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House of Representatives

The House met at 10 a.m. and was called to order by the Speaker pro tempore (Mr. FOSSELLA).

DESIGNATION OF THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore laid before the House the following communication from the Speaker:

WASHINGTON, DC,
March 19, 1998.

I hereby designate the Honorable VITO FOSSELLA to act as Speaker pro tempore on this day.

NEWT GINGRICH,
Speaker of the House of Representatives.

PRAYER

The Chaplain, Reverend James David Ford, D.D., offered the following prayer:

Teach us to see Your strong hand, O God, that supports us all the day long. In all our circumstances, whether of joy or sadness, we are grateful that we can bring our concerns before You. If there is illness, grant us health; if there be estrangement, grant reconciliation; where there is hatred or envy, grant peace; where there is despair, give us the gift of hope. Remind us each day that we never walk the road of life alone or face the challenges without Your abiding grace. So stay with us and be our God until the day breaks and the shadows flee away. Amen.

THE JOURNAL

The SPEAKER pro tempore. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

Mr. ROGAN. Mr. Speaker, pursuant to clause 1, rule I, I demand a vote on agreeing to the Speaker's approval of the Journal.

The SPEAKER pro tempore. The question is on the Chair's approval of the Journal.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. ROGAN. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Pursuant to clause 5, rule I, further proceedings on this question will be postponed.

The point of no quorum is considered withdrawn.

PLEDGE OF ALLEGIANCE

The SPEAKER pro tempore. Will the gentlewoman from California (Mrs. TAUSCHER) come forward and lead the House in the Pledge of Allegiance.

Mrs. TAUSCHER 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.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Lundregan, one of its clerks, announced that the Senate had passed without amendment concurrent resolutions of the House of the following titles:

H. Con. Res. 206. Concurrent resolution permitting the use of the rotunda of the Capitol for a ceremony as part of the commemoration of the days of remembrance of victims of the Holocaust.

H. Con. Res. 238. Concurrent resolution authorizing the use of the Capitol Grounds for a breast cancer survivors event sponsored by the National Race for the Cure.

The message also announced that the Senate passed a concurrent resolution of the following title, in which concurrence of the House is requested:

S. Con. Res. 85. Concurrent resolution calling for an end to the violent repression of the people of Kosovo.

The message also announced that pursuant to Public Law 102–246, the Chair, on behalf of the Majority Leader, in consultation with the Democratic Leader, appoints John W. Kluge, of New York, as a member of the Library of Congress Trust Fund Board, for a term of five years.

The message also announced that pursuant to Public Law 105–119, the Chair, on behalf of the Majority Leader, appoints A. Mark Neuman, of Illinois, to serve as a member of the Census Monitoring Board, vice Max W. Williams, of Mississippi.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. The Chair will entertain 10 one-minute speeches on each side.

AMERICA IN DANGER OF LOSING ITS SOUL

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

Mr. TIAHRT. Mr. Speaker, there is good economic news in America. Yesterday, the stock market hit another record high; unemployment is at a 20-year low; farm income is up. In fact, the average American income is up. America's pocketbook is full. But our hearts are empty, and there is a crisis of the soul.

We have all known about the downward spiral of our society. Child abuse has increased, spouse abuse is up, abortion is ubiquitous for reasons that simply do not make sense. We are now seeing the first signs of turning on our elderly because they have become an inconvenience. Tensions in our community indicate there is a need for racial reconciliation.

God's Word says that what good is it if a man gains the whole world and yet

☐ This symbol represents the time of day during the House proceedings, e.g., ☐ 1407 is 2:07 p.m.
Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.

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loses his own soul? Mr. Speaker, America is in danger of losing its own soul, losing those values that built a great Nation: faith in God, hard work, integrity, a common sense of decency, and respect for men and women regardless of race or religion.

Mr. Speaker, I challenge those of us here in Washington to return to the values that built a great Nation, lest we fall from our greatness.

PUBLIC SKEPTICAL ABOUT FUTURE OF SOCIAL SECURITY

(Ms. SANCHEZ asked and was given permission to address the House for 1 minute.)

Ms. SANCHEZ. Mr. Speaker, I rise today to share with my colleagues the success of a forum that I hosted in my district on the future of Social Security. Social Security is a focus of intense public interest; and there is talk about long-range funding problems, means testing, and privatization.

The public is skeptical about the future of Social Security. Opinion poll after opinion poll shows that fewer than 50 percent of Americans feel confident that Social Security will be able to meet its long-range commitments. We need to assure America's seniors and future generations of Americans that the retirement benefits they are entitled to will be there when they need them. Let us restore public faith in Social Security. Through listening to our constituents, we can learn what kind of changes are best to preserve Social Security and its worth for years to come.

The President has pledged to hold public forums across the Nation on Social Security reform throughout this year. I encourage my colleagues to host similar forums in their districts. The time has come to give our constituents the information they need to make informed decisions about Social Security reform.

H.R. 2736, TAXPAYER REFORM AND PROTECTION ACT

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

Mr. GIBBONS. Mr. Speaker, the voices of millions of American taxpayers have finally penetrated the White House walls. In yet another reversal of national policy, the White House has pulled up its pants, put on its thinking cap, and announced its IRS reform package.

Wow. From the President's opposition just 2 weeks ago to yesterday's flip-flop on IRS reform, this has left us all with a distinct impression that our President is finally thinking with the head on top of his shoulders.

Included in his reform proposals is the idea that, once and for all, we should bring to an end the illegal use of quotas. Mr. Speaker, I hope this means that the White House fully supports H.R. 2736, legislation I introduced 5 months ago to put an end to the improper and illegal use of such quotas by the IRS. We all know the IRS has become an out-of-control Federal agency.

H.R. 2736, the Taxpayer Reform and Protection Act, will end illegal quotas and make the IRS more accountable, more customer friendly for the millions of American taxpayers.

REACH PROJECT

(Mrs. TAUSCHER asked and was given permission to address the House for 1 minute.)

Mrs. TAUSCHER. Mr. Speaker, I rise today to recognize the outstanding achievements of the REACH project, a nationally acclaimed drug abuse prevention and treatment program headquartered in the City of Antioch in the 10th Congressional District of California.

Founded in 1970, REACH stands for Rehabilitation Education Awareness for Community Humanitarianism. The REACH project brings law enforcement, government, business, and schools together to educate the community about the dangers of drug abuse. REACH also offers a wide range of effective youth and family counseling programs.

An example of this is the Youth Intervention Diversion Program, a collaborative counseling program with the Antioch Police Department which keeps first-time juvenile offenders out of the criminal justice system.

REACH Executive Director Shirley Marchetti has been an integral part of the REACH project and the main reason the project has become what it is today. Her outstanding efforts have helped public service providers work together to reduce drug abuse and crime in my community. The staff of the REACH project and Shirley Marchetti are to be commended for their hard work and dedication to strengthening our community.

RELIGIOUS PRISONERS CONGRESSIONAL TASK FORCE

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

Mr. PITTS. Mr. Speaker, I rise to urge Members to join the Religious Prisoners Congressional Task Force. The task force will advocate on behalf of persecuted religious prisoners around the world by appealing directly to independent national leaders. Minority religious believers often suffer beatings, torture, extended incarceration, even death at the hands of their governments unless intervention is made.

Reputable human rights organizations report that advocacy with key government officials changes prisoners' life for the better; it alters prison conditions, stops torture, and secures release.

Amnesty International documents one prisoner's statement. ''When the first 200 letters came, the guards gave me back my clothes. Then the next 200 letters came, and the prison director came to see me. When the next pile of letters arrived, the director got in touch with his superior. The letters kept coming and coming, 3,000 of them. The President was informed. The letters still kept arriving, and the President called the prison and told them to let me go.''

Mr. Speaker, as citizens of a country founded on the principle of freedom of religion, we must work to ensure that international human rights standards are upheld by all countries of the world and that religious liberty is a fundamental human right. We can only intervene on behalf of religious liberty if Members act.

IRS SENSITIVITY TRAINING

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

Mr. TRAFICANT. Mr. Speaker, IRS reform has taken on a whole new spin. The Vice President now wants the IRS to undergo sensitivity training, and the other body wants the taxpayers to pay for it.

Beam me up, Mr. Speaker. Who is kidding whom? There can be no reform of the IRS without changing the burden of proof and without requiring the IRS to get a warrant before they rip off our homes. Let us tell it like it is. The IRS does not need more fine tuning. The IRS needs an overhaul, big-time, and taxpayers should not pay for it.

As far as the Vice President's sensitivity training program, it sounds just ducky. But quite frankly, Scarlet, I yield back all the hugs and kisses at the IRS.

WHITE HOUSE SPIN FACTORY

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

Mr. LEWIS of Kentucky. Mr. Speaker, I believe it was P.T. Barnum that once said, ''There is a sucker born every minute.'' I hope the President and those at the White House spin factory do not believe that is true.

We, the American people, are fair-minded people; and we like to give others the benefit of the doubt. But we also like to be dealt with in a straightforward, truthful manner; and nothing disturbs us more than having our trust violated. All we asked for and all we have ever asked for is what Sergeant Friday from a former popular TV series used to ask of his suspects, ''Just the facts, sir. Just the facts.''

Mr. Clinton has 21 accusers saying he has done something wrong, and they are providing facts. But instead of facts coming from the White House, all we are getting is spin after spin after spin.

Mr. Clinton, that may work for a while. But, unlike P.T. Barnum's theory, Abraham Lincoln had a much better one. ''You can fool some of the people some of the time, but you can't fool all the people all of the time.'' And that is a truth that we can count on.

CAMPAIGN FINANCE REFORM

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

Mr. PASCRELL. Mr. Speaker, the efforts of the freshman task force have given us a very real chance for meaningful campaign finance reform. I am committed to seeing that this opportunity is not lost. It is incumbent upon this Congress that we honestly address the many flaws in the current system by which we finance our campaigns. I believe the very credibility of not just this Congress but of the entire institution is at stake.

The sad reality is that the American public holds Congress in very low esteem. We cannot reasonably expect to effectively carry out our duties as Congressmen if we lack credibility.

Whether we want to admit it or not, the fact is that our campaign finance system is jeopardizing our own credibility. We should not fool ourselves into believing that the problem is only the illegal activities that occur during campaigns. Quite to the contrary, the real problems stem from what is legal.

I hope that we will address, Mr. Speaker, the growing problem of the way soft money is influencing this system; and the sooner we do it, the better we will be in terms of getting back our own credibility.

TIME TO MARK END OF AN ERA

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

Mr. GUTKNECHT. Mr. Speaker, unfortunately, it is time to mark the end of an era, and that era lasted only 2 years.

On January 23, 1996, just 2 short years ago, the President declared in his State of the Union address that ''the era of big government is over.'' Now it appears that that era is over.

When we came to Washington just a few years ago, we were looking at a $250 billion deficit as far as the eye could see. We set to work to eliminate programs to reform the entitlements; and, as a result, we are looking at the first balanced budget in a generation.

Last August, we had an agreement with the President. We set very tough spending caps for the next 5 years. That is represented here by this blue line. The red line shows what the President is supporting this year in his budget. He is talking about spending over $100 billion more than we agreed to last August, and he is also talking about raising taxes and fees by over $100 billion.

Unfortunately, it sounds like the era of big government is not over, but the era of talking about the era of big government is really over.

□ 1015

ABSOLUTELY INCREDIBLE KID DAY

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

Mr. SANDLIN. Mr. Speaker, the words today for the children of America are praise and encouragement. Today is national Absolutely Incredible Kid Day, a day each of us can reach out to the young people in America in our lives and let them know how much we appreciate them. Sponsored by the Campfire Boys and Girls, Southwest Airlines, Yahoo, PaperMate and caring individuals all across this great Nation, Absolutely Incredible Kids Day is an annual event designed to bring adults and children closer together by encouraging children in a positive and meaningful way and letting them know how important they are in our lives. The goal of Absolutely Incredible Kids Day is for every child in America, every child in America, to receive a letter from an adult in his or her life encouraging him, praising him and letting him know that he is appreciated. It is a simple goal, but a goal that can make a great difference in a child's life.

Last year was the Inaugural of Absolutely Incredible Kids Day. Participation throughout the country was absolutely enormous. Everyone from the President of the United States to employees of corporations, to caring individuals sent a letter to let a child know that he or she is special. I urge all my colleagues to reach out to the children of America. As a father of 4, I agree and encourage Members to do that and tell them that it will make a difference.

THE REAL MEANING OF CONSERVATISM

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

Mr. ROGAN. Mr. Speaker, I hear from my liberal friends that labels do not mean much anymore. If that is true, then why do liberals believe that Americans are undertaxed, and conservatives know that Americans are overtaxed? Why do liberals attack Republican proposals to cut taxes, while Republicans fight so the middle class will not be forced to send so much of their income back to Washington?

Mr. Speaker, when families complain that it is harder to get ahead today than it was in their parents' day, one big reason is because government takes so much more of their family income. Whether one parent works or both parents work, Washington stands as an obstacle to families getting ahead, by taking money out of their pockets and pouring it down the black hole of wasteful and ineffective Washington bureaucracies.

The tax burden keeps going up and up while the government's ability to deliver on its promises keeps going down and down. Washington must offer a better deal to America's families. It is the responsibility of Congress to promote that dream.

RAISE MINIMUM WAGE

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

Ms. DELAURO. Mr. Speaker, minimum wage workers in America make less today than they did in 1968 when inflation is taken into account. That really is outrageous and it is time to raise the minimum wage. You cannot raise a family on $5.15 an hour these days, even when you are working full-time. A minimum wage family earns $10,700 a year. That is just not enough.

Republican Members, it is worth noting, made more money in the days when they shut down the United States Government 2 years ago than a minimum wage worker made in full that entire year.

Democrats have a proposal to increase the minimum wage from $5.15 per hour to $6.15 per hour by the turn of the century, 50 cents a year. This body needs to recognize the importance of millions of Americans who get up every single morning and who go to work in our factories, in our office buildings and in our restaurants. We need to raise the minimum wage. I urge the Republican leadership to schedule that kind of a vote today and help working middle class families in this country.

SILENCE SPEAKS VOLUMES

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

Mr. HEFLEY. Mr. Speaker, a White House official was quoted in the New York Times last month referring to ''our continuing campaign to destroy Ken Starr.'' Listen to that again, and I am quoting, ''our continuing campaign to destroy Ken Starr.'' Here is a White House spokesman openly acknowledging their despicable strategy to destroy Judge Starr, the special counsel named by a 3-judge panel to investigate allegations of serious wrongdoings by the President.

Am I to conclude that the Democratic Party thinks it is okay to smear the independent counsel? Am I to conclude that the Democratic Party does not care that the White House was in possession of 900 FBI files of Republicans, in gross violation of law and the civil rights of American citizens? Am I to conclude that the Democratic Party

does not care if the integrity of our judicial system is violated, that obstruction of justice and lying under oath is okay if it is done by a Democrat? Am I to conclude that the President is in fact above the law because the Dow Jones is doing great?

Where are your outraged voices, Democrats? Your silence speaks volumes.

DISASTER IN THE DOMESTIC OIL PATCH

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

Mr. WATKINS. Mr. Speaker, I come to the floor today to speak out on a situation that is vital to the security of this Nation of ours. An emergency exists, a disaster exists in our domestic oil patch. Oil prices have dropped below $12 a barrel and soon will be below $10 a barrel. These are the lowest prices, the newspapers say, in over 10 years. When adjusted for inflation, it is down below the 1973 shock. Oil production in Oklahoma is at the lowest level since 1914. While Saudi Arabia and Venezuela are playing Russian roulette with each other in a price war, they are killing the small oil producer in the United States and killing our independence from foreign-oil.

At present we are importing approximately 60 percent of our oil in this country from Saudi Arabia and Venezuela. The remaining 40 percent is produced mostly by domestically small, marginal wells. These small marginal wells are in jeopardy.

We must enact an emergency package in 1998 and put a long-term energy policy in for this country. Our National security depends on such action.

TAX CODE TERMINATION ACT

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

Mr. LARGENT. Mr. Speaker, it is that time of year. The trees are budding, flowers are blooming, and tax accountants and attorneys are sharpening their pencils. That is right. It is the tax preparation season. April 15 is just around the corner. Taxpayers everywhere are pulling their hair out trying to decipher this year's Tax Code. They are not alone. Even the paid professional tax preparers do not understand the Tax Code, and neither do the 110,000 employees at the Internal Revenue Service who are paid $9.8 billion to implement the Tax Code.

What is Washington's response? At best they talk a good game. They say we should scrap the Code, use it as an applause line at political functions, and get a standing ovation when they say it.

It is springtime. It is time for new beginnings. Let us begin by implementing a new Tax Code. Let us say adios to the Tax Code in 2001 and join 190 Members of Congress who have signed on to pass H.R. 3097, the Tax Code Termination Act.

NATIONAL AGRICULTURE DAY

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

Mr. CHAMBLISS. Mr. Speaker, March 20, 1998 is National Agriculture Day across this country. It is fitting on such a day to thank the farming families who work hard every day to produce the finest food and fiber in the world. Our country's entire farming community deserves a pat on the back for a job well done.

Despite highly unusual weather patterns that adversely impacted farming communities around the country, our farmers remain optimistic, and the American Farm Bureau reports that supermarket prices have fallen for the second consecutive quarter.

Georgia's farmers have stood up to the worst El Nino had to offer. It is now imperative that the Federal Government extend relief to those folks in disaster areas. In addition to this natural disaster, crop insurance has failed to honor the commitment to provide a safety net to our Nation's farmers facing extreme conditions and crop losses.

Georgia's farmers not only help the U.S. produce the highest quality, most affordable food in the world, but their contribution to our local communities is overwhelming. Let us acknowledge the farmer on National Ag Day by recognizing that they deserve as much as they provide.

Finally, as you sit down to supper tonight, take a moment to thank the folks that made it possible, the American farmer. They deserve it.

□ 1030

PROVIDING FOR CONSIDERATION OF H.R. 2870, TROPICAL FOREST CONSERVATION ACT OF 1998

Mr. HASTINGS of Washington. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 388 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 388

Resolved, That at any time after the adoption of this resolution the Speaker may, pursuant to clause 1(b) of rule XXIII, declare the House resolved into the Committee of the Whole House on the state of the Union for consideration of the bill (H.R. 2870) to amend the Foreign Assistance Act of 1961 to facilitate protection of tropical forests through debt reduction with developing countries with tropical forests. The first reading of the bill shall be dispensed with. General debate shall be confined to the bill and shall not exceed one hour equally divided and controlled by the chairman and ranking minority member of the Committee on International Relations. After general debate the bill shall be considered for amendment under the five-minute rule. It shall be in order to consider as an original bill for the purpose of amendment under the five-minute rule the amendment in the nature of a substitute recommended by the Committee on International Relations now printed in the bill. The committee amendment in the nature of a substitute shall be considered as read. During consideration of the bill for amendment, the chairman of the Committee of the Whole may accord priority in recognition on the basis of whether the Member offering an amendment has caused it to be printed in the portion of the Congressional Record designated for that purpose in clause 6 of rule XXIII. Amendments so printed shall be considered as read. The chairman of the Committee of the Whole may: (1) postpone until a time during further consideration in the Committee of the Whole a request for a recorded vote on any amendment; and (2) reduce to five minutes the minimum time for electronic voting on any postponed question that follows another electronic vote without intervening business, provided that the minimum time for electronic voting on the first in any series of questions shall be 15 minutes. At the conclusion of consideration of the bill for amendment the Committee shall rise and report the bill to the House with such amendments as may have been adopted. Any Member may demand a separate vote in the House on any amendment adopted in the Committee of the Whole to the bill or to the committee amendment in the nature of a substitute. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instructions.

The SPEAKER pro tempore (Mr. LAHOOD). The gentleman from Washington (Mr. HASTINGS) is recognized for 1 hour.

(Mr. HASTINGS of Washington asked and was given permission to revise and extend his remarks.)

Mr. HASTINGS of Washington. Mr. Speaker, for the purposes of debate only, I yield the customary 30 minutes to the distinguished gentleman from Ohio (Mr. HALL), pending which I yield myself such time as I may consume. During consideration of this resolution, all time yielded is for the purpose of debate only.

Mr. Speaker, House Resolution 388 is an open rule providing for the consideration of H.R. 2870, the Tropical Forest Protection Act of 1998. The rule provides 1 hour of general debate, equally divided between the Chairman and ranking minority member of the Committee on International Relations.

The rule makes in order as an original bill for the purpose of amendment the committee amendment in the nature of a substitute now printed in the bill, which shall be considered as read. The rule also allows the Chairman of the Committee of the Whole to accord priority and recognition to Members who have printed their amendments in the CONGRESSIONAL RECORD. Such amendments will be considered as read.

In addition, the rule permits the Chairman of the Committee of the Whole to postpone votes on any amendment and to reduce to 5 minutes the time for voting after the first of the series of votes, provided that the first

vote is not less than 15 minutes. Finally, the rule provides for 1 motion to recommit, with or without instructions.

Mr. Speaker, H.R. 2870 would amend the Foreign Assistance Act of 1961 to facilitate the protection of tropical forests by reducing the debts owed to international development banks by certain foreign countries, in exchange for commitments by those countries to preserve, maintain and restore tropical forests within their borders.

Thanks in no small measure to the leadership and vision of the gentleman from Ohio (Mr. PORTMAN), the House will have before it later today an innovative proposal that addresses two very serious problems: the large volume of uncollected debts owed by foreign countries experiencing difficulties repaying those debts in a timely fashion; and the disappearance of some tropical forests throughout the world.

The legislation of the gentleman from Ohio (Mr. PORTMAN) recognizes that the two problems are in many cases directly related. All too often, Mr. Speaker, developing countries in which many of the tropical forests are located feel they have little choice but to sacrifice their magnificent forests in response to mounting financial pressures at home and abroad.

By authorizing what had become known as ''debt-for-nature'' swaps, this Congress can ease the financial burdens now hampering economic and social advancement in many of these countries while, at the same time, preserving for current and future generations essential natural resources.

Mr. Speaker, the Committee on International Relations reported H.R. 2870 to the House with broad bipartisan support. The Chairman and the ranking member of that committee are to be commended for requesting an open rule on this bill in order that Members of the House wishing to offer germane amendments may do so.

House Resolution 388 reported by the Committee on Rules is consistent with the request of the gentleman from New York (Mr. GILMAN), chairman of the committee, and accordingly, I urge my colleagues to support both the rule and the bill we will shortly consider, H.R. 2879, the Tropical Forest Conversation Act of 1988.

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

Mr. HALL of Ohio. Mr. Speaker, I want to thank my colleague, the gentleman from Washington (Mr. HASTINGS) for yielding me this time. This is an open rule, and as my colleague from Washington described, this will be equally divided relative to general debate between the ranking and minority member of the Committee on International Relations.

Under this rule, amendments will be allowed under the 5-minute rule, which is the normal amending process in the House. All Members on both sides of the aisle will have an opportunity to offer amendments.

Mr. Speaker, this legislation is creative problem-solving at its best, and it brings credit to the House.

One of the world's long-term environmental challenges is maintaining tropical forests. Tropical forests are the source of many of our foods and life-sustaining drugs. New uses are still being discovered for the plants and animals which can only be found in tropical forests.

Unfortunately, the world's tropical forests are shrinking at the rate of 30 to 50 million acres each year. This represents a huge loss of plant and animal life.

Forests also absorb large quantities of carbon dioxide which helps maintain the stability of the world's environment. Cutting down the forests could contribute to global warming.

Many of these at-risk forests are located in developing nations with large debts to the United States, and international creditors. These debts are hurting those countries' ability to develop and to provide for their people.

This bill addresses both of these problems by forgiving some debt in developing countries in return for those countries protecting their forests. This debt-for-nature swap is a win for the people of the developing nations and a win for the global environment at a relatively low cost.

This is a bipartisan bill with support on both sides of the aisle. The Committee on Rules approved this open rule by voice vote, and I would urge adoption of the rule and of the bill.

Mr. Speaker, I have no requests for time, and I yield back the balance of my time.

Mr. HASTINGS of Washington. Mr. Speaker, I have no requests for time, I yield back the balance of my time, and I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the resolution.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. HASTINGS of Washington. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

Without objection, the Chair will reduce to 5 minutes the minimum time for electronic voting, if ordered, on approval of the Journal on which proceedings will resume immediately after this 15-minute vote on adoption of the resolution.

There was no objection.

The vote was taken by electronic device, and there were—yeas 411, nays 0, not voting 20, as follows:

[Roll No. 59]

YEAS—411

Abercrombie
Ackerman
Aderholt
Allen
Andrews
Archer
Armey
Bachus
Baesler
Baker
Baldacci
Ballenger
Barcia
Barr
Barrett (NE)
Barrett (WI)
Bartlett
Barton
Bass
Bateman
Becerra
Bentsen
Bereuter
Berman
Berry
Bilbray
Bilirakis
Bishop
Blagojevich
Bliley
Blumenauer
Blunt
Boehlert
Boehner
Bonilla
Bonior
Borski
Boswell
Boucher
Boyd
Brady
Brown (CA)
Brown (FL)
Brown (OH)
Bryant
Bunning
Burr
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Capps
Cardin
Carson
Castle
Chabot
Chambliss
Chenoweth
Christensen
Clay
Clayton
Clement
Clyburn
Coble
Coburn
Collins
Combest
Condit
Conyers
Cook
Cooksey
Costello
Cox
Coyne
Cramer
Crapo
Cubin
Cummings
Danner
Davis (FL)
Davis (IL)
Davis (VA)
Deal
DeFazio
DeGette
Delahunt
DeLauro
DeLay
Deutsch
Diaz-Balart
Dickey
Dicks
Dingell
Dixon
Doggett
Dooley
Doolittle
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Ehrlich
Emerson
English
Ensign
Eshoo
Etheridge
Evans
Everett
Ewing
Farr
Fattah
Fawell
Fazio
Filner
Foley
Forbes
Ford
Fossella
Fowler
Fox
Frank (MA)
Franks (NJ)
Frelinghuysen
Furse
Ganske
Gejdenson
Gekas
Gibbons
Gilchrest
Gillmor
Gilman
Goode
Goodlatte
Goodling
Gordon
Goss
Graham
Granger
Green
Greenwood
Gutierrez
Hall (OH)
Hall (TX)
Hamilton
Hansen
Harman
Hastert
Hastings (FL)
Hastings (WA)
Hayworth
Hefley
Herger
Hill
Hilleary
Hilliard
Hinchey
Hinojosa
Hobson
Hoekstra
Holden
Hooley
Horn
Hostettler
Houghton
Hoyer
Hulshof
Hunter
Hutchinson
Inglis
Istook
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Jenkins
John
Johnson (CT)
Johnson (WI)
Johnson, E. B.
Johnson, Sam
Jones
Kanjorski
Kaptur
Kasich
Kelly
Kennedy (MA)
Kennedy (RI)
Kennelly
Kildee
Kilpatrick
Kim
Kind (WI)
King (NY)
Kingston
Kleczka
Klink
Klug
Knollenberg
Kolbe
Kucinich
LaFalce
LaHood
Lampson
Lantos
Largent
Latham
LaTourette
Lazio
Leach
Levin
Lewis (CA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lofgren
Lowey
Lucas
Luther
Maloney (CT)
Maloney (NY)
Manton
Manzullo
Markey
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCrery
McDade
McDermott
McGovern
McHale
McHugh
McInnis
McIntosh
McIntyre
McKeon
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Metcalf
Mica
Millender-McDonald
Miller (CA)
Miller (FL)
Minge
Mink
Moakley
Mollohan
Moran (KS)
Moran (VA)
Morella
Murtha
Myrick
Nadler
Neal
Nethercutt
Neumann
Ney
Northup
Norwood
Nussle
Oberstar
Obey
Olver
Ortiz
Owens
Oxley
Packard
Pallone
Pappas
Pascrell
Pastor
Paul
Paxon

Payne
Pease
Pelosi
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pickett
Pitts
Pombo
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Quinn
Radanovich
Rahall
Ramstad
Redmond
Regula
Reyes
Riley
Rivers
Rodriguez
Roemer
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Rothman
Roukema
Roybal-Allard
Royce
Rush
Ryun
Sabo
Salmon
Sanchez
Sanders
Sandlin
Sanford
Sawyer
Saxton
Scarborough
Schaefer, Dan
Schaffer, Bob
Schumer
Scott
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Shimkus
Shuster
Sisisky
Skaggs
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (OR)
Smith (TX)
Smith, Adam
Smith, Linda
Snowbarger
Snyder
Solomon
Souder
Spence
Spratt
Stabenow
Stark
Stearns
Stenholm
Stokes
Stump
Stupak
Sununu
Talent
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Thomas
Thompson
Thornberry
Thune
Thurman
Tiahrt
Tierney
Torres
Towns
Traficant
Turner
Upton
Velazquez
Vento
Visclosky
Walsh
Wamp
Waters
Watkins
Watt (NC)
Watts (OK)
Waxman
Weldon (FL)
Weldon (PA)
Weller
Wexler
Weygand
White
Whitfield
Wicker
Wise
Wolf
Woolsey
Wynn
Yates
Young (FL)

NOT VOTING—20

Crane
Cunningham
Engel
Frost
Gallegly
Gephardt
Gonzalez
Gutknecht
Hefner
Hyde
Lewis (GA)
Livingston
Martinez
Parker
Poshard
Rangel
Riggs
Schiff
Strickland
Young (AK)

□ 1059

Mr. BRADY changed his vote from ''nay'' to ''yea.''

So the resolution was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

THE JOURNAL

The SPEAKER pro tempore (Mr. LAHOOD). Pursuant to clause 5 of rule I, the pending business is the question de novo of the Speaker's approval of the Journal.

The question is on the Speaker's approval of the Journal of the last day's proceedings.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. BLUNT. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 359, noes 49, not voting 23, as follows:

[Roll No. 60]

AYES—359

Ackerman
Aderholt
Allen
Andrews
Archer
Armey
Bachus
Baesler
Baker
Baldacci
Ballenger
Barcia
Barr
Barrett (NE)
Barrett (WI)
Bartlett
Barton
Bass
Bateman
Bentsen
Bereuter
Berman
Berry
Bilbray
Bilirakis
Bishop
Blagojevich
Bliley
Blumenauer
Blunt
Boehlert
Boehner
Bonilla
Bonior
Boswell
Boucher
Boyd
Brown (FL)
Brown (OH)
Bryant
Bunning
Burr
Burton
Buyer
Callahan
Camp
Campbell
Canady
Cannon
Capps
Cardin
Castle
Chabot
Chambliss
Christensen
Clayton
Clement
Coble
Coburn
Collins
Combest
Condit
Conyers
Cook
Cooksey
Cox
Coyne
Cramer
Crapo
Cubin
Cummings
Cunningham
Danner
Davis (FL)
Davis (IL)
Davis (VA)
Deal
DeGette
Delahunt
DeLauro
Deutsch
Diaz-Balart
Dicks
Dingell
Dixon
Doggett
Dooley
Doolittle
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Ehrlich
Emerson
Eshoo
Etheridge
Evans
Everett
Ewing
Farr
Fattah
Foley
Forbes
Fossella
Fowler
Frank (MA)
Franks (NJ)
Frelinghuysen
Furse
Ganske
Gejdenson
Gekas
Gilchrest
Gillmor
Gilman
Goode
Goodlatte
Goodling
Gordon
Goss
Graham
Granger
Green
Greenwood
Gutierrez
Hall (OH)
Hall (TX)
Hamilton
Hansen
Harman
Hastert
Hastings (WA)
Hayworth
Hefley
Hill
Hinojosa
Hobson
Hoekstra
Holden
Hooley
Horn
Hostettler
Houghton
Hulshof
Hunter
Hyde
Inglis
Istook
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Jenkins
John
Johnson (CT)
Johnson (WI)
Johnson, E. B.
Johnson, Sam
Jones
Kanjorski
Kaptur
Kelly
Kennedy (MA)
Kennedy (RI)
Kennelly
Kildee
Kilpatrick
Kim
Kind (WI)
King (NY)
Kingston
Kleczka
Klink
Klug
Knollenberg
Kolbe
LaFalce
LaHood
Lampson
Lantos
Largent
Latham
LaTourette
Lazio
Leach
Levin
Lewis (CA)
Lewis (KY)
Linder
Lipinski
Lofgren
Lowey
Lucas
Luther
Maloney (CT)
Maloney (NY)
Manton
Markey
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCrery
McDade
McGovern
McHale
McHugh
McInnis
McIntosh
McIntyre
McKeon
McKinney
Meehan
Meek (FL)
Meeks (NY)
Menendez
Metcalf
Mica
Millender-McDonald
Miller (FL)
Minge
Mink
Moakley
Mollohan
Moran (VA)
Morella
Murtha
Myrick
Nadler
Neal
Nethercutt
Neumann
Ney
Northup
Norwood
Nussle
Obey
Olver
Ortiz
Owens
Oxley
Packard
Pallone
Pappas
Pascrell
Pastor
Paul
Paxon
Payne
Pease
Pelosi
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pitts
Pombo
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Quinn
Radanovich
Rahall
Redmond
Regula
Reyes
Riley
Rivers
Rodriguez
Roemer
Rogers
Rohrabacher
Ros-Lehtinen
Rothman
Roukema
Roybal-Allard
Royce
Rush
Ryun
Salmon
Sanchez
Sanders
Sandlin
Sanford
Sawyer
Saxton
Scarborough
Schaefer, Dan
Schumer
Scott
Sensenbrenner
Serrano
Shadegg
Shaw
Shays
Sherman
Shimkus
Shuster
Sisisky
Skaggs
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (OR)
Smith (TX)
Smith, Adam
Smith, Linda
Snowbarger
Snyder
Solomon
Souder
Spence
Spratt
Stabenow
Stearns
Stenholm
Stokes
Strickland
Stump
Sununu
Talent
Tanner
Tauscher
Tauzin
Taylor (NC)
Thomas
Thornberry
Thune
Thurman
Tiahrt
Tierney
Torres
Towns
Traficant
Turner
Upton
Vento
Walsh
Wamp
Watkins
Watt (NC)
Watts (OK)
Waxman
Weldon (FL)
Wexler
Weygand
White
Whitfield
Wise
Wolf
Woolsey
Wynn
Young (FL)

NOES—49

Abercrombie
Becerra
Borski
Brady
Brown (CA)
Carson
Chenoweth
Clay
Clyburn
Costello
DeFazio
DeLay
Dickey
English
Ensign
Fawell
Fazio
Filner
Ford
Fox
Gibbons
Hastings (FL)
Herger
Hilleary
Hilliard
Hinchey
Kucinich
LoBiondo
McDermott
McNulty
Miller (CA)
Moran (KS)
Oberstar
Pickett
Ramstad
Rogan
Sabo
Schaffer, Bob
Sessions
Stark
Stupak
Taylor (MS)
Thompson
Velazquez
Visclosky
Waters
Weller
Wicker
Yates

NOT VOTING—23

Calvert
Crane
Engel
Frost
Gallegly
Gephardt
Gonzalez
Gutknecht
Hefner
Hoyer
Hutchinson
Kasich
Lewis (GA)
Livingston
Manzullo
Martinez
Parker
Poshard
Rangel
Riggs
Schiff
Weldon (PA)
Young (AK)

□ 1109

So the Journal was approved.

The result of the vote was announced as above recorded.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Sherman Williams, one of his secretaries.

ANNOUNCEMENT ON AMENDMENT PROCESS FOR H.R. 10, FINANCIAL SERVICES ACT OF 1997

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

Mr. SOLOMON. Mr. Speaker, I rise to inform the House of the Committee on Rules' plans in regard to H.R. 10, the Financial Services Act of 1997.

The Committee on Rules is planning to meet the week of March 30, a week from Monday, to grant a rule which may limit the amendment process on this bill.

Any Member who wishes to offer an amendment should submit 55 copies and a brief explanation of the amendment by 2 p.m. on Thursday, March 26 to the Committee on Rules, at Room H–312 in the Capitol.

The amendments should be drafted to the text of the amendment in the nature of the substitute as submitted by the chairmen of the Committee on the Banking and Financial Services and Committee on Commerce, which will

be printed in the CONGRESSIONAL RECORD of today, March 19, 1998.

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H.R. 94

Mr. DELAHUNT. Mr. Speaker, I ask unanimous consent that my name be removed from the list of cosponsors of H.R. 94.

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

There was no objection.

TROPICAL FOREST CONSERVATION ACT OF 1998

The SPEAKER pro tempore (Mr. NETHERCUTT). Pursuant to House Resolution 388 and rule XXIII, the Chair declares the House in the Committee of the Whole House on the State of the Union for the consideration of the bill, H.R. 2870.

□ 1113

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 2870) to amend the Foreign Assistance Act of 1961 to facilitate protection of tropical forests through debt reduction with developing countries with tropical forests, with Mr. LAHOOD in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. Pursuant to the rule, the bill is considered as having been read the first time.

Under the rule, the gentleman from New York (Mr. GILMAN) and the gentleman from Indiana (Mr. HAMILTON) each will control 30 minutes.

The Chair recognizes the gentleman from New York (Mr. GILMAN).

Mr. GILMAN. Mr. Chairman, I yield myself such time as I may consume.

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

□ 1115

Mr. GILMAN. Mr. Chairman, I am pleased to bring H.R. 2870, the Tropical Forest Protection Act, to the House for its consideration. This bill was introduced last November by the gentleman from Ohio (Mr. ROB PORTMAN), the gentleman from Ohio (Mr. JOHN KASICH), and the gentleman from Indiana (Mr. LEE HAMILTON). The bill enjoys wide bipartisan support and is now supported by the administration.

Mr. Chairman, tropical forests are home to roughly half of all known species and plants and animals, and, under pressure from man, these forests are disappearing at a rate of almost 1 percent per year, roughly one football field lost every second or an area the size of Pennsylvania each year. Most of the forests are also located in developing nations, and most of those nations are poor, with crushing debt burdens.

With the twin crisis of tropical forest loss and the Third World debt crisis, many of us in the Congress saw an opportunity. And I will note that two of our colleagues, the gentleman from Illinois (Mr. JOHN PORTER) and the gentleman from Nebraska (Mr. DOUG BEREUTER) introduced the first debt-for-nature swap bill in 1988. In 1991, President Bush proposed the Enterprise for the Americas Initiative, known as EAI. One part of that initiative was a program of debt relief in return for investments by the host country in environmental protection.

Under the EAI, the Bush administration forgave half of the $1.6 billion owed by seven Latin American countries in return for $154 million in endowments for conservation projects. Today, the Latin American economy is growing with some of the newest and largest tropical forest parks in the world.

H.R. 2870 writes chapter two of that EAI story. Many developing nations remain under crushing debt burdens, and some of them have the most valuable tropical forests that are still standing. We expand beyond Latin American to other critical habitats in Africa and Asia. I will note that Indonesia has one of the world's largest tropical forests still standing. My colleagues may have read reports that the smoke from the burning of these forests is so thick that it even interferes with commercial aircraft operations in Jakarta.

This bill will allow our President to go beyond the Latin American focus of the EAI to offer protection to tropical forests in Africa, to Asia and the subcontinent. In short, this bill authorizes our President to offer up to $325 million in debt owed to the U.S. Government, a small fraction of the $15 billion they currently owe. The loans were made by the Agency for International Development and the Department of Agriculture.

The bill specifically references the conditions for a government to get debt relief. These conditions include having a democratic government, a favorable climate for private-sector investment, cooperation on narcotics matters, and no state-sponsored terrorism.

The bill also enjoys wide support from the environmental groups, such as the World Wildlife Fund, Conservation International, the Nature Conservancy, the Environmental Defense Fund, and the Sierra Club.

The administration has now endorsed the bill, expressing support for the measure's purpose, and the administration has offered detailed changes to the legislation which the gentleman from Indiana (Mr. HAMILTON) and I made in a joint substitute to the bill when it was considered within our committee. The substitute cuts $75 million in funding from the bill by deleting the authority to forgive Export-Import Bank debt.

