small business people living in the community be the ones who make the capital investment decisions that determine whether or not our communities are going to do well, rather than some multinational financial services conglomerate folks halfway across the world or halfway across the country making the capital investment decisions that determine whether our communities live or die. I want the decisionmaking to be in the communities. I appreciate that focus on local development, on more self-reliant, self-sufficient people and more self-reliant, self-sufficient communities.

The people in the Town Talk Cafe in Willmar, or any other cafe I have visited, also have a very healthy skepticism, distrust, and—I don't think this is too strong a term—dislike of the concentration that is taking place in the financial sector and other areas of the economy. They do not like the big insurance companies. They do not like these big telecommunication companies. They are still waiting, since the telecommunications bill passed in 1996 and all of the mergers and acquisitions since then, for cable rates to go down. They are still waiting for more diversity of viewpoints to be offered in the media. Farmers do not like the big meat packers. They don't like the big grain companies. People certainly don't like the big oil companies. With considerable justification, they certainly don't like the big banks. And with considerable justification they have reached the conclusion that too much of the legislation we pass in Congress works to the advantage of folks who have the capital, who have the wealth, who have the access, and who have the influence.

And they've reached the conclusion that, as rural citizens or low-income citizens or minority communities or family farmers or just regular plain ordinary citizens and consumers, they get the short end of the stick.

S. 900 is legislation that goes in the direction of giving more power to the privileged few and giving ordinary citizens less say in the economic decisions that affect their lives. S. 900 is bad for consumers, it is bad for low-income families, it is bad for rural communities, it creates potentially enormous risks for the economy, and it exposes taxpayers—please remember the S&L debacle—to tremendous liability.

I believe S. 900 is bad legislation that as a nation we will soon regret.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

If no time is yielded, the time will be reduced from the time of all Senators proportionately.

Mr. GRAMM. Mr. President, it is my understanding that Senator WELLSTONE has about 15 minutes remaining.

The PRESIDING OFFICER. The Senator from Minnesota has 20 minutes remaining.

Mr. GRAMM. I have spoken to the Senator, and I ask unanimous consent that time be divided between Senator SARBANES and myself.

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

Mr. GRAMM. I yield the floor.

Mr. JOHNSON addressed the Chair.

The PRESIDING OFFICER. Who yields time to the Senator?

Mr. JOHNSON. Mr. President, I yield myself 15 minutes or as much time as I may consume.

The PRESIDING OFFICER. The Senator is recognized.

PRIVILEGE OF THE FLOOR

Mr. JOHNSON. Mr. President, I ask unanimous consent fellows on my staff, Julie Roling and Erin Barry, be allowed the privilege of the floor during the remainder of this week.

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

Mr. JOHNSON. Mr. President, when I first came to Congress in 1987, efforts at financial services modernization had already been undertaken and failed many times. Last year, we came as close as Congress has ever come to achieving this critical goal. This year, as a member of the conference committee, I am pleased to say, we will finally accomplish this historic goal.

That we are here is a testament to the leadership of many, many participants. Much credit goes to Chairman LEACH, who tirelessly shepared this bill over his five years as chairman of the House Banking Committee and chairman of this conference. Senator GRAMM, chairman of the Senate Banking Committee relentlessly promoted his agenda, yet was willing to compromise on critical issues in a manner that resulted ultimately in bipartisan support of this bill.

My ranking member on the Banking Committee, Senator SARBANES, made invaluable contributions to the process. His tenaciousness, in depth understanding of the many highly complex issues, and ability to work within the caucus made this success possible. Of course, the ranking member on the House Banking Committee, Representative LAFALCE, and our friends from the House Commerce Committee, Chairman BLILEY and Representative DINGELL, made critical contributions to this process as well. Finally, I would note the active involvement of two Secretaries of the Treasury, Bob Rubin and Larry Summers. Bob has moved on to other things, but the role he forged in this process has been seamlessly filled by Secretary Summers.

There are many highlights to this bill. By eliminating the Glass-Steagall restrictions, we free our financial services industry to maintain its place as the world leader. The benefits of one-stop shopping will make financial services more accessible to all Americans. These reasons alone are sufficient to support this legislation. There are several other provisions to this bill that merit discussion, and they strengthen this legislation. First, the unitary thrift loophole is closed. I am pleased to have offered this critical amendment which closes the loophole that permits a dangerous combination of banking and commerce. While we tear down firewalls within financial services, we strengthen them around financial services.

Under current law, commercial firms can own and operate unitary thrifts. That is the only breach of the banking and commerce firewalls currently allowed under our financial services law. Of course, the Glass-Steagall repeal and other components of this legislation will open a range of financial activities to each other. However, the bill is carefully structured to prevent the mixing of banking and commerce. This single loophole remains where banking and commerce can mix. The conference report does not interfere with current ownership of thrifts. Any commercial firms that currently own a unitary thrift charter will be able to continue to own and operate their institutions without restriction. Their current status would be undisturbed.

The only limitation this amendment would impose involves the transferability of that charter. The charter would not be transferable to another commercial entity. Any bank, insurance company or security firm that wanted to acquire the charter could do so. A new entity could be created to operate the thrift. Included in title IV of the bill before us are provisions prohibiting new unitary thrift holding company applications filed after May 4, 1999, and prohibiting transfer of existing unitaries to commercial firms. In the context of comprehensive financial modernization legislation, these provisions achieve the intent of this Congress to block the inappropriate mixing of banking and commerce, even in the limited scope authorized for the thrift industry for the past several decades. The provisions in title IV protect granfathered companies but do not allow existing unitary companies to be acquired by commercial firms. By adopting my amendment in this conference report, it is the intent of Congress that the thrift regulator strictly enforce this provision and related laws which carefully define which companies qualify as unitary holding companies and which companies are grandfathered in this legislation. Only the current, limited universe of legitimate unitaries should be allowed to exercise powers granted them in the Home Owners Loan Act, and transfer of unitaries to commercial firms will no longer threaten American taxpayers.