We also included authority to do debt buy-backs in the bill. As carried out recently by the U.S. Government with the Government of Peru, debt buy-backs are not scored against our budget because the purchaser repays the full market value of the debt that is owed. These transactions offer exciting opportunities for middle-income countries to reduce the face value of their debt and at the same time be able to protect the environment.

We have made other modifications requested by the Congressional Budget Office to tighten the budgetary impact of the bill and require appropriations clearly within the Credit Reform Act.

This bill was favorably reported by a voice vote of the full Committee on International Relations. We will only have two amendments that I know of. My amendment will give an extra level of protection by requiring further congressional notifications to the Congress. I have also reviewed the amendment of the gentleman from Minnesota (Mr. VENTO), which is acceptable to our side.

I think that the gentleman from Ohio (Mr. ROB PORTMAN) and his colleague from Ohio (Mr. JOHN KASICH), as well as the gentleman from Indiana (Mr. LEE HAMILTON) have offered an excellent piece of legislation, and I urge my colleagues to strongly support the bill.

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

Mr. Chairman, I ask unanimous consent that my time under general debate be controlled by the gentleman from Nebraska (Mr. BEREUTER).

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. HAMILTON. Mr. Chairman, I yield 4 minutes to the distinguished gentleman from New Jersey (Mr. PAYNE).

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

Mr. PAYNE. Mr. Chairman, let me first of all compliment the chairman, the gentleman from New York (Mr. GILMAN), and the ranking member, the gentleman from Indiana (Mr. HAMILTON), for the Tropical Forest Protection Act of 1998.

This act has come to us at a very important time. As we know, the President will be leaving on Sunday to visit six African countries to talk about trade and investment, human rights, and the whole question of the environment, the ecology, education, health.

The whole world will be watching. We have over 200 news media people that will be going from the United States, and people from around the world will be focusing. So this bill is extremely important at this time.

As my colleagues know, the bill seeks to promote the efforts of low- and middle-income countries to preserve tropical forests, rain forests; and, secondly, the bill tackles the problem of large debt owed to the United States by some of these developing countries.

Under H.R. 2870, globally important tropical forests would be protected at a very relatively low cost to the United

States. First, certain debts of qualifying nations would be substantially reduced. In exchange, the countries would direct interest payments due on new loans into funds dedicated to preserving the tropical rain forests.

Secondly, the bill would allow eligible countries or third-party purchasers to buy back a country's debt. In exchange, the country would agree to implement the tropical forest conservation measures specified in this bill.

There will be four criteria that we will certainly look at. We will look at a country that has a democratic political system as a very important first step. Secondly, a country must have a solid record of performance with respect to human rights and governance, counternarcotics and terrorism. Third, we will be pursuing countries that pursue sound economic policies. And, finally, countries must meet any other requirements related to their environmental policies and practices determined by the President.

We think that this will certainly go to leveraging scarce U.S. foreign assistance dollars by producing immediate environmental benefits in exchange for reducing debt payments due to the United States. Secondly, by reducing debt, it will strengthen developing economies, helping them to diminish the fiscal pressures that put tropical forests at risk. Thirdly, it will help promote new environmental practices in developing countries. And, finally, it will advance U.S. national interests by preserving forests that are essential to the world's climate.

Let me give two prime examples. Liberia, a 7½ year civil war. The rain forest was starting to be devastated. This will be able to bring that country back into the right practices. Secondly, the Democratic Republic of Congo, where a tremendous rain forest, probably one of the largest rain forests in the world. If we can prevent what happened in Brazil and what is happening in Latin America by this bill, by preserving the rain forest in the Congo, in Liberia, in Sierra Leone, it will go far to improving and preventing the degradation that is going on now in the whole biosphere that is going throughout the world.

So we are in a global village. We are interconnected. What happens in one country impacts on the other. This bill is timely. This bill is right. This bill costs the U.S. taxpayers very little, but does a tremendous amount in return, and it is the right time because, hopefully, the President will be able to talk about this on his trip to Ghana. He will go to Uganda and will stop in Rwanda to look and talk about the genocide that happened there; then on to South Africa, up to Botswana, and finally in Senegal.

Mr. Chairman, I urge my colleagues to support this very important bill.

Mr. BEREUTER. Mr. Chairman, I yield 6 minutes to the gentleman from Ohio (Mr. PORTMAN), the sponsor of this legislation, who has done an outstanding job in working with the committee and in crafting this legislation.

Mr. PORTMAN. Mr. Chairman, I thank the gentleman from Nebraska for yielding me this time and for all his work over the years on this legislation and this idea. I also want to thank the gentleman from New York (Mr. GILMAN), the chairman, for moving this bill so expeditiously through his committee, for improving the bill through the process, along with the ranking member, the gentleman from Indiana (Mr. LEE HAMILTON), and for getting it to the floor today.

I also have to commend my fellow sponsors, chairman of the Committee on the Budget, the gentleman from Ohio (Mr. JOHN KASICH), and the gentleman from Indiana (Mr. LEE HAMILTON), both of whom showed a lot of leadership in getting us to this point.

As has been noted by the previous two speakers, this is really the outgrowth of years of work by a lot of people that links two important facts of life: One is that, very important, tropical forests are disappearing at an extremely rapid rate; and, second, they happen to be located in less developed countries that have a hard time repaying their debts to the United States.

The gentleman from New York (Mr. GILMAN), the chairman, and the gentleman from Indiana (Mr. HAMILTON) will go further into the bill and what it does more precisely, but I want to take a minute to focus on why this bill makes so much sense to the American taxpayer.

Tropical forests literally impact the air we breathe, the food we eat, and the medicines that cure disease. Acting as so-called carbon sinks, tropical forests absorb and store vast amounts of carbon dioxide and other emissions caused by the burning of fossil fuels. By encouraging both reforestation and by preventing deforestation, we can substantially offset carbon emissions right here in the United States.

When we look at the alternatives and the cost of developing alternative technologies to reduce emissions, I think this is a relatively efficient way to absorb so-called greenhouse gases. It is hard to imagine that a rain forest in Brazil could help with air pollution in Ohio, but in fact that is what occurs.

A major benefit all of us get from tropical forests also is the use of the vast number of species and plants found there for the development of drugs. For example, plants found in tropical forests help fight child leukemia and the Hodgkin's disease. And natural products found in rain forests were used to develop drugs like Taxol, that treats breast cancer; Calanolide, which is used to treat infectious diseases, and many others. In fact, half of the medicines used in the world today, every day, come from tropical forest plants, as do 25 percent of all prescription drugs.

Agriculture also benefits from tropical forests. Genetic diversity, used in plant breeding, has been critical in producing grains for food and has accounted for about half of all the gains in agricultural yields in the United States between 1930 and 1980.

Finally, of course, tropical forests help regulate rainfall, which has the effect of stabilizing weather patterns around the world. Unfortunately for all of us, we have already lost about half the world's tropical rain forests since 1950. And every year we are losing about 30 to 40 million acres of forests, an area equal to the size of New York or Iowa or Pennsylvania. And, of course, this destruction is fueled by poverty and economic pressures on developing countries where most of these tropical forests are located.

As I mentioned at the outset, many of these countries have a hard time repaying their debt. In fact, a substantial majority of these eligible countries have sought so-called Paris Club or other debt relief arrangements. Instead of just having this debt outstanding that will never become repaid in full, or might be repaid not at all, the U.S. taxpayers should receive some benefit for the investment. By encouraging debt-for-nature swaps, the bill maximizes the chance of some benefit being received.

The bill offers three different options: First, for the poorest countries, whose debt is unlikely to be paid in full, we build on the Enterprise for the Americas Initiative. The gentleman from New York talked about it a moment ago, but it was begun in the Bush administration. There, part of the principal is paid back to the United States, and interest payments on the new debt have to be put into protecting tropical forests.

This is the one aspect of the bill that has some cost to it, because under the 1990 Federal Credit Reform Act, Congress has to appropriate funds equal to the so-called subsidy cost. That would be the difference between the net present value of the old loan arrangement and the new loan arrangement.

Second, the bill permits no-cost debt buy-backs. This is at no cost to the U.S. taxpayer. It is a debt buy-back for countries that can afford it. The country purchases its debt at the full asset value of the loan and then contributes an additional amount equal to 40 percent of that loan into a local fund to protect tropical forests.

Then, finally, the third option is the bill would permit interested parties and nongovernmental organizations, third parties, to purchase debt of eligible countries from the United States Government, at its full asset value, in exchange for the debtor country putting money aside well in excess of that purchase price in a fund for conservation.

□ 1130

Again, this is at no cost to the taxpayer and provides substantial benefits to the United States.

The bill also benefits the U.S. taxpayer because, through these transactions, U.S. dollars are leveraged for

substantial amounts of conservation funding. This is because the cost of reducing debt, even as we have to score it here under the Credit Reform Act, is low compared to the amount of funding and local currency that will be set aside for conservation. In some cases, the ratio is as high as five to one or even ten to one.

Because it is leverage that you can get, I think this is a much better way to protect these globally important resources than through any kind of direct aid.

Debt restructuring also makes sense because, by clearing the debt off the books, it actually reduces the economic pressures that lead to a lot of the deforestation, so it actually gets at the underlying or root causes of much of the destruction of the rain forest.

Finally, let me make it clear that this is an authorization, this is not an appropriation. The bill and the committee report both make clear that any appropriation will be fully offset during the appropriations process.

Again, building on President Bush's Enterprise for the Americas Initiative, this bill moves beyond Latin America. It provides this benefit worldwide to any eligible country, and it more precisely targets less developed countries that have the kind of tropical forests that provide the most benefits. If enacted, its effects will be not only to encourage economic growth consistent with conservation but, as Chairman Gilman noted earlier, it will be to promote U.S. policy interests, foreign policy interests. Because, if they want to participate, countries are required to have a good human rights record, counternarcotics program, counterterrorists policies, and democratic elections.

As I conclude, I want to thank this committee again for expediting and improving this bill; and I want to acknowledge the good work of the gentleman from New York (Mr. GILMAN), the gentleman from Illinois (Mr. PORTER), the gentleman from Indiana (Mr. HAMILTON), the gentleman from Nebraska (Mr. BEREUTER) and many others on this issue over the years.

This bill simply builds on these efforts by providing new incentives to protect tropical forests worldwide in a targeted and fiscally responsible way. I urge my colleagues on both sides of the aisle to support it.

Mr. HAMILTON. Mr. Chairman, I yield 3 minutes to the distinguished gentlewoman from California (Ms. PELOSI).

Ms. PELOSI. Mr. Chairman, I thank the ranking member for the time and his leadership on this issue.

I certainly want to join my colleagues in commending the gentleman from Ohio (Mr. PORTMAN) for his leadership, the gentleman from New York (Mr. GILMAN) and the gentleman from Indiana (Mr. HAMILTON) for their leadership on this, and the gentleman from Ohio (Mr. BEREUTER) as well, and all others who made this bipartisan, excellent bill possible today, the Tropical Forest Conservation Act.

As a member of the Subcommittee on Foreign Operations, Export Financing and Related Programs of the Committee on Appropriations, I know full well what the debt of burden does to many of these countries. I also know that tropical forests contain about half the world's earth, plant, and animal species, many of which still have not been identified. They also are extremely effective sinks for carbon dioxide, significantly reducing greenhouse gases in the atmosphere.

Our colleague very eloquently said what has always been clear to us, that everything in nature is connected, whether it is the benefit we receive in the rain forest in terms of pharmaceuticals or whether it is preventing greenhouse emissions from increasing and the greenhouse gases affecting the constituents of the gentleman from Ohio (Mr. PORTMAN) in Ohio.

So it is clear in terms of debt and it is clear in terms of protecting the rain forests, the tropical forests, that we have a need. There is opportunity based on precedent. The Bush Administration's Enterprise for the Americas Initiative presented a precedent and this is an expansion, as that has been indicated, and happily before the President's trip to Africa. The opportunity to reduce the burden of debt in these countries is being done with precedent and in a very wise way.

I am very, very pleased and want to make the point that the rule of nongovernmental organizations is very significantly mentioned in this legislation. Under the measure, each beneficiary country would be required to establish a Tropical Rain Forest Protection Fund to preserve, maintain, and restore its tropical forest. These funds would be distributed through competitive grants to local nongovernmental or other organizations with conservation expertise.

Further to that, management of the funds would be overseen by international boards consisting of officials appointed by the U.S. Government as well as by the host government; and these boards would include representatives of environmental, nongovernmental organizations active in the beneficiary country, local community groups, and scientific or academic organizations. I think this transparency and this involvement of nongovernmental and community-based groups is very, very healthy.

In conclusion, I want to say that this is a very smart approach, because the program established in the bill is intended to specifically target countries that have tropical forests with the greatest degree of biodiversity and that are under the most severe threat.

My colleagues have talked about the other criteria, that the country has to have a democratically elected government, not support active international terrorism, must support international narcotics controls, and may not engage in violations of internationally recognized human rights. Under the measure, the President would determine whether or not countries meet the criteria.

I am very, very pleased to congratulate my colleagues for this strong bipartisan effort to preserve the rain forest and reduce the debt of these countries.

Mr. BEREUTER. Mr. Chairman, I yield myself such time as I may consume.

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

Mr. BEREUTER. Mr. Chairman, I rise in strong support of this legislation, and I am pleased to be a cosponsor.

The world's tropical forests, which are biodiverse, economically crucial and ecologically irreplaceable, are now disappearing faster than any other natural community. We heard the comments of the gentleman from Ohio (Mr. PORTMAN) on that subject.

Most of these forests are located in developing countries. Most of these countries are poor, many with crushing debt burdens. This body should view this legislation as a creative opportunity to address the twin problems of Third World debt and deforestation.

Mr. Chairman, one of the benefits of seniority is seeing some ideas gain acceptance after a period of time. Mr. Chairman, this is to trace a little bit of legislative history. But this proposal is, as the gentleman from Ohio (Mr. PORTMAN) indicated, based to some extent on the success of the Enterprise for the Americas Initiative from the Bush administration.

We saw good results from that. It is a creative variation of the EAI theme. As chairman of the Subcommittee on Asia and the Pacific, this Member would like to note that the forests and jungles of Vietnam, Cambodia, Laos, and Thailand are rapidly disappearing. Vietnam, for example, has only 19 percent forest coverage today, compared to 43 percent 50 years ago.

The legislation before this body today will go beyond the Latin American focus of EAI to offer protection in tropical forests in Africa, East Asia, and the south Asian subcontinent, among other parts of the world.

Mr. Chairman, this Member was particularly interested in Bangladesh, which is one of the world's poorest nations. It is struggling with both overwhelming PL 480 debt and severe environmental problems. This Member would ask the body's indulgence to describe how today's legislation is likely to affect Bangladesh and what would be required of a country such as Bangladesh to participate in the proposed debt swap.

Now, to its credit, Bangladesh continues to service their debt, with great difficulty I might add. This, however, puts the United States in the rather embarrassing position of receiving almost as much money back as it is giving humanitarian assistance because of the PL 480 debt interest.

To be eligible for debt reduction under this legislation, a country must contain an appropriate tropical forest and meet specific and economical and political criteria. At the March 10, 1998, markup of this legislation by the Committee on International Relations, the administration testified that Bangladesh did indeed possess the requisite tropical forests of global importance. This was particularly true with regard to the forest's importance of habitat for various endangered species which we described, and the specific area in Bangladesh was noted.

The political eligibility criteria of this legislation requires the debtor country to have a democratically elected government which is not pursuing egregious policies in the area of human rights, narcotics or terrorism. The State Department has confirmed that Bangladesh would meet these political criteria, and that is a very important part of this bill.

The economic eligibility criteria required of a debtor country is to have in place or be making progress towards an IMF arrangement, World Bank structure, or sectoral adjustment loans if necessary, to have put in place major investment reforms and, if appropriate, to have agreed with its commercial bank lenders on a satisfactory lending program. It is this Member's understanding that the International Monetary Fund is negotiating a potential staff-monitored program with Bangladesh, for example.

In addition, as evidence of major investment reforms, Bangladesh has concluded a bilateral investment treaty with the United States. On a preliminary basis, the Department of the Treasury has determined that if Bangladesh concludes its negotiation on an IMF staff-monitored program, it should meet with economic eligibility requirements for debt reduction under this legislation.

Based on the above, it is my sincere hope that serious consideration will be given to Bangladesh within the provisions of this legislation. Debt buy-back such as envisioned in this legislation would permit Bangladesh to address its lingering debt problems while preserving its tropical forest. Mr. Chairman, I bring this specific country's example to our attention, but it is an example of how it will work elsewhere.

In closing, Mr. Chairman, this Member thanks the distinguished gentleman from the State of Ohio (Mr. PORTMAN) for introducing this important piece of legislation with creativity, with original cosponsorship, the gentleman from Indiana (Mr. HAMILTON) and the gentleman from Ohio (Mr. KASICH).

I commend the efforts of the distinguished gentleman from New York (Mr. GILMAN), the chairman of the Committee on International Relations, for his leadership demonstrated over the years on environmental matters and for helping, with the cooperation of the gentleman from Indiana (Mr. HAMILTON), to bring this legislation to the floor.

As other Members in this body have noted, this legislation enjoys bipartisan support and is not opposed by the administration. The bill was favorably reported by a voice vote of the full Committee on International Relations without any discernible objection.

Mr. Chairman, I urge strong adoption of H.R. 2870; and I reserve the balance of my time.

Mr. HAMILTON. Mr. Chairman, I yield 3 minutes to the distinguished gentleman from Minnesota (Mr. VENTO).

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

Mr. VENTO. Mr. Chairman, I commend the sponsors, the gentleman from New York (Mr. GILMAN), the gentleman from Indiana (Mr. HAMILTON), the gentleman from Ohio (Mr. KASICH), the gentleman from Ohio (Mr. PORTMAN), the gentleman from Nebraska (Mr. BEREUTER) and others on the committee that have worked on this. It is a good bill. It deserves their support.

This bill builds upon the Conservation Organization's efforts that began the debt for nature swaps with the advent of many of these less developed nations in terms of trying to strive with meeting their needs by debt and find that the economic wherewithal to make the payments is not there. And the consequence, Mr. Chairman, is that, very often, they attempt to exploit in an improper way the natural resources of that country; and one of these natural resources, as has been pointed out, is these tropical and temperate rain forests.

While this bill focuses on the tropical rain forests, they may solve the problem of meeting their debt repayment for the year by sacrificing and selling off the tropical rain forest, but the problem is that they destroy their economic base and much of the biodiversity for the future.

Added to that, the activities of these nations as they are developing and struggling to make these debt payments by, in essence, selling their legacy, their patrimony of these natural forests as they look at it in South America and other parts of the world, there are natural phenomena that are also working against these areas.

Today, as we stand here on the floor, 23 to 25,000 square miles of uncontrolled fire has devastated parts of Amazonia, about 16 million acres in the last few months. In addition to that, the gentleman from New York (Mr. GILMAN) cited the persistent problem in Indonesia in which millions of acres of rain forest have been destroyed.

So I think that we cannot do as much as we would like to do about controlling the weather. There are some ideas about that, if anyone has any, in terms of dealing with El Nino. But we can control what is happening in terms of these debt repayments.

This is a move forward to, in fact, try to achieve an international understanding and realization of the importance of these tropical rain forests that, as have been pointed out, are in less developed countries of the world and attempting to preserve them and all of the positive benefits that they give from being our pharmacy, for dealing with medications, the hydrological cycles that they represent, the presence of carbon in these areas, and of course I think most important the maintenance of the biodiversity which is so unique to many of these forests, which really have not been inventoried, much less fully understood, in terms of what the benefit and interrelationship might be with mankind and the benefit for mankind.

I urge support of the bill.

Mr. BEREUTER. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from Ohio (Mr. CHABOT), a member of the Committee on International Relations.

Mr. CHABOT. Mr. Chairman, I thank the gentleman for yielding.

I rise in strong support of the Tropical Forest Conservation Act, and I want to commend my friend and colleague from Ohio (Mr. Portman) for his leadership and his hard work on this important legislation.

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It is nice to see Mr. PORTMAN's son Jed, who is 7 years old and in the second grade, on the floor of the House here this morning with his father, because his generation will benefit from the passage of this legislation in many ways. Congratulations, Jed.

I also want to commend the gentleman from New York (Mr. GILMAN) and the gentleman from Indiana (Mr. HAMILTON) of the Committee on International Relations and also the gentleman from Nebraska (Mr. BEREUTER) for all their leadership in shepherding this bill through the committee. I am pleased to be one of the original 16 cosponsors with my colleagues on this particular committee in supporting this legislation.

Tropical forests provide a wide range of benefits to the entire world. They help to reduce greenhouse gases. They house many of the species used in the developing of lifesaving pharmaceutical products. They affect rainfall, which of course affects crop production and coastal resources worldwide.

As these forests continue to be exploited, last year an estimated 30 million acres, for example, were lost, the need to save them becomes more and more urgent.

Mr. Chairman, the Tropical Forest Conservation Act is a sound, free-market approach to a very serious global environmental problem. It will encourage the preservation of tropical forests without creating a burden for the American taxpayer. It is good, sensible legislation. It is worthy of our support. I urge adoption of the legislation.

I want to again compliment and commend the gentleman from Ohio (Mr. PORTMAN) for proposing this legislation.

Mr. HAMILTON. Mr. Chairman, I yield myself such time as I may consume.

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

Mr. HAMILTON. Mr. Chairman, I rise in support of this legislation. Let me first extend my congratulations to the gentleman from Ohio (Mr. PORTMAN), the chief sponsor of the bill. I think he has done marvelous work in bringing this bill to the floor of the House. It is a bipartisan initiative in every respect. I also want to extend my thanks to the gentleman from New York (Mr. GILMAN) for his willingness to accommodate both the concerns of the administration and the concerns of other Members. Their constructive suggestions and amendments improved this bill. I also want to note that the gentleman from New Jersey (Mr. PAYNE), who spoke previously has been a steadfast supporter of the bill, but was inadvertently omitted from the list of cosponsors.

This bill has been very well explained by my colleagues on the floor. I am not going to repeat what they have said. I do want to acknowledge the outstanding work of the gentleman from Nebraska (Mr. BEREUTER). He was one of the early supporters of this program and has seen it through all the way. He gave us an excellent description just a moment ago of the impact the bill would have on Bangladesh.

We bring so many bills to this floor under confrontational and adversarial conditions. We all understand that is the way the process works. But it is a very great pleasure to participate in the development of legislation, such as the bill before us today, that has such solid, broad bipartisan support. It has been a pleasure for me to work on it.

Let me simply point out to Members that the administration's position on the bill is that they support passage of H.R. 2870. At the same time, however, the administration has expressed concern about the potential financing of the program. The sponsors of the bill hope that these financing procedures can be worked out in the future. But it is important to note that the administration supports passage of the bill. I urge my colleagues to join me in supporting H.R. 2870.

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

Mr. BEREUTER. Mr. Chairman, I yield myself such time as I may consume, only to thank the gentleman from Indiana (Mr. HAMILTON) for his kind remarks toward me.

Mr. KOLBE. Mr. Chairman, I rise in strong support of the Tropical Forest Conservation Act of 1998, and I would like to commend the gentlemen, Messrs. PORTMAN and KASICH, from Ohio, for their efforts. The purpose of this legislation is simple—to facilitate greater protection of tropical forests while being cognizant of today's tight budgetary constraints.

The benefits derived from these biologically diverse forests are numerous. Rain forests should not be considered as just a source of timber. They provide a livelihood for people, a habitat for plants and animals, and help stabilize the global climate. Unfortunately, more than half of the earth's tropical forests have disappeared. I believe it is in the best interest of America to cooperate with the rest of the world to protect this vital resource.

Developing countries face enormous economic pressures which have increased the pressure on the world's rainforests. By relieving the economic burdens that fuel this destruction and exploitation of fragile resources, we can help redirect a nation's development efforts to more environmentally friendly projects. HR 2870 addresses this need through an innovative program—restructuring the U.S. debts of extremely poor countries in exchange for local protection of tropical forests.

This program would not be open to any country wanting to restructure its debt. A country could participate only if it meets certain eligibility requirements, such as having a democratically elected government. Also, a country would be prohibited from supporting terrorism and would have to cooperate in the international war on drugs. These are not the only criteria a country must meet to receive the benefits of debt restructuring. An eligible country must use the funds only to ''preserve, maintain, and restore the tropical forests.''

Also, the distribution of these funds would be monitored by an administering body composed of U.S. Government officials and representatives from various environmental, scientific, and academic organizations.

This legislation builds on President Bush's Enterprise for the Americas Initiative, providing an effective solution to deforestation while assisting less-developed countries restructure uncontrollable debt.

This bill shows what can be accomplished when everyone, irrespective of political and ideological views, puts their differences aside to solve a common problem. I urge my colleagues to vote for H.R. 2870.

Mr. PORTER. Mr. Chairman, I rise in strong support of this bill. In 1988, I offered the first debt-for-nature bill. This legislation was then incorporated into the Enterprise for the Americas Initiative (EAI) by President Bush. This initiative forgave approximately $800 million in debt from seven Latin American countries that would have never been repaid. This exchange generated approximately $150 million in investment for the preservation of tropical forest ecosystems.

A recent World Wildlife Fund report stated the tropical forests are being lost at a rate of 42 million acres per year. The EAI has helped to preserve many important tropical forests in the Western Hemisphere, most notably the Beni Biosphere Reserve in Bolivia. I am a cosponsor of this bill because it builds on my initiative. This financial mechanism has been successful in preserving tropical forests in our hemisphere and we must now look to other important rainforests, especially those in Indonesia. Eighty-eight percent of the original forest in the Asia-Pacific region have been destroyed and current wildfires throughout the islands of Indonesia are exacerbating this situation. This bill expands the EAI to this region and will hopefully facilitate the protection of tropical forests throughout the world.

As Chairman of Global Legislators Organization for a Balanced Environment (GLOBE USA) and Co-Chairman of the Congressional Human Rights Caucus, I support the use of debt-for-nature swaps not only because of the success they have had in protecting rainforests but also because they utilize local non-governmental organizations. By working with and through these community groups, natural resources are preserved and the rights of indigenous peoples are respected. I have lauded the success of these debt exchanges in the past and I hope that this program will continue to expand.

I encourage my colleagues to support this legislation.

Mr. HAMILTON. Mr. Chairman, I have no further requests for time, and I yield back the balance of my time.

Mr. BEREUTER. Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. All time for general debate has expired.

Pursuant to the rule, the committee amendment in the nature of a substitute printed in the bill is considered as an original bill for the purpose of amendment and is considered read.

The text of the committee amendment in the nature of a substitute is as follows:

H.R. 2870

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

SECTION 1. DEBT REDUCTION FOR DEVELOPING COUNTRIES WITH TROPICAL FORESTS.

The Foreign Assistance Act of 1961 (22 U.S.C. 2151 et seq.) is amended by adding at the end the following:

''PART V—DEBT REDUCTION FOR DEVELOPING COUNTRIES WITH TROPICAL FORESTS

''SEC. 801. SHORT TITLE.

''This part may be cited as the 'Tropical Forest Conservation Act of 1998'.

''SEC. 802. FINDINGS AND PURPOSES.

''(a) FINDINGS.—The Congress finds the following:

''(1) It is the established policy of the United States to support and seek protection of tropical forests around the world.

''(2) Tropical forests provide a wide range of benefits to humankind by—

''(A) harboring a major share of the Earth's biological and terrestrial resources, which are the basis for developing pharmaceutical products and revitalizing agricultural crops;

''(B) playing a critical role as carbon sinks in reducing greenhouse gases in the atmosphere, thus moderating potential global climate change; and

''(C) regulating hydrological cycles on which far-flung agricultural and coastal resources depend.

''(3) International negotiations and assistance programs to conserve forest resources have proliferated over the past decade, but the rapid rate of tropical deforestation continues unabated.

''(4) Developing countries with urgent needs for investment and capital for development have allocated a significant amount of their forests to logging concessions.

''(5) Poverty and economic pressures on the populations of developing countries have, over time, resulted in clearing of vast areas of forest for conversion to agriculture, which is often unsustainable in the poor soils underlying tropical forests.

''(6) Debt reduction can reduce economic pressures on developing countries and result in increased protection for tropical forests.

''(b) PURPOSES.—The purposes of this part are—

''(1) to recognize the values received by United States citizens from protection of tropical forests;

''(2) to facilitate greater protection of tropical forests (and to give priority to protecting tropical forests with the highest levels of biodiversity and under the most severe threat) by providing for the alleviation of debt in countries where tropical forests are located, thus allowing the use of additional resources to protect these critical resources and reduce economic pressures that have led to deforestation;

''(3) to ensure that resources freed from debt in such countries are targeted to protection of tropical forests and their associated values; and

''(4) to rechannel existing resources to facilitate the protection of tropical forests.

''SEC. 803. DEFINITIONS.

''As used in this part:

''(1) ADMINISTERING BODY.—The term 'administering body' means the entity provided for in section 809(c).

''(2) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term 'appropriate congressional committees' means—

''(A) the Committee on International Relations and the Committee on Appropriations of the House of Representatives; and

''(B) the Committee on Foreign Relations and the Committee on Appropriations of the Senate.

''(3) BENEFICIARY COUNTRY.—The term 'beneficiary country' means an eligible country with respect to which the authority of section 806(a)(1), section 807(a)(1), or paragraph (1) or (2) of section 808(a) is exercised.

''(4) BOARD.—The term 'Board' means the board referred to in section 811.

''(5) DEVELOPING COUNTRY WITH A TROPICAL FOREST.—The term 'developing country with a tropical forest' means—

''(A)(i) a country that has a per capita income of $725 or less in 1994 United States dollars (commonly referred to as 'low-income country'), as determined and adjusted on an annual basis by the International Bank for Reconstruction and Development in its World Development Report; or

''(ii) a country that has a per capita income of more than $725 but less than $8,956 in 1994 United States dollars (commonly referred to as 'middle-income country'), as determined and adjusted on an annual basis by the International Bank for Reconstruction and Development in its World Development Report; and

''(B) a country that contains at least one tropical forest that is globally outstanding in terms of its biological diversity or represents one of the larger intact blocks of tropical forests left, on a regional, continental, or global scale.

''(6) ELIGIBLE COUNTRY.—The term 'eligible country' means a country designated by the President in accordance with section 805.

''(7) TROPICAL FOREST AGREEMENT.—The term 'Tropical Forest Agreement' or 'Agreement' means a Tropical Forest Agreement provided for in section 809.

''(8) TROPICAL FOREST FACILITY.—The term 'Tropical Forest Facility' or 'Facility' means the Tropical Forest Facility established in the Department of the Treasury by section 804.

''(9) TROPICAL FOREST FUND.—The term 'Tropical Forest Fund' or 'Fund' means a Tropical Forest Fund provided for in section 810.

''SEC. 804. ESTABLISHMENT OF THE FACILITY.

''There is established in the Department of the Treasury an entity to be known as the 'Tropical Forest Facility' for the purpose of providing for the administration of debt reduction in accordance with this part.

''SEC. 805. ELIGIBILITY FOR BENEFITS.

''(a) IN GENERAL.—To be eligible for benefits from the Facility under this part, a country shall be a developing country with a tropical forest—

''(1) whose government meets the requirements applicable to Latin American or Caribbean countries under paragraphs (1) through (5) and (7) of section 703(a) of this Act;

''(2) that has put in place major investment reforms, as evidenced by the conclusion of a bilateral investment treaty with the United States, implementation of an investment sector loan with the Inter-American Development Bank, World Bank-supported investment reforms, or other measures, as appropriate; and

''(3) whose government meets other requirements related to its environmental policies and practices, as determined by the President.

''(b) ELIGIBILITY DETERMINATIONS.—

''(1) IN GENERAL.—Consistent with subsection (a), the President shall determine whether a country is eligible to receive benefits under this part.

''(2) CONGRESSIONAL NOTIFICATION.—The President shall notify the appropriate congressional committees of his intention to designate a country as an eligible country at least 15 days in advance of any formal determination.

''SEC. 806. REDUCTION OF DEBT OWED TO THE UNITED STATES AS A RESULT OF CONCESSIONAL LOANS UNDER THE FOREIGN ASSISTANCE ACT OF 1961.

''(a) AUTHORITY TO REDUCE DEBT.—

''(1) AUTHORITY.—The President may reduce the amount owed to the United States (or any agency of the United States) that is outstanding as of January 1, 1997, as a result of concessional loans made to an eligible country by the United States under part I of this Act, chapter 4 of part II of this Act, or predecessor foreign economic assistance legislation.

''(2) AUTHORIZATION OF APPROPRIATIONS.—For the cost (as defined in section 502(5) of the Federal Credit Reform Act of 1990) for the reduction of any debt pursuant to this section, there are authorized to be appropriated to the President—

''(A) $25,000,000 for fiscal year 1999;

''(B) $75,000,000 for fiscal year 2000; and

''(C) $100,000,000 for fiscal year 2001.

''(3) CERTAIN PROHIBITIONS INAPPLICABLE.—

''(A) IN GENERAL.—A reduction of debt pursuant to this section shall not be considered assistance for purposes of any provision of law limiting assistance to a country.

''(B) ADDITIONAL REQUIREMENT.—The authority of this section may be exercised notwithstanding section 620(r) of this Act or section 321 of the International Development and Food Assistance Act of 1975.

''(b) IMPLEMENTATION OF DEBT REDUCTION.—

''(1) IN GENERAL.—Any debt reduction pursuant to subsection (a) shall be accomplished at the direction of the Facility by the exchange of a new obligation for obligations of the type referred to in subsection (a) outstanding as of the date specified in subsection (a)(1).

''(2) EXCHANGE OF OBLIGATIONS.—

''(A) IN GENERAL.—The Facility shall notify the agency primarily responsible for administering part I of this Act of an agreement entered into under paragraph (1) with an eligible country to exchange a new obligation for outstanding obligations.

''(B) ADDITIONAL REQUIREMENT.—At the direction of the Facility, the old obligations that are the subject of the agreement shall be canceled and a new debt obligation for the country shall be established relating to the agreement, and the agency primarily responsible for administering part I of this Act shall make an adjustment in its accounts to reflect the debt reduction.

''(c) ADDITIONAL TERMS AND CONDITIONS.—The following additional terms and conditions shall apply to the reduction of debt under subsection (a)(1) in the same manner as such terms and conditions apply to the reduction of debt under section 704(a)(1) of this Act:

''(1) The provisions relating to repayment of principal under section 705 of this Act.

''(2) The provisions relating to interest on new obligations under section 706 of this Act.

''SEC. 807. REDUCTION OF DEBT OWED TO THE UNITED STATES AS A RESULT OF CREDITS EXTENDED UNDER TITLE I OF THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954.

''(a) AUTHORITY TO REDUCE DEBT.—

''(1) AUTHORITY.—Notwithstanding any other provision of law, the President may reduce the amount owed to the United States (or any agency of the United States) that is outstanding as of January 1, 1997, as a result of any credits extended under title I of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1701 et seq.) to a country eligible for benefits from the Facility.

''(2) AUTHORIZATION OF APPROPRIATIONS.—

''(A) IN GENERAL.—For the cost (as defined in section 502(5) of the Federal Credit Reform Act of 1990) for the reduction of any debt pursuant to this section, there are authorized to be appropriated to the President—

''(i) $25,000,000 for fiscal year 1999;

''(ii) $50,000,000 for fiscal year 2000; and

''(iii) $50,000,000 for fiscal year 2001.

''(B) LIMITATION.—The authority provided by this section shall be available only to the extent that appropriations for the cost (as defined in section 502(5) of the Federal Credit Reform Act of 1990) of the modification of any debt pursuant to this section are made in advance.

''(b) IMPLEMENTATION OF DEBT REDUCTION.—

''(1) IN GENERAL.—Any debt reduction pursuant to subsection (a) shall be accomplished at the direction of the Facility by the exchange of a new obligation for obligations of the type referred to in subsection (a) outstanding as of the date specified in subsection (a)(1).

''(2) EXCHANGE OF OBLIGATIONS.—

''(A) IN GENERAL.—The Facility shall notify the Commodity Credit Corporation of an agreement entered into under paragraph (1) with an eligible country to exchange a new obligation for outstanding obligations.

''(B) ADDITIONAL REQUIREMENT.—At the direction of the Facility, the old obligations that are the subject of the agreement shall be canceled and a new debt obligation shall be established for the country relating to the agreement, and the Commodity Credit Corporation shall make an adjustment in its accounts to reflect the debt reduction.

''(c) ADDITIONAL TERMS AND CONDITIONS.—The following additional terms and conditions shall apply to the reduction of debt under subsection (a)(1) in the same manner as such terms and conditions apply to the reduction of debt under section 604(a)(1) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1738c):

''(1) The provisions relating to repayment of principal under section 605 of such Act.

''(2) The provisions relating to interest on new obligations under section 606 of such Act.

''SEC. 808. AUTHORITY TO ENGAGE IN DEBT-FOR-NATURE SWAPS AND DEBT BUYBACKS.

''(a) LOANS AND CREDITS ELIGIBLE FOR SALE, REDUCTION, OR CANCELLATION.—

''(1) DEBT-FOR-NATURE SWAPS.—

''(A) IN GENERAL.—Notwithstanding any other provision of law, the President may, in accordance with this section, sell to any eligible purchaser described in subparagraph (B) any concessional loans described in section 806(a)(1) or any credits described in section 807(a)(1), or on receipt of payment from an eligible purchaser described in subparagraph (B), reduce or cancel such loans (or credits) or portion thereof, only for the purpose of facilitating a debt-for-nature swap to support eligible activities described in section 809(d).

''(B) ELIGIBLE PURCHASER DESCRIBED.—A loan or credit may be sold, reduced, or canceled under subparagraph (A) only to a purchaser who presents plans satisfactory to the President for using the loan or credit for the purpose of engaging in debt-for-nature swaps to support eligible activities described in section 809(d).

''(C) CONSULTATION REQUIREMENT.—Before the sale under subparagraph (A) to any eligible purchaser described in subparagraph (B), or any reduction or cancellation under such subparagraph (A), of any loan or credit made to an eligible country, the President shall consult

with the country concerning the amount of loans or credits to be sold, reduced, or canceled and their uses for debt-for-nature swaps to support eligible activities described in section 809(d).

''(D) AUTHORIZATION OF APPROPRIATIONS.—For the cost (as defined in section 502(5) of the Federal Credit Reform Act of 1990) for the reduction of any debt pursuant to subparagraph (A), amounts authorized to be appropriated under sections 806(a)(2) and 807(a)(2) shall be made available for such reduction of debt pursuant to subparagraph (A).

''(2) DEBT BUYBACKS.—Notwithstanding any other provision of law, the President may, in accordance with this section, sell to any eligible country any concessional loans described in section 806(a)(1) or any credits described in section 807(a)(1), or on receipt of payment from an eligible country, reduce or cancel such loans (or credits) or portion thereof, only for the purpose of facilitating a debt buyback by an eligible country of its own qualified debt, only if the eligible country uses an additional amount of the local currency of the eligible country, equal to not less than the lesser of 40 percent of the price paid for such debt by such eligible country, or the difference between the price paid for such debt and the face value of such debt, to support eligible activities described in section 809(d).

''(3) LIMITATION.—The authority provided by paragraphs (1) and (2) shall be available only to the extent that appropriations for the cost (as defined in section 502(5) of the Federal Credit Reform Act of 1990) of the modification of any debt pursuant such paragraphs are made in advance.

''(4) TERMS AND CONDITIONS.—Notwithstanding any other provision of law, the President shall, in accordance with this section, establish the terms and conditions under which loans and credits may be sold, reduced, or canceled pursuant to this section.

''(5) ADMINISTRATION.—

''(A) IN GENERAL.—The Facility shall notify the administrator of the agency primarily responsible for administering part I of this Act or the Commodity Credit Corporation, as the case may be, of eligible purchasers described in paragraph (1)(B) that the President has determined to be eligible under paragraph (1), and shall direct such agency or Corporation, as the case may be, to carry out the sale, reduction, or cancellation of a loan pursuant to such paragraph.

''(B) ADDITIONAL REQUIREMENT.—Such agency or Corporation, as the case may be, shall make an adjustment in its accounts to reflect the sale, reduction, or cancellation.

''(b) DEPOSIT OF PROCEEDS.—The proceeds from the sale, reduction, or cancellation of any loan sold, reduced, or canceled pursuant to this section shall be deposited in the United States Government account or accounts established for the repayment of such loan.

''SEC. 809. TROPICAL FOREST AGREEMENT.

''(a) AUTHORITY.—

''(1) IN GENERAL.—The Secretary of State is authorized, in consultation with other appropriate officials of the Federal Government, to enter into a Tropical Forest Agreement with any eligible country concerning the operation and use of the Fund for that country.

''(2) CONSULTATION.—In the negotiation of such an Agreement, the Secretary shall consult with the Board in accordance with section 811.

''(b) CONTENTS OF AGREEMENT.—The requirements contained in section 708(b) of this Act (relating to contents of an agreement) shall apply to a Agreement in the same manner as such requirements apply to an Americas Framework Agreement.

''(c) ADMINISTERING BODY.—

''(1) IN GENERAL.—Amounts disbursed from the Fund in each beneficiary country shall be administered by a body constituted under the laws of that country.

''(2) COMPOSITION.—

''(A) IN GENERAL.—The administering body shall consist of—

''(i) one or more individuals appointed by the United States Government;

''(ii) one or more individuals appointed by the government of the beneficiary country; and

''(iii) individuals who represent a broad range of—

''(I) environmental nongovernmental organizations of, or active in, the beneficiary country;

''(II) local community development nongovernmental organizations of the beneficiary country; and

''(III) scientific or academic organizations or institutions of the beneficiary country.

''(B) ADDITIONAL REQUIREMENT.—A majority of the members of the administering body shall be individuals described in subparagraph (A)(iii).

''(3) RESPONSIBILITIES.—The requirements contained in section 708(c)(3) of this Act (relating to responsibilities of the administering body) shall apply to an administering body described in paragraph (1) in the same manner as such requirements apply to an administering body described in section 708(c)(1) of this Act.

''(d) ELIGIBLE ACTIVITIES.—Amounts deposited in a Fund shall be used to provide grants to preserve, maintain, and restore the tropical forests in the beneficiary country, including one or more of the following activities:

''(1) Establishment, restoration, protection, and maintenance of parks, protected areas, and reserves.

''(2) Development and implementation of scientifically sound systems of natural resource management, including land and ecosystem management practices.

''(3) Training programs to strengthen conservation institutions and increase scientific, technical, and managerial capacities of individuals and organizations involved in conservation efforts.

''(4) Restoration, protection, or sustainable use of diverse animal and plant species.

''(5) Mitigation of greenhouse gases in the atmosphere.

''(6) Development and support of the livelihoods of individuals living in or near a tropical forest, including the cultures of such individuals, in a manner consistent with protecting such tropical forest.

''(e) GRANT RECIPIENTS.—

''(1) IN GENERAL.—Grants made from a Fund shall be made to—

''(A) nongovernmental environmental, conservation, and indigenous people organizations of, or active in, the beneficiary country;

''(B) other appropriate local or regional entities of, or active in, the beneficiary country; and

''(C) in exceptional circumstances, the government of the beneficiary country.

''(2) PRIORITY.—In providing grants under paragraph (1), priority shall be given to projects that are run by nongovernmental organizations and other private entities and that involve local communities in their planning and execution.

''(f) REVIEW OF LARGER GRANTS.—Any grant of more than $100,000 from a Fund shall be subject to veto by the Government of the United States or the government of the beneficiary country.

''(g) ELIGIBILITY CRITERIA.—In the event that a country ceases to meet the eligibility requirements set forth in section 805(a), as determined by the President pursuant to section 805(b), then grants from the Fund for that country may only be made to nongovernmental organizations until such time as the President determines that such country meets the eligibility requirements set forth in section 805(a).

''SEC. 810. TROPICAL FOREST FUND.

''(a) ESTABLISHMENT.—Each beneficiary country that enters into a Tropical Forest Agreement under section 809 shall be required to establish a Tropical Forest Fund to receive payments of interest on new obligations undertaken by the beneficiary country under this part.

''(b) REQUIREMENTS RELATING TO OPERATION OF FUND.—The following terms and conditions shall apply to the Fund in the same manner as such terms and conditions apply to an Enterprise for the Americas Fund under section 707 of this Act:

''(1) The provision relating to deposits under subsection (b) of such section.

''(2) The provision relating to investments under subsection (c) of such section.

''(3) The provision relating to disbursements under subsection (d) of such section.

''SEC. 811. BOARD.

''(a) ENTERPRISE FOR THE AMERICAS BOARD.—The Enterprise for the Americas Board established under section 610(a) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1738i(a)) shall, in addition to carrying out the responsibilities of the Board under section 610(c) of such Act, carry out the duties described in subsection (c) of this section for the purposes of this part.

''(b) ADDITIONAL MEMBERSHIP.—

''(1) IN GENERAL.—The Enterprise for the Americas Board shall be composed of an additional four members appointed by the President as follows:

''(A) Two representatives from the United States Government.

''(B) Two representatives from private nongovernmental environmental, scientific, and academic organizations with experience and expertise in preservation, maintenance, and restoration of tropical forests.

''(2) CHAIRPERSON.—Notwithstanding section 610(b)(2) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1738i(b)(2)), the Enterprise for the Americas Board shall be headed by a chairperson who shall be appointed by the President from among the representatives appointed under section 610(b)(1)(A) of such Act or paragraph (1)(A) of this subsection.

''(c) DUTIES.—The duties described in this subsection are as follows:

''(1) Advise the Secretary of State on the negotiations of Tropical Forest Agreements.

''(2) Ensure, in consultation with—

''(A) the government of the beneficiary country,

''(B) nongovernmental organizations of the beneficiary country,

''(C) nongovernmental organizations of the region (if appropriate),

''(D) environmental, scientific, and academic leaders of the beneficiary country, and

''(E) environmental, scientific, and academic leaders of the region (as appropriate),

that a suitable administering body is identified for each Fund.

''(3) Review the programs, operations, and fiscal audits of each administering body.

''SEC. 812. CONSULTATIONS WITH THE CONGRESS.

''The President shall consult with the appropriate congressional committees on a periodic basis to review the operation of the Facility under this part and the eligibility of countries for benefits from the Facility under this part.

''SEC. 813. ANNUAL REPORTS TO THE CONGRESS.

''(a) IN GENERAL.—Not later than December 31 of each fiscal year, the President shall prepare and transmit to the Congress an annual report concerning the operation of the Facility for the prior fiscal year. Such report shall include—

''(1) a description of the activities undertaken by the Facility during the previous fiscal year;

''(2) a description of any Agreement entered into under this part;

''(3) a report on any Funds that have been established under this part and on the operations of such Funds; and

''(4) a description of any grants that have been provided by administering bodies pursuant to Agreements under this part.

''(b) SUPPLEMENTAL VIEWS IN ANNUAL REPORT.—Not later than December 15 of each fiscal year, each member of the Board shall be entitled

to receive a copy of the report required under subsection (a). Each member of the Board may prepare and submit supplemental views to the President on the implementation of this part by December 31 for inclusion in the annual report when it is transmitted to Congress pursuant to this section.''.

The CHAIRMAN. During consideration of the bill for amendment, the Chair may accord priority in recognition to a Member offering an amendment that he has printed in the designated place in the CONGRESSIONAL RECORD. Those amendments will be considered read.

The Chairman of the Committee of the Whole may postpone a request for a recorded vote on any amendment and may reduce to a minimum of 5 minutes the time for voting on any postponed question that immediately follows another vote, provided that the time for voting on the first question shall be a minimum of 15 minutes.

Are there any amendments to the bill?

AMENDMENT NO. 1 OFFERED BY MR. GILMAN

Mr. GILMAN. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 1 offered by Mr. GILMAN:

Page 10, after line 15, insert the following:

(c) NOTIFICATION REQUIREMENT.—The President shall notify the congressional committees specified in section 634A of this Act at least 15 days in advance of each reduction of debt pursuant to this section in accordance with the procedures applicable to reprogramming notifications under such section 634A.

Page 10, line 16, strike ''(c)'' and insert ''(d)''.

Page 12, after line 25, insert the following:

(c) NOTIFICATION REQUIREMENT.—The President shall notify the congressional committees specified in section 634A of this Act at least 15 days in advance of each reduction of debt pursuant to this section in accordance with the procedures applicable to reprogramming notifications under such section 634A.

Page 13, line 1, strike ''(c)'' and insert ''(d)''.

Page 16, after line 21, insert the following:

(b) NOTIFICATION REQUIREMENT.—The President shall notify the congressional committees specified in section 634A of this Act at least 15 days in advance of each sale, reduction, or cancellation of loans or credits pursuant to this section in accordance with the procedures applicable to reprogramming notifications under such section 634A.

Page 16, line 22, strike ''(b)'' and insert ''(c)''.

Mr. GILMAN. Mr. Chairman, this amendment merely gives the Congress an extra level of protection with regard to this bill. Under the current bill, the administration must notify the Congress when a country is eligible for debt relief. While that is comforting, the Congress would not know of the amount of debt to be forgiven, the financial commitment to the environment made by the host country, the specific habitat to be protected or the local groups designated by the administration and host country to carry out the project.

Under this bill, we are giving authority to the President to carry out debt relief anywhere a country is eligible. We want to do projects in difficult nations like Indonesia and eventually the Congo where critical habitats are, but I have some concerns about the governments and local groups there. This amendment would give us one last look at the complete arrangement before moving forward.

We would reference section 634(A) of the Foreign Assistant Act, using a well-worn procedure of consultation between the Congress and the executive branch. I understand that the Treasury Department had some concerns with the amendment. I am totally willing to work with them to refine the notification process as the bill moves through the Senate. Accordingly, I urge our Members to support the amendment.

Mr. HAMILTON. Mr. Chairman, I rise in support of the amendment. I commend the gentleman for bringing it forward. I think all of us agree that the Congress should be notified of any appropriations to eligible countries under the bill. I was pleased to hear the gentleman say a moment ago that he would work with the administration with regard to a notification process that conserves administrative resources and is not duplicative. I urge the adoption of the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York (Mr. GILMAN).

The question was taken; and the Chairman announced that the ayes appeared to have it.

Mr. GILMAN. Mr. Chairman, I demand a recorded vote.

The CHAIRMAN. Pursuant to House Resolution 388, further proceedings on the amendment offered by the gentleman from New York (Mr. GILMAN) will be postponed.

Are there further amendments?

AMENDMENTS NO. 2 AND 3 OFFERED BY MR. VENTO

Mr. VENTO. Mr. Chairman, I offer amendments, and I ask unanimous consent that they be considered en bloc.

The CHAIRMAN. The Clerk will designate the amendments.

The text of the amendments is as follows:

Amendments No. 2 and 3 offered by Mr. VENTO:

Page 19, after line 20, insert the following:

''(5) Research and identification of medicinal uses of tropical forest plant life to treat human diseases and illnesses and other health-related concerns.

Page 19, line 21, strike ''(5)'' and insert ''(6)''.

Page 19, line 23, strike ''(6)'' and insert ''(7)''.

Page 23, line 12, after ''scientific'' insert ''indigenous,''.

Page 23, line 14, after ''scientific,'' insert ''indigenous,''.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. VENTO. Mr. Chairman, again I commend the gentleman from Ohio (Mr. PORTMAN), the principal sponsor of the bill. These amendments are noncontroversial amendments. I appreciate the support of the gentleman from New York (Mr. GILMAN) and the gentleman from Indiana (Mr. HAMILTON), chairman and ranking member of the committee.

I would want to point out that this is a good bill, but one of the major ways that we gain information here is by consulting with the indigenous people of these areas from the rain forests that in fact have used many of the products, the plants, both the fauna and flora of these rain forests for medicinal and other purposes. That consultation process is recognized in Amendment No. 3 that I have here where I amend and put the word ''indigenous,'' as well as consulting with the scientists, with the government officials and others, the academic side, to in fact consult with the indigenous people. What we really have in consulting with the indigenous people from these cultures is really the history of humankind in terms of the success, the trial and errors that they have used in terms of applying these plant substances, these animal substances for medicinal uses. It only is logical, in fact that is the way that most scientists, most ethnobotanists and others in fact gain the clues as to where to search for and look and seek these, what we call wonder drugs today, Mr. Chairman.

Secondly, this amendment would make in order on page 20 a new eligible activity for grant, which would be research and identification of medicinal use of tropical forest plants to treat human diseases and illness and other related concerns. In other words, Mr. Chairman, the concern here was that while I think it is consistent in the bill, the oft repeated goal of trying to preserve this pharmacological material from these forests, in fact, the grant process did not specify for this purpose. My amendment offered en bloc will do that.

Mr. Chairman, my interest in this springs from work that I conducted in years past leading the Parks and Public Lands Committee in designating as a park the fallow tropical rain forest of American Samoa. I encountered and became a friend of Dr. Paul Cox, a professor from Brigham Young University in Utah, and who now is leading the Tropical Forestry Botanical Garden in Hawaii. He is a noted scholar and has been recognized by Time Magazine as one of the 10 top medical scientists in 1997. He related the experience that he had as a Mormon missionary first, and later as a professor of botany in terms of trying to gain the understanding and currently gain that from the indigenous people, from the American Samoan, from the Western Samoan people and has in fact been able to have several compounds and materials considered for medical use in the United States. Very often, he put it pretty bluntly that many of these countries in order to get a school or a building are prepared to sell off thousands of acres

of their land so they get a school or other building put up. The fact of the matter is the real value of those lands that we know and is within the biodiversity and other characteristics which they exhibit. What he has been able to do, and I know it is not the subject of this bill but I will be submitting legislation on it, was to in fact give the indigenous people, the American Samoan or the Western Samoan people, part of the profit that comes from the replication of these natural compounds and substances that were the intellectual property of these Samoan people. This is, I think, putting a real value on it and a positive incentive for others to share this information and then to benefit as well from such discovery.

H.R. 2870 is a positive bill. Its goal is to end or significantly curtail the destruction of the world's tropical forests with nature's debt for swapping a commitment to preserve such rain forests as a new and working policy and law. In the past half-century we have logged or burned half of the planet's tropical forests. In the eighties, as a matter of fact, they were disappearing at the rate of 30 million acres per year—roughly the size of Pennsylvania. And as we have seen again and again, when you slash, burn or log the forest, many species, the biodiversity, of flora and fauna are lost, most often permanently!

This legislation seeks to stem that tide. With passage of H.R. 2870, the United States will continue and strengthen its efforts to encourage developing nations to treat their forests responsibly. It expands the successful model created by the Enterprise for the Americas Initiative (EAI) in which the United States offers debt relief to nations in exchange for the protection of important forest habitats. With passage of this bill, nations around the world will be able to participate in a program that has worked very well in the Americas. That's good news for Mother Earth because there are tropical forests around the globe—in Africa, Polynesia, Asia, and elsehwere.

I commend Mr. KASICH, Mr. PORTMAN, Mr. GILMAN, and Mr. HAMILTON for working together on a bipartisan basis to bring this issue to the floor. It proves something that I have been saying for a long time: The environment is not and should not be a partisan issue.

Today I seek to offer two amendments that address a unique aspect of our rain forests. The amendments focus on the role that tropical forests and the culture of the people that live in such areas play in the discovery and development of new pharmaceuticals.

An estimated one-half of the Earth's 250,000 plants survive in tropical forest ecosystems. Of these, less than one percent have been exhaustively studied for their possible role as medicinal substances. This is incredible considering that important medicines come from such natural plant resources including aspirin, codeine, quinine, which combats malaria, and taxol, which has proven effective in the first against ovarian and breast cancer, and many more. The basic chemistry comes from nature first and is replicated in our labs for commercial manufacture. These are the wonder drugs that save lives and improve our quality of life.

A very good friend of ours, Professor Paul Cox, has worked extensively in the field of ethnobotany—the study of the relationship between plants and people. I will seek unanimous consent that a profile of Mr. Cox that appeared in Time Magazine appear in the RECORD following my statement. Dr. Cox is our modern scientist learning from indigenous peoples. He has spent time in Polynesia and discovered an impressive array of pharmaceuticals used by the indigenous people to develop medicines from plants and animals that are found in their natural rain forest environment. Just among the most recent discoveries were medicinal substances to cure or reduce skin inflammation, rashes, diarrhea and asthma—all for the asking and understanding of the paleotropical rainforest people of Samoa, a Polynesian island in the Western Pacific.

In other parts of the world, indigenous peoples have used plants that fight anything from fungal infections of the skin to cancer. The problem is that there are neither enough scientists such as Dr. Cox nor enough money to fund their essential research. My amendment would address the grant expenditure provisions of this bill to include eligibility for the research and identification of medicinal uses of tropical forest flora and fauna to treat human diseases and illnesses.

This is an urgent issue that merits our attention. Just as the tropical forests are disappearing at an alarming rate, the use of plants in traditional societies seems to be a pursuit of previous generations that are passing on with their know how. Two of the Samoan healers who worked with our friend Mr. Cox to develop a powerful antiviral compound passed away in 1994! Their knowledge went with them. One can only speculate about the number of healers Mr. Cox or other ethnobotanists have not yet reached. In passing this amendment, we may be able to capture much of this know how, a body of knowledge that is the experience of mankind and human history to exploit such natural resources.

While this small change won't translate into more money to definitively access and inventory potential medicinal flora and fauna, it is a very positive step to embrace the activity as eligible for such support and perhaps curing some of our most stubborn diseases today and tomorrow.

I am also offering in this enbloc amendment a policy to expand the consultation requirement for nations when they are shaping and writing Tropical Forest Agreements. The bill currently includes a requirement to consult with scientists and academics who are familiar with tropical forest issues. My amendment would be certain that indigenous representatives, the local people of such areas, are at the table, as well. As I note above, within these cultures there are, in many cases, a far more intimate knowledge of the utility of the earth's rain forests than we could attain. Let us use it daily and openly acknowledging and rewarding their special knowledge and culture. It is absolutely crucial that we include such input into the tropical forest preservation that this measure envisions.

An issue related to these two amendments that I considered raising today is the protection of the intellectual property—the value of such knowledge and know-how that healers in traditional society possess. Indeed, if a pharmaceutical company were to find a cure for cancer or AIDS with the help of healers and traditional medicine, we should certainly ensure that they were properly compensated and share in the reward and profit for the use of their culture's intellectual property. As this is of course a more complicated issue and not as relevant to the issues in this bill, I will attempt to address this issue at a later date in a separate policy initiative. I simply wanted to note to the Chairman and the ranking member that this was something we should keep in mind as we proceed with the preservation and utilization of these biologically diverse rain forests.

Natural weather events over which we have little control today are resulting in fire out of control in Amazonia—23 to 25,000 square miles, in fact some 16 million acres have been affected. Additionally in parts of the Indonesian region, fire has devastated vast regions of virgin rain forest, areas that will be lost for all of the important qualities—a carbon sink, the hydrological regime of these ecosystems, the sheer biodiversity, and the major source of pharmaceutical products—for tomorrow is being adversary impacted by such phenomenon is essential that we pass this measure and most importantly make it work. The international nature of our environment has never been more apparent, but alas the willingness of the United States to lead and to participate seems to be subject to a paralysis of fear and suspicion. Hopefully this measure signals a reversal of the denial that has characterized a number of harmful House-passed measures that undercut voluntary conservation treaties and agreements key to a rational pursuit of global environmental policy based on success and cooperation around the world.

It was a pleasure working on this issue with the members of the Committee and the sponsors of this bill. I am especially pleased that we will be able to dispose of these important issues without controversy today. These are good amendments to a good bill and I ask for my colleagues support.

SEEKING ANSWERS IN ANCIENT RAIN-FOREST REMEDIES IS A LIFE'S WORK FOR PLANT HUNTER

The teacher and student sit cross-legged, facing each other on the floor of the open-sided hut in Western Samoa. Behind them the rain forest rises to the pinnacle of a long-dormant volcano. Beneath the thatched roof, a gaggle of children intently watches the proceedings. The teacher is Salome Isofea, 30, a young healer who is demonstrating her art. The man opposite her, a Westerner named Paul Alan Cox, is no ordinary student. He is a botany professor and dean at Brigham Young University in Provo, Utah, a world specialist in medicinal plants and, far from least in this exotic setting, the paramount chief of the nearby village of Falealupo. To people here, he is known as Nafanua, in honor of a legendary Samoan warrior goddess who once saved the village from oppression and protected its forests.

Salome is explaining a traditional cure for pterygium, an eye affliction common to the tropics in which vision gradually becomes obscured as a layer of tissue encroaches over the cornea. The traditional cure used by healers is leaves of Centella asiatrica, a groundhugging vine, which Salome chews into a poultice, smears on a cloth and then places as a compress on the afflicted eye for three consecutive nights.

But before this can be done, Salome explains, there is another crucial part of the cure. Holding a coconut-shell bowl containing ashes, she flicks them in the direction of Cox, who is playing the patient. When he soberly asks why the ashes are necessary, she replies that they enhance ''spiritual transmission'' between healer and patient. ''We Westerners have to suspend judgment at these times.''

ONLY YOUNG PRACTICING HEALERS, COX BELIEVES, CAN PREVENT THE LOSS OF CENTURIES OF KNOWLEDGE

Look at our own belief in doctors wearing white coats. In Western culture that uniform is comparable to the ''spiritual transmission she sees in the use of ash.''

Moments like this are typical of Cox's experience as he scours the world's flora in search of plants that will benefit Western medicine. Cox has spent years in Samoa interviewing or apprenticing himself to traditional healers. He has also traveled throughout the South Pacific, as well as in Southeast Asia, South America, East Africa and as far north as Sweden's Lapland. In Samoa alone, healers have led him and his colleagues to 74 medicinal plants that might prove useful.

Samoan healers concoct poultices and infusions from the leaves, bark and roots of local plants, using them for conditions that range from high fever to appendicitis. Among them are root of 'Ago (curcuma longa) for rashes, leaves of the kuava tree (Psidium guajava) for diarrhea, and the bark of vavae (Ceiba pentandra) for asthma. Virtually all the healers are women who learned their art from their mothers, who in turn learned it from their mothers. Now knowledge of the recipes and their administration, even the location of the plants in the forests, is endangered as more and more daughters forgo the long filial apprenticeships in favor of using Western pills and ointments.

For this reason, the discovery of young practicing healers like Salome delights Cox, who believes that only people like her can prevent the loss of centuries of knowledge. If he can carry Salome's knowledge to the developed world in the form of plants whose myriad chemical compounds might help combat incurable diseases—notably cancer, AIDS and Alzheimer's—the impetus to save the Samoan rain forest, and all forests, will be that much stronger.

Fewer than 1% of the world's 265,000 flowering plants, most inhabiting equatorial regions, have been tested for their effectiveness against disease. ''We haven't even scratched the surface—not even in our own backyard,'' says Jim Miller, director of the Missouri Botanical Garden's natural-products program. Yet nearly a quarter of prescription drugs sold in the U.S. are based on chemicals from just 40 plant species. Examples are abundant. Codeine and morphine are derived from poppies. Vincristine and vinblastine, isolated from the rosy periwinkle, help treat cancers, including Hodgkin's disease and some leukemias. Curare, taken from several lethal Amazonian plants and often used to tip hunting arrows, is used in drugs that bolster anesthesia. An extract of the snakeroot plant, reserpine, traditionally employed in Asia to counteract poisonous snake bite, is the basis of a number of tranquilizers and hypertension drugs. Taxol, a compound in the bark of the Pacific yew, is used to treat some cases of advanced ovarian and breast cancer.

The drive is intensifying to collect and screen more natural products for their medicinal effects, says Gordon Cragg, chief of the National Cancer Institute's natural-products branch: ''Nature produces chemicals that no chemist would ever dream of at the laboratory bench.'' All this is heartening for biologists and environmentalists concerned about the dwindling of the planet's biodiversity, mostly concentrated in a wide girdle around the equator. Human activity, from farming to logging and road building, is chewing at this girdle, driving countless species to extinction even before they have been discovered. ''I see ethnobotany—the study of the relationship between people and plants—as the key to the preservation of this vast collection of species as well as a pathway to halting many diseases,'' says Cox.

Cox, 44, a Mormon, first came to Samoa in 1973, when he was assigned to the country for his two-year compulsory missionary service after he graduated from Brigham Young as a botany major. His father was a park ranger and his mother a wildlife and fisheries biologist; his grandfather created the Utah state park system; and his great-grandfather was a founder of Arbor Day. Cox naturally expected to end up involved in conservation, but his stint in Samoa surpassed all his expectations.

He was not only impressed by the far-reaching influence of botany that he witnessed—beginning with the scene of a Samoan fisherman using a plant to poison fish in a river—but he also learned to speak and write Samoan better than many Samoans. (A difficult language, Samoan in its most elegant form requires extensive knowledge of local ritual and legend.) Cox went on to earn a doctorate in biology at Harvard, then joined Brigham Young's faculty as a botanist studying plant physiology and pollination.

In 1984 Cox returned to Samoa as an ethnobotanist, propelled there by personal misfortune. That year, Cox's mother had died a long and painful death from cancer. After witnessing her suffering, Cox experienced a revelation of sorts. Well aware of the rich tradition of folk healing he had observed a decade earlier, he now hoped to find a cure for cancer. ''I vowed I would do whatever I could to fight the disease that killed my mother,'' he writes in Nafanua: Saving the Samoan Rain Forest, a book being published this fall that recounts his work and life in Samoa.

This time he brought along his wife and four young children. The family settled on the island of Savai'i in the isolated village of Falealupo, the westernmost point of Western Samoa, one of the world's poorest countries (average annual per capita income: $100). Here, far from many of the Western influences of neighboring American Samoa, Cox felt he could learn about the plants and the healers who use them before both vanished.

Major technological advances in screening processes have helped Cox and other ethnobotanists immensely. Pharmacologists must analyze between 10,000 and 17,000 chemical compounds before finding one with the potential to be tested for efficacy in humans. Until recently, animal testing and clinical trials of a single drug required an average 12 years of research and cost up to $300 million. But initial screening can now be done in a matter of days without using animals. Molecular biologists are able to isolate enzymes that can trigger human diseases, then expose those enzymes to a plant's chemical compounds. If a plant extract blocks the action of a particular enzyme—say, one that promotes a skin inflammation—they know the plant has drug potential. By extracting specific chemicals from the leaves, roots or bark with a series of solvents and testing each sample individually, scientists can determine which of the plant's thousands of compounds actually blocks the enzyme.

As a result of these advances, about 100 U.S. companies are searching out plants. Drug companies and scientific institutions are collaborating on field research all over the globe, racing to study as many natural substances as possible before they, or the native people who use them, disappear. Some work with the handful of ethnobotanists like Cox to ferret out drug candidates based on their knowledge of indigenous peoples. Others use a broad-brush approach, mass-collecting plants whose chemical compounds might contribute to new drugs.

One of the most extensive prospecting efforts is the National Cancer Institute's, which is focusing on screening plants for compounds active against the AIDS virus and nine major types of cancer. Since 1986, the NCI has received samplings of thousands of different species from ethnobotanists as well as such institutions as the New York Botanical Garden, the Missouri Botanical Garden and the University of Illinois at Chicago.

In contrast to random collecting, Cox feels ethnobotanical field research provides a far more streamlined way of locating plants that have medical potential. ''Indigenous people have been testing plants on people for thousands of years,'' says Cox. More important, healers may alert ethnobotanists to nuances that random collecting could miss. Take Homalanthus nutans, a rain-forest tree whose bark Samoans have used for centuries as a cure for hepatitis. Cox quickly found that he could not just casually go into the forest and gather the bark because (1) there are two varieties of the tree, and the bark of only one is effective, and (2) only trees of a certain size produce the desired extract.

After Cox collected the proper bark samples, he sent them to the NCI in the mid-1980s for testing. One isolate, called prostratin, appeared to inhibit growth of the AIDS virus, at least in the test tube, leading the NCI to patent it. If prostratin should ever be developed and approved by the Food and Drug Administration, both the Western Samoan government and the citizens of Falealupo could be in for a windfall under a royalty arrangement that Cox worked out between both entities and the NCI.

Cox has located three other medically promising plants. Two of the plants, used by Samoans to control skin inflammations, are being investigated by a pharmaceutical firm. The third doubles the life span of infection-fighting T lymphocytes in the test tube; its effect in the human body is not yet known. Cox's family has already benefited from the anti-inflammatories. After his infant daughter Hillary came down with a skin infection that did not respond to Western ointments, a healer ground up some leaves; the resulting greenish goo made the infection disappear. When Cox's son Paul Matthew was stung by wasps, healers rubbed bark on the wounds, and the swelling vanished.

When Cox first arrived in his adopted village of 2,000, he put himself under the tutelage of a healer named Pela, now 82, who agreed to be his mentor. Recently, Pela introduced Cox to cures for eye diseases other than pterygium: a poultice of beach pea leaves for sun blindness, fluid from immature coconuts for general eye injury, and eye drops from a fern (Phymatosorus scolopendrium) as a treatment for cataracts. Cox heard two other healers from different villages verify this use of the fern, and he was exuberant. ''When three healers all use the same thing for cataracts, it's like a dream come true,'' he exclaimed.

Cox is more than a healer's apprentice. He knows that if the rain forests of Samoa continue to disappear, hundreds of potential drugs hidden there may never be found. So he spends much of his time between Brigham Young semesters trying to preserve the acreage that remains. More than 80% of the lowland rain forest has already been logged. Cox's aim is to offer cash-poor Western Samoans an alternative to selling out to loggers.

Samoans have traditionally used the forest for hunting, collecting medicinal plants, harvesting wild fruits and cutting trees for their dugout canoes. In this crucible of nature and culture, Cox believes, lies hope for conservation and the future of ethnobotany. ''We can't save the forest without saving the culture,'' he says, ''and we can't save the culture without saving the forest.''

In 1988, Falealupo almost lost its 30,000-acre forest. The government told the villagers to construct a new school. It would cost $65,000, and the village would have to foot the bill. Ironically—or tellingly—a logging company arrived in the village shortly afterward and offered to pay $65,000 for permission to cut down the forest. The villagers, their hand forced, submitted.

Cox intervened just in time. He offered to raise enough money by mortgaging his home in Utah. But while in the U.S. to make arrangements, he pleaded the case to his students and two Mormon businessmen. Within six weeks they had raised the money, and Cox, back in Samoa, formalized an agreement with the villagers to protect their forest for 50 years.

It was during this period that the villagers informed Cox that they wanted to name him heir to the goddess Nafanua. When he declined, fearing that the title would interfere with his research, the villagers refused to sign the preservation agreement. Cox relented. ''Being a deity is not my cup of tea,'' he says, ''but Nafanua stands for conservation and rain-forest ecology, so I said to them 'O.K., I'll take the cards I've been dealt.'" Now chiefs and children alike respectfully address him as Nafanua.

As a result of this work, Cox and a chief who helped him shared one of the six prestigious Goldman Environmental Prizes for 1997. Each received $37,500. Since then Cox has expanded his preservation efforts by establishing the Seacology Foundation, based at Brigham Young. Some of the foundation's funding comes through Cox's ethnobotanical success with medicinally, or in this case cosmetically, valuable plants. When Nu Skin International, a Utah-based personal-care company, wanted to hire Cox as a consultant, he charged a $40,000 fee that he plowed into the foundation. He also asked Nu Skin and Nature's Way, another Utah cosmetics firm, each to match his Goldman Prize award. Subsequently, Nu Skin began using extracts of a plant with anti-inflammatory properties in a foot cream. Seacology receives 25¢ for every tube of the cream sold.

The foundation has since provided money for the Western Samoan village of Tafua to preserve its 20,000-acre rain forest. It helped persuade Congress to authorize the National Park of American Samoa—about 10,000 acres of forests and 420 acres of coral reefs in the neighboring archipelago. And it has helped villages build schools, medical clinics and cisterns to catch rainfall, the main source of drinking water.

In Falealupo, the foundation paid for the construction of a series of connected platforms and a walkway 200 ft. high between two huge trees at the edge of the forest. Administered by villagers, the serial complex has brought in about $1,000 a month from tourists and school groups since it opened, profit that the villagers use to maintain the forest. ''This is the first time these people have made money from the forest without destroying it,'' says Cox. ''If they keep making this kind of money and other villages hear about it, the forests will be saved.''

Cox dreams that one day soon the people of Western Samoa will see the benefit of preserving not only the rain forests surrounding their villages but also the vast cloud forests that still cloak the sides of the volcanoes that form the spine of Savaii. Here he hopes the villagers will agree to ''make the biggest national park in the whole world,'' before the chain saws get there too. He wants them to become as excited about the project as he is, rather than have the impetus come from outside. Behind this goal lies a philosophy that runs through Cox's work: helping native people understand the wealth of their heritage so that they will want to preserve it rather than sell it. Since it's no less than Nafanua who is urging them on, that seems a reasonable goal.

Mr. GILMAN. Mr. Chairman, will the gentleman yield?

Mr. VENTO. I yield to the gentleman from New York.

Mr. GILMAN. I thank the gentleman for yielding. I want to commend him for his amendments. I want to notify the gentleman from Minnesota that we accept his amendments.

Mr. VENTO. I appreciate the gentleman's support and his interest in this matter.

Mr. PORTMAN. Mr. Chairman, will the gentleman yield?

Mr. VENTO. I yield to the gentleman from Ohio.

Mr. PORTMAN. I thank the gentleman for yielding. I just want to add to that that we think these are thoughtful amendments. One of the major underlying purposes of this legislation of course is to promote protection of plants that can cure diseases. I think his second amendment certainly does that. I think it clarifies the use of grants. It is helpful. I think the addition of the members to the EAI board is also helpful in that regard and also to be sure the indigenous people are represented. I think the amendments are helpful legislation. I join the chairman of the committee in supporting them.

Mr. HAMILTON. Mr. Chairman, I rise in support of the amendments. I think they are valuable additions to the bill. The gentleman from Minnesota has made a positive, constructive contribution. The first amendment pertains to expanding eligible activities to include research and identification of tropical forest plants for medical use. I am told that flowering plants and ferns have given rise to over 120 commercially sold drugs and account for some 25 percent of all prescriptions issued in the United States. This fact indicates the importance of this amendment.

The second amendment that was offered would include indigenous people in the consultation process to establish the local administering body. We should all recognize that the indigenous people play a very critical role in helping researchers identify plants and flora that have medicinal use.

□ 1200

Their guidance and experience provide very important direction to researchers. Mr. Speaker, these are two excellent amendments, and I commend the gentleman from Minnesota (Mr. VENTO).

The CHAIRMAN. The question is on the amendments offered by the gentleman from Minnesota (Mr. VENTO).

The question was taken; and the Chairman announced that the ayes appeared to have it.

RECORDED VOTE

Mr. GILMAN. Mr. Chairman, I demand a recorded vote.

The CHAIRMAN. Pursuant to House Resolution 388, further proceedings on the amendments offered by the gentleman from Minnesota (Mr. VENTO) will be postponed.

Are there other amendments?

SEQUENTIAL VOTES POSTPONED IN COMMITTEE OF THE WHOLE

The CHAIRMAN. Pursuant to House Resolution 388, proceedings will now resume on those amendments on which further proceedings were postponed in the following order: Amendment No. 1 offered by the gentleman from New York (Mr. GILMAN), and Amendments No. 2 and 3 offered by the gentleman from Minnesota (Mr. VENTO).

The Chair will reduce to 5 minutes the time for any electronic vote after the first vote in this series.

AMENDMENT OFFERED BY MR. GILMAN

The CHAIRMAN. The pending business is the demand for a recorded vote on the amendment offered by the gentleman from New York (Mr. GILMAN), on which further proceedings were postponed, and on which the ayes prevailed by voice vote.

The Clerk will redesignate the amendment.

The Clerk redesignated the amendment.

RECORDED VOTE

The CHAIRMAN. A recorded vote has been demanded.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 416, noes 1, not voting 14, as follows:

[Roll No. 61]

AYES—416

Abercrombie	Buyer	Dickey
Ackerman	Callahan	Dicks
Aderholt	Calvert	Dingell
Allen	Camp	Dixon
Andrews	Campbell	Doggett
Archer	Canady	Dooley
Armey	Cannon	Doolittle
Bachus	Capps	Doyle
Baesler	Cardin	Dreier
Baker	Carson	Duncan
Baldacci	Castle	Dunn
Ballenger	Chabot	Edwards
Barcia	Chambliss	Ehlers
Barr	Chenoweth	Ehrlich
Barrett (NE)	Christensen	Emerson
Barrett (WI)	Clay	Engel
Bartlett	Clayton	English
Barton	Clement	Ensign
Bass	Clyburn	Eshoo
Bateman	Coble	Etheridge
Becerra	Coburn	Evans
Bentsen	Collins	Everett
Bereuter	Combest	Ewing
Berman	Condit	Farr
Berry	Conyers	Fattah
Bilbray	Cook	Fawell
Bilirakis	Cooksey	Fazio
Bishop	Costello	Filner
Blagojevich	Cox	Forbes
Bliley	Coyne	Ford
Blumenauer	Cramer	Fossella
Blunt	Crane	Fowler
Boehlert	Crapo	Fox
Boehner	Cubin	Frank (MA)
Bonilla	Cummings	Franks (NJ)
Bonior	Cunningham	Frelinghuysen
Borski	Danner	Ganske
Boswell	Davis (FL)	Gejdenson
Boucher	Davis (IL)	Gibbons
Boyd	Davis (VA)	Gilchrest
Brady	Deal	Gillmor
Brown (CA)	DeFazio	Gilman
Brown (FL)	DeGette	Goode
Brown (OH)	Delahunt	Goodlatte
Bryant	DeLauro	Goodling
Bunning	DeLay	Gordon
Burr	Deutsch	Goss
Burton	Diaz-Balart	Graham

Granger
Green
Greenwood
Gutierrez
Gutknecht
Hall (OH)
Hall (TX)
Hamilton
Hansen
Harman
Hastert
Hastings (FL)
Hastings (WA)
Hayworth
Hefley
Hefner
Herger
Hill
Hilleary
Hinchey
Hinojosa
Hobson
Hoekstra
Holden
Hooley
Horn
Hostettler
Houghton
Hoyer
Hulshof
Hunter
Hutchinson
Hyde
Inglis
Istook
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Jenkins
John
Johnson (CT)
Johnson (WI)
Johnson, E. B.
Johnson, Sam
Jones
Kanjorski
Kaptur
Kasich
Kelly
Kennedy (MA)
Kennedy (RI)
Kennelly
Kildee
Kilpatrick
Kim
Kind (WI)
King (NY)
Kingston
Kleczka
Klink
Klug
Knollenberg
Kolbe
Kucinich
LaFalce
LaHood
Lampson
Lantos
Largent
Latham
LaTourette
Lazio
Leach
Levin
Lewis (CA)
Lewis (KY)
Linder
Lipinski
Livingston
LoBiondo
Lofgren
Lowey
Lucas
Luther
Maloney (CT)
Maloney (NY)
Manton
Manzullo
Markey
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCrery
McDade
McDermott
McGovern
McHale
McHugh
McInnis
McIntosh
McIntyre
McKeon
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Metcalf
Mica
Millender-McDonald
Miller (CA)
Miller (FL)
Minge
Mink
Moakley
Mollohan
Moran (KS)
Moran (VA)
Morella
Murtha
Myrick
Nadler
Neal
Nethercutt
Neumann
Ney
Northup
Norwood
Nussle
Oberstar
Obey
Olver
Ortiz
Owens
Oxley
Packard
Pallone
Pappas
Pascrell
Pastor
Paul
Paxon
Payne
Pease
Pelosi
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pickett
Pitts
Pombo
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Quinn
Radanovich
Rahall
Ramstad
Redmond
Regula
Reyes
Riley
Rivers
Rodriguez
Roemer
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Rothman
Roukema
Roybal-Allard
Royce
Rush
Ryun
Sabo
Salmon
Sanchez
Sanders
Sandlin
Sanford
Sawyer
Saxton
Scarborough
Schaefer, Dan
Schaffer, Bob
Schumer
Scott
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Shimkus
Shuster
Sisisky
Skaggs
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (OR)
Smith (TX)
Smith, Adam
Smith, Linda
Snowbarger
Snyder
Solomon
Souder
Spence
Spratt
Stabenow
Stark
Stearns
Stenholm
Stokes
Strickland
Stump
Stupak
Sununu
Talent
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Thomas
Thompson
Thornberry
Thune
Thurman
Tiahrt
Tierney
Torres
Towns
Traficant
Turner
Upton
Velazquez
Vento
Visclosky
Walsh
Wamp
Waters
Watkins
Watt (NC)
Watts (OK)
Waxman
Weldon (FL)
Weldon (PA)
Weller
Wexler
Weygand
White
Whitfield
Wicker
Wise
Wolf
Woolsey
Wynn
Yates
Young (AK)
Young (FL)

NOES—1

Hilliard

NOT VOTING—14

Foley
Frost
Furse
Gallegly
Gekas
Gephardt
Gonzalez
Lewis (GA)
Martinez
Parker
Poshard
Rangel
Riggs
Schiff

□ 1220

Mrs. CUBIN changed her vote from ''no'' to ''aye.''