This provision will further the goals of financial modernization by leveling the playing field between banks and thrifts. It will also remove a dangerous threat to further weakening of the walls between banking and commerce. This bipartisan effort had the support of Secretary Summers and Chairman Greenspan. It overwhelmingly passed the full Senate. Representative LARGENT shepherded it through the House Commerce Subcommittee on Finance and Hazardous Material. Our joint efforts helped make this protection part of the conference report. We also improve the Federal Home Loan Bank System, creating greater access to wholesale capital markets for small banks and their customers. The improvements to the Home Loan Bank System will directly help South Dakota financial institutions and South Dakota consumers by making it easier for our institutions to join the Federal Home Loan Bank System. This portion of the bill recognizes the importance of small community banks and the role they plan in our towns and communities. With the massive shift of savings and investment to Wall Street and other nontraditional vehicles, small community banks are finding it more difficult to attract deposits at reasonable rates, and lack ready access to wholesale capital markets.

This bill will give them that access by making it easier for small banks to join the Federal Home Loan Bank System. That system gives small banks greater access to cheaper funds through wholesale capital rates. That access, in turn, will lead to more loans at lower rates to our small businesses, ranchers and farmers. It makes running a farm or ranch, running a business, expanding a business, buying a car, sending children to college—all of these endeavors more affordable for all South Dakotans, for all Americans. By enabling more affordable loans, this provision will help infuse the rural economy with capital in particular. This section of financial services modernization legislation is critical to keeping our community banks competitive as we move to tear down traditional firewalls and create new financial services giants within the realm of the financial service industries.

I want to briefly address the issue of financial privacy. With the explosive growth of the Internet, we are finding information can be accumulated and acquired with greater ease than previously imaginable. We must address this important consumer protection issue of financial privacy. I joined my colleagues, Senators BRYAN and SHELBY, in supporting an ''opt-out'' provision that would allow customers to prohibit their financial institutions from sharing their personal information. That effort failed and I am disappointed. We do add some new standards, including mandated disclosure of privacy policies and protection of certain critical information in the bill. I believe we can do better. I am pleased that we allow states to enact tougher privacy laws, establishing a minimum federal standard of financial privacy, but we can do better. Despite my disappointment, I am pleased we took the first steps in addressing financial privacy, and I believe Congress will revisit the privacy issue in the future.

It is critical as we move toward repeal of depression-era limitations that we recognize the vital role of community banks in rural areas. This legislation successfully frees our dominant providers to compete globally while strengthening the role of our community banks directly responsive to our small towns. It is that successful balancing that prompted me to sign the conference report, and I urge my colleagues to join us in passing this historic legislation.

I also want to take this opportunity to thank my staff, Paul Nash, for his tireless work on this legislation. His

dedication to this effort helped make the final product the balanced result which we will pass today.

I yield back such time as may remain.

The PRESIDING OFFICER. Who yields time?

The distinguished Senator from Texas is recognized.

Mr. GRAMM. Mr. President, I am very pleased to yield to Senator HAGEL—why don't I yield him 10 minutes. If he needs more time, I will yield more.

The PRESIDING OFFICER. The distinguished Senator from Nebraska is recognized for 10 minutes.

Mr. HAGEL. Mr. President, I thank my colleague, the distinguished chairman of the Senate Banking Committee.

I rise this morning in strong support of the conference report to accompany S. 900. This landmark legislation before the Senate today is especially important for the future, not only of our financial institutions' competitiveness and our consumer-based economy but for many reasons.

I begin my remarks this morning by commending the chairman of the Senate Banking Committee, Senator GRAMM, for his leadership and extraordinary efforts to complete this legislation, as well as our distinguished ranking member, Senator SARBANES from Maryland. Both they and their staffs and all who worked so hard in accomplishing this rather remarkable feat deserve our thanks.

I also recognize, as did my friend and colleague, the distinguished Senator from South Dakota, the House leadership involved in this effort, as well as our current distinguished Secretary of Treasury, Secretary Summers, and the former Secretary of the Treasury, Bob Rubin, for their leadership.

This is truly a historic occasion. In 1933, the United States was mired in the Great Depression. The stock market had collapsed. Populist segments of society blamed that collapse on commercial banks' involvement in securities underwriting. Responding to this sentiment, Senator Carter Glass of Virginia helped push through legislation that created artificial barriers between banking and securities underwriting. Later, amendments included a separation of banking and insurance activities.

One year later, in 1934, Senator Glass realized he had gone too far and tried to repeal parts of the Glass-Steagall Act, his own bill. Since 1934, many attempts have been made in Congress to repeal Glass-Steagall. For a variety of reasons, these attempts have failed.

This Congress is about to send the President a bill that accomplishes what we have failed to achieve over many years. However, it should be noted that we have also built on these many years of efforts.

I am proud to have served on the conference committee for this legislation. This legislation will benefit consumers in two significant ways. First, it will lead to lower costs and higher savings for consumers by allowing competition among banks, securities firms, and insurance companies.

In 1995, the Bureau of Economic Analysis estimated that if financial modernization were to reduce costs to consumers by only 1 percent, that would represent a savings of $3 billion a year to consumers. That is real money to real people.

These savings would come from increased competition which, among others things, would provide incentives for firms to reduce fees.

Second, this competition will strengthen our financial services firms which are integral to the health of the national and international economy.