So the amendment was agreed to.

The result of the vote was announced as above recorded.

PERSONAL EXPLANATION

Mr. FOLEY. Mr. Chairman, on rollcall No. 61, I was attending a meeting with the Senate on N.I.H. funding. Had I been present, I would have voted ''aye.''

AMENDMENTS OFFERED BY MR. VENTO

The CHAIRMAN. The pending business is the demand for a recorded vote on the amendments offered by the gentleman from Minnesota (Mr. VENTO) on which further proceedings were postponed and on which the ayes prevailed by voice vote.

The Clerk will redesignate the amendments.

The Clerk redesignated the amendments.

RECORDED VOTE

The SPEAKER pro tempore. A recorded vote has been demanded.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 335, noes 79, not voting 17, as follows:

[Roll No. 62]

AYES—335

Abercrombie
Ackerman
Allen
Andrews
Archer
Baesler
Baldacci
Ballenger
Barcia
Barrett (NE)
Barrett (WI)
Bass
Bateman
Becerra
Bentsen
Bereuter
Berman
Berry
Bilbray
Bilirakis
Bishop
Blagojevich
Bliley
Blumenauer
Blunt
Boehlert
Boehner
Bonior
Borski
Boswell
Boucher
Boyd
Brown (CA)
Brown (FL)
Brown (OH)
Bryant
Burr
Buyer
Calvert
Camp
Campbell
Canady
Capps
Cardin
Carson
Castle
Chambliss
Christensen
Clay
Clayton
Clement
Clyburn
Condit
Conyers
Cook
Cooksey
Costello
Cox
Coyne
Cramer
Cummings
Cunningham
Danner
Davis (FL)
Davis (IL)
Davis (VA)
Deal
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Diaz-Balart
Dickey
Dicks
Dingell
Dixon
Doggett
Dooley
Dreier
Duncan
Dunn
Edwards
Ehlers
Ehrlich
Engel
English
Ensign
Eshoo
Etheridge
Evans
Ewing
Farr
Fattah
Fawell
Fazio
Filner
Forbes
Ford
Fowler
Fox
Frank (MA)
Franks (NJ)
Frelinghuysen
Ganske
Gejdenson
Gilchrest
Gillmor
Gilman
Goode
Goodlatte
Goodling
Gordon
Goss
Green
Greenwood
Gutierrez
Gutknecht
Hall (OH)
Hall (TX)
Hamilton
Harman
Hastert
Hastings (FL)
Hefley
Hefner
Hill
Hilliard
Hinchey
Hinojosa
Hobson
Holden
Hooley
Horn
Hoyer
Hulshof
Hunter
Hyde
Istook
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson (CT)
Johnson (WI)
Johnson, E. B.
Kanjorski
Kaptur
Kasich
Kelly
Kennedy (MA)
Kennedy (RI)
Kennelly
Kildee
Kilpatrick
Kim
Kind (WI)
King (NY)
Kingston
Kleczka
Klink
Klug
Knollenberg
Kolbe
Kucinich
LaFalce
LaHood
Lampson
Lantos
Largent
Latham
LaTourette
Lazio
Leach
Levin
Lewis (CA)
Linder
Lipinski
Livingston
LoBiondo
Lofgren
Lowey
Lucas
Luther
Maloney (CT)
Maloney (NY)
Manton
Manzullo
Markey
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCrery
McDade
McDermott
McGovern
McHale
McHugh
McInnis
McIntosh
McIntyre
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Metcalf
Millender-McDonald
Miller (CA)
Miller (FL)
Minge
Mink
Moakley
Mollohan
Moran (VA)
Morella
Murtha
Nadler
Neal
Ney
Northup
Norwood
Nussle
Oberstar
Obey
Olver
Ortiz
Owens
Oxley
Packard
Pallone
Pappas
Pascrell
Pastor
Payne
Pease
Pelosi
Peterson (MN)
Pickett
Pitts
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Quinn
Rahall
Ramstad
Redmond
Regula
Reyes
Rivers
Rodriguez
Roemer
Rogers
Rohrabacher
Ros-Lehtinen
Rothman
Roukema
Roybal-Allard
Rush
Sabo
Sanchez
Sanders
Sandlin
Sawyer
Saxton
Scarborough
Schaefer, Dan
Schumer
Scott
Serrano
Shaw
Shays
Sherman
Shimkus
Shuster
Sisisky
Skaggs
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (TX)
Smith, Adam
Smith, Linda
Snyder
Spence
Spratt
Stabenow
Stark
Stenholm
Stokes
Strickland
Stupak
Talent
Tanner
Tauscher
Tauzin
Taylor (MS)
Thompson
Thune
Thurman
Tierney
Torres
Towns
Traficant
Turner
Upton
Velazquez
Vento
Visclosky
Walsh
Waters
Watkins
Watt (NC)
Watts (OK)
Waxman
Weldon (FL)
Weldon (PA)
Weller
Wexler
Weygand
White
Whitfield
Wise
Wolf
Woolsey
Wynn
Yates
Young (FL)

NOES—79

Aderholt
Armey
Bachus
Baker
Barr
Bartlett
Barton
Bonilla
Brady
Bunning
Burton
Callahan
Cannon
Chabot
Chenoweth
Coble
Coburn
Collins
Combest
Crane
Crapo
Cubin
DeLay
Doolittle
Emerson
Everett
Fossella
Gibbons
Graham
Granger
Hansen
Hastings (WA)
Hayworth
Herger
Hilleary
Hoekstra
Hostettler
Hutchinson
Inglis
Jenkins
Johnson, Sam
Jones
McKeon
Mica
Moran (KS)
Myrick
Nethercutt
Neumann
Parker
Paul
Paxon
Peterson (PA)
Petri
Pickering
Pombo
Radanovich
Riley
Rogan
Ryun
Salmon
Sanford
Schaffer, Bob
Sensenbrenner
Sessions
Shadegg
Smith (OR)
Snowbarger
Solomon
Souder
Stearns
Stump
Sununu
Taylor (NC)
Thomas
Thornberry
Tiahrt
Wamp
Wicker
Young (AK)

NOT VOTING—17

Doyle
Foley
Frost
Furse
Gallegly
Gekas
Gephardt
Gonzalez
Houghton
Lewis (GA)
Lewis (KY)
Martinez
Poshard
Rangel
Riggs
Royce
Schiff

□ 1231

Messrs. CALLAHAN, HANSEN, and WICKER, and Ms. GRANGER changed their vote from ''aye'' to ''no.''

So the amendments were agreed to.

The result of the vote was announced as above recorded.

PERSONAL EXPLANATION

Mr. FOLEY. Mr. Chairman, on rollcall No. 62, I was attending a meeting with the Senate on N&H funding. Had I been present, I would have voted ''aye.''

The CHAIRMAN. Are there any further amendments to the bill?

The question is on the committee amendment in the nature of a substitute, as amended.

The committee amendment in the nature of a substitute, as amended, was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker pro tempore (Mr. QUINN) having assumed the chair, Mr. LAHOOD, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 2870) to amend the Foreign Assistance Act of 1961 to facilitate protection of tropical forests through debt reduction with developing countries with tropical forests, pursuant to House Resolution 388, he reported the bill back to the House with an amendment adopted by the Committee of the Whole.

The SPEAKER pro tempore. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment to the committee amendment in the nature of a substitute adopted by the Committee of the Whole? If not, the question is on the amendment.

The amendment was agreed to.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. GILMAN. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 356, noes 61, not voting 14, as follows:

[Roll No. 63]

AYES—356

Abercrombie
Ackerman
Allen
Andrews
Archer
Armey
Bachus
Baesler
Baker
Baldacci
Ballenger
Barcia
Barrett (NE)
Barrett (WI)
Barton
Bass
Bateman
Becerra
Bentsen
Bereuter
Berman
Berry
Bilbray
Bilirakis
Bishop
Blagojevich
Bliley
Blumenauer
Blunt
Boehlert
Boehner
Borski
Boswell
Boucher
Boyd
Brown (CA)
Brown (FL)
Brown (OH)
Bryant
Bunning
Burr
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Capps
Cardin
Carson
Castle
Chabot
Chambliss
Christensen
Clay
Clayton
Clement
Clyburn
Condit
Conyers
Cook
Cooksey
Costello
Cox
Coyne
Cramer
Crapo
Cummings
Cunningham
Davis (FL)
Davis (IL)
Davis (VA)
Deal
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Diaz-Balart
Dickey
Dicks
Dingell
Dixon
Doggett
Dooley
Dreier
Dunn
Edwards
Ehlers
Ehrlich
Engel
English
Ensign
Eshoo
Etheridge
Evans
Ewing
Farr
Fattah
Fawell
Fazio
Filner
Foley
Forbes
Ford
Fowler
Fox
Frank (MA)
Franks (NJ)
Frelinghuysen
Furse
Ganske
Gejdenson
Gibbons
Gilchrest
Gillmor
Gilman
Goode
Goodlatte
Goodling
Gordon
Goss
Graham
Granger
Green
Greenwood
Gutierrez
Gutknecht
Hall (OH)
Hall (TX)
Hamilton
Harman
Hastert
Hastings (FL)
Hastings (WA)
Hayworth
Hefley
Hefner
Hill
Hilliard
Hinchey
Hinojosa
Hobson
Hoekstra
Holden
Hooley
Horn
Houghton
Hoyer
Hulshof
Hunter
Hutchinson
Hyde
Inglis
Istook
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson (CT)
Johnson (WI)
Johnson, E. B.
Kanjorski
Kaptur
Kasich
Kelly
Kennedy (MA)
Kennedy (RI)
Kennelly
Kildee
Kilpatrick
Kim
Kind (WI)
King (NY)
Kingston
Kleczka
Klink
Klug
Knollenberg
Kolbe
Kucinich
LaFalce
LaHood
Lampson
Lantos
Largent
Latham
LaTourette
Lazio
Leach
Levin
Lewis (CA)
Linder
Lipinski
Livingston
LoBiondo
Lofgren
Lowey
Luther
Maloney (CT)
Maloney (NY)
Manton
Manzullo
Markey
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCrery
McDade
McDermott
McGovern
McHale
McHugh
McInnis
McIntosh
McIntyre
McKeon
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Metcalf
Mica
Millender-McDonald
Miller (CA)
Miller (FL)
Minge
Mink
Moakley
Mollohan
Moran (KS)
Moran (VA)
Morella
Murtha
Myrick
Nadler
Neal
Nethercutt
Northup
Norwood
Nussle
Oberstar
Obey
Olver
Ortiz
Owens
Oxley
Packard
Pallone
Pappas
Pascrell
Pastor
Payne
Pease
Pelosi
Peterson (MN)
Pickering
Pickett
Pitts
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Quinn
Rahall
Ramstad
Redmond
Regula
Reyes
Rivers
Rodriguez
Roemer
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Rothman
Roukema
Roybal-Allard
Royce
Rush
Sabo
Sanchez
Sanders
Sandlin
Sawyer
Saxton
Scarborough
Schumer
Scott
Serrano
Shaw
Shays
Sherman
Shimkus
Shuster
Sisisky
Skaggs
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (TX)
Smith, Adam
Snyder
Souder
Spence
Spratt
Stabenow
Stark
Stenholm
Stokes
Strickland
Stupak
Sununu
Talent
Tanner
Tauscher
Tauzin
Taylor (MS)
Thomas
Thompson
Thune
Thurman
Tierney
Torres
Towns
Traficant
Turner
Upton
Velazquez
Vento
Visclosky
Walsh
Waters
Watt (NC)
Waxman
Weldon (FL)
Weldon (PA)
Weller
Wexler
Weygand
Whitfield
Wicker
Wise
Wolf
Woolsey
Wynn
Yates
Young (FL)

NOES—61

Aderholt
Barr
Bartlett
Bonilla
Brady
Burton
Cannon
Chenoweth
Coble
Coburn
Collins
Combest
Crane
Cubin
Danner
DeLay
Doolittle
Duncan
Emerson
Everett
Fossella
Gekas
Hansen
Herger
Hilleary
Hostettler
Jenkins
Johnson, Sam
Jones
Lewis (KY)
Lucas
Neumann
Ney
Parker
Paul
Paxon
Peterson (PA)
Petri
Pombo
Radanovich
Riley
Ryun
Salmon
Sanford
Schaefer, Dan
Schaffer, Bob
Sensenbrenner
Sessions
Shadegg
Smith (OR)
Snowbarger
Solomon
Stearns
Stump
Taylor (NC)
Thornberry
Tiahrt
Wamp
Watkins
Watts (OK)
Young (AK)

NOT VOTING—14

Bonior
Doyle
Frost
Gallegly
Gephardt
Gonzalez
Lewis (GA)
Martinez
Poshard
Rangel
Riggs
Schiff
Smith, Linda
White

□ 1249

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. GILMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and to include extraneous material on H.R. 2870, the bill just passed.

The SPEAKER pro tempore (Mr. GILLMOR). Is there objection to the request of the gentleman from New York?

There was no objection.

ANNOUNCEMENT OF PROCEDURES AND DEADLINE FOR PRINTING OF AMENDMENTS ON H.R. 2578, THE VISA WAIVER EXTENSION

(Ms. PRYCE of Ohio asked and was given permission to address the House for 1 minute.)

Ms. PRYCE of Ohio. Mr. Speaker, the Committee on Rules is planning to meet next week to grant a rule on H.R. 2575, the Visa Waiver Extension.

Subject to the approval of the Committee on Rules, this rule may include a provision requiring amendments to be preprinted in the amendment section of the Congressional RECORD before being offered.

So, for example, if the bill is considered on the floor on Wednesday, as is currently anticipated, amendments would have to be submitted for the RECORD by Tuesday, March 24th.

Amendments to be preprinted should be signed by the Member and submitted at the Speaker's table.

Members should use the Office of Legislative Counsel to ensure that their amendments are properly drafted and should check with the Office of the Parliamentarian to be certain their amendments comply with the rules of the House. It is not necessary to submit amendments which comply with the rules to the Committee on Rules or to testify.

LEGISLATIVE PROGRAM

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

Mr. ROEMER. Mr. Speaker, I rise to inquire of the majority leader or his designee about the schedule for next week for the House of Representatives.

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

Mr. ROEMER. I am delighted to yield to the majority leader.

Mr. ARMEY. Mr. Speaker, I thank the gentleman for yielding to me.

I am pleased to announce we have concluded legislative business for the week.

The House will next meet on Monday, March 23rd, at 2 p.m. for a pro forma session. There will be no legislation considered and no votes on that day.

On Tuesday, March 24, the House will meet at 12:30 p.m. for morning hour and 2:00 p.m. for legislative business. Members should note we do not expect any recorded votes before 5:00 p.m. on Tuesday.

We will consider the following bills under suspension of the rules on Tuesday:

H.R. 2843, the Aviation Medical Assistance Act of 1997; H.R. 3039, the Veterans Transitional Housing Opportunities Act of 1997; H.R. 3211, a Bill Regarding Eligibility Requirements for Burial in Arlington National Cemetery; H.R. 3213, a Bill to Clarify Enforcement of Veterans' Employment Rights; H.R. 3412, the Small Business Investment Company Technical Corrections Act of 1998; and H.R. 118, the Traffic Stops Statistics Act of 1997.

The House will also take up a bill on the Corrections Day Calendar, H.R. 3096, a Bill Relating to Termination of Benefits for Convicted Persons.

On Wednesday, March 25, and the balance of the week, the House will meet at 10 a.m. to consider the following legislation:

H.R. 2578, a Bill to Extend the Visa Waiver Pilot Program; H.R. 2589, the Copyright Term Extension Act; H.R. 3310, the Small Business Paperwork Reduction Act Amendments of 1998; H.R. 2515, a Bill to Address the Declining Health of Forests; H.R. 3246, the Fairness for Small Business and Employees Act of 1998; and H.R. 3485, The Campaign Reform and Election Integrity Act of 1998.

We also hope to bring up H.R. 1757, the State Department Reauthorization Bill, conference report.

Mr. Speaker, we hope to conclude legislative business for the week by 2 p.m. on Friday, March 27.

Mr. Speaker, I would also like to discuss the schedule for the last week of March. As the schedule we distributed at the beginning of the year indicates, the House will meet on Monday, March 30th, through Wednesday April 1. We have a number of very important pieces of legislation for the week, including the supplemental appropriations bill and the BESTEA bill. Members should note it will be necessary to begin legislative business and votes at noon on Monday, March 30.

On Wednesday, April 1, we will adjourn for the spring district work period, from which the House will return on Tuesday, April 21st.

Mr. Speaker, I want to thank the gentleman for yielding to me.

Mr. ROEMER. Mr. Speaker, I thank the majority leader and would just inquire further of him for some clarification on the schedule.

Does the gentleman expect us to be in late on Tuesday night, since we begin votes at 5 with six bills and one correction?

Mr. ARMEY. If the gentleman will continue to yield, he is referring to Tuesday of next week?

Mr. ROEMER. That is correct.

Mr. ARMEY. No, I do not expect to be in late. We will probably take those votes at 5, and that will probably be the business for the evening.

Mr. ROEMER. Does the gentleman from Texas expect any late votes next week?

Mr. ARMEY. It is possible that Wednesday and Thursday could be late evenings.

Mr. ROEMER. If the gentleman would continue to elucidate on the schedule, does he expect campaign finance reform to come to the floor next week or any time soon?

Mr. ARMEY. I thank the gentleman for asking. Yes, as I noted, I expect it to be on the floor sometime next week.

Mr. ROEMER. Can the gentleman be more specific as to a day?

Mr. ARMEY. I would expect Wednesday or Thursday.

Mr. ROEMER. Wednesday or Thursday.

And would the majority leader tell the House as well about the State Department conference bill coming to the floor; when he expects that bill to come to the floor and what the vote tally might be?

Mr. ARMEY. Again, I thank the gentleman for asking. We expect that bill to be on the floor sometime next week, and as soon as we have more definitive information, we will let the Members know.

Mr. ROEMER. If the majority leader knows the answer to this question, on H.R. 3246, the bill dealing with the National Labor Relations Board, does he expect that bill to be coming before the House next week?

Mr. ARMEY. Once again, I thank the gentleman for asking, and we would expect that bill on Thursday of next week.

Mr. ROEMER. Thursday next week.

Mr. Speaker, with that I do not have any further questions of the majority leader, other than to say that I think a lot of us have been seeing a lot of our families for the past couple of months, and we hope to continue to do that into the year. Does the majority leader expect us to have late nights with the appropriations bills coming up soon?

Mr. ARMEY. Again, I thank the gentleman for his questions, and I do hope Members have had time to be with their families.

Mr. ROEMER. The gentleman sounds like that time is over.

Mr. ARMEY. Well, I think the week following next will be a rigorous and demanding week. It is a short week of only 3 days, and we will then have an opportunity to spend some time in our districts working and visiting with our families and celebrating Easter.

We will then, as we come back, move fairly quickly into the appropriation season. And as the gentleman knows, appropriation season can be a season of the year when we do have more than a fair share of late evenings. And, of course, that is always regrettable, but the work must be done.

Mr. ROEMER. Mr. Speaker, I thank the majority leader, and I want to say to him that I will continue to work with him and his office on these scheduling issues.

□ 1300

ADJOURNMENT TO MONDAY, MARCH 23, 1998

Mr. TIAHRT. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourns to meet at 2 p.m. on Monday next.

The SPEAKER pro tempore (Mr. GILLMOR). Is there objection to the request of the gentleman from Kansas?

There was no objection.

HOUR OF MEETING ON TUESDAY, MARCH 24, 1998

Mr. TIAHRT. Mr. Speaker, I ask unanimous consent that when the House adjourns on Monday, March 23, 1998, it adjourn to meet at 12:30 p.m. on Tuesday, March 24, for morning-hour debates.

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

There was no objection.

DISPENSING WITH CALENDAR WEDNESDAY BUSINESS ON WEDNESDAY NEXT

Mr. TIAHRT. Mr. Speaker, I ask unanimous consent that the business in order under the Calendar Wednesday rule be dispensed with on Wednesday next.

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

There was no objection.

NATIONAL AND COMMUNITY SERVICE AMENDMENTS ACT OF 1998—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 105–231)

The SPEAKER pro tempore (Mr. GILLMOR) laid before the House the following message from the President of the United States; which was read and, together with accompanying papers, without objection, referred to the Committee on Education and the Workforce and ordered to be printed:

To the Congress of the United States:

I am pleased to transmit for your immediate consideration and enactment the ''National and Community Service Amendments Act of 1998.'' This legislative proposal extends and amends national service law, including the National and Community Service Act of 1990 and the Domestic Volunteer Service Act of 1973. It builds upon the long, bipartisan tradition of service in our country, which was renewed in 1993 when I signed the National and Community Service Trust Act creating the Corporation for National Service.

Service to one's community is an integral part of what it means to be an American. The Presidents' Summit for America's Future held in Philadelphia last April reinforced the role of programs supported by the Corporation for National Service as key vehicles to provide young people with the resources to maximize their potential and give back to their communities. Citizens service is also at the heart of our efforts to prepare America for the 21st century, as we work to ensure that all Americans have the opportunity to make the most of their own lives and to help those in need.

My Administration's most important contribution to citizen service is AmeriCorps, the national service program that already has given more than 100,000 young Americans the opportunity to serve their country. By tying opportunity to responsibility, we have given them the chance to serve and, in return, earn money for post-secondary education. In community after community, AmeriCorps members have proven that service can help us meet our most pressing social needs. For example, in Simpson County, Kentucky, AmeriCorps members helped second graders jump three grade levels in reading. In Boys and Girls Clubs, AmeriCorps members are mentors for at-risk young people. Habitat For Humanity relies upon AmeriCorps members to recruit more volunteers and build more houses. In communities beset by floods, tornadoes, and hurricanes, AmeriCorps members have helped to rebuild lives and restore hope. AmeriCorps members are helping to mobilize thousands of college students from more than 800 college campuses in our America Reads program. In all of these efforts, AmeriCorps brings together people of every background to work toward common goals.

Independent evaluators have reviewed AmeriCorps, National Senior Service Corps programs, and Learn and Service America programs and have concluded that national service yields a positive return on investment. The proposed legislation that I am transmitting builds on our experiences with national service to date and improves national service programs in four ways: (1) by codifying agreements with the Congress and others to reduce costs and streamline national service; (2) strengthening partnerships with traditional volunteer organizations; (3) increasing States' flexibility to administer national service programs; and (4) expanding opportunities for Americans to serve.

Since the enactment of the National and Community Service Trust Act in 1993, and particularly since 1995, my Administration has worked with constructive critics of national service to address their concerns and improve the overall program. This proposed legislation continues that process by reducing the Corporation's average budgeted cost per AmeriCorps member, repealing authority for redundant or obsolete national service programs, and making other improvements in the efficiency of national service programs.

National service has never been a substitute for the contributions made by the millions of Americans who volunteer their time to worthy causes every year. Rather, as leaders of volunteer organizations have often expressed, national service has proven that the presence of full-time, trained service participants enhances tremendously the effectiveness of volunteers. This proposed legislation will strengthen the partnership between the national service programs and traditional volunteer organizations; codify the National Service Scholarship program honoring exemplary service by high school students; and expand the AmeriCorps Challenge Scholarships, through which national service participants can access education awards. It also will authorize appropriations for the Points of Light Foundation through the year 2002.

The National and Community Service Trust Act of 1993 explicitly conceived of national service as a Federal-State partnership. The Act vested significant authority in bipartisan State Commissions appointed by the Governors. I promised that we would accelerate the process of devolution as the newly created State Commissions expanded their capacities. This proposed legislation fulfills that promise in a variety of ways, including providing authority for the Corporation for National Service to enter into Service Collaboration Agreements with Governors to provide a means for coordinating the planning and administration of national service programs in a State.

This proposed legislation will also provide additional service opportunities. By reducing the cost per AmeriCorps member, it will enable more people to serve; it will broaden the age and income guidelines for National Senior Service Corps participants, expanding the pool of older Americans who can perform results-oriented service in their communities; and it will simplify the administration of Learn and Serve America, so States and communities will more easily be able to provide opportunities for students to learn through service in their schools and neighborhoods.

This past January, I had the opportunity to honor the memory of Dr. Martin Luther King, Jr., by engaging in service on the holiday commemorating his birth. I joined 65 AmeriCorps members and more than 300 community volunteers in repairing and repainting Cardozo High School in the Shaw neighborhood of Washington, DC. Thirty-one years ago, Dr. King came to that very neighborhood and urged the people there to engage in citizen service to rebuild their lives, their community, and their future. That is what those national service participants, and the thousands more who were participating in similar projects across the country, were doing—honoring the legacy of Dr. King and answering the high calling of citizenship in this country.

Each of the more than 500,000 participants in the programs of the National Senior Service Corps and the 750,000 participants in programs supported by Learn and Serve America, and every AmeriCorps member answers that high calling of citizenship when they make and fulfill a commitment to service in their communities. This proposed legislation builds on the successes of these programs and improves them for the future.

I urge the Congress to give this proposed legislation prompt and favorable consideration.

WILLIAM J. CLINTON.

THE WHITE HOUSE, *March 19, 1998.*

SPECIAL ORDERS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, and under a previous order of the House, the following Members will be recognized for 5 minutes each.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. FILNER) is recognized for 5 minutes.

(Mr. FILNER addressed the House, His remarks will appear hereafter in the Extension of Remarks.)

IMPORTANCE OF DOMESTIC OIL PRODUCTION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Kansas (Mr. MORAN) is recognized for 5 minutes.

Mr. MORAN of Kansas. Mr. Speaker, I rise today to talk about an issue awfully important to Kansans and the

American economy. Yesterday, the Washington Post contained a front-page story on oil prices hitting the lowest level in 10 years. And while to many of my colleagues this may sound like good news, I would like to take just a moment to remind everyone that there are, as usual, two sides to every story.

For the Kansas oil industry, this recent drop in prices is devastating and could result in substantial job loss for the State's oil industry. Most important, however, is the potential loss in infrastructure for domestic oil production in the future. Kansas produces over 40 million barrels of oil, and the oil industry supports around 15,000 jobs in our State.

Historically, Kansas has produced almost 6 billion barrels of oil to fuel our domestic economy. But with the recent drop in prices of crude from about $16 a barrel to about $10.75, this industry is in danger. For Kansas, it is a simple proposition that it is not just the reduction in price but this means we are plugging wells that rarely are put back into production.

Our dependence in this country on imported oil continues to grow. According to the Department of Energy, crude oil imports were over 7.7 million barrels a day in the last 4 weeks. This has a tremendous impact on our balance of trade. And we must keep in mind that imported oil comes at a significant price. The United States spends over $250 billion annually for the Department of Defense, with a large amount of those resources devoted to the Middle East.

I am certainly a strong supporter of our Armed Forces and recognize the value of defense spending. However, when we are spending billions of dollars in defense money to protect imported oil, we might question what we are doing to protect the basic infrastructure of our domestic oil supply. At this time, it is clear that, while we will protect our international suppliers, we do little to protect or even to promote our domestic oil production.

Mr. Speaker, the oil and gas industry has long been an important and fundamental sector of the economy of the United States. It is time that we in this Congress recognize that this industry is important and we work to ensure its survival for the future.

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from New York (Mrs. MALONEY) is recognized for 5 minutes.

(Mrs. MALONEY of New York addressed the House, Her remarks will appear hereafter in the Extension of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois (Mr. EWING) is recognized for 5 minutes.

(Mr. EWING addressed the House, His remarks will appear hereafter in the Extension of Remarks.)

A TRIBUTE TO SARAH HEGARTY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Wisconsin (Mr. BARRETT) is recognized for 5 minutes.

Mr. BARRETT of Wisconsin. Mr. Speaker, today I would like to pay tribute to a brave young woman from my District who passed away on Monday, just a few weeks after receiving a three-organ transplant.

Sarah Hegarty was a remarkable young woman with hope and promise for the future. She spent the last 2 years of her life simultaneously isolated from the life she lived so vibrantly and immersed in friends and family offering love and support for her throughout her ordeal.

Her family has been saddened by the loss of a loved one at such an early age, but they also have been enriched by the strength and courage Sarah displayed and the support their community has given them.

Though she was only 17, Sarah lived a full life. She was a starting guard on the Divine Savior Holy Angels High School 1996 State Championship Basketball Team. She was an all-conference soccer player. She was an integral part of life at her school, and her friends stayed by her side during 2 years of surgery and hospital stays.

Sarah's classmates at Divine Savior Holy Angels High School conducted several spiritual services for Sarah during her illness. They carried with them a tape of the service conducted just before her latest surgery and played it for her in her hospital room. Sarah's classmates found solace in the services and used the services as a means to pay tribute to her.

On Tuesday, as the Nation celebrated St. Patrick's Day with parades and the wearing o' the green, the students at Divine Savior Holy Angels High School celebrated the life of a classmate, a teammate, their friend, Sarah Hegarty. A writer for our local paper described the service quite appropriately as a remembrance of ''someone with whom they had walked the noisy courts of triumph into the quiet corridors of pain.''

On the day she died, Father Larry Gillick, a friend of the family, visited her and relayed his thoughts of the struggle both Sarah and her parents endured. He said, ''She is a fighter, two years of this suffering; what parents won't do. Amazing love.''

That is what it is, Mr. Speaker, amazing love. I can only offer condolences and the best wishes from myself and my family to Sarah's parents, Dolly and Jerry; her brother, James; and her sisters as they begin down the long road of healing. I know Sarah will be missed, and I am confident that her life made an impact that will always be remembered.

AMERICA HAS A CRISIS OF THE SOUL

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Kansas (Mr. TIAHRT) is recognized for 5 minutes.

Mr. TIAHRT. Mr. Speaker, today America is enjoying a great economic time. We are setting record after record on the New York Stock Exchange. This is a reflection of the confidence that the average investor has in the market.

Likewise, many retailers are enjoying a prosperous year because consumer confidence has increased and we Americans are buying more. Unemployment is at the lowest level in 20 years. Things just look good on the outside, but on the inside America has a crisis of the soul.

The statistics are staggering. Drug abuse is increasing, especially for younger Americans, making our society more dangerous, more susceptible to robbery, car jacking and gang-related crimes.

Child abuse has increased, as broken homes try to mend themselves with new relationships; and, too often, it is a stepparent that is the initiator of the abuse. Children are so vulnerable to an adult, and far too often the one parent fails to protect the children from another.

Spouse abuse has increased. Often women who are physically unable to defend themselves are the victims.

Divorce rates are also a high percentage of marriages. Many people choose not to honor the commitments they made on their wedding day; and, too often, it is the children that suffer. Often quietly, they suffer through retreating into their rooms filled with the darkness of insecurity.

Yes, Mr. Speaker, America is experiencing a crisis of the soul. Culturally, we have turned from the virtues that built a great Nation, virtues like hard work, honesty, integrity, faith in God, respect for our neighbors, both men and women, regardless of race or religion. Now we seem adrift in an ocean of quiet pain and suffering, abused children that never make the news, abused spouses that never make the news unless it is the most violent of cases, broken homes, broken dreams, broken promises, broken commitments, broken commitments to ourselves, our families, our country, and our God.

How can we return to that fullness our soul desires? How can we rebuild our families? How can we make America better?

Well, Mr. Speaker, I believe each of us know in our hearts what is right and what is wrong, and each of us have to make choices that are the right choices. For, if we fail, our country fails.

So I would like to challenge my colleagues and my fellow Americans that we return to the virtues that built a great Nation: honesty, integrity, hard work, honoring commitments, faith in God, treating our fellow man as we would treat ourselves.

FEDERAL BUDGET

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Maryland (Mr. BARTLETT) is recognized for 5 minutes.

Mr. BARTLETT of Maryland. Mr. Speaker, I want to speak today about an issue which is very important to America and its future.

I have here a chart which shows the Federal budget. Ordinarily, things above the line are good. But, in this case, things below the line are good. Because when we are above the line, we have a deficit; and when we are below the line, we have a surplus. What we see is that, for fiscal year 1998, we have a surplus; for 1999, a surplus; a small surplus for 2000; and then big surpluses after that. That is really good news.

Supposedly, we have balanced the budget; and America will now be on a course to reducing our debt. If we pay this money back on the debt or if we spend it or give it back as a tax cut, at least the debt should stay the same as it is now.

But when we look at the next chart, what we see here, and these are estimates from CBO, the Congressional Budget Office, the official office that estimates where the economy is going, how large the deficit is going to be, how large the debt is going to be, and what we see here is that there is an ever-rising debt, that the debt goes up and up.

How can the debt go up when we have balanced the budget and we have a surplus? Now, if we spent the surplus, at the worst, the debt ought to stay the same. But the debt is going up and up. As a matter of fact, the debt goes up almost a trillion dollars, from about $5.4 to about $6.4 trillion by about 2002. How in the world can that happen? How can we have a balanced budget with a surplus and still have a very large increase in the debt?

□ 1315

It is because of the way we define the budget. The balanced budget that our people talk about is when we balance the amount of money which comes into the government against the amount of money which goes out of the government. But something over 10 percent of the money that comes into the government is not the government's money to spend.

Let me show Members the next chart. The next chart shows the elements of our debt. About two-thirds of our debt are held by the public. About a third of our debt is in government accounts. What are these so-called government accounts? What that debt is, is money which does not belong to the government, should not be spent for the government except for the purpose for which it is collected.

Social Security is about a third of that, the Social Security Trust Fund. Last year we took about $59 billion out of the Social Security Trust Fund, spent it for routine government operating activities, and make the perfectly silly statement that the Social Security surplus offsets the deficit. That is because they refer to a unified budget, all that comes in and all that goes out, but over 10 percent of what comes in is not the government's to spend. The reason the debt goes up is because the government owes that money. About $180 billion a year is about the amount of money that is taken out of the trust funds and spent for general government operating activities. That is not the government's money to spend. As a matter of fact, most of that money belongs to seniors.

Look at the categories. Social Security, Medicare, railroad retirement, military retirement, civil service retirement. That is over 90 percent of all of the trust fund money that is spent belongs to seniors. It needs to be there in those trust funds so it will be available for seniors. All that is in those trust funds is a bunch of IOUs. The bills come due when we need to have them. We do not have a balanced budget. The budget is in fact out of balance by about $180 billion a year.

We need to be honest with the American people. We have balanced a unified budget, but that does not keep the debt from going up. Let me put it back up here. The debt goes up about $1 trillion over the next 5 or 6 years. That represents the $180 billion a year that we are taking from the trust funds and spending on routine government operating activities. The budget, as anybody outside of the Beltway would define it, is clearly not balanced. We are still running a deficit of $180 billion a year. That is money taken from accounts largely owned by our senior citizens.

We need to demand that the government have honest accounting. We really need to balance the budget. No senior I know wants to pass on a bigger and bigger debt to their children and their grandchildren. That is what this accounting does. We need to demand honest accounting, we need to have truly a balanced budget. To get there we have got to spend $180 billion a year less. That is our challenge in the Congress. Hold us to that responsibility.

ILLEGAL DRUGS

The SPEAKER pro tempore (Mr. GILLMOR). Under a previous order of the House, the gentleman from Florida (Mr. MICA) is recognized for 5 minutes.

Mr. MICA. Mr. Speaker, I come before the House again this afternoon to talk about one of the greatest threats to our Nation and to our society. That is the threat of drugs and illegal narcotics. I have spoken many times on the floor about this. Today let me review for a minute again the history of how we got ourselves into the situation where we have a tide of drugs coming into this country and countless deaths because of drug abuse and drug misuse.

First of all, in 1993, when the other party controlled the White House, the other body and the House of Representatives, they took actions which we are paying for today. First, they cut and almost eliminated most of the staff in the drug czar's office. Then they cut the military involvement in the war on drugs. Then they decimated and cut the source country programs to stop drugs where they are grown and where they are produced. Then they appointed a Surgeon General that said just say maybe. At probably one of the lowest points we had comments replayed by the President who said if he had it to do over again, he would inhale.

We also had a situation that we are looking into now on my Subcommittee on National Security, International Affairs, and Criminal Justice where Federal drug prosecutions in this country are actually down and have dropped. Just within the last few weeks, this administration took the final blow in certifying Mexico, which is the source of 50 percent of the hard drugs entering this country, certifying them, making them eligible for benefits of the United States trade, aid, and foreign assistance.

It just is not right. The results are incredible. Listen to these statistics. Since 1992, drug use among teens has skyrocketed 70 percent. Half of high school seniors think that it is easy to obtain cocaine and LSD in a national survey. Eighth grade drug use has increased by 150 percent since 1992. One out of 4 high school seniors is currently a user of illegal drugs.

I come from central Florida, a beautiful area in our Nation. Let me tell Members what has happened in my community, a rather prosperous district in central Florida, is doing very well and economically well placed. But in Orlando, in 1995, we ranked fifth in the Nation in cocaine deaths per capita. Orange County and Osceola counties in central Florida led our State in heroin deaths per capita in 1996. Cocaine deaths in Orlando went up in 1996 to 87 from an already high number of 75. Tampa and St. Petersburg had a combined 91 deaths in 1997. The wholesale price of heroin in central Florida has dropped dramatically from 1991 to 1997.

Let me tell Members what Republicans have done. We have restored some of the Clinton cuts from the 1993 to 1995 period. We have gotten our military back into the war. We have restarted our source country interdiction and eradication programs. We have passed tougher laws. We think tougher laws work. You can spend a lot of money. But look at New York City with a Republican mayor, Rudy Giuliani. In just a few years with tough enforcement and tough prosecution, they have dramatically dropped the crime and incidence of drug abuse and use in that city.

Tomorrow in central Florida we initiate a HIDTA. It is called a high intensity drug trafficking initiative. That program is a Federal program,

but it is combined, bringing Federal resources with State, local and prosecutorial forces together to have tough enforcement in central Florida. If you do drugs in central Florida, you are going to do jail. We are going to arrest you. We are going to make it tough on you.

Tomorrow in central Florida, we hope to take a lead in stopping this rash of drug trafficking, this rash of deaths from heroin, cocaine overdoses among our youth. I know you can get tough. I know it will work.

In closing, let me tell Members a little example. Out here at First Street there is an Officer Thompson. Everyone knows about Officer Thompson because if you jaywalk at his corner and his beat, he enforces the law. So very few people, Capitol staff or Members, ever jaywalk where Officer Thompson is, because he is a tough enforcer of current laws. That is what we are going to do in central Florida. That is what we need to do in the United States of America, is stop drugs at their source. If you do drugs, you are going to do time. We are going to enforce the laws of this country.

AFFORDABLE HEALTH INSURANCE

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, the gentleman from New Jersey (Mr. PALLONE) is recognized for 60 minutes as the designee of the minority leader.

Mr. PALLONE. Mr. Speaker, next week I plan to introduce the Affordable Health Insurance Act of 1998. This is the House companion bill to Senator KENNEDY's legislation that he will also shortly introduce.

Mr. Speaker, in 1996, 2 years ago, Senators KENNEDY and Kassebaum introduced the Health Insurance Portability and Accountability Act of 1996, which became known as the Kennedy–Kassebaum bill. The Kennedy–Kassebaum bill sought to improve portability and continuity of health insurance coverage and to limit preexisting conditions exclusions. This was part of our overall effort to reform health care and health insurance and try to make it easier for people to transfer their health insurance when they moved from job to job and to make sure that people who had preexisting conditions were not excluded from being able to obtain health insurance because they lost their job or changed their job or decided that they needed health insurance.

At the time, 2 years ago, as cochair of our Democratic Health Care Task Force, I worked with a majority of Democrats and some moderate Republicans to push for passage of the Kennedy–Kassebaum bill. On August 21, 1996, it was signed into law by President Clinton as Public Law 104–191. Those of us who pushed for the Kennedy–Kassebaum legislation were hopeful that what we set out to do would be accomplished in the 2 years since it was enacted into law. However, the General Accounting Office recently issued a report. The GAO is the nonpartisan investigative arm of Congress. They recently, just this past week, issued a report that said that many people who tried to move from the group health insurance market to the individual health insurance market under the Kennedy–Kassebaum law may, and I quote, ''may be effectively priced out of the market.''

Those who fought for the original Kennedy–Kassebaum legislation thought that people who left the group market would be provided access to the individual health insurance market. Unfortunately, what the GAO found is that consumers who either leave their job or for other reasons leave the group market are being charged between 140 percent to 600 percent of the standard premiums when invoking Kennedy–Kassebaum to obtain insurance in the individual market.

Kennedy–Kassebaum was intended to provide access for people, for Americans, to health insurance. Unfortunately, when the price of the premiums becomes so outrageously unaffordable, essentially that access is denied. And so the promise of Kennedy–Kassebaum to provide access is essentially denied because the health insurance is unaffordable.

I wanted to, if I could, Mr. Speaker, talk a little bit more about the recommendations and the concerns that came out of this GAO report. As I said, the main concern was that the high rates that are being charged individuals basically make the guarantee of health insurance in Kennedy–Kassebaum not real. But the GAO mentioned a number of things in addition to the high rates which I think should be brought to my colleagues' attention and to the American people.

The GAO identified these problems. They said, first, that some States, including California, have not passed all the laws needed to carry out the Federal statute. And the Federal Government does not have enough money or personnel to fill the breach.

I am reading, I should say, Mr. Speaker, from a New York Times article from this past Tuesday, March 17, on the front page, which went into some of the recommendations and some of the concerns expressed in the GAO report.

The second thing that the GAO mentioned was that the regulations are vague and ambiguous, so insurers do not fully understand their obligations. Then they said the consumers lose most of their rights if they do not buy an individual insurance policy within 63 days of losing group coverage, but they are often unaware of this time line.

The GAO also said that some insurers have redesigned their benefits in ways that exclude coverage of particular illnesses or costly procedures for a specified period of time and that these tactics may not be illegal, but defeat the purpose of the law.

Finally, the GAO report says that some companies have told insurance agents that they will not get commissions for selling policies to individuals with medical problems; in other words, those with the preexisting conditions that we were concerned about.

President Clinton has said that he will address one problem this week by notifying State officials that it was against the law for insurers to penalize agents who sell policies to high-risk individuals. These are all concerns that we certainly need to address in Congress or that need to be addressed through agency action by the executive branch.

□ 1330

But really, the whole focus of the law and the main concern that I have is the issue of affordability. A lot of consumers I think may be disappointed because they cannot buy affordable policies pursuant to Kennedy–Kassebaum, and in The New York Times article it actually mentions that one insurer, American Medical Security of Green Bay, Wisconsin, a subsidiary of United Wisconsin Services, said it reserved the right to charge high-risk individuals 5 times the rates charged to healthy people.

Now, the law does not restrict the premiums that a company may charge for individual health insurance coverage. I think our feeling was, those of us who voted for this bill, was that we were hopeful that the insurance companies, even if it was not required by law, that there be a limit on how much they could charge, that they would voluntarily exercise some restraint in how much they would charge high-risk people or those with preexisting conditions. Obviously, the GAO report says that that is not necessarily happening, and I think, therefore, it means that the Federal Government must, and this Congress must, intervene to pass legislation that would limit how much could be charged these high-risk or these people with preexisting conditions.

The legislation that Senator KENNEDY and I will be introducing will end this price-gouging practice. It will ensure that the true intent of the original Kennedy–Kassebaum legislation will be guaranteed. Those who enter the individual market should not be denied health care for being responsible citizens by seeking to maintain health care coverage.

The Affordable Health Insurance Act of 1998 is responsible legislation, and I would urge my colleagues that they cosponsor the bill before we put it in next week, and that we see action swiftly to pass the legislation. Congress, I do not believe, can allow these excessive premium increases to go unchecked.

Mr. Speaker, I wanted to say that in many ways, the issue of affordability and the denial of access because of the lack of affordability that I mentioned in the context of Kennedy–Kassebaum makes me also feel that we should address the issue of affordability in the

context of the Medicare expansion legislation that has been proposed by President Clinton and that I support 100 percent. Democrats earlier this week announced expansion of health coverage for Americans aged 55 to 65, basically putting in legislation that would enact into law what the President has articulated.

The President has been saying for the near elderly, the people between 55 and 65 that are not yet eligible for Medicare, that they should be able to buy into the Medicare system in certain circumstances, depending upon their age or circumstances, because what we find is that increasingly, this group of people in that 10-year, from 55 to 65, are the ones who lose their job or whose spouse loses their job or loses their coverage and cannot find health insurance, affordable health insurance, on the private market. And so what we are saying, let us expand Medicare in certain circumstances so that they can buy into Medicare without additional cost to the Medicare program.

The President's bill that is now supported by the Democratic leadership both in the House and in the Senate, presents three options to this age group to obtain insurance, and I will just briefly mention it. It says, individuals 62 to 65 years old with no access to health insurance may buy into Medicare by paying a base premium now and deferred premium during their post-65 Medicare enrollment. Individuals in the second category from 55 to 62 who have been laid off and have no access to health insurance, as well as their spouse, may buy into Medicare by paying a monthly premium of about $400. Now, $400 generally is about what the cost would be to buy into the Medicare program.

Then the third category, retirees age 55 or older whose employer-sponsored coverage is terminated may buy into their employer's health insurance for active workers at 125 percent of the group rate.

I wanted to say, though, again, going back to the issue of affordability and how it may impact the Kennedy–Kassebaum legislation, I think again we may face a situation where the President's buy-into Medicare provides access, but for many people who cannot afford the $400 a month or can only afford to pay part of the $400 a month, they may be still denied access to Medicare and to health insurance because of the cost. So while I applaud the President's buy-into Medicare proposal as a means to provide additional access, I believe that providing some financial assistance to the near elderly will address issues surrounding its affordability.

I am working on legislation that will provide economic assistance for those aged 62 to 64 who choose to buy into the Medicare program and for those age 55 to 64 who have been laid off or displaced. As is the President, I am not necessarily seeking to increase Medicare costs, but am seeking to make one of the best health care programs in the world accessible and affordable to an important segment of the uninsured population. My idea, which would be to create a sliding scale of assistance in which any near elderly who chose to participate into the buy-into Medicare would still pay most of the costs, but would receive some assistance, depending on need.

While Medicare is now at one of its strongest points since its inception, I believe that now is not the time to further increase Medicare expenditures in an irresponsible manner. Instead, I would seek to offset any additional costs associated with this plan over and beyond the President's proposal. Potential sources would include additional Medicare fraud and abuse provisions and potential monies from the tobacco settlement.

Mr. Speaker, again, for those of us who believe, and I do very strongly, that health insurance should be guaranteed to every American, we have been, of course, disappointed in the last 4 or 5 years since the President proposed his universal health insurance proposal that more and more people are now uninsured. The number of Americans who have no health insurance continues to grow. And we have tried to address this issue by passing the Kennedy–Kassebaum legislation; by initiating a health care program for kids on the Federal level last year; and now by trying to address managed care reform, patient protections, and also by the Medicare expansion that I just spoke about.

The bottom line is that we have to do whatever we can to make health insurance more available to those Americans who have do not have coverage, because I am very fearful that as time goes on, more and more people will enter the ranks of the uninsured, and I see absolutely no positive benefit to our society or to our economy if that continues. I think in the long run, it will make health insurance in this country not only less accessible, but also will ultimately affect the quality of our health care as well. So it is something that every American needs to be worried about.

THE INTERNATIONAL ARENA: ARMENIA AND INDIA

Mr. Speaker, I would like to now switch, if I could, to a couple issues related to the international arena and focus on two areas where I have been very concerned. One is Armenia, and the other is India. I am the cochairman of our caucus on Armenia and our other caucus on India, and both of these two countries, interestingly enough, recently went through elections in a very democratic way, one that I think can be emulated, if you will, by the rest of the world.

If I could turn to Armenia, because of the election, this has been a very important week for the Republic of Armenia. On Monday, March 16, the first round of elections for the Presidency of Armenia took place. The turnout was approximately 66 percent. A runoff election between the 2 top vote-getters will be held on Monday, March 30.

Mr. Speaker, this election is an important development in Armenian democracy. Since gaining its independence from the Soviet Union in 1991, Armenia has worked to establish the procedures and institutions of civil society while adopting economic reforms. Despite being surrounded by hostile neighbors that have imposed economically devastating blockades, Armenia has overcome years of oppression and dictatorship to become a functioning democracy.

When former President Levon Ter-Petrosian, who led the Nation through the early years of independence, resigned last month, the succession of the Prime Minister to the post of acting President was held in a peaceful, orderly and lawful way. Although it is disappointing to see the extremely critical and often inaccurate portrayal provided by much of the media, I am proud to say, Mr. Speaker, that Armenia has become one of the true success stories of the former Soviet empire, and this week's elections are further proof of that.

As we celebrate the progress of democracy in Armenia, we cannot forget the suffering that has been and continues to be visited upon the Armenian people by Turkey. The latest Turkish assault on Armenians takes the form of an affront to the history, culture and religion of Armenians in Turkish-occupied northern Cyprus. Many Members of this body, including myself, have been very critical of the Turkish occupation of Cyprus and the fact that Turkey has not been willing to heed international calls that it withdraw from Cyprus.

The latest development is that the ancient Sourp Magar monastery, referred to as the ''Armenian Monastery,'' near Kyrenia in the northern part of Cyprus, which Turkey illegally occupies, is now to be converted into a tourist hotel. That is right, Mr. Speaker. A monastery that dates to 1,000 A.D., which was bombed during Turkey's invasion of the island 24 years ago, and which has been plundered and neglected, will be restored for the purpose of turning the property into a hotel.

I have to say, Mr. Speaker, that I am pleased to note that this desecration of the monastery has not gone unchallenged. The Honorable Nikitas Kaklaminis, member of the European Parliament from Greece, has officially raised a question with the European Parliament which I would like to quote from. He says, ''This plan by the Turks proves that the Turkish occupation authorities do not respect the cultural heritage of the island, and obviously the monuments of Christianity in the north part of Cyprus. I would like the European Commission to inform me about the way it intends to react against the practice of a brutal regime, which is supported by 40,000 Turkish soldiers who occupy almost 40 percent

of Cyprus, something that has lasted for 24 years.''

Catholicos Aram I of the Armenian Church of Antelias, Lebanon, who I had the honor to meet last year when he visited New Jersey, has also addressed a letter of complaint to the Executive Director of the U.N. Education, Scientific and Cultural Organization, UNESCO, also to the Secretary General, the President of Cyprus, the President of Armenia, the International Religious Council, the National Assembly of Armenia, and the Catholicos of All Armenians and other organizations, calling the restoration conversion scheme of this monastery sacrilegious and nonhumanitarian and a violation of our religious and cultural values.

Mr. Speaker, the plans for this monastery are consistent with the Turkish disrespect of both Armenian and Greek holy places in Cyprus and throughout Asia Minor. Turkey has tried to remove traces of Greek in Armenian history, change place names and generally tried to assert Turkish supremacy.

I hope that the European Commission and other international organizations will make it clear to Turkey that this type of behavior is simply not acceptable. I am also asking my colleagues in this House to join me in appealing to UNESCO to take a stand against this wanton disregard for a site with great religious, historic and cultural significance. I will also be calling to our administration to raise this issue with the Government of Turkey. While our list of grievances with Turkey is a long one, perhaps this issue can serve to convince the Turkish regime that it must have more respect for its neighbors.

TRIBUTE TO PATRIARCH KAREKIN II

Finally, Mr. Speaker, I wanted to pay tribute this afternoon to a great Armenian religious leader who labored for decades under Turkish rule, and this is Patriarch Karekin II, the spiritual leader of Turkey's Armenian Christians, who died on March 10 of this year at the age of 71 after a long illness. An estimated 50,000 ethnic Armenians live in Turkey, the majority of them members of the Patriarch's church. Karekin II was the 83rd holder of the position of Patriarch of Istanbul, obviously a title with a great historical legacy. The Armenian Patriarchate will begin the process of electing a successor on April 14th.

Mr. Speaker, Armenia was the first Christian state, and the church continues to play an important unifying role in the life of the Armenian community, both in Armenia itself and throughout the Armenian Diaspora, including here in the United States. I join Armenians everywhere in paying tribute to this great leader and mourning his passing.

AAPI LEGISLATIVE CONFERENCE

Mr. Speaker, finally this afternoon I would like to mention an issue of concern to those of us who are in the India Caucus, and I mentioned that I cochair the India Caucus in Congress. Next week the American Association of Physicians of Indian Origin, AAPI, will be having a legislative conference. They come to Washington every year, and they go around and visit various Members of Congress and also Senators to talk about the issues that they are concerned about that impact physicians of Indian origin.

□ 1345

This conference will focus a great deal on the issue of health care reform, particularly managed care reform. I wanted to say that, with approximately 30,000 physicians of Indian origin in the United States practicing medicine, AAPI has begun to be heard in Washington, D.C.

I have a number of Indian physicians and members of AAPI in my district and throughout the State of New Jersey. They have become very politically active, and this legislative conference is just another manifestation of that.

Two issues of particular importance to the AAPI members that they will be discussing next week are managed care reform and International Medical Graduate or IMG equity. I would just like to take a little time now to talk about these two issues.

On the issue of managed care reform, AAPI has played an active role for pushing for comprehensive managed care reform. At the end of 1996, I received a copy of AAPI's policy statement on managed care. This statement outlined five basic principles for managed care reform: first, to ensure patient choice; second, to provide for contract and termination nondiscrimination; third, to limit financial incentives that reduce appropriate health care; fourth, to eliminate gag clauses that restrict physician-patient communications; and, fifth, to ensure that medical decisions are in the hands of physicians and not a managed care bureaucrat.

These positions or these concerns that were outlined by AAPI are, of course, also the concerns that many Americans have with regard to managed care and HMOs. They are the same concerns, essentially, or among the same concerns that the President and the Democratic leadership in the House and the Senate have identified in putting together patient protection legislation, which is probably the number one priority for the President and for the Congress, for the congressional Democrats this year.

Of course, we have been thwarted so far in our efforts to move managed care reform legislation by the Republican leadership that has refused to move any bill in this regard.

Let me say that AAPI, after having read AAPI's white paper on managed care reform and working with AAPI and the Indian physicians, I introduced the Health Care Consumer Protection Act, H.R. 3009, last November. It is modeled after the AAPI policy statement and includes strong language prohibiting provider discrimination based on race, national origin, and place or institution in which a health professional's education was received.

In addition, important due process provisions will work to create objective, not subjective, criteria for choosing network physicians. This bipartisan legislation has 31 additional cosponsors.

Since that time, managed care reform has gained momentum. It is likely to become one of the biggest issue this year, 1998. I want to say that AAPI recognized managed care reform as the key issue years ago. I believe that their hard work and determination will ultimately lead to results for all physicians and for the benefit of American people.

The second major issue that AAPI is concerned about relates to international medical graduates, the so-called IMGs, those physicians who went to medical school abroad before they came to the United States.

As a result of the Balanced Budget Act that we passed in Congress and that the President signed into law last summer, residency slots at medical colleges or medical schools are expected to decline. Representing the largest group of international medical graduates, physicians of Indian origin are rightly concerned that IMG slots may be the ones that see the largest reductions in the context of these residency reductions.

Determining which slots will be reduced, I would say, and AAPI certainly says, should not be done in an arbitrary fashion; in other words, in deciding who is going to fill the reduced residency slots for medical education. It should be done in an objective way so that those who are IMGs can compete. The criteria should be objective and equitable. Qualifications of physicians, not national origin or geographic location of medical education, should be the deciding factor.

The reason why this is important to the average American is because approximately 85 percent of the IMGs are in practice serving predominantly in urban and underserved areas. They are the ones that go into the cities and into the rural areas where other doctors do not want to practice, particularly in public hospitals.

It is very important for us and for those who need health care in those urban centers as well as in those rural areas to be able to have a physician. If they cannot get a physician who happens to be an IMG, then, oftentimes, they are not going to get any physician at all.

So I am trying to point out why IMGs play a very vital role in the health care delivery system in the United States.

AAPI has been in the lead both on managed care reform to guarantee objective due process and then now leading the charge to ensure that IMGs are not discriminated against. I will continue to work with AAPI and other organizations that continue to fight for the same principles.

As this session of Congress moves forward, it is my hope that both issues will be addressed. Certainly the Indian physicians who come here next week for the legislative conference will go around to the various congressional offices and explain why managed care reform and objective criteria for international medical graduates is something that they should all support in the interests of the American people.

UPDATE ON THE CAMPAIGN FINANCE INVESTIGATION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Indiana (Mr. BURTON) is recognized for 5 minutes.

Mr. BURTON of Indiana. Mr. Speaker, as we close this week, I thought I would inform my colleagues and anyone else who may be paying attention that, regarding the investigation that I am charged to chair involving illegal foreign campaign contributions and the possibility of people in very high offices of this country breaking the law, we are now up to 89 people, 89 people who have been associates or friends of the President or political allies or contributors, 89 people have either taken the fifth amendment or fled the country.

□ 1400

A lot of my colleagues have asked me about the progress of our investigation. I tried to explain to them that we are making some headway. Charlie Trie, one of the friends of the President who had fled the country and gone to China, has now returned. He is under indictment and we believe there is negotiations going on with him of a plea bargaining nature, but we are not sure about that. The fact of the matter is there has been an indictment of Mr. Trie, a personal friend and associate of the President. We have a number of others that we believe ultimately will face indictment.

But the biggest problem we face with the investigation is getting people to talk to us. Toward that end, we have asked the President to contact people who have fled the country to come back and appear before the committee so that they can help us get to the bottom of all these allegations. So far the White House, the President and the White House, has not been cooperative in asking foreign governments to insist that these people return. We have got James and Mochtar Riady in Indonesia whom we would like to have come back. We have asked for the assistance of the White House in convincing these gentlemen, who are executives of the Lippo Corporation and friends of the President in Indonesia, to help us get them back. So far we have had no cooperation.

We have asked the President and the State Department to work with us to get people back from other countries like China. We have not had that success. As a matter of fact, the Chinese government would not let my investigators even get a visa to come to China to investigate these allegations of illegal activities.

So we are having a difficult time. The President I understand is going to be going to China before too long. There will be Members of Congress, I understand, accompanying him. I would like to urge the President to postpone his trip until China allows my investigators to go in there and to give them visas so that they can do the job that they have been charged by the Congress to do.

Mr. Speaker, I hope if the President or any of his friends at the White House or any of his colleagues here in Congress happen to be paying attention, I hope they will urge him to send a message to China that any diplomatic missions to China will be deferred until we get some cooperation from the Chinese government regarding our investigation. I think it is unbelievable that all the trade that we do with China, all the business that we do with China, all the breaks we have given to China, even in spite of their human rights violations, which are legion, they will not cooperate by allowing our investigators to have a visa to get into China.

Mr. Speaker, I will just end up by saying that we want to get to the bottom of all this to finish this investigation as quickly as possible. If the President would just come forward and talk to us, if his friends would not take the Fifth Amendment and would come forward and talk with us, we could conclude the investigation rapidly. I would urge all those involved to give us their cooperation so we can get it concluded. That is what the American people want.

REPORT ON THE CAPITAL CITY

The SPEAKER pro tempore (Mr. GILLMOR). Under the Speaker's announced policy of January 7, 1997, the gentlewoman from the District of Columbia (Ms. NORTON) is recognized for 60 minutes.

Ms. NORTON. Mr. Speaker, I rise to bring to the House a report on the capital of the United States and its progress in relieving itself of financial and management distress.

Mr. Speaker, this House has had, and justifiably so, a special interest in its capital city. Almost 3 years ago the capital of the United States met the same fate as several large cities before it, as Cleveland, as New York, and as Philadelphia. The capital found that its bonds were no longer at investment grade and it could no longer borrow money without the assistance of a control board. To its credit, this House, working in a bipartisan fashion, passed a bill, very much like bills that had been passed to assist other cities who had met such problems. That bill preserved self-government in the District of Columbia, but as a result of quarrels between city officials and the control board and as a result of a pace that perhaps was too slow in fixing the city's problems, the Congress, largely through the appropriation committees, infringed upon self-government in the District of Columbia. And so we have a strange situation to be sure.

The capital of the United States has less democracy than any other piece of American soil. I know that this body joins me in wanting to assure that this state of affairs does not last much longer. I have indicated to my own constituents in the District of Columbia that, though they have every reason to be outraged that there would be any less democracy here than elsewhere, there is only one way to assure that democracy will be restored and that we will go further and have the same level of democracy as the States and the territories, and that is for the city to quickly bring itself to the point where particularly its services and operations are services that the residents of the District of Columbia, first and foremost, can be proud of, that every American would be proud of, and that of course this Congress would be proud of.

It seems to me, Mr. Speaker, that it is my obligation to keep this body informed of whether or not progress is indeed being made, especially since this body and the other body were concerned that progress had been too slow. Very substantial changes are beginning to occur and very substantial progress is beginning to be made, Mr. Speaker. Therefore, it is my intention to come to the floor sometimes in 5-minute debate period, sometimes in one-minute debate period, and sometimes for a special order debate period, as today, and report to this body on progress that is being made.

Mr. Speaker, a couple of weeks ago I came to report that the District was actually experiencing a surplus 2 years ahead of when the District budget was supposed to be balanced on an annual basis under congressional mandate. I reported that in a 1-minute speech before the House and I noted that Members on both sides of the aisle applauded, and I remember saying, only half jokingly, Mr. Speaker, let the record show that this body applauded for the District of Columbia. I know that this body will indeed applaud when the capital city of the United States is brought back to its full majesty.

Mr. Speaker, let me begin with a report not of the surplus and what it contains, not of the large picture, but, rather, of a small part of the picture that I think would especially please this body. Of all of the services in the District of Columbia, none has the attention or perhaps deserves the attention that this body has given to education. This body knows where to focus on when it looks to see whether the city is improving, and so it has looked at the schools and it has looked at education.

Mr. Speaker, on the front page of the Washington Times, just yesterday, I

was surprised to see a report, something that I did not know of, and I doubt that anyone in this body knew of. The headline reads, Mr. Speaker, ''Computer Castoffs Inspire Teens.''

Mr. Speaker, this is a report of how at one D.C. school, Wilson High School, students are taking outdated systems and computers, repairing them and rebuilding computers, this in a city which has had to beg, borrow, I will not say steal because that has not occurred, computers. This school needs 400, it has 150. But what is amazing about this piece is that there is a teacher at Wilson High School who decided to make a course of getting old computers, taking them apart and repairing them. The students keep a journal of the steps they go through to repair the computers.

They obviously learn much about the complicated nature of these machines. There are some of us trying to become computer literate. These youngsters are beyond literacy and into making the things, making them work. They have a computer lab. This is the largest public school in the district. It has got almost 1600 students. What it has done, one teacher, many like him, the problem is they do not make the front page of the Washington Times or any other newspaper, one teacher is doing what I would imagine is probably not being done anywhere else in the United States; if so, by very few. And that is not only teaching youngsters how to become computer literate but getting deeply analytically into computers.

Can you think of any better way, Mr. Speaker, to teach youngsters problem solving or how to exercise their analytical faculties? Can you imagine the confidence a youngster gets who has not thought himself very good at much to learn that he can actually work on computers and make them work again and work for every one?

Apparently these renovated computers can also be borrowed and taken home by a student so long as that student remains in school. So the computers do double duty. They help youngsters to understand that there is a reason not to drop out of school in a town that has had a high dropout rate.

Mr. Speaker, the progress in the schools has been difficult to make. I point out this progress because it is at that level that the progress is being made and it is at that level that this body is likely to hear too little just by the nature of things. I want to say something further about the schools, again, because of the special interest of this body in schools and because so much that is good is happening in schools. I have to tell you, it is not good enough for the residents of the District of Columbia. There is still a lot of contention around the schools, but compared to where we were, I think this body would be pleased to see forward movement. There is concern that the schools open three weeks late because the roofs were not fixed in time. Well, for some of us, we remember when the roofs were not fixed at all. Of course, what happened was that a whole bunch of roofs got fixed and are still being fixed and when roofs on schools are fixed, then all kinds of damage and other problems that come from leaky roofs also disappear.

May I take this opportunity once again, Mr. Speaker, to thank the 254 Members of the House and Senate who during that three-week period when school was closed answered my call to take youngsters from D.C. high schools as interns.

□ 1415

I want to thank those Members. And there were many who buttonholed me, staff and Members alike, to tell me how these youngsters were doing, helping them as volunteer interns in their offices.

Some of my colleagues may know that we have started a small program, to become larger in the summer and to be full-blown next year, for permanent volunteer interns from the D.C. high schools to come into the House and the Senate. My colleagues can imagine what this will mean to youngsters in the District. Here they are in the Nation's Capitol, and the Capitol to them is an awesome, almost fearsome place, especially when we consider the power this body has over the District that it does not have over others, almost unapproachable. And here they are invited in by Members of this body and of the other body to actually work in their offices.

The experience was a salutary one for the youngsters and for the Members, and I thank the Members for the way in which Members, I must say, of every persuasion and tendency and across both sides of the aisle answered this call.

I have a special program, indeed, called D.C. Students in the Capitol because of the unapproachable nature of the Capitol to the folks who live here. And it says teachers should bring their students. There is a time when they come, I meet with them for a few minutes, they tour the Capitol, they get to sit in on a hearing, and they get to feel at peace and at home with this place.

Now, I recognize that even though the facilities are being improved, even though, frankly, top to bottom, changes that have not yet fully manifested themselves are going on, that there continues to be great concern about the schools. I want to speak about one program that thrills me.

The District, like almost every other city in many States, has social promotion. They have social promotion because they do not know what to do with the youngster. They do not want to keep the youngster back because they think that will hurt the youngster's self-confidence. They do not want the youngster to be larger, bigger than the other kids. They just move them forward. And the harm that that does ought to be clear by now, but, frankly, one of the reasons it continues to be done is people do not do the grunt work it takes to figure out a better way to do it.

Arlene Ackerman, the new chief educational officer of the schools, has done just that. She has started a program called Summer Stars Program. Twenty thousand students this summer are going to have made probably so little progress, because Ms. Ackerman just got here and the reforms are just beginning, but instead of being socially promoted, these youngsters are going to go to what would have been called summer school, but is no longer called that because it is no longer that.

It is the beginning, here in the Nation's capital, of a year-round school, the kind of school we think every jurisdiction in the United States should have today. Do my colleagues want to know why Japanese kids do better? Not because they are smarter. They do better than American kids, blacks, whites and Hispanics, because they go to school longer, and they study harder. That is the key to it.

Well, for youngsters who are behind, they will be in the first class of the year-round school. Now, the year-round school is going to have classes in the evenings during the regular school year so that many kids next year will not have to go to school in the summer because they will be part of the year-round school program.

But students who score below basic on the so-called Stanford 9 test in both reading and math must go rather than be promoted. These students must go even though they have not been retained in their grade. And ninth-graders and seniors who need one credit to graduate or for promotion must go to this Summer Stars Program.

They are also telling students who should go who they are. And there are a whole set of students who should go, who do not need to go, who we expect to go, because if they do not go, they are going to need to go. This, we think, is the way to approach education today; not by screaming and yelling and engaging in the kinds of fads that education tries out year by year and still leaves us with the same problems, but by doing the grunt work to figure out what we need to do to get hold of it.

These youngsters are going to receive highly structured remedial work with 2 hours of reading and 2 hours of math. They will receive phonics instruction. They are going to receive oral language activities. They are going to receive writing activities. They are going to receive individual instruction. They are going to receive group instruction. They are going to receive computer instruction.

They are going to go to school, grades 1 through 11. First-graders are going to go, and people about to go into their senior year are going to go, and all the grades in between. And they are going to go for 4 full hours a day; 8:30 to 12:30. And then some will go from 8:30 to 1:30, and some will go from 3:30 to 8:30 for enrichment programs.

There will be 10 middle schools, 10 high schools and 60 elementary schools; 15 students to one teacher. These youngsters are going to learn when that is the student-teacher ratio.

Who will be the teachers? There is going to be not only an internal search, those teachers already there, but there will be an internal and external search. Only applicants with outstanding qualifications will be selected for the year-round Summer Stars Program. The initial screening of these teachers is going to include a writing sample, for example.

One of the reasons my colleagues have seen me on the floor in opposition to the vouchers program that some still continue to propose for the District is not only that I do not think that is the best thing, the best way to approach education for the majority of the youngsters, but I have a very special reason this year, Mr. Speaker, and that is this program.

This Summer Stars Program is simply too good to be turned away for yet another experiment, whether it is vouchers or, frankly, my favorite experiment. If there is $7 million for youngsters for private vouchers, who would say that that money should not be used for this first year-round program to end social promotion in the Nation's capital? Who would say that that is not, at this juncture, given where the District of Columbia public schools are and where the city itself is, that the best use of that money would not be that?

It takes $10 million to run this program. If $7 million are to be found in a vouchers program, and the Congress is serious about the attention it has paid to schools, it will help us start this first year-round school. It will help us to become a model for Baltimore, for Philadelphia, for New York, for L.A., for Chicago, for the small towns and the large cities that need to do precisely this kind of thing.

I have started with the schools, Mr. Speaker, because the schools have been, and rightly so, of special interest and special concern to this body. I do want to make a correction, because people, for understandable reasons, when they talk about the District, talk about the District 4 years or even 10 years ago. And one of the things I hear from time to time is that the District has the highest cost per pupil in the United States.

Well, that may have been so once, Mr. Speaker, but it has not now been for a very long time. The District has downsized tens of thousands of employees and perhaps too much in the schools, if anything. Now, an independent analyst tells us that the District is spending about $7,000 per student, and even that amount includes our payments to the teacher retirement fund, which often is not included in per-pupil reports.

Indeed, Mr. Speaker, it is important to have a sense of what that $7,000 figure means. The best way would be to compare the District to its immediate region. We are at $7,000; Prince George's County, $7,120; Fairfax County, $7,650; Montgomery County, $9,000; Arlington County, $9,300. Mr. Speaker, my colleagues should see straight away that that means the District of Columbia has the lowest per-pupil cost in this region, even though it has by far the largest number of children who need special care and special programs.

We cannot talk cost anymore. We have to say to the District that they have to do the best they can with what they have. But if the Congress, in its wisdom, has additional money, it has to put that money where the biggest payoff is for the average child in this system.

And as my colleagues know, Mr. Speaker, the average child in this system can do a whole lot better. Arlene Ackerman said, for example, in a hearing we had just this week, that District of Columbia students will be reading the equivalent of 25 books this next school year. In one fashion or another, each child is going to read the functional equivalent of 25 books. That is what I call raising standards and raising standards big time.

Mr. Speaker, the Congress should come forward now and help us raise those standards. I ask my colleagues not to dash the hopes and the efforts of the District by going back to one of my colleagues' favorite notions. If my colleagues are for vouchers, bring a voucher bill before the floor and vote it up or down. My colleagues control the House and the Senate. Better yet, find some districts that, in fact, would like vouchers and make sure that they, in fact, get vouchers. But when we have a district that has voted 89 percent against vouchers, who in America would say that in the face of that, a body of people, where no one represents the District with a full vote, should overturn what 89 percent of the people of the District of Columbia have said?

But I do not come to the floor to have another philosophical or ideological fight on this floor about vouchers. This is too serious, Mr. Speaker. We are now to the point of where we are seeing real progress in the District; a surplus, movement on school facilities, a new chief educational officer who has her head on straight and knows that we have to raise the bar and youngsters will jump to meet it. Help us help them.

Now, Mr. Speaker, perhaps the best news for the city overall has been the emergence of a general fund surplus. This is a city that had the exact opposite only 2½ years ago. Its audit was in such bad shape that it could not even get a so-called clean opinion, because in order to get a clean opinion from the auditor, all the papers have to be in shape so the auditor can, in fact, know whether the entity is in shape. The District got a clean opinion this year and reported a general fund surplus of $185.9 million.

The District clearly continues to attract my colleagues' constituents to this city. Whatever the District's reputation, people are coming in larger numbers than ever. We have the largest turnout of tourists ever.

□ 1430

The economy of the city is beginning to come back, Mr. Speaker. One indication of that is the sale of homes in the District. All across the region there is beginning to be some greater sale of homes. But when we look at the District and compare it to the rest of the region, we know that something very different and very important is happening in this city and that it is moving forward.

The District over the past year had a 31-percent increase in the number of homes sold. The next highest in the region was only 17 percent. The District is coming up with almost twice as much of an increase in homes sold as the rest of the region. If that is not some indication that there is a return in confidence in the city, I do not know what is. When people decide to move here and live here and buy a home here and risk their capital here, they are saying that something has turned around in the City.

Mr. Speaker, may I thank this body for contributing to those figures? Because, although those figures were going up, I believe that a bill passed by this body at my request last year has helped to make home sales go up; and that is a bill that was included in the tax benefit package, that is a $5,000 home buyer tax credit. Essentially, it says that if they have an income and they are joint filers up to $130,000 or single filers up to $90,000 and they buy a home in the District of Columbia, they can get a tax credit up to $5,000.

I do not need to tell my colleagues, Mr. Speaker, that that is enough to make some people go out and buy a house or a condominium, and it certainly is enough to make some people who are renting in a house or condominium to say, I think I might stop paying the rent man and pay myself and buy this house and get a tax credit.

I have strongly supported the kinds of tax credits that have this effect, and I want to thank this body here and now for helping to make what was already a housing sale increase sail forward even faster.

Mr. Speaker, when I look at the budget surplus, and remember those home buyers are going to be paying taxes to the District of Columbia in sales taxes and other kinds of taxes and that is going to ease the burden of the District, but when I look at the surplus the City is already showing, I want my colleagues to know that it is not simply because we have a good economy. This administration deserves credit for its role in the good economy, and it has gotten credit from both sides of the aisle.

I certainly take nothing away from the President and the administration when I say that some of the credit belongs simply to good management in

the District of Columbia, at least when we are talking about the surplus that the District is now experiencing. The District is now collecting taxes from people it did not collect taxes from before because its system for collecting taxes was in such disarray.

The District's deficit had, in part, to do with the fact that the District would wait weeks upon weeks to cash checks. Now it cashes a check within 1 day.

When the Chief Financial Officer was hired, he found records scattered in boxes on floors. Mr. Speaker, I cannot say enough about what it took to clean that kind of mess up. They could not go to a computer and push some buttons and say voila. Somebody had to get down on their knees, go through these files and straighten them up and computerize them.

Surplus is due as well to other internal controls. Reducing, for example, the improper extension of emergency contracts. If somebody gets a contract and then he keeps on getting it on an emergency basis, the City may never know whether somebody else would do that same job for less. Those kinds of controls are showing up now as part of a surplus. Extensive training of agencies and of accounting staffs have been part and parcel of this improved management.

Mr. Speaker, there have been real sacrifices made to achieve these improvements. Employees in the District of Columbia have not gotten a raise since 1994. Imagine what that would be like. Imagine what our Federal workers would think if we were to deny raises in that way.

I had to press the school system when they came before us just before Christmas because there were workers in the school cafeterias, the lowest paid workers there, who had not received a wage in 7 years, even though there were arbitrator awards twice awarding them wages and they had begun to be paid. So we cannot get work out of people if we continue to deny them annual raises.

What is good about what is happening, Mr. Speaker, however, is that accountability is being demanded for increases in pay; and it is that accountability that is different about the way the District is approaching its business. The District still has to reduce its government more, and it has a long way to go to get the kind of government that District residents deserve.

But Mr. Speaker, let me put before you another figure that will surely convince you that the District has turned the corner. There has been a 20-percent decrease in crime and a 40-percent decrease in homicides over the last year. We were hitting in the top when it came to crime. Everybody else's crime was going down. Ours continued to go up.

The District is now at the end game of recruiting a new police chief. It has got a half dozen top-notch people competing for the job. By moving analytically, step by step, on reorganizing the police department, putting more and more cops into the streets, and there is still more to go there, reorganizing the department into community policing, we have gotten an almost immediate payoff in the reduction of crime. There is nothing more important that could have been done, even more important, if I might say so, than schools, than to reduce crime.

People are not going to live in a city where they fear for their lives, and the reduction in crime is a salient indicator that this body would surely want to use in deciding whether progress is being made in the District of Columbia.

Now, Mr. Speaker, a good friend and Member wrote a dear colleague when I asked that money for vouchers be spent on the year-round program, the Summer Stars Program, this summer, in order to finally, finally, eliminate social promotion. A good friend responded that, no, we could continue to use that money on vouchers, as he apparently desires, because the District can simply use its surplus to fund the year-round program.

Wait 1 minute, Mr. Speaker. In last year's appropriation, the District was admonished to use every cent of its surplus to pay down its deficit. The District is still carrying an accumulated deficit of over $300 million. When I say that your capital is a balanced budget, I mean on an annualized basis, the way this country has a balanced budget on an annualized basis but is carrying a huge deficit.

So the District is carrying an operating deficit from the time when it went down and went bankrupt. Now, the District was told, and I thought prudently, do not spend that surplus. Do not use it on anything, not even your schools, not even crime. Use it to pay down your debt. Do not borrow to pay down your debt.

So, Mr. Speaker, I do not want to hear anybody say now that the District should use the surplus for the Summer Stars program, especially when Members of this body are coming forward and saying that there is $7 million to be used on school vouchers. That money should be used for the Summer Stars program; and the District should, in fact, use its surplus to pay down the deficit.

The only other function that it has identified for use for some of this surplus is for the management reform that this body has mandated on the District. The District must have not only its finances straightened out but its management straightened out in 4 years if, in fact, the control board is to sunset. And I know that the howls from this body about the disarray of the operations of the District of Columbia are such that they would want the District to spend that money first on deficit reduction, then of course on straightening out its management. And there we are into something that will not even be done by the end of 4 years when the control board is to go, because part of the District's problem is an almost absence of technology in its agencies.

Would you believe, Mr. Speaker, the District still has rotary phones in most of its agencies? We cannot even do computers as long as we do not have push button phones.

So certain kinds of priorities are there. If there is money for schools, it certainly should go for Dr. Ackerman's Summer Stars program. The District should do what the Congress told the District it should do.

The Congress said, the District should use all the money to pay down the deficit. It also said, the money should be used for tax cuts for D.C. residents. I am trying to get a tax cut on the Federal side for D.C. residents with a bill that has strong support from the Speaker and the majority leader that would be a progressive flat tax.

I would certainly like to see some reduction in D.C. taxes, but I think that the Chief Financial Officer is correct when he says that the reduction in city taxes, given the outstanding deficit, should take place on a planned course as the city is downsized and improved so that all of that occurs in tandem and so that we do not throw out of sync the very good building of a surplus that has begun to occur.

Mr. Speaker, the improvements in the District abound, and I am going to be coming forward with others. I must speak at some length about one that I think almost no one expected. The District was on not the dirty dozen list, because there is a whole lot more than a dozen cities on the list of troubled public housing authorities, and the District was big-time on that list.