As is true with manufactured goods and commodities, exports of financial services have become increasingly important to the growth of our Nation's economy. This month, the U.S. and its trading partners will meet in Seattle to begin a new round of WTO negotiations. The financial services sector will again be a major topic of discussion during these talks. In fact, our Trade Representative, Ambassador Barshefsky, appeared before the Senate Banking Committee this week and talked in some detail about the financial services sector being top on the agenda for these WTO talks.

It is important that Congress help tear down barriers to competition within our own domestic financial markets as we work with our allies and other nations to lower trade barriers in the international financial markets.

I will now briefly address how this bill will affect small community banks.

Earlier this year, Senator BAYH and I introduced legislation to modernize the Federal Home Loan Bank System. The major provisions of that legislation were included in this financial modernization conference report. These provisions will strengthen local community banks that are vital to the economic growth and viability of America's communities.

The Federal Home Loan Bank provisions will ensure that in an era of banking megamergers, smaller banks are able to compete effectively and continue to serve their customers' needs.

Community banks are finding that, for a variety of reasons, their funding sources are shrinking. This makes it more difficult to fund the loan demands of their communities. During the 1980s in my State of Nebraska, and especially in the case of the Presiding Officer's State of Kansas, all across America many community banks and thrifts closed. As local credit dried up, local economies stagnated. Small businesses, our greatest engines of job growth and innovation, were the first to feel the crunch.

The Federal Home Loan Bank provisions in this legislation will strengthen community banks to help avoid a repeat of the 1980s. By broadening access to the Federal Home Loan Bank System, we will help ensure the viability of the community bank and thrift.

This legislation will help keep credit flowing to small businesses, farmers, and potential homeowners, and help our local communities prosper as we enter the 21st century. This is especially important to my State of Nebraska where many rural communities depend upon the local bank or thrift for their credit needs.

The conferees worked hard to craft legislation that responds to the needs of all financial institutions, including small financial institutions.

Another topic important to average Americans is financial privacy—how customers control the flow of their private financial information.

For the first time, this bill sets up a framework for protecting the privacy of customers' financial information. Customers will be able to prohibit the sharing of their financial information with outside parties. Financial institutions would be required to disclose their privacy policies to their customers on a timely basis. If customers do not believe adequate protections exist at their institution, they can take their business elsewhere.

Some wanted stronger privacy protections. In my opinion, to have gone further at this time may well have invited the law of unintended consequences. I believe some of the privacy protections that were proposed and rejected during the conference would have been detrimental, not helpful, to financial institutions and their customers. Some of these limitations would have led to fewer products and services being offered to customers.

I want to highlight a particular concern. The legislation contains a prohibition on the sharing of customer account numbers or credit card numbers with third parties for the purposes of marketing. This language could be a disadvantage to small banks and insurance agencies that partner with third parties to market new products to customers.

Equally important, a customer should have the option to decide whether this information can be or should be shared. This legislation should not take away that choice.

The report language clarifies that when regulations are written to implement S. 900, they may exempt the sharing of encrypted credit card numbers and account numbers only where the financial institution has received express permission from the customer.

As vice chairman of the Banking Committee's Financial Institution Subcommittee, I intend to conduct oversight during the rulemaking process implementing this legislation.

The regulators should exercise this exemption authority. The conferees did not intend to hurt legitimate business practices that safeguard customer information.

I end by again expressing my strong support for this conference report. This

legislation, a well-balanced approach to financial services modernization, is long overdue. It does not pick winners and losers. It provides important consumer protections while expanding the choices available to consumers.

The conferees worked hard to craft a bill that will guide our financial services industries into the next century. This is a bill of which we can be proud, and I again congratulate Chairman GRAMM, Senator SARBANES, and all who provided leadership and hard work to accomplish this rather significant effort.

I urge my colleagues to support the financial modernization conference report.

I yield the floor.

Mr. GRAMM. Will the Senator yield to me for just a moment?

Mr. HAGEL. Yes.

Mr. GRAMM. I thank our dear colleague from Nebraska for his leadership on this bill. We have dramatically changed the Federal Home Loan Bank system in this bill, and no one has had more to do with that dramatic change than the Senator from Nebraska. I personally thank him for the leadership he provided on that and many other issues in this bill.

Mr. HAGEL. Mr. President, I am grateful for the chairman's generous comments. After the Texas A&M and Nebraska game on Saturday, I may never hear another generous comment from him.

The PRESIDING OFFICER. Who yields time?

With no Senator yielding time, time will be taken from the time reserved by all Senators who have reserved time on a proportionate basis.

Mr. GRAMM addressed the Chair.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. GRAMM. Mr. President, I begin by thanking Senator ALLARD for his leadership on this bill, for his strong support, in committee, on the floor, and in conference. I think we have a good, strong bill that is what it is advertised as being, that is a bill which promotes competition and benefits consumers, in large part because of the support Senator ALLARD provided throughout the process and the leadership he provided.

I yield 10 minutes to him at this time.

The PRESIDING OFFICER. The distinguished Senator from Colorado is recognized for 10 minutes.

Mr. ALLARD. I thank the Chair.

Mr. President, I thank the chairman for his very gracious remarks. It has been a pleasure to work with him on this particular issue. He is extremely knowledgeable, and it is because of his knowledge and persistence on this particular issue that I think we will pass such a good bill. I compliment the chairman in a public manner for the yeoman's work he has done and the great leadership he has shown on this particular issue. It has been a particular pleasure for me to be able to serve with him on the conference committee.

In regard to the conference report that is before the Senate, I think its provisions will be good for consumers and good for businesses. In regard to the consumers, it provides increased competition in financial services. That is good. It will increase choice for consumers. There is more convenience for consumers, and it will lower prices. Specific provisions in the bill also give consumers more information to better enable them to make educated choices.