Two and a half years ago a man came from Seattle, Washington, to try to take hold of this chaos and put it back together again. The District, over 20 years it had more directors of its public housing than anybody could count. The District, frankly, was no different from other troubled public housing; but nobody expected anything to happen.

When we talk about things we can at least do something over the short run, perhaps we think of schools and public housing. Well, in 2½ years David Gilmore, to his great credit, has taken the District off the list of troubled housing authorities.

□ 1445

The District had a score of 22 out of 100 when he came here. Now it has got a score of 65.5, which puts it well up in the list of housing authorities around the country. It is how David Gilmore has done this that I think we all should take note of. I have said to District officials, everybody ought to sit at the knee of David Gilmore, because here is a man who obviously knows how to manage people, manage ideas, and manage hardware. Somehow he has put them all together. He has moved the crack addicts and the nonpayers out of public housing. I do not even hear anybody screaming about it. He knows

how to manage people so that that occurs. He moves into a public housing complex where he sees that the whole thing has to be taken apart and you have to start all over again.

What does the man do, Mr. Speaker? The first thing he does is to put in the sod. Can you imagine the effect it has on public housing tenants who have lived with crime and chaos for years to see somebody coming in, he says he is going to fix it and they hold down, they hunker down and prepare to have dust and nails and debris flying all around them. But they wake up and the first thing they see that morning is that the sod is being planted.

This is a man who knows how to manage people, Mr. Speaker. He knows how to bring hope to the hopeless. What he has done is to organize tenant societies within those public housing authorities. You can imagine what happens when you have moved out the troublemakers, moved in the sod, fixed the public housing, got it in shape again.

There is a new chief of police for public housing. Mr. Speaker, I have met with that man. He tells me that his job mostly consists of getting stray dogs and cats and taking them back to their owners, because the people are taking care of their own renovated public housing, because we have got in place a man who knows what he is doing.

I have to tell you that I do think that is the key to everything in this world. I think that perhaps David Gilmore with all the good work that is being done in the District is the very best and is something to teach everybody, from the Control Board to the Mayor, to the City Council, to the Member who represents the District and the Congress, because he has put it all together. When you go to him and tell him about a problem, he fixes it, he finds a way to fix the system to have you get to him more quickly. He knows how to hire good people, and he knows how to take the staff who is there and to get work out of them and to get rid of those you cannot get work out of.

There are all the stories in the Washington Post or the Washington Times about how the whole world is being shook up down at the public housing authority. I think this man needs to write himself a manual and pass it out. And first pass it around the District and then pass it around the country, because he is showing us something about how to fix a broken city. Yes, it was broken, Mr. Speaker. You are listening to a fourth generation Washingtonian. When my hometown became broken, there was a very special level of sadness for this Washingtonian, because my own great-grandfather, Richard Holmes, walked away from a plantation in Virginia. No runaway slave, Richard Holmes, he just walked off a plantation in Virginia in the early 1860s and came across the river to the District and planted the Holmes family here. Somehow or the other, through our 4 generations in this city, with problems that you might expect would have occurred in the early part of this century when my grandfather entered the D.C. fire department, later on when my father was in high school during the Great Depression, in 1954 when I was sitting in Dunbar High School, segregated, and heard the bell chime and the principal tell us that the schools would now be integrated under Brown v. Board of Education, to the time of my own children. Through all of that, Mr. Speaker, throughout this century, there was no time in which this city saw the bitter, bitter experience of bankruptcy.

So for me, it was a time of special trial, especially since it was during that time that I represented the District and it was I who came forward and said that it had to have a Control Board. That was painful, but it was necessary, because it is necessary to do what has to be done for a city when it has to be done. I have shared the disappointment of this body that what had to be done has not been done as quickly as it should have been done and, if I may say so, Mr. Speaker, could have been done. And so you have not found me to be an apologist for the District. You have found me to be its defender, to ask people to step back and treat the city with respect, but no apologist for a city that does not stand up and do what has to be done to save itself. And so that is what the city is doing now.

Mr. Speaker, the city has a great challenge. It was able to keep its population, because it is such a livable city, much longer than most large American cities which experienced a total drain of residents. The District did not begin to experience that until the late eighties and now we have come to that moment, so that the great burden on the city now is to recoup and retain its middle class. The District has had a frightening loss of residents. It is experiencing that just as it is beginning to turn the corner and get its full majesty back. But once that drain continues to occur, it is very difficult to turn it back.

That is why the $5,000 homebuyer tax credit passed by this body has been so important. The fact is that between 1989 and 1997, Mr. Speaker, the District has shown itself to be losing 3 times as many residents as it lost in the whole of the 1980s. In other words, we are having devastating population loss. People do not look to see if the budget is balanced, if there is a surplus or even if the public housing is being fixed to decide whether to cross the District line, going the reverse of where my great-grandfather came when he came to Washington. Instead, they simply go where the grass seems greener.

Mr. Speaker, they do not even look at what business sees. While we have been losing population, business has been coming back to Washington, again, Mr. Speaker, an indication that something important is happening in this town. Look at the new MCI Center. That was located in Prince George's County. That has done a reverse migration from the suburbs to the city. Mr. Speaker, the MCI Center has been built by Mr. Abe Pollin. He has built it 100 percent with his own money. There is virtually no other example of an arena in the United States that was built with private money. Arenas are being built almost exclusively with taxpayer money. Why would Mr. Pollin build an arena in the capital of the United States with his own money? Mr. Speaker, he knows something that I hope this Congress finds out soon and that business clearly knows first. There is money to be made here.

There are 20 million visitors who come each year. I see some of them in the galleries. This is a city with unused economic potential. There is a wonderful infrastructure here. There is a metro that brings a whole region into the center of the city and so Mr. Pollin, who took his arena out of the District 20 years ago, has brought it back in a marvelous new center where the Caps and the Wizards, if you please, now play, as does Georgetown University and other teams from the region. But the very fact that somebody would build an arena with private money and take it from the suburbs and move it back to this city tells you that the capital of the United States is coming back and coming back fast.

If you need another example, let me give you one just as spectacular. In the United States today, convention centers are built everywhere, in small towns, big cities, little hamlets, everybody wants a convention center. You build it with taxpayer funds because that is the only way you can get it built. But not in the District of Columbia. The hotel and restaurant industry came to the District 3 years ago and said, ''Tell you what, District. Tell you what we're going to do. We're going to tax ourselves and build the convention center ourselves.''

Why would the hotel and restaurant industry which complains that it is overtaxed, tax itself to build a convention center in the Nation's capital? They know where the money is, Mr. Speaker. The District cannot attract the big conventions, like the AMA Convention and the ABA Convention because our convention center is too small. Who loses? The District of Columbia loses, which is to say the taxpayers who then have to make up for what visitors to conventions would pay, but the hotel and restaurant industry loses, because those visitors do not come to use their facilities, either. And so instead of waiting the District out, they have stepped up and they will be breaking ground, with their own money, money that is already being built in a lockbox, with their own money, to build the convention center.

Mr. Speaker, you do not build a convention center with private money if you think the city has no future. Mr. Speaker, you do not build an arena in

a city with private money if you think the city has no future. The city has a future. The city is coming back. The first people to understand it are those who have the most to lose, private businesspeople who have put their money where their mouth is, which is what I am asking this Congress to do when it comes to our schools, to put their money on the summer program and not on vouchers, where it will have no measurable effect on the average kid in the District of Columbia.

Nevertheless, Mr. Speaker, you have never seen me give the rosy, merry picture of the District. That is why I have spoken about the frightening decline in the D.C. tax base. I have introduced a bill, as recently as last week, called the D.C. Economic Recovery Act that would give a tax break to District residents from their Federal income taxes. I come forward to do this for the District, recognizing it would not be done for others because the District is a special case and you have made it so, and it is so under the Constitution of the United States.

We have no State, Mr. Speaker. So that when residents leave the District, a very different phenomenon occurs than when they leave Baltimore or Richmond because when they take their money with them, there is no State to recycle their money back to the District of Columbia, as the State recycles money back to Baltimore and as the State recycles money back to Richmond. If there is no State to recycle the money back, then you say, ''Well, why don't you tax the people who come in every day to work here and use the same services that residents use here during the day?'' The reason we do not do so, Mr. Speaker, is because this body, and the other body, the Congress of the United States, has indeed barred a commuter tax.

So the District is left high and dry. People leave, no way to make up for them because no State to help make up for their flight, and no way to make people who come in and use our services pay for the use of those services because the Congress has barred a commuter tax. I am asking this body to help make up for putting your capital between a rock and a hard place, and I am pleased and may I give credit to the leadership of this body and of the other body for supporting the D.C. Economic Recovery Act.

Mr. Speaker, the figures speak for themselves. We want to hear them now so that we will not be the last to turn out the lights.

□ 1500

The figures speak for themselves. If we look at who the movers are, we see that 25 percent of them earn between $35,000 and $50,000, and 38 percent of them earn between $50,000 and $100,000. Mr. Speaker, those are middle-income taxpayers right there. That is 63 percent of the people moving in that core, prime middle-income group between $35,000 and $100,000. Those are the people who pay taxes to the District government.

If the District does not have people to pay taxes to the government, no amount of surplus can make up for the flight of its core tax base. That is why I have introduced the District of Columbia Economic Recovery Act, not as special treatment to the District, but to make up for the special detriment that this body has placed on the District because we believe that that is necessary because it is the capital of the United States.

Who is not leaving the District, Mr. Speaker? Those who make under $15,000; or put it another way, it is the poor. That is to say, under $15,000, only 3 percent left. The years I am talking about for these numbers, Mr. Speaker, are 1990 to 1996.

The very rich are not leaving in large numbers either. Only 10 percent of those who make $100,000 or more are leaving, and we are overly dependent upon these very rich people, and I love every last one of them, and I hope they do not go anywhere.

Mr. LEWIS of California. Mr. Speaker, will the gentlewoman yield?

Ms. NORTON. I yield to the gentleman from California.

Mr. LEWIS of California. Mr. Speaker, I could not help but watch with interest the gentlewoman's discussion on the floor here today as the gentlewoman has been talking about her wonderful District, which is our Nation's capital, and I wanted to share with those who are focusing upon the presentation my experience in dealing with the gentlewoman regarding the city.

I first was drawn by way of attention when the gentlewoman mentioned David Gillmor, who is the housing director here and a fellow who we have both worked with, a fabulous public servant who is among those who is trying to make a difference in the Nation's capital and is making a very special contribution.

I also wanted to share with the gentlewoman and others the fact that just a short time ago I returned from a, not exactly a ribbon-cutting, but essentially that, at a Habitat for Humanity, location very close to the Capitol here, where in this case Freddie Mac was presenting a check for $1 million for a program that the gentlewoman knows as the House That Congress Built.

But as we were doing that, we were also expressing our appreciation for those who come together, in this case to help Ms. Christy Ingram and her family prepare to move in, probably sometime this summer to their new home here in the Nation's capital as a result of partnering that is going on in the city, that is designed to try to make a little difference here.

As the gentlewoman knows, I come from California, but when I am in the Nation's capital doing this job, I am a constituent of yours, for I live in the city. I am very proud that I do. It is a marvelous community that needs all the help that all of us together should and want to give it. But especially I just wanted to express my appreciation to you and to those of you like David Gillmor who are truly making a difference for all of us who live here.

Ms. NORTON. Mr. Speaker, I thank the distinguished gentleman from California (Mr. LEWIS) for taking the time to come to the floor. I do have to say to this body that the gentleman from California, who represents his own district with great energy and great distinction, nevertheless decides he always has to do good where he is and has initiated a program here that he is now spreading through the rest of the country. He came to me, imagine how I felt, when a distinguished and senior, not in age, but in longevity in the House came to me and said, we want to build a house by the Congress of the United States here in the capital of the United States, and I want to thank the gentleman for his work for the District.

NO WAIVER OF JACKSON-VANIK

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

Mr. ROYCE. Mr. Speaker, 1 week ago the administration issued a waiver of the Jackson-Vanik amendment, opening the way for OPIC and Exim funds to filter into Vietnam. I was expecting this decision to come from the administration; however, I had hoped that common sense would guide that decision. Vietnam is a Communist country. Its citizens enjoy no religious freedom, little economic freedom, and no freedom to vote, and it is not getting better.

The recent promotion of a hard-line Communist to the Secretary General position, a man who once stated that his government has concerns that foreigners are somehow out to undermine Vietnam's independence, has stalled all hopes of changing the economy in Vietnam. Vietnam is not ready for OPIC. Your support or opposition to OPIC and Exim is not in question here. What is is the government subsidies for businesses in Communist Vietnam.

In anticipation of this decision by the administration, I introduced H.R. 3159, legislation which will now make this waiver null and void. The United States should not extend these benefits to a country that has done little in the way of granting freedom to its citizens. I ask my colleagues to cosponsor this important legislation.

WHITE HOUSE SILENCE: AMERICANS WANT THE TRUTH

The SPEAKER pro tempore (Mr. WHITFIELD). Under the Speaker's announced policy of January 7, 1997, the gentleman from Texas (Mr. DELAY) is recognized for 10 minutes as the designee of the majority leader.

Mr. DELAY. Mr. Speaker, not far away in a United States Federal courthouse, a grand jury may hold in its

hands the fate of our President. Now, how it will end is anyone's guess. At this moment, fair-minded people are suspending judgment.

All we can say for sure is that the Presidency seems diminished by it. Republican and Democrat alike, we will all be happy to have this spectacle behind us, because for weeks I have withheld comment on the charges leveled at the President. I thought it only fair that he be given the chance to explain himself to the American people without any rush to judgment on our part. These are, after all, serious charges, and premature condemnations of the President would not be fair to him or to the public.

So I waited for the President to speak out, and I waited, and I waited, and I waited. But with each passing day, the silence emanating from within the White House grows evermore deafening. It is a silence broken only by the sound of character attacks launched at the President's accusers.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. The gentleman from Texas will suspend.

It is not in order to refer to the President in personal terms. Discussion of ''charges leveled at the President'' dwell on personality and are not in order, under longstanding precedents of the House, which are recorded on pages 175 to 176 of the House Rules Manual.

The gentleman may continue.

Mr. DELAY. Mr. Speaker, I have checked the speech with the Parliamentarian and have gotten clearance from the Parliamentarian for this speech.

The SPEAKER pro tempore. The Chair is advised by the Parliamentarian's Office that certain recommendations for change in the text were not communicated.

The gentleman may continue.

Mr. DELAY. Mr. Speaker, the President's own spokesman has said that he does not want to know the truth about this entire affair. He has also said that the truth may be very complicated, as it so often is with the President. But while the President's spokesman may not want to know the truth, the American public deserves to hear it.

The President's silence is a grave disservice to the American people who elected him. Twice a plurality of voters elected Bill Clinton to lead this country. Twice they put their faith in him to do the people's work. Well, Mr. Speaker, a Presidency enveloped in scandal is good for nobody, and the faith that the American people have put in President Clinton has been violated time and time again.

I sometimes hear that none of this has any relevance to public policy. The President's defenders point to the polls that show high job approval ratings. While this may be an appropriate defense for an administration guided by polls rather than principles, it fails to even scratch the surface of the true implications of this affair.

For most of this Nation's history, the American people have held a very high standard of conduct for the President of the United States. The reverence with which they held this office of the Presidency dictated this higher standard. Now it seems that the loftiness of the office is an excuse for a lower standard. He is the President. We should give him the benefit of the doubt. As long as the economy performs well, it does not matter how a President acts, or so the thinking goes.

Well, I disagree with that thinking. One should not be able to get away with more simply because of the office that he holds. The leader of the free world should be held to a higher standard, not a lower one. After all, the eyes of our Nation and of the world are constantly upon him.

Mr. Speaker, poll numbers are fleeting, but the tarnishing of the highest office in the land has permanent consequences, and as for the character and morality of our leaders, I do not see it as my duty as a Congressman to give frequent lectures on this subject. We are legislators, we are not preachers. And all of us are flawed. We have all made mistakes. But there comes a point when remaining silent becomes a breach of responsibility. I cannot remain silent any longer. To do so would be to forsake my duty as an elected voice of the people. I am a representative of the people, and it is on their behalf that I implore the President to come forward with the truth.

The charges against the President of the United States are very serious, and that is why Congress may have to act on them.

Aiding in his defense, the President is said to have the best political tacticians and consultants in the business. We see and hear from these consultants very often. They miss no opportunity to malign the motives of the independent counsel or belittle the investigation, or send forth into the airwaves any number of legalistic evations and desperate semantic stonewalls.

Ken Starr is just doing his job. The independent counsel is doing the job that the Attorney General of the United States and a three-judge panel has asked him to do. Yet, if we look at the charges made against him, one would think he was the devil incarnate.

It is always the same with these people. The spin, the whole spin, and nothing but the spin. Are these the best political minds in the business? I am not so sure about that. They certainly know how to buy time, but that only works for just so long. They may be able to obscure the truth for a while, but they cannot change it. Their act is wearing very thin with the American people. It only aggravates the offenses and postpones the day of truth-telling.

I cannot think of a better way to bring on formal congressional proceedings than to go on hindering, obstructing and belittleing the judicial proceedings that are now under way.

Now, if that is the current White House strategy, then they will not be first to discover that deceit is one offense our forgiving public will not abide.

□ 1515

We Republicans know something about this from our party's bitter experience just a generation ago. There is no more fragile construct than a stone wall. In any scandal, the shortest route to safety is always the truth.

It is worth recalling that many of these same people 6 years ago promised, and I quote, ''the most ethical administration in history.'' The troubling thing is that they still believe it. Six years and who knows how many scandals later, their moral self-assurance seems undiminished. Where does this self-assurance come from? It seems to arise from a profound understanding of everybody's misdeeds except their own.

No administration has ever been more demonstrative in acknowledging our national sins past and present than this one. This is the same President who has so touchingly apologized for the sins of racism, the sins of discrimination, the sins committed during World War II against Japanese-Americans, and so on through our entire checkered social history.

How easy admissions come when the wrongdoing is someone else's. How repentant they are when the guilt is broad and general and national and universal. But now the question is one of personal wrongdoing. A strange silence has fallen over the White House. Mr. Speaker, at the heart of this investigation are some very, very serious questions, and a shrug is not an answer.

The response that these are personal traits that the public was well aware of when it elected him, that times are good, and people just do not care, and so on, likewise, rings very hollow to me. We have heard this line many times from the commentators.

I must say it absolutely amazes me. It is not very flattering, no matter how you look at it. Surely it marks the first time a President's integrity has ever been defended on the grounds that our expectations were low to begin with.

I do not for 1 minute buy into the argument that the public does not care about integrity, because, like most of us, the public is clearly bewildered by all of this. I suppose you can add to that a certain public fascination with this spectacle.

But we have an administration that often seems to defy so many of life's rules: honesty is the best policy; character is destiny; whatsoever a man soweth, so shall he reap. We all grow up believing these rules were firm and inflexible. Yet, somehow this White House seems to have found a loophole in each one of them.

They shy from the truth. They attack the character of others as if to divert attention from their own. They sow shame and scandal. Up till now, it seems to be working. But all of this can only work for just so long. In politics, as in life, you cannot stave off the consequences forever.

My money is still on the old saying that honesty is the best policy. Where simple honesty is concerned, there is no such thing as executive privilege. Sooner or later, straight answers will have to come out. The longer the White House waits, the greater the harm to themselves and to their bond of trust with the American people.

The sooner we hear the truth, the sooner they will regain public trust and respect. Let me repeat that, Mr. Speaker, not mere approval or popularity but trust and respect. Leaders do not live by polls alone. Without trust and respect, they are nothing, and any title they hold is a mockery.

On his way to Washington for the 1993 inauguration, the President-elect, Bill Clinton, made a stop at Monticello to pay homage to Thomas Jefferson. It was Jefferson who offered, perhaps, the most prophetic comment of the next 6 years of this presidency. No man will ever bring out of the presidency the reputation which carries him into it.

Something is amiss when a president receives almost as many bills from his lawyers as from Congress. The judicial proceedings will run their course regardless of this White House stonewalling. But if the President would just tell the truth to the American people, it would go a long, long way toward bringing this ordeal to an end. The truth, the truth is the only thing now that can preserve the dignity of the presidency.

That is what it is it all comes down to, Mr. Speaker, is the truth. The Independent Counsel must pursue it. Congress must expect it. The public must hear it. The President must tell it. Then, finally, we can put this sad chapter behind us and move on.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. UNDERWOOD (at the request of Mr. GEPHARDT) for today through noon on Wednesday, March 25, on account of official business in the district.

Mr. MARTINEZ (at the request of Mr. GEPHARDT) for today, on account of an unexpected emergency.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

The following Members (at the request of Mr. PALLONE) to revise and extend their remarks and include extraneous material:

Mr. FILNER, for 5 minutes, today.

Mrs. MALONEY of New York, for 5 minutes, today.

Mr. BARRETT of Wisconsin, for 5 minutes, today.

The following Members (at the request of Mr. TIAHRT) to revise and extend their remarks and include extraneous material:

Mr. MORAN of Virginia, for 5 minutes, today.

Mr. EWING, for 5 minutes, today.

Mr. TIAHRT, for 5 minutes, today.

Mr. BARTLETT of Maryland, for 5 minutes, today.

Mrs. CHENOWETH, for 5 minutes, today.

Mr. MICA, for 5 minutes, today.

The following Member (at his own request) to revise and extend his remarks and include extraneous material:

Mr. BURTON of Indiana, for 5 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. YOUNG of Florida and to include extraneous material notwithstanding the fact that it exceeds two pages of the RECORD and is estimated by the Public Printer to cost $1,055.

The following Members (at the request of Mr. PALLONE) and to include extraneous matter:

Mr. KIND.
Mr. TOWNS.
Mr. KANJORSKI.
Ms. STABENOW.
Mr. DIXON.
Mr. PAYNE.

The following Members (at the request of Mr. TIAHRT) and to include extraneous matter:

Mr. REDMOND.
Mr. PORTMAN.
Mr. BLILEY.

The following Members (at the request of Mr. PALLONE) and to include extraneous matter:

Mr. WEYGAND.
Mr. QUINN.
Mr. BLILEY.
Mr. KANJORSKI.
Mr. PORTMAN.
Mr. THOMPSON.
Mr. EDWARDS.
Mr. YOUNG of Florida.
Mr. BOB SCHAFFER of Colorado.
Mr. KIND.
Mr. DIXON.
Mr. HALL of Texas.
Mr. CLYBURN.
Mr. DOOLEY of California.
Mr. CLAY.

The following Members (at the request of Mr. DELAY) and to include extraneous matter:

Mr. MCCOLLUM.
Mr. FORBES.
Mr. MORAN of Virginia.
Mr. PORTER.
Mr. GALLEGLY.
Mr. MCDERMOTT.
Mr. WELLER.
Mr. SKELTON.
Mr. PAYNE.
Mr. MENENDEZ.

ADJOURNMENT

Mr. DELAY. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 3 o'clock and 21 minutes p.m.), under its previous order, the House adjourned until Monday, March 23, 1998, at 2 p.m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

8099. A letter from the Administrator, Agricultural Marketing Service, Department of Agriculture, transmitting the Department's final rule—Tomatoes Grown in Florida and Imported Tomatoes; Final Rule to Change Minimum Grade Requirements [Docket No. FV98–966–1 FR] received March 18, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

8100. A letter from the Administrator, Agricultural Marketing Service, Department of Agriculture, transmitting the Department's final rule—Raisins Produced from Grapes Grown in California; Final Free and Reserve Percentages for 1997–1998 Crop Natural (Sun-Dried) Seedless and Zante Currant Raisins [FV98–989–1 IFR] received March 18, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

8101. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Titanium Dioxide; Exemption from the Requirement of a Tolerance [OPP–300632; FRL–5779–3] (RIN: 2070–AB78) received March 18, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

8102. A letter from the Deputy Executive Director, U.S. Commodity Futures Trading Commission, transmitting the Commission's final rule—Distribution of Customer Property Related to Trading on the Chicago Board of Trade-London International Financial Futures and Options Exchange Trading Link [17 CFR Part 190] received February 23, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

8103. A letter from the the Director, the Office of Management and Budget, transmitting the cumulative report on rescissions and deferrals of budget authority as of March 1, 1998, pursuant to 2 U.S.C. 685(e); (H. Doc. No. 105—232); to the Committee on Appropriations and ordered to be printed.

8104. A letter from the Director, Defense Procurement, Department of Defense, transmitting the Department's final rule—Defense Federal Acquisition Regulation Supplement; Veterans Employment Emphasis [DFARS Case 97–D314] received March 9, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on National Security.

8105. A letter from the Director, Office of Management and Budget, transmitting a report regarding actions to combat terrorism, pursuant to Public Law 105—85; to the Committee on National Security.

8106. A letter from the Assistant Secretary, Indian Affairs, Department of the Interior, transmitting the Department's final rule—Housing Improvement Program (RIN: 1076–AD52) received February 25, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Banking and Financial Services.

8107. A letter from the General Counsel, National Credit Union Administration, transmitting the Administration's final rule—Mergers or Conversions of Federally Insured Credit Unions to Non Credit Union Status; NCUA Approval [12 CFR Part 708a] received March 18, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Banking and Financial Services.

8108. A letter from the Secretary of Housing and Urban Development, transmitting a draft of proposed legislation to repeal and streamline a wide range of programs of the Department of Housing and Urban Development, and for other purposes; to the Committee on Banking and Financial Services.

8109. A letter from the Director, Office of Rulemaking Coordination, Department of Energy, transmitting the Department's final rule—Assistance Regulations; Acquisition Regulations; Revisions to Rights in Data Regulations (RIN: 1991–AB33) received March 18, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

8110. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—National Emission Standards for Hazardous Air Pollutants: Petroleum Refineries [AD-FRL–5976–3] received March 12, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

8111. A letter from the Assistant Secretary for Legislative Affairs, Department of State, transmitting Ambassador Frank Wisner's report on Russian-Iranian missile cooperation; to the Committee on International Relations.

8112. A letter from the Chairman, Federal Mine Safety and Health Review Commission, transmitting the Annual Performance Plan for fiscal year 1999, pursuant to Public Law 103—62; to the Committee on Government Reform and Oversight.

8113. A letter from the Secretary, Federal Trade Commission, transmitting a report of activities under the Freedom of Information Act for the calendar year 1997, pursuant to 5 U.S.C. 552(d); to the Committee on Government Reform and Oversight.

8114. A letter from the Director, Office of Government Ethics, transmitting the Office's final rule—Amendments to the Office of Government Ethics Rules under the Equal Access to Justice Act (RIN: 3209–AA20) received March 18, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Government Reform and Oversight.

8115. A letter from the Deputy Associate Director for Royalty Management, Department of the Interior, transmitting notification of proposed refunds of excess royalty payments in OCS areas, pursuant to 43 U.S.C. 1339(b); to the Committee on Resources.

8116. A letter from the Director, Office of Sustainable Fisheries, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule—Fisheries of the Caribbean, Gulf of Mexico, and South Atlantic; Coastal Migratory Pelagic Resources of the Gulf of Mexico and South Atlantic; Closure [Docket No. 980129023–8023–01; I.D. 030498B] received March 18, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

8117. A letter from the Director, Office of Sustainable Fisheries, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule—Fisheries of the Exclusive Economic Zone Off Alaska; Pacific Cod in the Central Regulatory Area of the Gulf of Alaska [Docket No. 971208295–7295–01; I.D. 030998A] received March 18, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

8118. A letter from the Acting Director, Office of Sustainable Fisheries, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule—Fisheries of the Exclusive Economic Zone Off Alaska; Pollock in the Eastern Regulatory Area of the Gulf of Alaska [Docket No. 971208295–7295–01; I.D. 030698D] received March 18, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

8119. A letter from the Deputy Assistant Administrator for Fisheries, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule—Fisheries of the Exclusive Economic Zone Off Alaska; Gulf of Alaska; Final 1998 Harvest Specifications for Groundfish [Docket No. 971208297–8054–02; I.D. 112097A] received March 18, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

8120. A letter from the Deputy Assistant Administrator for Fisheries, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule—Fisheries of the Northeastern United States; Northeast Multispecies Fishery; Framework Adjustment 24 [Docket No. 971030259–8039–02; I.D. 101497C] received March 18, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

8121. A letter from the Commissioner, Immigration and Naturalization Service, Department of Justice, transmitting the Department's final rule— Periods of Lawful Temporary Resident Status and Lawful Permanent Resident Status to Establish Seven Years of Lawful Domicile [INS No. 1748–96; AG Order No. 2063–96] (RIN: 1115–AE27) received March 6, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on the Judiciary.

8122. A letter from the Chief, Regulations Unit, Internal Revenue Service, transmitting the Service's final rule—Taxation of fringe benefits [Revenue Ruling 98–14] received March 16, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

8123. A letter from the Chief, Regulations Unit, Internal Revenue Service, transmitting the Service's final rule—Low-Income Housing Credit [Revenue Ruling 98–13] received March 16, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

8124. A letter from the Chief, Regulations Unit, Internal Revenue Service, transmitting the Service's final rule—Interest Rate [Revenue Ruling 98–17] received March 17, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

8125. A letter from the Chief, Regulations Branch, U.S. Customs Service, transmitting the Service's final rule—Copyright/Trademark/Trade Name Protection; Disclosure of Information [T.D. 98–2] (RIN: 1515–AB28) received March 6, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

8126. A letter from the Chief, Regulations Branch, U.S. Customs Service, transmitting the Service's final rule—General Enforcement Provisions; Removal of Agency Management Regulations [T.D. 98–22] (RIN: 1515–AC02) received March 6, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

8127. A letter from the Chief, Regulations Branch, U.S. Customs Service, transmitting the Service's final rule—Customs Service Field Organization; Designation of Kodiak, Alaska, as a Customs Port of Entry [T.D. 98–24] received March 18, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

8128. A letter from the Chief, Regulations Branch, U.S. Customs Service, transmitting the Service's final rule—Publication of Filer Codes [T.D. 98–25] (RIN: 1515–AB27) received March 18, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. YOUNG of Alaska: Committee on Resources. H.R. 3113. A bill to reauthorize the Rhinoceros and Tiger Conservation Act of 1994 (Rept. 105–455). Referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. POMEROY (for himself, Mr. KOLBE, Mrs. KENNELLY of Connecticut, Mr. ENGLISH of Pennsylvania, Mr. LEVIN, Mrs. THURMAN, Mr. PAYNE, Mr. GREEN, Mr. BOSWELL, Mr. RAHALL, Mr. FROST, Mr. YATES, Mr. STUPAK, Mr. TORRES, Mr. EVANS, Ms. DELAURO, Mr. UNDERWOOD, Ms. WOOLSEY, Mr. LEWIS of Georgia, Ms. EDDIE BERNICE JOHNSON of Texas, and Mr. SESSIONS):

H.R. 3503. A bill to amend the Internal Revenue Code of 1986 to enhance the portability of retirement benefits, and for other purposes; to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for condition of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. SHUSTER (for himself and Mr. OBERSTAR) (both by request):

H.R. 3504. A bill to amend the John F. Kennedy Center Act to authorize appropriations for the John F. Kennedy Center for the Performing Arts and to further define the criteria for capital repair and operation and maintenance; to the Committee on Transportation and Infrastructure.

By Mr. DOOLEY of California (for himself and Mr. BOYD):

H.R. 3505. A bill to amend the Clean Air Act to provide for the implementation of the revised ozone and particulate matter standards, and for other purposes; to the Committee on Commerce.

By Mr. EHLERS (for himself, Mr. JONES, Mr. LEWIS of Kentucky, Mr.

TIAHRT, Mr. HORN, Mr. KNOLLENBERG, Mr. ADERHOLT, Ms. PRYCE of Ohio, Mr. KINGSTON, Mr. SMITH of Michigan, Mr. BARR of Georgia, Mr. PETERSON of Pennsylvania, Mr. BOEHNER, Mr. SUNUNU, Mr. BLUNT, Mr. CHAMBLISS, Mr. TRAFICANT, Mr. GILCHREST, Mr. HASTINGS of Washington, Mr. GREENWOOD, Mr. WATKINS, Mr. HANSEN, Mr. LATOURETTE, Mr. LAHOOD, Mr. GANSKE, Mr. GILMAN, Mr. BUNNING of Kentucky, Mr. EWING, Mr. HOEKSTRA, Mr. BATEMAN, Mr. SENSENBRENNER, Mr. WHITFIELD, Mr. CAMP, Mr. LEACH, Mr. FAZIO of California, Mr. BURR of North Carolina, Mr. CAMPBELL, Mr. FAWELL, Mr. KILDEE, Mr. BILBRAY, Mrs. KELLY, Mr. LINDER, Mr. HASTERT, Mr. STUMP, Mr. EVERETT, Mr. DEAL of Georgia, and Mr. CALLAHAN):

H.R. 3506. A bill to award a congressional gold medal to Gerald R. and Betty FORD; to the Committee on Banking and Financial Services.

By Mr. SPENCE:

H.R. 3507. A bill to suspend until December 31, 2001, the duty on certain electrical transformers for use in the manufacture of audio systems; to the Committee on Ways and Means.

H.R. 3508. A bill to suspend until December 31, 2001, the duty on loudspeakers not mounted in their enclosures; to the Committee on Ways and Means.

H.R. 3509. A bill to suspend until December 31, 2001, the duty on parts for use in the manufacture of loudspeakers; to the Committee on Ways and Means.

By Mr. BONIOR (for himself, Mr. GEPHARDT, Mr. FAZIO of California, Mrs. KENNELLY of Connecticut, Ms. DELAURO, Mr. LEWIS of Georgia, Mr. MENENDEZ, Mr. FROST, Mr. CLAY, Mr. OWENS, Mr. HINCHEY, Mrs. CLAYTON, Mr. ACKERMAN, Mr. BARRETT of Wisconsin, Mr. BECERRA, Mr. BERMAN, Mr. BLAGOJEVICH, Mr. BORSKI, Mr. BROWN of California, Mr. BROWN of Ohio, Mr. CARDIN, Ms. CARSON, Ms. CHRISTIAN-GREEN, Mr. CONYERS, Mr. COYNE, Mr. CUMMINGS, Mr. DAVIS of Illinois, Mr. DEFAZIO, Mr. DELAHUNT, Mr. DICKS, Mr. DIXON, Mr. ENGEL, Mr. EVANS, Mr. FALEOMAVAEGA, Mr. FORD, Mr. FRANK of Massachusetts, Mr. GEJDENSON, Mr. GREEN, Mr. GUTIERREZ, Mr. HALL of Ohio, Mr. HASTINGS of Florida, Mr. HEFNER, Mr. HILLIARD, Ms. HOOLEY of Oregon, Mr. JACKSON, Ms. JACKSON-LEE, Ms. KAPTUR, Mr. KENNEDY of Massachusetts, Mr. KENNEDY of Rhode Island, Mr. KILDEE, Ms. KILPATRICK, Mr. KLECZKA, Mr. KLINK, Mr. KUCINICH, Mr. LAFALCE, Mr. LAMPSON, Mr. LANTOS, Mr. LEVIN, Ms. LOFGREN, Mrs. LOWEY, Mr. MANTON, Mr. MARKEY, Mr. MARTINEZ, Mr. MASCARA, Mr. MATSUI, Mr. MCDERMOTT, Mr. MCGOVERN, Mr. MCNULTY, Mr. MEEHAN, Mrs. MEEK of Florida, Ms. MILLENDER-MCDONALD, Mr. MILLER of California, Mrs. MINK of Hawaii, Mr. MOAKLEY, Mr. NADLER, Mr. NEAL of Massachusetts, Ms. NORTON, Mr. OLVER, Mr. PALLONE, Mr. PAYNE, Ms. PELOSI, Mr. POSHARD, Mr. RAHALL, Mr. RANGEL, Mr. ROTHman, Ms. ROYBAL-ALLARD, Mr. RUSH, Mr. SABO, Ms. SANCHEZ, Mr. SANDERS, Mr. SAWYER, Mr. SCHUMER, Mr. SCOTT, Mr. SHERMAN, Ms. SLAUGHTER, Mr. STARK, Mr. STOKES, Mr. STRICKLAND, Mr. TIERNEY, Mr. THOMPSON, Mr. TORRES, Mr. TOWNS, Ms. VELAZQUEZ, Mr. VENTO, Ms. WATERS, Mr. WAXMAN, Mr. WEYGAND, Mr. WEXLER, Ms. WOOLSEY, Mr. WYNN, Mr. YATES, Mr. FILNER, and Mr. OBEY):

H.R. 3510. A bill to amend the Fair Labor Standards Act of 1938 to increase the Federal minimum wage; to the Committee on Education and the Workforce.

By Mr. THOMAS (for himself, Mr. STARK, Mr. BILIRAKIS, Mr. WAXMAN, Mr. HOUGHTON, Mr. ENSIGN, Mr. MCCRERY, Mr. KLECZKA, Mr. LEWIS of Georgia, Mrs. THURMAN, Mr. CAMP, Mr. LINDER, Mr. HAYWORTH, Mr. CHRISTENSEN, Mr. SAM JOHNSON, and Mr. TOWNS):

H.R. 3511. A bill to amend title XI of the Social Security Act to authorize the Secretary of Health and Human Services to provide additional exceptions to the imposition of civil money penalties in cases of payments to beneficiaries; to the Committee on Ways and Means, and in addition to the Committee on Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. CHRISTENSEN:

H.R. 3512. A bill to amend title 18, United States Code, with respect to Federal prisoners, and for other purposes; to the Committee on the Judiciary.

By Mrs. CLAYTON (for herself, Mrs. MEEK of Florida, Mr. BROWN of California, Mr. HOLDEN, Mr. FROST, Mr. BISHOP, Mr. BONIOR, Mr. THOMPSON, Mr. BOSWELL, Mr. PASTOR, Ms. STABENOW, Mr. ETHERIDGE, Mr. MASCARA, Mr. HILLIARD, Ms. CHRISTIAN-GREEN, Mr. BAESLER, Mr. CONDIT, Mr. SKELTON, Mr. POMEROY, Mr. HINCHEY, Mr. TOWNS, Mr. STARK, Ms. FURSE, Ms. DANNER, Mr. LEWIS of Georgia, Mr. ABERCROMBIE, Mr. GEPHARDT, Mr. SCOTT, Ms. DELAURO, Mr. MCINTYRE, Mr. DOOLEY of California, Mr. SANDERS, Mr. PRICE of North Carolina, Mr. FALEOMAVAEGA, Ms. JACKSON-LEE, Ms. KILPATRICK, Mr. RUSH, Mr. CLYBURN, Mr. WYNN, Mr. DAVIS of Illinois, and Mr. WATT of North Carolina):

H.R. 3513. A bill to reform agricultural credit programs of the Department of Agriculture, and for other purposes; to the Committee on Agriculture.