The conference report, as I mentioned, is also good for business. It rewrites the outdated laws that have governed the financial services industry since the Depression. Gramm-Leach-Bliley eliminates the barriers between banks, insurance companies, security firms, and other financial institutions. This will increase efficiency, reduce costs, and increase innovation. American financial institutions will be better able to compete internationally under the new structures contained in the conference report.

Through the passage of this bill, Congress will rightly reclaim the authority to govern the structure of the financial services industry. For a number of years, various regulators have been easing the statutory restrictions between banking and commerce through regulation. By passing a comprehensive bill addressing the appropriate relationship among banking, insurance, and securities, Congress will ensure that the entire financial services industry is updated in a safe—and I would add that safe is very important to me and other members of the committee—and a consistent manner as compared to a patchwork of regulations.

Congress has struggled for many years with the best way in which to update the laws governing the financial services industry. One reason we are finally poised to modernize the financial services laws is the spirit of compromise and inclusiveness embodied in the conference report. Chairman GRAMM, and others, made a particular effort to listen to the concerns of the many industries involved and worked closely with the administration. The conference report does a good job of balancing the many interests involved.

I will now talk briefly about the structure within the bill.

The structure of the new financial services regime is based on a compromise between the Federal Reserve and Treasury. Bank holding companies will be able to engage in activities that are financial in nature, including insurance and securities underwriting and merchant banking. Well capitalized and well maintained national banks and insured State banks will be able to engage in certain financial activities. Provisions will be enacted to ensure that the new activities are undertaken in a prudent manner.

The Federal Reserve is established as the umbrella regulator with strong functional regulation in all areas. This will allow consistent oversight by the Fed, while also allowing the individual regulators to exercise their expertise in the day-to-day operations of the affiliates that they traditionally regulate. The bill respects the rights of States through strong functional regulation and maintenance of non-discriminatory State laws.

Unitary thrifts prior to May 4, 1999, are grandfathered in under this bill. Existing unitary thrift companies may only be sold to financial companies.

Privacy is important to many consumers, and the conference report takes important steps to protect the privacy of Americans. Financial institutions must disclose to the consumer their privacy policy regarding the sharing of non-public personal information with both affiliates and third parties. The disclosure will take place when a consumer initially opens an account and annually thereafter. This is an important tool for consumers to make an informed decision as to which financial institutions they wish to patronize. Just as some consumers choose a bank based on the hours they are open or the branch locations, those consumers for whom privacy is a key issue can make an informed decision based on a bank's privacy policy.

Financial institutions cannot share account numbers or access numbers, except as required for consumer reporting agencies, for example, credit bureaus. Consumers will receive an opportunity to opt-out of information sharing programs. This means that generally consumers can prohibit a bank from sharing their non-public personal information with non-affiliated third parties. If any State law or regulation provides greater consumer privacy protections, then it shall remain in effect for that state. This is an important provision.

Changes to the Federal Home Loan Bank system will update their capital structure and expand access for small banks. This will be particularly beneficial to the many small banks in Colorado and other States.

One of the most controversial aspects of the bill has been the Community Reinvestment Act, or CRA. The bill clearly does not repeal any part of the existing CRA law, in fact it explicitly states that fact in the conference report.

The sunshine provision will finally bring some oversight to CRA agreements. For the first time ever, CRA agreements will be made public. The parties to the CRA agreement will also have to disclose annually what happened to the cash and other resources that were part of the CRA agreement. Congress decided that community reinvestment was a priority when it passed the initial CRA laws. This provision takes the next logical step and ensures that the cash and resources received by a nongovernmental person or entity are in fact used for community reinvestment.

The Gramm-Leach-Bliley bill makes several modifications to the CRA examination schedule in order to provide

regulatory relief for small banks. It is important to note, though, that the banks must still meet the same CRA standards—this only changes the examination schedule. A small bank that received an outstanding rating in its last CRA exam will not receive another CRA exam for five years. A small bank that received a satisfactory rating will not receive another CRA exam for four years. This relief is important for small banks, as the cost of regulatory compliance is disproportionately high for them. The relatively high cost to small banks for CRA compliance actually leaves them with fewer resources to invest in their communities. The examination schedule also makes sense because it will allow CRA compliance officers to focus time and resources on those banks with compliance problems, rather than the banks that are already doing a good job.

The conference report also contains a provision important for small banks—a GAO study on changes to the S Corporation rules for small banks. Subchapter S corporations do not pay corporate income taxes—earnings are passed through to the shareholders where income taxes are paid, eliminating the double taxation of corporations. Congress previously made small banks eligible for S Corporation status, however, many of the current rules make it difficult for them to qualify. I strongly support efforts to change the laws so that small banks are better able to qualify for S Corporation status. I am hopeful that this GAO study will highlight the need for such changes.

I will continue to push for those changes in future Congresses. I have introduced legislation in that regard. This is not under the jurisdiction of the Banking Committee, but the Finance Committee. I think it will be a key part in allowing small banks to move forward with their modernization efforts, in addition to this particular bill.

I stand in strong support of this conference report. I stand in support of the bill. I think it is going to be a key piece of legislation passed in this particular Congress.

I thank the chairman for allowing me to participate in the process as much as he did. I congratulate him on a job well done and encourage Members of the Senate to vote for this conference report.

The PRESIDING OFFICER. Who yields time?

Mr. GRAMM. Mr. President, I thank Senator ALLARD for his leadership and his kind remarks.

In recognizing Senator BUNNING, let me say that he has played a very big role in this bill. He, in another era and another profession, understood the meaning of hard ball, when it came time to throw the hard ball and to stand fast. We had many of those moments with this bill. As I noted yesterday, when the House, to satisfy almost any constituency, threw an amendment out to us that could have dramatically changed, complicated, or contradicted the basic logic of this bill, Senator BUNNING stood like a rock in opposition to making those changes. With his help and leadership, we were successful. I yield Senator BUNNING 10 minutes.

The PRESIDING OFFICER. The distinguished Senator from Kentucky is recognized for 10 minutes.

Mr. BUNNING. I thank Chairman GRAMM.

Mr. President, this is an historic occasion, and I am very happy to be a part of it. Today we are going to finally, at long last, pass financial modernization legislation that brings the financial industry into the 20th century and prepares it for the 21st century. When I first came to Congress nearly 13 years ago, this was one of the first major issues I worked on. I served on the Banking Committee in the House back then, and in 1988, we passed out of committee a financial modernization bill. But that bill never made it to the House floor. So it has been a long process getting to this point.

There have been many times when I did not believe we would ever make it. But I am very happy to see this day come, and I am very proud to be a part of it. Those of us who served on this Conference Committee have labored to bring a good bill to the floor today— a conference report that knocks down barriers, gives consumers more options and cheaper services, protects the little guys, and provides regulatory relief. We have achieved all these goals in this measure. There has never been a question about the need to modernize our depression-era financial laws. If we expect our financial industries to be able to compete in the world market in the next century, modernization of our laws is essential. I think everyone has recognized that all along. It was simply a question of finding a suitable blueprint for the modernization process that everyone could find acceptable, and I think we accomplished that with this measure. Admittedly, along the way this year, we had some big differences to work out. For instances, I was very happy the Federal Reserve and the Department of Treasury were able to work out a compromise on the Op-sub issue. I believe this compromise was essential to getting an agreement on the final bill and allowing us to finally repeal Glass-Steagall.

We also wrestled long and hard on the Community Reinvestment Act provisions. In this bill today we bring much-needed sunshine to the CRA process and ensure that the money which banks are sending to groups for low-income housing development, goes for just that, low-income housing.

We also give some much-needed regulatory relief to small banks on CRA. These banks are already involved in their communities. If they did not lend in their neighborhoods, they would not survive. With this provision, small bankers will spend less time doing Federal paper work and more time lending in their neighborhoods, both rural and urban. I would have liked to do more to reduce the CRA burden on small banks but we did the best we could. We were also able to ensure that we protected the small-town insurance salesmen and stockbrokers. We make sure that they have a level playing field and will be able to offer their customers more services at better prices. And we also dealt with a new issue that emerged in recent months—the issue of privacy. I know some of my colleagues believe this bill is inadequate as far as the provisions on financial privacy go.

I certainly understand their concerns but this bill does give consumers federal privacy protection that they have not previously enjoyed. Under provisions of this bill, consumers will be able to opt-out of disclosure of their financial information to third parties. This bill does not go as far as some would like,—but it is a start and it does recognize the importance of the privacy issue. Overall, I believe we came to an agreement on a balanced bill that creates a level playing field and enhances competition for the financial industries. It protects the safety and soundness of our financial institutions and gives consumers better products at lower prices.

It is crucial that we do pass this measure as we prepare to enter the new millennium. In this new age of the global marketplace our financial firms must be able to compete. This bill will go a long way toward allowing them to compete, but not at the expense of our local bankers, brokers, agents, and customers. I urge my colleagues to vote for it—it is a good bill.

Finally, I would like to commend Chairman GRAMM and his fine staff for all of their hard work. We certainly would not have this bill without Chairman GRAMM's tireless efforts. He and his staff spent countless hours completing this bill which I believe will be passed with overwhelming bipartisan support and will be signed by the President.

Chairman GRAMM did an outstanding job, and I thank everybody else on the conference committee and in the Senate. I urge support of this bill and its passage today.

I yield the floor.

The PRESIDING OFFICER (Mr. ALLARD). The Senator from Texas is recognized.

Mr. GRAMM. Mr. President, I thank Senator BUNNING for his kind comments. I will soon yield to Senator ENZI. I thank him for his leadership, for all he did in helping us put together a good bill to begin with, for the work he did in understanding the bill and what we were trying to achieve.

I have always believed that conviction is born of knowledge. It is hard to be committed to something that you don't understand. I think one of the reasons we held together so well in getting this bill through committee and to

the floor—through conference and finally here today, as we reach the goal line—is all of those endless meetings we had in January and February to talk about what it was we wanted to do and why it was important. If there is any person who didn't miss a single one of those meetings, it is MIKE ENZI. MIKE ENZI is a real doer. When you have a hard job to do, you want to give it to him. I like giving him jobs because he always does them.

I yield the Senator from Wyoming 10 minutes.

The PRESIDING OFFICER. The Senator from Wyoming is recognized.

Mr. ENZI. Mr. President, I thank the chairman for his extra kind comments.

I do rise to speak in favor of the conference report that accompanies S. 900, the Financial Services Modernization Act of 1999, which is also called the Gramm–Leach-Bliley Act. I think there is good reason for it being so titled. Senator GRAMM has certainly taken the lead on this. He is one of the most focused individuals I have ever run into in my lifetime. When it comes to working a problem, he has a tremendous memory of not only the things he has been involved in but the things he has read and studied up on for it, and he can recall those almost instantaneously. He has provided tremendous leadership. I am convinced that without that leadership we would not be at this point on this bill.

The senior Senator from Texas, the chairman of the Banking Committee, certainly deserves that first spot for his name at the successful completion of this bill. Some of that credit, of course, has to go to his very capable staff as well. He did line up some experts who had some tremendous capabilities, knowledge, background, and ability to express themselves, to explain to others, and the ability to sell the program to each of the staffs who were involved in it, too. Without their dedication and involvement, and the hours they spent on it also, we would not be at this point.