By Mr. CONYERS (for himself, Mr. SCHUMER, Mrs. MORELLA, Mr. ABERCROMBIE, Mr. ACKERMAN, Mr. BALDACCI, Mr. BARRETT of Wisconsin, Mr. BLAGOJEVICH, Mr. BOUCHER, Ms. BROWN of Florida, Mr. BROWN of California, Ms. CARSON, Ms. CHRISTIAN-GREEN, Mr. CLEMENT, Mr. COYNE, Mr. CRAMER, Mr. CUMMINGS, Ms. DEGETTE, Mr. DELAHUNT, Ms. DELAURO, Mr. DOOLEY of California, Mr. ENGEL, Ms. ESHOO, Mr. EVANS, Mr. FALEOMAVAEGA, Mr. FAZIO of California, Mr. FILNER, Mr. FOLEY, Mr. FORD, Mr. FROST, Ms. FURSE, Mr. GEJDENSON, Mr. GEPHARDT, Mr. GUTIERREZ, Ms. HARMAN, Mr. HILLIARD, Mr. HINCHEY, Mr. JACKSON, Ms. JACKSON-LEE, Mrs. KENNELLY of Connecticut, Ms. KILPATRICK, Mr. KLECZKA, Mr. LAMPSON, Mr. LANTOS, Mr. LEACH, Mr. LEWIS of Georgia, Ms. LOFGREN, Mrs. LOWEY, Mrs. MCCARTHY of New York, Mr. MCDERMOTT, Ms. MCKINNEY, Mrs. MALONEY of New York, Mr. MANTON, Mr. MARKEY, Mr. MATSUI, Mr. MEEHAN, Mrs. MEEK of Florida, Mrs. MINK of Hawaii, Mr. MORAN of Virginia, Mr. NADLER, Ms. NORTON, Mr. PALLONE, Mr. PAYNE, Ms. PELOSI, Mr. POMEROY, Ms. ROYBAL-ALLARD, Mr. RUSH, Ms. SANCHEZ, Mr. SANDERS, Mr. SAWYER, Mr. SCOTT, Mr. SHERMAN, Ms. SLAUGHTER, Mr. STARK, Mr. TORRES, Mr. UNDERWOOD, Mr. VENTO, Ms. WATERS, Mr. WAXMAN, Mr. WEXLER, and Ms. WOOLSEY):

H.R. 3514. A bill to prevent violence against women, and for other purposes; to the Committee on the Judiciary, and in addition to the Committees on Education and the Workforce, Ways and Means, Commerce, Banking and Financial Services, National Security, and Government Reform and Oversight, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. EHRLICH:

H.R. 3515. A bill to amend title 38, United States Code, to exclude from income, for purposes of determining annual income for veterans' non-service-connected disability pension, amounts received by a veteran from any judgment or settlement of a claim for damages against the Secretary of Veterans Affairs; to the Committee on Veterans' Affairs.

By Mr. ENGLISH of Pennsylvania:

H.R. 3516. A bill to amend the Federal Election Campaign Act of 1971 to reform the financing of campaigns for election for Federal office, and for other purposes; to the Committee on House Oversight, and in addition to the Committees on Ways and Means, Commerce, and Government Reform and Oversight, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. FOX of Pennsylvania:

H.R. 3517. A bill to allow postal patrons to contribute to funding for diabetes research through the voluntary purchase of certain specially issued United States postage stamps; to the Committee on Government Reform and Oversight.

By Mr. FRANKS of New Jersey (for himself, Mr. MEEHAN, and Mr. FOLEY):

H.R. 3518. A bill to provide for a transition to market-based rates for power sold by the Federal Power Marketing Administrations and the Tennessee Valley Authority, and for other purposes; to the Committee on Resources, and in addition to the Committees on Transportation and Infrastructure, and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Ms. GRANGER (for herself and Mr. ROEMER):

H.R. 3519. A bill to require the Occupational Safety and Health Administration to recognize that electronic forms of providing MSDSs provide the same level of access to information as paper copies; to the Committee on Education and the Workforce.

By Mr. HASTINGS of Washington:

H.R. 3520. A bill to adjust the boundaries of the Lake Chelan National Recreation Area and the adjacent Wenatchee National Forest in the State of Washington; to the Committee on Resources.

By Mr. HOBSON:

H.R. 3521. A bill to provide for the conveyance of the Army Reserve Center in Jamestown, Ohio, to benefit the Greeneview Local School District of Jamestown, Ohio; to the Committee on National Security.

By Mr. KENNEDY of Rhode Island:

H.R. 3522. A bill to amend the Act entitled ''An Act to establish the Blackstone River Valley National Heritage Corridor in Massachusetts and Rhode Island'' to reauthorize assistance for historic, recreational, and environmental education projects related to

the Blackstone River Valley National Heritage Corridor; to the Committee on Resources.

By Mr. MCCOLLUM (for himself, Mr. DELAHUNT, Mr. ADERHOLT, Mr. ALLEN, Mr. BACHUS, Mr. BALDACCI, Mr. BARR of Georgia, Mr. BOEHNER, Mr. BOUCHER, Mr. BOYD, Mr. CHAMBLISS, Mr. COLLINS, Mr. COOKSEY, Mr. DIAZ-BALART, Mr. FOLEY, Mrs. FOWLER, Mr. GEKAS, Mr. GOSS, Mr. HASTINGS of Florida, Mr. HOBSON, Mr. INGLIS of South Carolina, Mr. KENNEDY of Massachusetts, Mr. LIVINGSTON, Mr. MCCRERY, Mr. MCGOVERN, Mrs. MEEK of Florida, Mr. MICA, Mr. MILLER of Florida, Mr. MOAKLEY, Mr. NETHERCUTT, Mr. NEAL of Massachusetts, Mr. NEY, Mr. NORWOOD, Mr. OLVER, Mr. PAUL, Mr. PORTER, Mr. REGULA, Mr. ROTHMAN, Mr. SCARBOROUGH, Mr. SHAW, Mr. SPENCE, Mr. STEARNS, Mr. STENHOLM, Mr. TALENT, Mr. THORNBERRY, Mrs. THURMAN, Mr. WELDON of Florida, and Mr. WEXLER):

H.R. 3523. A bill to amend the false claims provisions of title 31, United States Code; to the Committee on the Judiciary.

By Mr. MCDERMOTT (for himself, Mr. KLECZKA, Mr. JEFFERSON, Mr. MATSUI, Mr. NEAL of Massachusetts, and Mrs. KENNELLY of Connecticut):

H.R. 3524. A bill to amend the Internal Revenue Code of 1986 to increase the standard deduction for joint filers; to the Committee on Ways and Means.

By Mr. MORAN of Virginia:

H.R. 3525. A bill to amend the National Highway System Designation Act of 1995 to specify the number and use of vehicle lanes on any replacement of the Woodrow Wilson Memorial Bridge, and for other purposes; to the Committee on Transportation and Infrastructure.

By Mr. SHAYS (for himself, Mr. MEEHAN, Mrs. ROUKEMA, Mrs. CAPPS, Mr. LEACH, Mr. MORAN of Virginia, Mrs. MORELLA, Mr. LUTHER, Mr. BILBRAY, Mrs. MALONEY of New York, Mr. BLUMENAUER, Mr. MINGE, Mr. WEXLER, Mr. BARRETT of Wisconsin, and Mr. ALLEN):

H.R. 3526. A bill to reform the financing of Federal elections; to the Committee on House Oversight, and in addition to the Committees on Education and the Workforce, Government Reform and Oversight, and the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. SISISKY:

H.R. 3527. A bill to amend the Act entitled ''An Act to establish a national military park at the battle fields of the siege of Petersburg, Virginia'', approved July 3, 1926, to limit the authority of the Department of the Interior to impose fees for entrance to the City Point Unit of Petersburg National Battlefield; to the Committee on Resources.

By Mr. WATTS of Oklahoma (for himself, Mr. DIAZ-BALART, and Mr. LEWIS of Georgia):

H. Con. Res. 247. Concurrent resolution recognizing the contributions of the Reverend Dr. Martin Luther King, Jr. to the civil society of the United States and the world and to the cause of nonviolent social and political change to advance social justice and equality for all races and calling on the people of the United States to study, reflect on, and celebrate the life of Dr. Martin Luther King, Jr., on the thirtieth anniversary of his death; to the Committee on the Judiciary.

ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 127: Mr. HUTCHINSON and Mr. THUNE.
H.R. 218: Mr. CLEMENT.
H.R. 371: Mr. BLAGOJEVICH.
H.R. 442: Mr. PAUL.
H.R. 453: Mr. RANGEL and Mrs. KELLY.
H.R. 493: Mrs. CAPPS.
H.R. 620: Mr. ENGLISH of Pennsylvania.
H.R. 758: Mr. OXLEY.
H.R. 789: Mr. HASTINGS of Washington.
H.R. 863: Mr. TIERNEY.
H.R. 934: Ms. DANNER.
H.R. 981: Mr. PAYNE, Mr. TORRES, Ms. SANCHEZ, Mr. DEUTSCH, Mr. WELDON of Florida, Ms. KAPTUR, Mr. CASTLE, Mr. FAWELL, Mr. HORN, and Mr. RUSH.
H.R. 991: Mr. LEVIN.
H.R. 1054: Mr. HALL of Texas, Mr. WELLER, and Mr. DAVIS of Virginia.
H.R. 1134: Mr. MOAKLEY.
H.R. 1151: Mr. ROGAN and Mr. ENGEL.
H.R. 1241: Ms. HOOLEY of Oregon.
H.R. 1356: Mr. MCGOVERN, Mr. GREEN, Mr. LANTOS, Mr. REDMOND, Mr. GRAHAM, Mr. NADLER, and Mr. BEREUTER.
H.R. 1415: Mr. DIXON and Mr. BASS.
H.R. 1823: Mr. GUTIERREZ.
H.R. 1891: Mr. LEVIN, Mr. KLUG, Ms. DUNN of Washington, Mr. BURTON of Indiana, Mr. BASS, Mr. KNOLLENBERG, and Mr. BLUMENAUER.
H.R. 2124: Mrs. CUBIN and Mr. HILL.
H.R. 2130: Mr. LANTOS, Mr. KENNEDY of Rhode Island, Mr. BROWN of California, Mr. BALDACCI, Mr. WEXLER, and Mr. GEJDENSON.
H.R. 2409: Ms. DELAURO, Mr. HALL of Ohio, and Mr. FOX of Pennsylvania.
H.R. 2499: Mr. WATKINS, Mr. MALONEY of Connecticut, Mr. BECERRA, and Mr. BARCIA of Michigan.
H.R. 2541: Mr. WELDON of Florida.
H.R. 2568: Mr. CLYBURN.
H.R. 2609: Mr. HOEKSTRA and Mr. BLUNT.
H.R. 2708: Mr. DREIER, Mrs. TAUSCHER, Mrs. NORTHUP, and Mr. BRADY.
H.R. 2734: Mr. NETHERCUTT.
H.R. 2758: Mr. ROYCE, Mr. RAHALL, Mr. WELDON of Pennsylvania, Mr. FROST, Ms. WOOLSEY, Mr. SANDLIN, Mr. JOHN. Mr. COBURN, Mr. TIAHRT, Mr. CUNNINGHAM, Mr. FILNER, Mr. LUCAS of Oklahoma, Mr. NEY, Mr. KLUG, Mr. GUTKNECHT, and Mr. CAMP.
H.R. 2774: Mr. SHERMAN.
H.R. 2786: Mr. MALONEY of Connecticut.
H.R. 2798: Mr. RUSH, Mr. JACKSON, Mr. LIPINSKI, Mr. GUTIERREZ, Mr. BLAGOJEVICH, Mr. HYDE, Mr. CRANE, Mr. YATES, Mr. PORTER, Mr. WELLER, Mr. COSTELLO, Mr. FAWELL, Mr. HASTERT, Mr. EWING, Mr. MANZULLO, Mr. EVANS, Mr. LAHOOD, Mr. POSHARD, and Mr. SHIMKUS.
H.R. 2799: Mr. RUSH, Mr. JACKSON, Mr. LIPINSKI, Mr. GUTIERREZ, Mr. BLAGOJEVICH, Mr. HYDE, Mr. CRANE, Mr. YATES, Mr. PORTER, Mr. WELLER, Mr. COSTELLO, Mr. FAWELL, Mr. HASTERT, Mr. EWING, Mr. MANZULLO, Mr. EVANS, Mr. LAHOOD, Mr. POSHARD, and Mr. SHIMKUS.
H.R. 2817: Ms. LOFGREN, Ms. FURSE, and Mrs. KENNELLY of Connecticut.
H.R. 2819: Mr. LEVIN and Mr. BROWN of California.
H.R. 2829: Mr. CLEMENT, Mrs. JOHNSON of Connecticut, Mr. KOLBE, Mr. SHAW, and Mr. SOUDER.
H.R. 2850: Mr. WAXMAN.
H.R. 2884: Mr. RAMSTAD and Mr. KING of New York.
H.R. 2914: Mr. BERRY.
H.R. 2931: Mr. LAMPSON and Mr. GOODLING.
H.R. 2960: Mr. BARCIA of Michigan.
H.R. 3027: Ms. LOFGREN.
H.R. 3028: Ms. LOFGREN.
H.R. 3050: Mr. BARRETT of Wisconsin.
H.R. 3055: Mr. DIAZ-BALART and Mrs. MEEK of Florida.
H.R. 3081: Mr. CLYBURN, Mr. HORN, Mr. LEACH, Mr. FOLEY, and Mr. KLECZKA.
H.R. 3093: Mr. HUTCHINSON.
H.R. 3134: Mr. BORSKI and Mr. VENTO.
H.R. 3149: Mr. KOLBE.
H.R. 3151: Mr. KOLBE.
H.R. 3156: Mr. HOBSON, Ms. MILLENDER-MCDONALD, Mr. FILNER, Mr. HILLIARD, Mr. KILDEE, Mr. HINCHEY, Mr. BONIOR, Mr. HORN, Mr. BLUMENAUER, Mr. FRANK of Massachusetts, Mr. DAVIS of Florida, Mr. KENNEDY of Massachusetts, Mr. COYNE, Mr. KLECZKA, Mr. LANTOS, Mr. BROWN of California, and Mr. LUTHER.
H.R. 3159: Mr. SMITH of New Jersey, Mr. TRAFICANT, Mr. WATTS of Oklahoma, Mr. MILLER of Florida, Ms. LOFGREN, and Mr. SOLOMON.
H.R. 3168: Mrs. CHENOWETH.
H.R. 3206: Mr. WELLER and Mr. CAMPBELL.
H.R. 3217: Mr. KLECZKA and Mr. KLINK.
H.R. 3243: Mr. BILIRAKIS.
H.R. 3248: Mr. BURTON of Indiana, Mr. BALLENGER, Mr. CRAPO, and Mr. SOUDER.
H.R. 3259: Mr. LEWIS of Georgia.
H.R. 3265: Mrs. MORELLA, Mr. BATEMAN, Mr. HASTINGS of Washington, Mr. DIAZ-BALART, and Mr. WATKINS.
H.R. 3269: Mr. KENNEDY of Rhode Island.
H.R. 3276: Mr. NETHERCUTT.
H.R. 3290: Mr. NEY, Mr. FRANKS of New Jersey, Mr. EHRLICH, Mr. CAMPBELL, Mr. RAMSTAD, and Mrs. MORELLA.
H.R. 3300: Mr. MATSUI and Mr. MANTON.
H.R. 3331: Mr. SANFORD.
H.R. 3335: Mr. CANADY of Florida.
H.R. 3464: Mr. HASTINGS of Florida and Mrs. MALONEY of New York.
H.J. Res. 114: Mr. GANSKE, Mrs. MYRICK, Mr. GOODLATTE, Mr. BARR of Georgia, Mr. TRAFICANT, and Mr. HUNTER.
H. Con. Res. 47: Mr. TIERNEY.
H. Con. Res. 186: Mr. CALVERT.
H. Con. Res. 211: Mrs. MYRICK and Mr. NEY.
H. Con. Res. 219: Mr. KENNEDY of Rhode Island, Mr. COOKSEY, Mr. LEWIS of Georgia, Mr. WAXMAN, Mr. FOLEY, Mr. WATTS of Oklahoma, and Mr. HASTINGS of Florida.
H. Con. Res. 246: Mr. SUNUNU, Ms. JACKSON-LEE, Mr. BONIOR, and Mr. MORAN of Virginia.
H. Res. 37: Mr. HASTINGS of Florida, Ms. RIVERS, and Mr. DAVIS of Florida.
H. Res. 380: Mr. RIGGS.

DELETIONS OF SPONSORS FROM PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, sponsors were deleted from public bills and resolutions as follows:

H.R. 94: Mr. DELAHUNT.

AMENDMENTS

Under clause 6 of rule XXIII, proposed amendments were submitted as follows:

H.R. 10

OFFERED BY: MR. LEACH

(Amendment in the Nature of a Substitute)

AMENDMENT NO. 1.

SECTION 1. SHORT TITLE; PURPOSES; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Financial Services Act of 1998''.

(b) PURPOSES.—The purposes of this Act are as follows:

(1) To enhance competition in the financial services industry, in order to foster innovation and efficiency.

(2) To ensure the continued safety and soundness of depository institutions.

(3) To provide necessary and appropriate protections for investors and ensure fair and honest markets in the delivery of financial services.

(4) To provide for appropriate functional regulation of insurance activities.

(5) To reduce and, to the maximum extent practicable, to eliminate the legal barriers preventing affiliation among depository institutions, securities firms, insurance companies, and other financial service providers and to provide a prudential framework for achieving that result.

(6) To enhance the availability of financial services to citizens of all economic circumstances and in all geographic areas.

(7) To enhance the competitiveness of United States financial service providers internationally.

(8) To ensure compliance by depository institutions with the provisions of the Community Reinvestment Act of 1977 and enhance the ability of depository institutions to meet the capital and credit needs of all citizens and communities, including underserved communities and populations.

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

Sec. 1. Short title; purposes; table of contents.

TITLE I—FACILITATING AFFILIATION AMONG SECURITIES FIRMS, INSURANCE COMPANIES, AND DEPOSITORY INSTITUTIONS

Subtitle A—Affiliations

Sec. 101. Glass-Steagall Act reformed.
Sec. 102. Activity restrictions applicable to bank holding companies which are not financial holding companies.
Sec. 103. Financial holding companies.
Sec. 104. Certain State laws preempted.
Sec. 105. Mutual bank holding companies authorized.
Sec. 106. Prohibition on deposit production offices.
Sec. 107. Clarification of branch closure requirements.
Sec. 108. Amendments relating to limited purpose banks.

Subtitle B—Streamlining Supervision of Financial Holding Companies

Sec. 111. Streamlining financial holding company supervision.
Sec. 112. Elimination of application requirement for financial holding companies.
Sec. 113. Authority of State insurance regulator and Securities and Exchange Commission.
Sec. 114. Prudential safeguards.
Sec. 115. Examination of investment companies.
Sec. 116. Limitation on rulemaking, prudential, supervisory, and enforcement authority of the Board.

Subtitle C—Subsidiaries of National Banks

Sec. 121. Permissible activities for subsidiaries of national banks.
Sec. 122. Misrepresentations regarding depository institution liability for obligations of affiliates.
Sec. 123. Repeal of stock loan limit in Federal reserve act.

Subtitle D—Wholesale Financial Holding Companies; Wholesale Financial Institutions

CHAPTER 1—WHOLESALE FINANCIAL HOLDING COMPANIES

Sec. 131. Wholesale financial holding companies established.
Sec. 132. Authorization to release reports.
Sec. 133. Conforming amendments.

CHAPTER 2—WHOLESALE FINANCIAL INSTITUTIONS

Sec. 136. Wholesale financial institutions.

Subtitle E—Streamlining Antitrust Review of Bank Acquisitions and Mergers

Sec. 141. Amendments to the Bank Holding Company Act of 1956.
Sec. 142. Amendments to the Federal Deposit Insurance Act to vest in the Attorney General sole responsibility for antitrust review of depository institution mergers.
Sec. 143. Information filed by depository institutions; interagency data sharing.
Sec. 144. Applicability of antitrust laws.
Sec. 145. Clarification of status of subsidiaries and affiliates.
Sec. 146. Effective date.

Subtitle F—Applying the Principles of National Treatment and Equality of Competitive Opportunity to Foreign Banks and Foreign Financial Institutions

Sec. 151. Applying the principles of national treatment and equality of competitive opportunity to foreign banks that are financial holding companies.
Sec. 152. Applying the principles of national treatment and equality of competitive opportunity to foreign banks and foreign financial institutions that are wholesale financial institutions.

Subtitle G—Federal Home Loan Bank System

Sec. 161. Federal home loan banks–
Sec. 162. Membership and collateral.
Sec. 163. The Office of Finance.
Sec. 164. Management of banks.
Sec. 165. Advances to nonmember borrowers.
Sec. 166. Powers and duties of banks.
Sec. 167. Mergers and consolidations of Federal home loan banks.
Sec. 168. Technical amendments.
Sec. 169. Definitions.
Sec. 170. Resolution funding corporation
Sec. 171. Capital structure of the Federal home loan banks.
Sec. 172. Investments.
Sec. 173. Federal Housing Finance Board.

Subtitle H—Direct Activities of Banks

Sec. 181. Authority of national banks to underwrite certain municipal bonds

Subtitle I—Effective Date of Title

Sec. 191. Effective date.

TITLE II—FUNCTIONAL REGULATION

Subtitle A—Brokers and Dealers

Sec. 201. Definition of broker.
Sec. 202. Definition of dealer.
Sec. 203. Registration for sales of private securities offerings.
Sec. 204. Sales practices and complaint procedures.
Sec. 205. Information sharing.
Sec. 206. Definition and treatment of banking products.
Sec. 207. Derivative instrument and qualified investor defined.
Sec. 208. Government securities defined.
Sec. 209. Effective date.

Subtitle B—Bank Investment Company Activities

Sec. 211. Custody of investment company assets by affiliated bank.
Sec. 212. Lending to an affiliated investment company.
Sec. 213. Independent directors.
Sec. 214. Additional SEC disclosure authority.
Sec. 215. Definition of broker under the Investment Company Act of 1940.
Sec. 216. Definition of dealer under the Investment Company Act of 1940.
Sec. 217. Removal of the exclusion from the definition of investment adviser for banks that advise investment companies.
Sec. 218. Definition of broker under the Investment Advisers Act of 1940.
Sec. 219. Definition of dealer under the Investment Advisers Act of 1940.
Sec. 220. Interagency consultation.
Sec. 221. Treatment of bank common trust funds.
Sec. 222. Investment advisers prohibited from having controlling interest in registered investment company.
Sec. 223. Conforming change in definition.
Sec. 224. Conforming amendment.
Sec. 225. Effective date.

Subtitle C—Securities and Exchange Commission Supervision of Investment Bank Holding Companies

Sec. 231. Supervision of investment bank holding companies by the Securities and Exchange Commission.

Subtitle D—Study

Sec. 241. Study of methods to inform investors and consumers of uninsured products.

TITLE III—INSURANCE

Subtitle A—State Regulation of Insurance

Sec. 301. State regulation of the business of insurance.
Sec. 302. Mandatory insurance licensing requirements.
Sec. 303. Functional regulation of insurance.
Sec. 304. Insurance underwriting in national banks.
Sec. 305. New bank agency activities only through acquisition of existing licensed agents.
Sec. 306. Title insurance activities of national banks and their affiliates.
Sec. 307. Expedited and equalized dispute resolution for financial regulators.
Sec. 308. Consumer protection regulations.
Sec. 45. Consumer protection regulations.
Sec. 309. Certain State affiliation laws preempted for insurance companies and affiliates.

Subtitle B—Redomestication of Mutual Insurers

Sec. 311. General application.
Sec. 312. Redomestication of mutual insurers.
Sec. 313. Effect on State laws restricting redomestication.
Sec. 314. Other provisions.
Sec. 315. Definitions.
Sec. 316. Effective date.

Subtitle C—National Association of Registered Agents and Brokers

Sec. 321. State flexibility in multistate licensing reforms.
Sec. 322. National Association of Registered Agents and Brokers.
Sec. 323. Purpose.
Sec. 324. Relationship to the Federal Government.
Sec. 325. Membership.
Sec. 326. Board of directors.
Sec. 327. Officers.
Sec. 328. Bylaws, rules, and disciplinary action.
Sec. 329. Assessments.
Sec. 330. Functions of the NAIC.
Sec. 331. Liability of the Association and the directors, officers, and employees of the Association.
Sec. 332. Elimination of NAIC oversight.
Sec. 333. Relationship to State law.
Sec. 334. Coordination with other regulators.
Sec. 335. Judicial review.
Sec. 336. Definitions.

TITLE IV—MERGER OF BANK AND THRIFT HOLDING COMPANIES REGULATORS, AND BANK AND THRIFT INSURANCE FUNDS

Sec. 401. Short title; definitions.

Subtitle A—Facilitating Conversion of Savings Associations to Banks
Sec. 411. Branches of former savings associations.
Sec. 412. Savings and loan holding companies.
Sec. 413. Treatment of references in adjustable rate mortgages.
Sec. 414. Cost of funds indexes.
Subtitle B—Ending Separate Federal Regulation of Savings Associations Branching Rights and Savings and Loan Holding Companies
Sec. 421. State savings associations treated as State banks under Federal banking law.
Sec. 422. Amendments to the Home Owners' Loan Act.
Sec. 423. Conforming amendment relating to merger of deposit insurance funds.
Sec. 424. Conforming amendments to the Federal Home Loan Bank Act.
Subtitle C—Combining OTS and OCC
Sec. 431. Prohibition of merger or consolidation repealed.
Sec. 432. Secretary of the Treasury required to formulate plans for combining Office of Thrift Supervision with Office of the Comptroller of the Currency.
Sec. 433. Office of Thrift Supervision and position of Director of the Office of Thrift Supervision abolished.
Sec. 434. Reconfiguration of board of directors of FDIC as a result of removal of Director of the Office of Thrift Supervision.
Sec. 435. Continuation provisions.
TITLE I—FACILITATING AFFILIATION AMONG SECURITIES FIRMS, INSURANCE COMPANIES, AND DEPOSITORY INSTITUTIONS
Subtitle A—Affiliations

SEC. 101. GLASS-STEAGALL ACT REFORMED.

(a) SECTION 20 REPEALED.—Section 20 (12 U.S.C. 377) of the Banking Act of 1933 (commonly referred to as the ''Glass-Steagall Act'') is repealed.

(b) SECTION 32 REPEALED.—Section 32 (12 U.S.C. 78) of the Banking Act of 1933 is repealed.

SEC. 102. ACTIVITY RESTRICTIONS APPLICABLE TO BANK HOLDING COMPANIES WHICH ARE NOT FINANCIAL HOLDING COMPANIES.

(a) IN GENERAL.—Section 4(c)(8) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(c)(8)) is amended to read as follows:

''(8) shares of any company the activities of which had been determined by the Board by regulation under this paragraph as of the day before the date of the enactment of the Financial Services Act of 1998, to be so closely related to banking as to be a proper incident thereto (subject to such terms and conditions contained in such regulation, unless modified by the Board);''.

(b) CONFORMING CHANGES TO OTHER STATUTES.—

(1) AMENDMENT TO THE BANK HOLDING COMPANY ACT AMENDMENTS OF 1970.—Section 105 of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. 1850) is amended by striking '', to engage directly or indirectly in a nonbanking activity pursuant to section 4 of such Act,''.

(2) AMENDMENT TO THE BANK SERVICE COMPANY ACT.—Section 4(f) of the Bank Service Company Act (12 U.S.C. 1864(f)) is amended by striking the period and adding at the end the following: ''as of the day before the date of enactment of the Financial Services Act of 1998.''.

SEC. 103. FINANCIAL HOLDING COMPANIES.

(a) IN GENERAL.—The Bank Holding Company Act of 1956 is amended by inserting after section 5 (12 U.S.C. 1844) the following new section:

''SEC. 6. FINANCIAL HOLDING COMPANIES.

''(a) FINANCIAL HOLDING COMPANY DEFINED.—For purposes of this section, the term 'financial holding company' means a bank holding company which meets the requirements of subsection (b).

''(b) ELIGIBILITY REQUIREMENTS FOR FINANCIAL HOLDING COMPANIES.—

''(1) IN GENERAL.—No bank holding company may engage in any activity or directly or indirectly acquire or retain shares of any company under this section unless the bank holding company meets the following requirements:

''(A) All of the subsidiary depository institutions of the bank holding company are well capitalized.

''(B) All of the subsidiary depository institutions of the bank holding company are well managed.

''(C) All of the subsidiary depository institutions of the bank holding company have achieved a rating of 'satisfactory record of meeting community credit needs', or better, at the most recent examination of each such institution under the Community Reinvestment Act of 1977.

''(D) All of the subsidiary insured depository institutions of the bank holding company (other than any such depository institution which does not, in the ordinary course of the business of the depository institution, offer consumer transaction accounts to the general public) offer and maintain low-cost basic banking accounts.

''(E) The company has filed with the Board a declaration that the company elects to be a financial holding company and certifying that the company meets the requirements of subparagraphs (A) through (D).

''(2) FOREIGN BANKS AND COMPANIES.—For purposes of paragraph (1), the Board shall establish and apply comparable capital standards to a foreign bank that operates a branch or agency or owns or controls a bank or commercial lending company in the United States, and any company that owns or controls such foreign bank, giving due regard to the principle of national treatment and equality of competitive opportunity.

''(3) LIMITED EXCLUSIONS FROM COMMUNITY NEEDS REQUIREMENTS FOR NEWLY ACQUIRED DEPOSITORY INSTITUTIONS.—

''(A) IN GENERAL.—If the requirements of subparagraph (B) are met, any depository institution acquired by a bank holding company during the 24-month period preceding the submission of a declaration under paragraph (1)(E) and any depository institution acquired after the submission of such declaration may be excluded for purposes of paragraph (1)(C) until the later of—

''(i) the end of the 24-month period beginning on the date the acquisition of the depository institution by such company is consummated; or

''(ii) the date of completion of the 1st examination of such depository institution under the Community Reinvestment Act of 1977 which is conducted after the date of the acquisition of the depository institution.

''(B) REQUIREMENTS.—The requirements of this subparagraph are met with respect to any bank holding company referred to in subparagraph (A) if—

''(i) the bank holding company has submitted an affirmative plan to the appropriate Federal banking agency to take such action as may be necessary in order for such institution to achieve a rating of 'satisfactory record of meeting community credit needs', or better, at the next examination of the institution under the Community Reinvestment Act of 1977; and

''(ii) the plan has been approved by such agency.

''(c) ENGAGING IN ACTIVITIES FINANCIAL IN NATURE.—

''(1) IN GENERAL.—Notwithstanding section 4(a), a financial holding company and a wholesale financial holding company may engage in any activity, and acquire and retain the shares of any company engaged in any activity, which the Board has determined (by regulation or order) to be financial in nature or incidental to such financial activities.

''(2) FACTORS TO BE CONSIDERED.—In determining whether an activity is financial in nature or incidental to financial activities, the Board shall take into account—

''(A) the purposes of this Act and the Financial Services Act of 1998;

''(B) changes or reasonably expected changes in the marketplace in which bank holding companies compete;

''(C) changes or reasonably expected changes in the technology for delivering financial services; and

''(D) whether such activity is necessary or appropriate to allow a bank holding company and the affiliates of a bank holding company to—

''(i) compete effectively with any company seeking to provide financial services in the United States;

''(ii) use any available or emerging technological means, including any application necessary to protect the security or efficacy of systems for the transmission of data or financial transactions, in providing financial services; and

''(iii) offer customers any available or emerging technological means for using financial services.

''(3) ACTIVITIES THAT ARE FINANCIAL IN NATURE.—The following activities shall be considered to be financial in nature:

''(A) Lending, exchanging, transferring, investing for others, or safeguarding money or securities.

''(B) Insuring, guaranteeing, or indemnifying against loss, harm, damage, illness, disability, or death, or providing and issuing annuities, and acting as principal, agent, or broker for purposes of the foregoing.

''(C) Providing financial, investment, or economic advisory services, including advising an investment company (as defined in section 3 of the Investment Company Act of 1940).

''(D) Issuing or selling instruments representing interests in pools of assets permissible for a bank to hold directly.

''(E) Underwriting, dealing in, or making a market in securities.

''(F) Engaging in any activity that the Board has determined, by order or regulation that is in effect on the date of enactment of the Financial Services Act of 1998, to be so closely related to banking or managing or controlling banks as to be a proper incident thereto (subject to the same terms and conditions contained in such order or regulation, unless modified by the Board).

''(G) Engaging, in the United States, in any activity that—

''(i) a bank holding company may engage in outside the United States; and

''(ii) the Board has determined, under regulations issued pursuant to section 4(c)(13) of this Act (as in effect on the day before the date of enactment of the Financial Services Act of 1998) to be usual in connection with the transaction of banking or other financial operations abroad.

''(H) Directly or indirectly acquiring or controlling, whether as principal, on behalf of 1 or more entities (including entities, other than a depository institution or subsidiary of a depository institution, that the bank holding company controls) or otherwise, shares, assets, or ownership interests (including without limitation debt or equity

securities, partnership interests, trust certificates or other instruments representing ownership) of a company or other entity, whether or not constituting control of such company or entity, engaged in any activity not authorized pursuant to this section if—

''(i) the shares, assets, or ownership interests are not acquired or held by a depository institution or subsidiary of a depository institution;

''(ii) such shares, assets, or ownership interests are acquired and held by a securities affiliate or an affiliate thereof as part of a bona fide underwriting or merchant banking activity, including investment activities engaged in for the purpose of appreciation and ultimate resale or disposition of the investment;

''(iii) such shares, assets, or ownership interests, are held only for such a period of time as will permit the sale or disposition thereof on a reasonable basis consistent with the nature of the activities described in clause (ii); and

''(iv) during the period such shares, assets, or ownership interests are held, the bank holding company does not actively participate in the day to day management or operation of such company or entity, except insofar as necessary to achieve the objectives of clause (ii).

''(I) Directly or indirectly acquiring or controlling, whether as principal, on behalf of 1 or more entities (including entities, other than a depository institution or subsidiary of a depository institution, that the bank holding company controls) or otherwise, shares, assets, or ownership interests (including without limitation debt or equity securities, partnership interests, trust certificates or other instruments representing ownership) of a company or other entity, whether or not constituting control of such company or entity, engaged in any activity not authorized pursuant to this section if—

''(i) the shares, assets, or ownership interests are not acquired or held by a depository institution or a subsidiary of a depository institution;

''(ii) such shares, assets, or ownership interests are acquired and held by an insurance company that is predominantly engaged in underwriting life, accident and health, or property and casualty insurance (other than credit-related insurance);

''(iii) such shares, assets, or ownership interests represent an investment made in the ordinary course of business of such insurance company in accordance with relevant State law governing such investments; and

''(iv) during the period such shares, assets, or ownership interests are held, the bank holding company does not directly or indirectly participate in the day-to-day management or operation of the company or entity except insofar as necessary to achieve the objectives of clauses (ii) and (iii).

''(4) ACTIONS REQUIRED.—The Board shall, by regulation or order, define, consistent with the purposes of this Act, the following activities as, and the extent to which such activities are, financial in nature or incidental to activities which are financial in nature:

''(A) Lending, exchanging, transferring, investing for others, or safeguarding financial assets other than money or securities.

''(B) Providing any device or other instrumentality for transferring money or other financial assets;

''(C) Arranging, effecting, or facilitating financial transactions for the account of third parties.

''(5) POST CONSUMMATION NOTIFICATION.—

''(A) IN GENERAL.—A financial holding company and a wholesale financial holding company that acquires any company, or commences any activity, pursuant to this subsection shall provide written notice to the Board describing the activity commenced or conducted by the company acquired no later than 30 calendar days after commencing the activity or consummating the acquisition.

''(B) APPROVAL NOT REQUIRED FOR CERTAIN FINANCIAL ACTIVITIES.—Except as provided in section 4(j) with regard to the acquisition of a savings association, a financial holding company and a wholesale financial holding company may commence any activity, or acquire any company, pursuant to paragraph (3) or any regulation prescribed or order issued under paragraph (4), without prior approval of the Board.

''(d) PROVISIONS APPLICABLE TO FINANCIAL HOLDING COMPANIES THAT FAIL TO MEET REQUIREMENTS.—

''(1) IN GENERAL.—If the Board finds that a financial holding company is not in compliance with the requirements of subparagraph (A), (B), or (C) of subsection (b)(1), the Board shall give notice of such finding to the company.

''(2) AGREEMENT TO CORRECT CONDITIONS REQUIRED.—Within 45 days of receipt by a financial holding company of a notice given under paragraph (1) (or such additional period as the Board may permit), the company shall execute an agreement acceptable to the Board to comply with the requirements applicable to a financial holding company.

''(3) BOARD MAY IMPOSE LIMITATIONS.—Until the conditions described in a notice to a financial holding company under paragraph (1) are corrected, the Board may impose such limitations on the conduct or activities of the company or any affiliate of the company as the Board determines to be appropriate under the circumstances.

''(4) FAILURE TO CORRECT.—If, after receiving a notice under paragraph (1), a financial holding company does not—

''(A) execute and implement an agreement in accordance with paragraph (2);

''(B) comply with any limitations imposed under paragraph (3);

''(C) in the case of a notice of failure to comply with subsection (b)(1)(A), restore each depository institution subsidiary to well capitalized status before the end of the 180-day period beginning on the date such notice is received by the company (or such other period permitted by the Board); or

''(D) in the case of a notice of failure to comply with subparagraph (B) or (C) of subsection (b)(1), restore compliance with any such subparagraph by the date the next examination of the depository institution subsidiary is completed or by the end of such other period as the Board determines to be appropriate,

the Board may require such company, under such terms and conditions as may be imposed by the Board and subject to such extension of time as may be granted in the Board's discretion, to divest control of any depository institution subsidiary or, at the election of the financial holding company, instead to cease to engage in any activity conducted by such company or its subsidiaries pursuant to this section.

''(5) CONSULTATION.—In taking any action under this subsection, the Board shall consult with all relevant Federal and State regulatory agencies.

''(e) SAFEGUARDS FOR BANK SUBSIDIARIES.—A financial holding company shall assure that—

''(1) the procedures of the holding company for identifying and managing financial and operational risks within the company, and the subsidiaries of such company, adequately protect the subsidiaries of such company which are insured depository institutions from such risks;

''(2) the holding company has reasonable policies and procedures to preserve the separate corporate identity and limited liability of such company and the subsidiaries of such company, for the protection of the company's subsidiary insured depository institutions; and

''(3) the holding company complies with this section.

''(f) NONFINANCIAL ACTIVITIES.—

''(1) IN GENERAL.—Notwithstanding section 4(a), a financial holding company may engage in activities which are not (or have not been determined to be) financial in nature or incidental to activities which are financial in nature, or acquire and retain ownership and control of the shares of a company engaged in such activities, if—

''(A) the aggregate annual gross revenues derived from all such activities and all such companies does not exceed the lesser of—

''(i) 5 percent of the consolidated annual gross revenues of the financial holding company; or

''(ii) $500,000,000;

''(B) the consolidated total assets of any company the shares of which are acquired by the financial holding company pursuant to this paragraph are less than $750,000,000 at the time the shares are acquired by the holding company; and

''(C) the holding company provides notice to the Board within 30 days of commencing the activity or acquiring the ownership or control.

''(2) INCLUSION OF GRANDFATHERED ACTIVITIES.—For purposes of determining the limits contained in paragraph (1)(A), the gross revenues derived from all activities conducted, and companies the shares of which are held, under subsection (g) shall be considered to be derived or held under this subsection.

''(3) FOREIGN BANKS.—In lieu of the limitation contained in paragraph (1)(A) in the case of a foreign bank or a company that owns or controls a foreign bank which engages in any activity or acquires or retains ownership or control of shares of any company pursuant to paragraph (1), the aggregate annual gross revenues derived from all such activities and all such companies in the United States shall not exceed the lesser of—

''(A) 5 percent of the consolidated annual gross revenues of the foreign bank or company in the United States derived from any branch, agency, commercial lending company, or depository institution controlled by the foreign bank or company and any subsidiary engaged in the United States in activities permissible under section 4 or 6; or

''(B) $500,000,000.

''(4) INDEXING REVENUE TEST.—After December 31, 1998, the Board shall annually adjust the dollar amount contained in paragraphs (1)(A) and (3) by the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers published by the Bureau of Labor Statistics.

''(5) NONAPPLICABILITY OF OTHER EXEMPTION.—Any foreign bank or company that owns or controls a foreign bank which engages in any activity or acquires or retains ownership or control of shares of any company pursuant to this subsection shall not be eligible for any exception described in section 2(h).

''(g) AUTHORITY TO RETAIN LIMITED NONFINANCIAL ACTIVITIES AND AFFILIATIONS.—

''(1) IN GENERAL.—Notwithstanding subsection (f)(1) and section 4(a), a company that is not a bank holding company or a foreign bank (as defined in section 1(b)(7) of the International Banking Act of 1978) and becomes a financial holding company after the date of the enactment of the Financial Services Act of 1998 may continue to engage in any activity and retain direct or indirect

ownership or control of shares of a company engaged in any activity if—

''(A) the holding company lawfully was engaged in the activity or held the shares of such company on September 30, 1997;

''(B) the holding company is predominantly engaged in financial activities as defined in paragraph (2); and

''(C) the company engaged in such activity continues to engage only in the same activities that such company conducted on September 30, 1997, and other activities permissible under this Act.