Of course, we have been through the conference process. I have been in the Senate 3 years now, and this has been the most complete conference process that I have seen. Part of the reason for that is probably because of the makeup of that conference. The bill on the House side was assigned to two committees, and those committees had a deep desire to be involved in the process. So we went through the House having, first, 42 conferees, plus the entire Senate Banking Committee; and then there was an imbalance that had to be corrected. I thank the House for correcting that. They did that by appointing four more people to the conference. So we wound up with 66 people on the conference. I came from the Wyoming State Legislature, and our whole House in Wyoming doesn't have that many people in it. When they do a conference committee, it is much smaller. Small committees get more done. So it was an incredibly huge, impossible task.

Again, with the leadership of the chairman, Senator GRAMM, there was some definite action taken that broke the deadlock of daily, deadly, external, lengthy comment sessions that didn't resolve anything. After a few days of that, he again took charge of the process and said we were going to get a small working group of three people, and we were going to put together a compromise bill. I particularly congratulate him for the compromise that was put in at that point. There were a lot of people who were nervous and tense about having the three Republican chairmen involved get together and put together a compromise. There was worry about how much compromise there would be. I think everybody was pleasantly surprised at the way it came out of that rewrite, and that rewrite turned out to be a tremendous key to the process. Without that, we would never be at this point.

I have to say this is the first time in over 20 years that the House and the Senate passed a bill in the same session. So it is the first real opportunity that there has been to conference it. Then we had this huge conference committee. The deadlock on that committee was broken by the chairman taking the focus and arranging this group and being extremely careful to include the different views in it, and then having a process where we could debate from that standpoint, taking things out and putting things back in; and, again, there were more committee meetings, more amendments suggested, more decisions made than I have ever seen in a conference committee.

I also have to compliment the chairman because I remember sometimes where he was negotiating some critical additional amendments to this thing, and he would leave the room and go work with people to get some changes or to explain why changes should not be made. That is a very important part of the process, too, because we were still working on a critical amendment in the committee. He would be able to come back in from that external negotiation, step right in, and debate the reasons we needed to deal with or shouldn't deal with the issue that was still on the table. It is an incredible challenge. He did it extremely well. He kept the debate focused and moving forward so that we are at a point where we have this conference report.

I am pleased that the White House made the comments publicly about this bill and where it is because it shows their understanding of the process and the dedication that was put into the bill as well.

I congratulate Senator SARBANES. He has a very quiet negotiating style, a very unique one. It forces people to do maybe a little bit more than what they would have done if they really understood where he was coming from. He has played a critical role in this bill as well. I appreciate all the effort he has put into it.

We are at a point now where we have this conference report. I am convinced that it will be overwhelmingly adopted. I appreciate all the people who have put time and effort into it.

This bill breaks down the barriers between banks, insurance, and securities firms. It allows them to affiliate and engage in each other's activities.

It is fitting that our financial system be allowed to modernize as we enter the next century.

As I mentioned, for over 20 years Congress has attempted to repeal these statutory barriers. These barriers have only limited the ability of financial institutions to offer a variety of services that their customers demand. Financial services modernization will allow one-stop shopping for consumers wanting a variety of financial services—banking, insurance, and securities—a sort of shopping mall for financial needs. This will increase efficiency and increase competition which translates into more choices and lower prices for American consumers.

This isn't a big deregulation. This is an opportunity for people to compete evenly on the playing field.

Some opposed to the bill have said they don't believe it goes far enough to ensure the privacy of a person's individual financial information. I have to say this bill will provide the strongest privacy protection ever for Americans. It requires the financial institution to clearly disclose their privacy policies. The disclosure will guarantee customers the ability to see clearly the privacy policies of the institutions allowing them to take their business to another financial institution if they don't approve of the way that they could be or have been treated. It allows the market to adapt to the demands of the consumers instead of the market adapting to government regulations.

The market allows for changes in consumer preferences and behavior, while rigid government regulations can easily cause unintended consequences.

I have to say that in every committee in the Senate in which we are involved, privacy is the big issue now. We are debating that in every one of them. I am on the health subcommittee of Health, Education, Labor, and Pensions. We have been trying to resolve the privacy issues there.

It is amazing how complicated and difficult that can be. There are things we as consumers anticipate others working in that business or in a business that we think is part of the business will know about us to expedite the work that we are expecting.

Consumer choice is the key. The privacy provisions in this bill also require that any bank that is considering sharing your information with an outside company—a third party—allows you the ability to say no to that activity. This opt-out provision also gives the consumer power and choice.

I want to tell you, this bill benefits the small community financial institutions. Coming from Wyoming, I have a

particular interest in that. We have small community financial institutions that are the heart of our financial industry. It protects them just as it benefits the large financial institutions. It grants small banks the same expanded authority granted to the larger institutions. It requires the Federal banking agencies to use plain language. This will be one of the biggest things in the bill in their rulemaking used to implement the bill.

This plain language provision was included to ensure that small banks will not have to hire several lawyers to interpret the new rules resulting from this legislation.

The Gramm-Leach-Bliley Act allows small banks to access advances from the Federal Home Loan Bank System. These advances could be used for small business and small farm lending, in addition to housing. This will enable small banks to serve their communities comprehensively and provides them the liquidity they need to remain competitive. Another priority of small banks that has been included in the report is the prohibition on the chartering of new unitary thrifts for commercial firms. The bill even prohibits commercial firms that do not currently control a thrift from buying an existing thrift. Additionally, S. 900 provides further regulatory relief of the Community Reinvestment Act of 1977 for small banks. Those small banks under $250 million in assets with an outstanding CRA rating will be examined for compliance only every 5 years, while those with a satisfactory rating will be examined every four years. Most agree that CRA is more of a paperwork burden for small banks than it is for large banks. I believe that small banks and thrifts, by their very nature, must be responsive to the needs of the entire communities they serve or they will not remain in business. That is the sole source of their customers.

I am also pleased that the bill does not dismantle the dual banking system—the Federal system—that has served us so well over the years. This competitive regulatory system has many times created innovations which were later allowed by the national banking regulators. Under the dual banking system, state legislatures determine the powers allowed to their state institutions. These powers are tailored to meet the economic needs of the states. An empowered state banking system is elemental to state economic development. Included in the bill is a clarification that the FDIC's authority and the State bank regulator's authority with respect to operating subsidiary powers is not rolled back.

I recognize that this report is a collection of compromises. These compromises have not been easily achieved. Some of these compromises relate to the Community Reinvestment Act of 1977 (CRA). I do have concerns about this compromise on CRA. However, I am more willing to accept what I consider an expansion of CRA since the sunshine provision has been included. Since some groups are using the name of a federal law, the Community Reinvestment Act, to receive monies from insured financial institutions, it is only appropriate that the Congress is able to see how that law is being used. In sum, I believe this an acceptable compromise at this time.

I am pleased to support this conference report and congratulate all who have participated in it and encourage my other colleagues to do the same.

I yield the floor.

I reserve the remainder of any time.

The PRESIDING OFFICER. The Senator from New York.

Mr. SCHUMER. Mr. President, I thank Chairman GRAMM, Senator SARBANES, Chairman LEACH, Representative BLILEY, and all of my colleagues who have worked so long and hard on this legislation, with particular thanks to Senators DODD and EDWARDS who worked with us in the late night hours to come up with a compromise that eventually helped get this bill passed.

Mr. President, this is a historic moment. We have been working towards it for 18 years. It has taken 18 years for Congress to pass this bill.

When I first came to Congress, the issue was a narrow one: revenue bonds. Could banks underwrite revenue bonds? With technological change and globalization, the issue has expanded far beyond revenue bonds to an issue where the future of America's dominance as the financial center of the world is at stake.

This bill is vital for the future of our country. If we don't pass this bill, we could find London or Frankfurt or, years down the road, Shanghai becoming the financial capital of the world. That has grave implications for all of America where financial services is one of the areas where jobs are growing the most quickly, where our technology is way ahead of everyone else, where our capital dominates the world. It would be a shame if, because Congress had been unable to act, all those advantages were frittered away, as they well could be, in a global world by our failure to realize the problems our existing antiquated laws cause.

There are many reasons for this bill. First and foremost is to ensure that U.S. financial firms remain competitive. As their international competitors, U.S. firms will be able to offer financial services to complement their business models. Had we not done this, 3 years from now, with new technology, we could find major U.S. companies leaving the United States and locating in other countries that had laws allowing these things.

I don't know what the marketplace will yield. Will people want to buy all their financial services from one company? Will it be online or with individuals? We don't know. We do know that to close off one avenue of competition is the death knell for the future of a country in that area—in this case, financial services. It is essential we pass this bill.

The first issue is jobs, plain and simple, hundreds of thousands—yes, millions—of high-paying jobs. I need not tell the Senate how important this bill has been to the financial capital of the world, New York.

Second, it is important to consumers. The years have shown the more competition, the better. This bill allows more competition by allowing many more firms to compete over similar product lines. When a bank decides to go into the securities industry or a securities firm decides to sell insurance, they are looking for a competitive edge. They may well find it, they may not. However, the ability to have more competition—which this bill creates—is vital to consumers. This is a proconsumer bill. It is proconsumer for the same reason our system has predominated over all the others—competition.

Jobs are an important reason for this bill; consumer interests and competition are an important reason for this bill.

Third, we have to keep up with changing markets. When Glass-Steagall was passed, commercial banks dominated the financial landscape with 57 percent of all financial assets. Today they have less than 25 percent. To look at the world through that antiquated spyglass and say we must keep commercial banks from other areas because they may dominate is to look at a world that is 50 years old. Many argue commercial banks are among the weakest competitors when they are put against not only securities firms and electronic firms but mutual funds and pension funds. The third issue: We have to move this bill to keep up with changing markets.

Finally, we had to do it because otherwise the regulators were going topsy-turvy. We all know it does not make good policy to have individual regulatory decisions make policy. That has been what has happened. Because of the necessities of technology and globalization, because of the changes in financial markets, individual companies were going to the regulators and asking for special permission to do A, B, and C, and regulators were granting it. Now we have an overall fabric. We have a law that will treat all companies equally, that will allow businesses, either new or existing, to plan for the future, and will create a level playing field.

There are many reasons to pass this bill. My goal, which I stated at the outset, was to modernize financial services but not take one step backward on CRA. We have done that. The CRA provisions in the bill do not move things forward, but they do not take a single step backward. In fact, as I have argued to the groups in my State, they will benefit from this legislation because their leverage in the CRA process has always been when there are new mergers or new products that a bank

decides to add. This is going to increase 10, 20 times. Every time the groups are interested in CRA—one of the most successful banking laws we have passed—they will have that leverage. Instead of two or three opportunities a year, they will probably have two or three a month. I argue CRA groups are going to be so busy with all the new mergers and all the new services that they may not have time to keep up.

We accomplished a great deal. I thank the Senator from Maryland as well as the administration for making sure we did not take a single step backward on CRA.

Sunshine provisions are in the bill. It is very hard to argue against them. If I am for sunshine for business and for political people, including myself, how can we not be for sunshine even for groups we support and believe in? I have no problem with the sunshine provision.

We succeeded in CRA. We also succeeded in helping the consumer in terms of protections.

Regarding ATM fees, I am proud banks will be required to disclose any and all charges for using an ATM before a customer makes a decision to withdraw funds. I fought for years for this provision, first in the House with Representative ROUKEMA, and now in the Senate. It is in the bill. In addition, there are privacy protections in the bill.

Does the bill go as far as I wish on privacy? No. But privacy is a large and complicated issue. We don't know what the balance ought to be between the ability of businesses to share information and the right of the consumer to protect his or her information. In the Senate, we did not have a single hearing on privacy. To restructure all of privacy with huge numbers of unknown consequences on this bill made no sense. My goal, again, was, can we move forward? We have. Not as far as I prefer or many prefer but certainly not enough to sink a bill that has so many necessities.

Finally, safety and soundness. The one thing that has dominated my thinking in this area is that we not repeat an S&L crisis, and we not allow insured deposits to be used for risky activities. I am proud to say the compromise between Treasury and the Federal Reserve in the structure of the bill makes sure that when insured dollars are used for anything that might be slightly risky, the capital requirements and firewalls will make virtually certain we will not repeat the kind of S&L crisis we have had in the past.

In conclusion, this is a historic day. It is a historic day for my State of New York, which I am proud to say is the financial capital of the world and, with this bill, has a much greater likelihood of remaining so. It is a historic day for modernizing one of the most important industries in America where we are technologically and entrepreneurially ahead of the rest of the world. This will help maintain our lead. And it is a historic day for those who have argued that we need to keep CRA strong and keep consumer protections in the bill.

From Glass-Steagall to Gramm-Leach, from the Great Depression to the Golden Age, from isolationist to internationalist, from underdogs to champions, this bill is an American success story for our economy, for our financial institutions, for our communities and consumers, and for my State of New York. I was proud to have played a role with so many others in ensuring its passage.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. SARBANES. Mr. President, I commend the Senator from New York for his statement. I underscore the positive and constructive role he played with respect to this legislation throughout, and thank him for his contribution to this effort.

Mr. GRAMM. Mr. President, we have already started assembling for the swearing in. I suggest we move off the bill now for that purpose.

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

Mr. LOTT. Mr. President, I observe the absence of a quorum, but we will proceed momentarily.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

The VICE PRESIDENT. Without objection, it is so ordered.

CERTIFICATE OF ELECTION AND CREDENTIALS

The VICE PRESIDENT. The Chair lays before the Senate the credentials of LINCOLN D. CHAFEE, appointed a Senator by the Governor of the State of Rhode Island on November 2, 1999, to represent said State in the Senate of the United States until the vacancy in the term ending January 3, 2001, caused by the death of the Honorable John H. Chafee, is filled by election as provided by law.

The clerk will read the certificate.

The legislative clerk read as follows:

STATE OF RHODE ISLAND—CERTIFICATE OF ELECTION FOR UNEXPIRED TERM

To the President of the Senate of the United States:

This is to certify that, pursuant to the power vested in me by the Constitution of the United States and the laws of the State of Rhode Island and Providence Plantations, I, Lincoln C. Almond, the Governor of Rhode Island, do hereby appoint Lincoln D. Chafee, a Senator from Rhode Island to represent it in the Senate of the United States until the vacancy therein, caused by the death of Senator John H. Chafee, is filled by election as provided by law.

ADMINISTRATION OF OATH OF OFFICE

The VICE PRESIDENT. The Senator designate will present himself at the desk and take the oath of office.

Mr. CHAFEE, escorted by Mr. REED, advanced to the desk of the Vice President; the oath prescribed by law was administered to him by the Vice President, and he subscribed to the oath in the Official Oath Book.

The VICE PRESIDENT. Congratulations, Senator.

[Applause, Senators rising.]

The VICE PRESIDENT. The majority leader.

Mr. LOTT. Mr. President, I officially welcome the new junior Senator from the State of Rhode Island, Senator LINCOLN CHAFEE.

I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. WARNER. Mr. President, this is a historic day for America, for the Senate, for the citizens of Rhode Island, and for the family of the late Senator John Chafee. I ask unanimous consent now—and I am joined in this unanimous-consent request by Senator LINCOLN CHAFEE, who was just sworn in as United States Senator for the State of Rhode Island—that remarks given at his funeral by Senator Chafee's son, Zechariah Chafee, entitled ''The Service of Thanksgiving for the Life of John Chafee,'' October 30, 1999, be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

REFLECTION OF ZECHARIAH CHAFEE

(A Service of Thanksgiving for the Life of John Hubbard Chafee, October 30th, 1999)

What a man! What a life!

Come with me. Let us look at how he lived, and what he was made of. John Chafee said at times that the great shapers of his life were his parents, the Boy Scouts, his wrestling, the United States Marine Corps, the U.S. Senate, and above all, his own family.

From his parents, an upright Yankee, a vivacious Scot, he without a doubt drew his graciousness toward me, women and children of all walks of life. From them as well came his decency and keen sense of the difference between right and wrong.

As for the scouts, not only was he an industrious member of a Providence troop as a boy, but it seems he kept a scout handbook in his Senate office! Examining Article 8 of the Scout law of his day, one finds this stricture: A scout smiles and whistles under all difficulties! Is this how he came by his trademark good cheer?

I must say though that his skeptical children had some problem reconciling the cautionary scout motto ''be prepared,'' with my father's brisk assertion. ''It will all work out, stick with me—here we go!''

But with him in charge, it usually did work out—and even if it did not, it was still fun!