''(2) PREDOMINANTLY FINANCIAL.—For purposes of this subsection, a company is predominantly engaged in financial activities if, as of the day before the company becomes a financial holding company, the annual gross revenues derived by the holding company and all subsidiaries of the holding company, on a consolidated basis, from engaging in activities that are financial in nature or are incidental to activities that are financial in nature under subsection (c) represent at least 85 percent of the consolidated annual gross revenues of the company.

''(3) NO EXPANSION OF GRANDFATHERED COMMERCIAL ACTIVITIES THROUGH MERGER OR CONSOLIDATION.—A financial holding company that engages in activities or holds shares pursuant to this subsection, or a subsidiary of such financial holding company, may not acquire, in any merger, consolidation, or other type of business combination, assets of any other company which is engaged in any activity which the Board has not determined to be financial in nature or incidental to activities that are financial in nature under subsection (c).

''(4) CONTINUING REVENUE LIMITATION ON GRANDFATHERED COMMERCIAL ACTIVITIES.—Notwithstanding any other provision of this subsection, a financial holding company may continue to engage in activities or hold shares in companies pursuant to this subsection only to the extent that the aggregate annual gross revenues derived from all such activities and all such companies does not exceed 15 percent of the consolidated annual gross revenues of the financial holding company.

''(5) CROSS MARKETING RESTRICTIONS APPLICABLE TO COMMERCIAL ACTIVITIES.—A depository institution controlled by a financial holding company shall not—

''(A) offer or market, directly or through any arrangement, any product or service of a company whose activities are conducted or whose shares are owned or controlled by the financial holding company pursuant to this subsection, subsection (f), or subparagraph (H) or (I) of subsection (c)(3); or

''(B) permit any of its products or services to be offered or marketed, directly or through any arrangement, by or through any company described in subparagraph (A).

''(6) TRANSACTIONS WITH NONFINANCIAL AFFILIATES.—An insured depository institution controlled by a financial holding company may not engage in a covered transaction (as defined by section 23A(b)(7) of the Federal Reserve Act) with any affiliate controlled by the company pursuant to this subsection, subsection (f), or subparagraph (H) or (I) of subsection (c)(3).

''(h) DEVELOPING ACTIVITIES.—A financial holding company and a wholesale financial holding company may engage directly or indirectly, or acquire shares of any company engaged, in any activity that the Board has not determined to be financial in nature or incidental to financial activities under subsection (c) if—

''(1) the holding company reasonably concludes that the activity is financial in nature or incidental to financial activities;

''(2) the gross revenues from all activities conducted under this subsection represent less than 5 percent of the consolidated gross revenues of the holding company;

''(3) the aggregate total assets of all companies the shares of which are held under this subsection do not exceed 5 percent of the holding company's consolidated total assets;

''(4) the total capital invested in activities conducted under this subsection represents less than 5 percent of the consolidated total capital of the holding company;

''(5) the Board has not determined that the activity is not financial in nature or incidental to financial activities under subsection (c); and

''(6) the holding company provides written notification to the Board describing the activity commenced or conducted by the company acquired no later than 10 business days after commencing the activity or consummating the acquisition.''.

SEC. 104. CERTAIN STATE LAWS PREEMPTED.

(a) AFFILIATIONS.—No State may by statute, regulation, order, interpretation, or otherwise, prevent or restrict an insured depository institution or a wholesale financial institution from being affiliated with an entity (including an entity engaged in insurance activities) as authorized by this Act or any other provision of Federal law.

(b) ACTIVITIES.

(1) Except as provided in paragraphs (2) and (3) and subject to section 18(c) of the Securities Act of 1933, no State may by statute, regulation, order, interpretation, or otherwise, prevent or restrict an insured depository institution or a wholesale financial institution from engaging, directly or indirectly or in conjunction with an affiliate, in any activity authorized under this Act or any other provision of Federal law.

(2) As stated by the United States Supreme Court in *Barnett Bank of Marion County, N.A.* v. *Nelson*, 116 S.Ct. 1103 (1996), no State may, by statute, regulation, order, interpretation, or otherwise, prevent or significantly interfere with the ability of an insured depository institution or wholesale financial institution to engage, directly or indirectly, or in conjunction with an affiliate, in any insurance sales or solicitation activity, except that—

(A) State statutes and regulations governing insurance sales and solicitations which are no more restrictive than provisions in the Illinois ''Act Authorizing and Regulating the Sale of Insurance by Financial Institutions, Public Act 90–41'' (215 ILCS 5/1400–1416), as in effect on October 1, 1997, shall not be deemed to prevent or significantly interfere with the ability of an insured depository institution or wholesale financial institution to engage, directly or indirectly, or in conjunction with an affiliate, in any insurance sales or solicitation activity; and

(B) subparagraph (A) shall not create any inference regarding State statutes, and regulations governing insurance sales and solicitations which are more restrictive than any provision in the Illinois ''Act Authorizing and Regulating the Sale of Insurance by Financial Institutions'', (Public Act 90–41; 215 ILCS 5/1400–1416), as in effect on October 1, 1997.

(3) State statutes, regulations, orders, and interpretations which are applicable to and are applied in the same manner with respect to insurance underwriting activities of an affiliate of an insured depository institution or a wholesale financial institution as they are applicable to and are applied to an insurance underwriter which is not affiliated with an insured depository institution or a wholesale financial institution shall not be preempted under paragraph (1).

SEC. 105. MUTUAL BANK HOLDING COMPANIES AUTHORIZED.

(a) IN GENERAL.—Section 3(g)(2) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(g)(2)) is amended to read as follows:

''(2) REGULATIONS.—A bank holding company organized as a mutual holding company shall be regulated on terms, and shall be subject to limitations, comparable to those applicable to any other bank holding company.''.

SEC. 106. PROHIBITION ON DEPOSIT PRODUCTION OFFICES.

(a) IN GENERAL.—Section 109(d) of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (12 U.S.C. 1835a(d)) is amended—

(1) by inserting '', the Financial Services Act of 1998,'' after ''pursuant to this title''; and

(2) by inserting ''or such Act'' after ''made by this title''.

(b) TECHNICAL AND CONFORMING AMENDMENT.—Section 109(e)(4) of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (12 U.S.C. 1835a(e)(4)) is amended by inserting ''and any branch of a bank controlled by an out-of-State bank holding company (as defined in section 2(o)(7) of the Bank Holding Company Act of 1956)'' before the period.

SEC. 107. CLARIFICATION OF BRANCH CLOSURE REQUIREMENTS.

Section 42(d)(4)(A) of the Federal Deposit Insurance Act (12 U.S.C. 1831r–1(d)(4)(A)) is amended by inserting ''and any bank controlled by an out-of-State bank holding company (as defined in section 2(o)(7) of the Bank Holding Company Act of 1956)'' before the period.

SEC. 108. AMENDMENTS RELATING TO LIMITED PURPOSE BANKS.

Section 4(f) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(f)) is amended—

(1) in paragraph (2)(A)(ii)—

(A) by striking ''and'' at the end of subclause (IX);

(B) by inserting ''and'' after the semicolon at the end of subclause (X); and

(C) by inserting after subclause (X) the following new subclause:

''(XI) assets that are derived from, or are incidental to, activities in which institutions described in section 2(c)(2)(F) are permitted to engage,'';

(2) in paragraph (2), by striking subparagraph (B) and inserting the following new subparagraphs:

''(B) any bank subsidiary of such company engages in any activity in which the bank was not lawfully engaged as of March 5, 1987, unless the bank is well managed and well capitalized;

''(C) any bank subsidiary of such company both—

''(i) accepts demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties; and

''(ii) engages in the business of making commercial loans (and, for purposes of this clause, loans made in the ordinary course of a credit card operation shall not be treated as commercial loans); or

''(D) after the date of the enactment of the Competitive Equality Amendments of 1987, any bank subsidiary of such company permits any overdraft (including any intraday overdraft), or incurs any such overdraft in such bank's account at a Federal reserve bank, on behalf of an affiliate, other than an overdraft described in paragraph (3).''; and

(3) by striking paragraphs (3) and (4) and inserting the following new paragraphs:

''(3) PERMISSIBLE OVERDRAFTS DESCRIBED.—For purposes of paragraph (2)(D), an overdraft is described in this paragraph if—

''(A) such overdraft results from an inadvertent computer or accounting error that is beyond the control of both the bank and the affiliate; or

''(B) such overdraft—

''(i) is permitted or incurred on behalf of an affiliate which is monitored by, reports to, and is recognized as a primary dealer by the Federal Reserve Bank of New York; and

''(ii) is fully secured, as required by the Board, by bonds, notes, or other obligations which are direct obligations of the United States or on which the principal and interest are fully guaranteed by the United States or by securities and obligations eligible for settlement on the Federal Reserve book entry system.

''(4) DIVESTITURE IN CASE OF LOSS OF EXEMPTION.—If any company described in paragraph (1) fails to qualify for the exemption provided under such paragraph by operation of paragraph (2), such exemption shall cease to apply to such company and such company shall divest control of each bank it controls before the end of the 180-day period beginning on the date that the company receives notice from the Board that the company has failed to continue to qualify for such exemption, unless before the end of such 180-day period, the company has—

''(A) corrected the condition or ceased the activity that caused the company to fail to continue to qualify for the exemption; and

''(B) implemented procedures that are reasonably adapted to avoid the reoccurrence of such condition or activity.''.

Subtitle B—Streamlining Supervision of Financial Holding Companies

SEC. 111. STREAMLINING FINANCIAL HOLDING COMPANY SUPERVISION.

Section 5(c) of the Bank Holding Company Act of 1956 (12 U.S.C. 1844(c)) is amended to read as follows:

''(c) REPORTS AND EXAMINATIONS.—

''(1) REPORTS.—

''(A) IN GENERAL.—The Board from time to time may require any bank holding company and any subsidiary of such company to submit reports under oath to keep the Board informed as to—

''(i) its financial condition, systems for monitoring and controlling financial and operating risks, and transactions with depository institution subsidiaries of the holding company; and

''(ii) compliance by the company or subsidiary with applicable provisions of this Act.

''(B) USE OF EXISTING REPORTS.—

''(i) IN GENERAL.—The Board shall, to the fullest extent possible, accept reports in fulfillment of the Board's reporting requirements under this paragraph that a bank holding company or any subsidiary of such company has provided or been required to provide to other Federal and State supervisors or to appropriate self-regulatory organizations.

''(ii) AVAILABILITY.—A bank holding company or a subsidiary of such company shall provide to the Board, at the request of the Board, a report referred to in clause (i).

''(iii) REQUIRED USE OF PUBLICLY REPORTED INFORMATION.—The Board shall, to the fullest extent possible, accept in fulfillment of any reporting or recordkeeping requirements under this Act information that is otherwise required to be reported publicly and externally audited financial statements.

''(iv) REPORTS FILED WITH OTHER AGENCIES.—In the event the Board requires a report from a functionally regulated nondepository institution subsidiary of a bank holding company of a kind that is not required by another Federal or State regulator or appropriate self-regulatory organization, the Board shall request that the appropriate regulator or self-regulatory organization obtain such report. If the report is not made available to the Board, and the report is necessary to assess a material risk to the bank holding company or its subsidiary depository institution or compliance with this Act, the Board may require such subsidiary to provide such a report to the Board.

''(C) DEFINITION.—For purposes of this subsection, the term 'functionally regulated nondepository institution' means—

''(i) a broker or dealer registered under the Securities Exchange Act of 1934;

''(ii) an investment adviser registered under the Investment Advisers Act of 1940, with respect to the investment advisory activities of such investment adviser and activities incidental to such investment advisory activities;

''(iii) an insurance company subject to supervision by a State insurance commission, agency, or similar authority; and

''(iv) an entity subject to regulation by the Commodity Futures Trading Commission, with respect to the commodities activities of such entity and activities incidental to such commodities activities.

''(2) EXAMINATIONS.—

''(A) EXAMINATION AUTHORITY.—

''(i) IN GENERAL.—The Board may make examinations of each bank holding company and each subsidiary of a bank holding company.

''(ii) FUNCTIONALLY REGULATED NONDEPOSITORY INSTITUTION SUBSIDIARIES.—Notwithstanding clause (i), the Board may make examinations of a functionally regulated nondepository institution subsidiary of a bank holding company only if—

''(I) the Board has reasonable cause to believe that such subsidiary is engaged in activities that pose a material risk to an affiliated depository institution, or

''(II) based on reports and other available information, the Board has reasonable cause to believe that a subsidiary is not in compliance with this Act or with provisions relating to transactions with an affiliated depository institution and the Board cannot make such determination through examination of the affiliated depository institution or bank holding company.

''(B) LIMITATIONS ON EXAMINATION AUTHORITY FOR BANK HOLDING COMPANIES AND SUBSIDIARIES.—Subject to subparagraph (A)(ii), the Board may make examinations under subparagraph (A)(i) of each bank holding company and each subsidiary of such holding company in order to—

''(i) inform the Board of the nature of the operations and financial condition of the holding company and such subsidiaries;

''(ii) inform the Board of—

''(I) the financial and operational risks within the holding company system that may pose a threat to the safety and soundness of any subsidiary depository institution of such holding company; and

''(II) the systems for monitoring and controlling such risks; and

''(iii) monitor compliance with the provisions of this Act and those governing transactions and relationships between any subsidiary depository institution and its affiliates.

''(C) RESTRICTED FOCUS OF EXAMINATIONS.—The Board shall, to the fullest extent possible, limit the focus and scope of any examination of a bank holding company to—

''(i) the bank holding company; and

''(ii) any subsidiary of the holding company that, because of—

''(I) the size, condition, or activities of the subsidiary;

''(II) the nature or size of transactions between such subsidiary and any depository institution which is also a subsidiary of such holding company; or

''(III) the centralization of functions within the holding company system,

could have a materially adverse effect on the safety and soundness of any depository institution affiliate of the holding company.

''(D) DEFERENCE TO BANK EXAMINATIONS.—The Board shall, to the fullest extent possible, use, for the purposes of this paragraph, the reports of examinations of depository institutions made by the appropriate Federal and State depository institution supervisory authority.

''(E) DEFERENCE TO OTHER EXAMINATIONS.—The Board shall, to the fullest extent possible, address the circumstances which might otherwise permit or require an examination by the Board by forgoing an examination and instead reviewing the reports of examination made of—

''(i) any registered broker or dealer or registered investment adviser by or on behalf of the Securities and Exchange Commission;

''(ii) any licensed insurance company by or on behalf of any state regulatory authority responsible for the supervision of insurance companies; and

''(iii) any other subsidiary that the Board finds to be comprehensively supervised by a Federal or State authority.

''(3) CAPITAL.—

''(A) IN GENERAL.—The Board shall not, by regulation, guideline, order or otherwise, prescribe or impose any capital or capital adequacy rules, guidelines, standards, or requirements on any subsidiary of a financial holding company that is not a depository institution and—

''(i) is in compliance with applicable capital requirements of another Federal regulatory authority (including the Securities and Exchange Commission) or State insurance authority; or

''(ii) is registered as an investment adviser under the Investment Advisers Act of 1940.

''(B) RULE OF CONSTRUCTION.—Subparagraph (A) shall not be construed as preventing the Board from imposing capital or capital adequacy rules, guidelines, standards, or requirements with respect to activities of a registered investment adviser other than investment advisory activities or activities incidental to investment advisory activities.

''(4) TRANSFER OF BOARD AUTHORITY TO APPROPRIATE FEDERAL BANKING AGENCY.—

''(A) IN GENERAL.—In the case of any bank holding company which is not significantly engaged in nonbanking activities, the Board, in consultation with the appropriate Federal banking agency, may designate the appropriate Federal banking agency of the lead insured depository institution subsidiary of such holding company as the appropriate Federal banking agency for the bank holding company.

''(B) AUTHORITY TRANSFERRED.—An agency designated by the Board under subparagraph (A) shall have the same authority as the Board under this Act to—

''(i) examine and require reports from the bank holding company and any affiliate of such company (other than a depository institution) under section 5;

''(ii) approve or disapprove applications or transactions under section 3;

''(iii) take actions and impose penalties under subsections (e) and (f) of section 5 and section 8; and

''(iv) take actions regarding the holding company, any affiliate of the holding company (other than a depository institution), or any institution-affiliated party of such company or affiliate under the Federal Deposit Insurance Act and any other statute which the Board may designate.

''(C) AGENCY ORDERS.—Section 9 (of this Act) and section 105 of the Bank Holding Company Act Amendments of 1970 shall apply to orders issued by an agency designated under subparagraph (A) in the same manner such sections apply to orders issued by the Board.

''(5) FUNCTIONAL REGULATION OF SECURITIES AND INSURANCE ACTIVITIES.—The Board shall defer to—

''(A) the Securities and Exchange Commission with regard to all interpretations of, and the enforcement of, applicable Federal securities laws relating to the activities, conduct, and operations of registered brokers, dealers, investment advisers, and investment companies; and

''(B) the relevant State insurance authorities with regard to all interpretations of, and the enforcement of, applicable State insurance laws relating to the activities, conduct, and operations of insurance companies and insurance agents.''.

SEC. 112. ELIMINATION OF APPLICATION REQUIREMENT FOR FINANCIAL HOLDING COMPANIES.

(a) PREVENTION OF DUPLICATIVE FILINGS.—Section 5(a) of the Bank Holding Company Act of 1956 (12 U.S.C. 1844(a)) is amended by adding the following new sentence at the end: ''A declaration filed in accordance with section 6(b)(1)(E) shall satisfy the requirements of this subsection with regard to the registration of a bank holding company but not any requirement to file an application to acquire a bank pursuant to section 3.''.

(b) DIVESTITURE PROCEDURES.—Section 5(e)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1844(e)(1)) is amended—

(1) by striking ''Financial Institutions Supervisory Act of 1966, order'' and inserting ''Financial Institutions Supervisory Act of 1966, at the election of the bank holding company—

''(A) order''; and

(2) by striking ''shareholders of the bank holding company. Such distribution'' and inserting ''shareholders of the bank holding company; or

''(B) order the bank holding company, after due notice and opportunity for hearing, and after consultation with the bank's primary supervisor, which shall be the Comptroller of the Currency in the case of a national bank, and the Federal Deposit Insurance Corporation and the appropriate State supervisor in the case of an insured nonmember bank, to terminate (within 120 days or such longer period as the Board may direct) the ownership or control of any such bank by such company.

''The distribution referred to in subparagraph (A)''.

SEC. 113. AUTHORITY OF STATE INSURANCE REGULATOR AND SECURITIES AND EXCHANGE COMMISSION.

Section 5 of the Bank Holding Company Act of 1956 (12 U.S.C. 1844) is amended by adding at the end the following new subsection:

''(g) AUTHORITY OF STATE INSURANCE REGULATOR AND THE SECURITIES AND EXCHANGE COMMISSION.—

''(1) IN GENERAL.—Notwithstanding any other provision of law, any regulation, order, or other action of the Board which requires a bank holding company to provide funds or other assets to a subsidiary insured depository institution shall not be effective nor enforceable if—

''(A) such funds or assets are to be provided by—

''(i) a bank holding company that is an insurance company or is a broker or dealer registered under the Securities Exchange Act of 1934; or

''(ii) an affiliate of the depository institution which is an insurance company or a broker or dealer registered under such Act; and

''(B) the State insurance authority for the insurance company or the Securities and Exchange Commission for the registered broker or dealer, as the case may be, determines in writing sent to the holding company and the Board that the holding company shall not provide such funds or assets because such action would have a material adverse effect on the financial condition of the insurance company or the broker or dealer, as the case may be.

''(2) NOTICE TO STATE INSURANCE AUTHORITY OR SEC REQUIRED.—If the Board requires a bank holding company, or an affiliate of a bank holding company, which is an insurance company or a broker or dealer described in paragraph (1)(A) to provide funds or assets to an insured depository institution subsidiary of the holding company pursuant to any regulation, order, or other action of the Board referred to in paragraph (1), the Board shall promptly notify the State insurance authority for the insurance company or the Securities and Exchange Commission, as the case may be, of such requirement.

''(3) DIVESTITURE IN LIEU OF OTHER ACTION.—If the Board receives a notice described in paragraph (1)(B) from a State insurance authority or the Securities and Exchange Commission with regard to a bank holding company or affiliate referred to in such paragraph, the Board may order the bank holding company to divest the insured depository institution within 180 days of receiving notice or such longer period as the Board determines consistent with the safe and sound operation of the insured depository institution.

''(4) CONDITIONS BEFORE DIVESTITURE.—During the period beginning on the date an order to divest is issued by the Board under paragraph (3) to a bank holding company and ending on the date the divestiture is completed, the Board may impose any conditions or restrictions on the holding company's ownership or operation of the insured depository institution, including restricting or prohibiting transactions between the insured depository institution and any affiliate of the institution, as are appropriate under the circumstances.''.

SEC. 114. PRUDENTIAL SAFEGUARDS.

Section 5 of the Bank Holding Company Act of 1956 (12 U.S.C. 1844) is amended by inserting after subsection (g) (as added by section 113 of this subtitle) the following new subsection:

''(h) PRUDENTIAL SAFEGUARDS.—

''(1) IN GENERAL.—The Board may, by regulation or order, impose restrictions or requirements on relationships or transactions between a depository institution subsidiary of a bank holding company and any affiliate of such depository institution (other than a subsidiary of such institution) which the Board finds is consistent with the public interest, the purposes of this Act, the Financial Services Act of 1998, the Federal Reserve Act, and other Federal law applicable to depository institution subsidiaries of bank holding companies and the standards in paragraph (2).

''(2) STANDARDS.—The Board may exercise authority under paragraph (1) if the Board finds that such action will have any of the following effects:

''(A) Avoid any significant risk to the safety and soundness of depository institutions or any Federal deposit insurance fund.

''(B) Enhance the financial stability of bank holding companies.

''(C) Avoid conflicts of interest or other abuses.

''(D) Enhance the privacy of customers of depository institutions.

''(E) Promote the application of national treatment and equality of competitive opportunity between nonbank affiliates owned or controlled by domestic bank holding companies and nonbank affiliates owned or controlled by foreign banks operating in the United States.

''(3) REVIEW.—The Board shall regularly—

''(A) review all restrictions or requirements established pursuant to paragraph (1) to determine whether there is a continuing need for any such restriction or requirement to carry out the purposes of the Act, including any purpose described in paragraph (2); and

''(B) modify or eliminate any restriction or requirement the Board finds is no longer required for such purposes.''.

SEC. 115. EXAMINATION OF INVESTMENT COMPANIES.

(a) EXCLUSIVE COMMISSION AUTHORITY.—

(1) IN GENERAL.—The Commission shall be the sole Federal agency with authority to inspect and examine any registered investment company that is not a bank holding company.

(2) PROHIBITION ON BANKING AGENCIES.—A Federal banking agency may not inspect or examine any registered investment company that is not a bank holding company.

(b) EXAMINATION RESULTS AND OTHER INFORMATION.—The Commission shall provide to any Federal banking agency, upon request, the results of any examination, reports, records, or other information with respect to any registered investment company to the extent necessary for the agency to carry out its statutory responsibilities.

(c) DEFINITIONS.—For purposes of this section, the following definitions shall apply:

(1) BANK HOLDING COMPANY.—The term ''bank holding company'' has the meaning given to such term in section 2 of the Bank Holding Company Act of 1956.

(2) COMMISSION.—The term ''Commission'' means the Securities and Exchange Commission.

(3) FEDERAL BANKING AGENCY.—The term ''Federal banking agency'' has the meaning given to such term in section 3(z) of the Federal Deposit Insurance Act.

(4) REGISTERED INVESTMENT COMPANY.—The term ''registered investment company'' means an investment company which is registered with the Commission under the Investment Company Act of 1940.

SEC. 116. LIMITATION ON RULEMAKING, PRUDENTIAL, SUPERVISORY, AND ENFORCEMENT AUTHORITY OF THE BOARD.

The Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.) is amended by inserting after section 10 the following new section:

''SEC. 10A. LIMITATION ON RULEMAKING, PRUDENTIAL, SUPERVISORY, AND ENFORCEMENT AUTHORITY OF THE BOARD.

''(a) LIMITATION ON DIRECT ACTION.—

''(1) IN GENERAL.—The Board may not prescribe regulations, issue or seek entry of orders, impose restraints, restrictions, guidelines, requirements, safeguards, or standards, or otherwise take any action under or pursuant to any provision of this Act or section 8 of the Federal Deposit Insurance Act against or with respect to a regulated subsidiary of a bank holding company unless the action is necessary to prevent or redress an unsafe or unsound practice or breach of fiduciary duty by such subsidiary that poses a material risk to—

''(A) the financial safety, soundness, or stability of an affiliated depository institution; or

''(B) the domestic or international payment system.

''(2) CRITERIA FOR BOARD ACTION.—The Board shall not take action otherwise permitted under paragraph (1) unless the Board finds that it is not reasonably possible to effectively protect against the material risk at issue through action directed at or against the affiliated depository institution or against depository institutions generally.

''(b) LIMITATION ON INDIRECT ACTION.—The Board may not prescribe regulations, issue

or seek entry of orders, impose restraints, restrictions, guidelines, requirements, safeguards, or standards, or otherwise take any action under or pursuant to any provision of this Act or section 8 of the Federal Deposit Insurance Act against or with respect to a financial holding company or a wholesale financial holding company where the purpose or effect of doing so would be to take action indirectly against or with respect to a regulated subsidiary that may not be taken directly against or with respect to such subsidiary in accordance with subsection (a).

''(c) ACTIONS SPECIFICALLY AUTHORIZED.—Notwithstanding subsection (a), the Board may take action under this Act or section 8 of the Federal Deposit Insurance Act to enforce compliance by a regulated subsidiary with Federal law that the Board has specific jurisdiction to enforce against such subsidiary.

''(d) REGULATED SUBSIDIARY DEFINED.—For purposes of this section, the term 'regulated subsidiary' means any company that is not a bank holding company and is—

''(1) a broker or dealer registered under the Securities Exchange Act of 1934;

''(2) an investment adviser registered under the Investment Advisers Act of 1940, with respect to the investment advisory activities of such investment adviser and activities incidental to such investment advisory activities;

''(3) an investment company registered under the Investment Company Act of 1940;

''(4) an insurance company or an insurance agency subject to supervision by a State insurance commission, agency, or similar authority; or

''(5) an entity subject to regulation by the Commodity Futures Trading Commission, with respect to the commodities activities of such entity and activities incidental to such commodities activities.''.

Subtitle C—Subsidiaries of National Banks

SEC. 121. PERMISSIBLE ACTIVITIES FOR SUBSIDIARIES OF NATIONAL BANKS.

(a) FINANCIAL SUBSIDIARIES OF NATIONAL BANKS.—Chapter one of title LXII of the Revised Statutes of United States (12 U.S.C. 21 et seq.) is amended—

(1) by redesignating section 5136A as section 5136C; and

(2) by inserting after section 5136 (12 U.S.C. 24) the following new section:

''SEC. 5136A. SUBSIDIARIES OF NATIONAL BANKS.

''(a) SUBSIDIARIES OF NATIONAL BANKS AUTHORIZED TO ENGAGE IN FINANCIAL ACTIVITIES.—

''(1) EXCLUSIVE AUTHORITY.—No provision of section 5136 or any other provision of this title LXII of the Revised Statutes shall be construed as authorizing a subsidiary of a national bank to engage in, or own any share of or any other interest in any company engaged in, any activity that—

''(A) is not permissible for a national bank to engage in directly; or

''(B) is conducted under terms or conditions other than those that would govern the conduct of such activity by a national bank,

unless a national bank is specifically authorized by the express terms of a Federal statute and not by implication or interpretation to acquire shares of or an interest in, or to control, such subsidiary, such as by paragraph (2) of this subsection and section 25A of the Federal Reserve Act.

''(2) SPECIFIC AUTHORIZATION TO CONDUCT AGENCY ACTIVITIES WHICH ARE FINANCIAL IN NATURE.—A national bank may control a company that engages in agency activities that have been determined to be financial in nature or incidental to such financial activities pursuant to and in accordance with section 6(c) of the Bank Holding Company Act of 1956 if—

''(A) the company engages in such activities solely as agent and not directly or indirectly as principal,

''(B) the national bank is well capitalized and well managed, and has achieved a rating of satisfactory or better at the most recent examination of the bank under the Community Reinvestment Act of 1977;

''(C) all depository institution affiliates of the national bank are well capitalized and well managed, and have achieved a rating of satisfactory or better at the most recent examination of each such depository institution under the Community Reinvestment Act of 1977; and

''(D) the bank has received the approval of the Comptroller of the Currency.

''(3) DEFINITIONS.—

''(A) COMPANY; CONTROL; SUBSIDIARY.—The terms 'company', 'control', and 'subsidiary' have the meanings given to such terms in section 2 of the Bank Holding Company Act of 1956.

''(B) WELL CAPITALIZED.—The term 'well capitalized' has the same meaning as in section 38 of the Federal Deposit Insurance Act and, for purposes of this section, the Comptroller shall have exclusive jurisdiction to determine whether a national bank is well capitalized.

''(C) WELL MANAGED.—The term 'well managed' means—

''(i) in the case of a bank that has been examined, unless otherwise determined in writing by the Comptroller—

''(I) the achievement of a composite rating of 1 or 2 under the Uniform Financial Institutions Rating System (or an equivalent rating under an equivalent rating system) in connection with the most recent examination or subsequent review of the bank; and

''(II) at least a rating of 2 for management, if that rating is given; or

''(ii) in the case of any national bank that has not been examined, the existence and use of managerial resources that the Comptroller determines are satisfactory.

''(b) LIMITED EXCLUSIONS FROM COMMUNITY NEEDS REQUIREMENTS FOR NEWLY ACQUIRED DEPOSITORY INSTITUTIONS.—Any depository institution which becomes affiliated with a national bank during the 24-month period preceding the submission of an application to acquire a subsidiary under subsection (a)(2), and any depository institution which becomes so affiliated after the approval of such application, may be excluded for purposes of subsection (a)(2)(B) during the 24-month period beginning on the date of such acquisition if—

''(1) the depository institution has submitted an affirmative plan to the appropriate Federal banking agency (as defined in section 3 of the Federal Deposit Insurance Act) to take such action as may be necessary in order for such institution to achieve a 'satisfactory record of meeting community credit needs', or better, at the next examination of the institution under the Community Reinvestment Act of 1977; and

''(2) the plan has been approved by the appropriate Federal banking agency.''.

(b) LIMITATION ON CERTAIN ACTIVITIES IN SUBSIDIARIES.—Section 21(a)(1) of the Banking Act of 1933 (12 U.S.C. 378(a)(1)) is amended—

(1) by inserting '', or to be a subsidiary of any person, firm, corporation, association, business trust, or similar organization engaged (unless such subsidiary (A) was engaged in such securities activities as of September 15, 1997, or (B) is a nondepository subsidiary of a foreign bank and is not also a subsidiary of a domestic depository institution),'' after ''to engage at the same time''; and

(2) by inserting ''or any subsidiary of such bank, company, or institution'' after ''or private bankers''.

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) ANTITYING.—Section 106(a) of the Bank Holding Company Act Amendments of 1970 is amended by adding at the end the following new sentence: ''For purposes of this section, a subsidiary of a national bank which engages in activities as an agent pursuant to section 5136A(a)(2) shall be deemed to be a subsidiary of a bank holding company, and not a subsidiary of a bank.''.

(2) SECTION 23B.—Section 23B(a) of the Federal Reserve Act (12 U.S.C. 371c–1(a)) is amended by adding at the end the following new paragraph:

''(4) SUBSIDIARY OF NATIONAL BANK.—For purposes of this section, a subsidiary of a national bank which engages in activities as an agent pursuant to section 5136A(a)(2) shall be deemed to be an affiliate of the national bank and not a subsidiary of the bank.''

(d) CLERICAL AMENDMENT.—The table of sections for chapter one of title LXII of the Revised Statutes of the United States is amended—

(1) by redesignating the item relating to section 5136A as section 5136C; and

(2) by inserting after the item relating to section 5136 the following new item:

''5136A. Financial subsidiaries of national banks.''.

SEC. 122. MISREPRESENTATIONS REGARDING DEPOSITORY INSTITUTION LIABILITY FOR OBLIGATIONS OF AFFILIATES.

(a) IN GENERAL.—Chapter 47 of title 18, United States Code, is amended by inserting after section 1007 the following new section:

''§ 1008. Misrepresentations regarding financial institution liability for obligations of affiliates

''(a) IN GENERAL.—No institution-affiliated party of an insured depository institution or institution-affiliated party of a subsidiary or affiliate of an insured depository institution shall fraudulently represent that the institution is or will be liable for any obligation of a subsidiary or other affiliate of the institution.

''(b) CRIMINAL PENALTY.—Whoever violates subsection (a) shall be fined under this title, imprisoned for not more than 1 year, or both.

''(c) INSTITUTION-AFFILIATED PARTY DEFINED.—For purposes of this section, the term 'institution-affiliated party' with respect to a subsidiary or affiliate has the same meaning as in section 3 except references to an insured depository institution shall be deemed to be references to a subsidiary or affiliate of an insured depository institution.

''(d) OTHER DEFINITIONS.—For purposes of this section, the terms 'affiliate', 'insured depository institution', and 'subsidiary' have same meanings as in section 3 of the Federal Deposit Insurance Act.''.

(b) CLERICAL AMENDMENT.—The table of sections for chapter 47 of title 18, United States Code, is amended by inserting after the item relating to section 1007 the following new item:

''1008. Misrepresentations regarding financial institution liability for obligations of affiliates.''.

SEC. 123. REPEAL OF STOCK LOAN LIMIT IN FEDERAL RESERVE ACT.

Section 11 of the Federal Reserve Act (12 U.S.C. 248) is amended by striking the paragraph designated as ''(m)'' and inserting ''(m) [Repealed]''.

Subtitle D—Wholesale Financial Holding Companies; Wholesale Financial Institutions

CHAPTER 1—WHOLESALE FINANCIAL HOLDING COMPANIES

SEC. 131. WHOLESALE FINANCIAL HOLDING COMPANIES ESTABLISHED.

(a) DEFINITION AND SUPERVISION.—Section 10 of the Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.) is amended to read as follows:

"SEC. 10. WHOLESALE FINANCIAL HOLDING COMPANIES.

''(a) COMPANIES THAT CONTROL WHOLESALE FINANCIAL INSTITUTIONS.—

''(1) WHOLESALE FINANCIAL HOLDING COMPANY DEFINED.—The term 'wholesale financial holding company' means any company that—

''(A) is registered as a bank holding company;

''(B) is predominantly engaged in financial activities as defined in section 6(g)(2);

''(C) controls 1 or more wholesale financial institutions;

''(D) does not control—

''(i) a bank other than a wholesale financial institution;

''(ii) an insured bank other than an institution permitted under subparagraph (D), (F), or (G) of section 2(c)(2); or

''(iii) a savings association; and

''(E) is not a foreign bank (as defined in section 1(b)(7) of the International Banking Act of 1978).

''(2) SAVINGS ASSOCIATION TRANSITION PERIOD.—Notwithstanding paragraph (1)(C)(iii), the Board may permit a company that controls a savings association and that otherwise meets the requirements of paragraph (1) to become supervised under paragraph (1), if the company divests control of any such savings association within such period not to exceed 5 years after becoming supervised under paragraph (1) as permitted by the Board.

''(b) SUPERVISION BY THE BOARD.—

''(1) IN GENERAL.—The provisions of this section shall govern the reporting, examination, and capital requirements of wholesale financial holding companies.

''(2) REPORTS.—

''(A) IN GENERAL.—The Board from time to time may require any wholesale financial holding company and any subsidiary of such company to submit reports under oath to keep the Board informed as to—

''(i) the company's or subsidiary's activities, financial condition, policies, systems for monitoring and controlling financial and operational risks, and transactions with depository institution subsidiaries of the holding company; and

''(ii) the extent to which the company or subsidiary has complied with the provisions of this Act and regulations prescribed and orders issued under this Act.

''(B) USE OF EXISTING REPORTS.—

''(i) IN GENERAL.—The Board shall, to the fullest extent possible, accept reports in fulfillment of the Board's reporting requirements under this paragraph that the wholesale financial holding company or any subsidiary of such company has provided or been required to provide to other Federal and State supervisors or to appropriate self-regulatory organizations.

''(ii) AVAILABILITY.—A wholesale financial holding company or a subsidiary of such company shall provide to the Board, at the request of the Board, a report referred to in clause (i).

''(C) EXEMPTIONS FROM REPORTING REQUIREMENTS.—

''(i) IN GENERAL.—The Board may, by regulation or order, exempt any company or class of companies, under such terms and conditions and for such periods as the Board shall provide in such regulation or order, from the provisions of this paragraph and any regulation prescribed under this paragraph.

''(ii) CRITERIA FOR CONSIDERATION.—In making any determination under clause (i) with regard to any exemption under such clause, the Board shall consider, among such other factors as the Board may determine to be appropriate, the following factors:

''(I) Whether information of the type required under this paragraph is available from a supervisory agency (as defined in section 1101(7) of the Right to Financial Privacy Act of 1978) or a foreign regulatory authority of a similar type.

''(II) The primary business of the company.

''(III) The nature and extent of the domestic and foreign regulation of the activities of the company.

''(3) EXAMINATIONS.—

''(A) LIMITED USE OF EXAMINATION AUTHORITY.—The Board may make examinations of each wholesale financial holding company and each subsidiary of such company in order to—

''(i) inform the Board regarding the nature of the operations and financial condition of the wholesale financial holding company and its subsidiaries;

''(ii) inform the Board regarding—

''(I) the financial and operational risks within the wholesale financial holding company system that may affect any depository institution owned by such holding company; and

''(II) the systems of the holding company and its subsidiaries for monitoring and controlling those risks; and

''(iii) monitor compliance with the provisions of this Act and those governing transactions and relationships between any depository institution controlled by the wholesale financial holding company and any of the company's other subsidiaries.

''(B) RESTRICTED FOCUS OF EXAMINATIONS.—The Board shall, to the fullest extent possible, limit the focus and scope of any examination of a wholesale financial holding company under this paragraph to—

''(i) the holding company; and

''(ii) any subsidiary (other than an insured depository institution subsidiary) of the holding company that, because of the size, condition, or activities of the subsidiary, the nature or size of transactions between such subsidiary and any affiliated depository institution, or the centralization of functions within the holding company system, could have a materially adverse effect on the safety and soundness of any depository institution affiliate of the holding company.

''(C) DEFERENCE TO BANK EXAMINATIONS.—The Board shall, to the fullest extent possible, use the reports of examination of depository institutions made by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Director of the Office of Thrift Supervision or the appropriate State depository institution supervisory authority for the purposes of this section.

''(D) DEFERENCE TO OTHER EXAMINATIONS.—The Board shall, to the fullest extent possible, address the circumstances which might otherwise permit or require an examination by the Board by forgoing an examination and by instead reviewing the reports of examination made of—

''(i) any registered broker or dealer or any registered investment adviser by or on behalf of the Commission; and

''(ii) any licensed insurance company by or on behalf of any State government insurance agency responsible for the supervision of the insurance company.

''(E) CONFIDENTIALITY OF REPORTED INFORMATION.—

''(i) IN GENERAL.—Notwithstanding any other provision of law, the Board shall not be compelled to disclose any nonpublic information required to be reported under this paragraph, or any information supplied to the Board by any domestic or foreign regulatory agency, that relates to the financial or operational condition of any wholesale financial holding company or any subsidiary of such company.

''(ii) COMPLIANCE WITH REQUESTS FOR INFORMATION.—No provision of this subparagraph shall be construed as authorizing the Board to withhold information from the Congress, or preventing the Board from complying with a request for information from any other Federal department or agency for purposes within the scope of such department's or agency's jurisdiction, or from complying with any order of a court of competent jurisdiction in an action brought by the United States or the Board.

''(iii) COORDINATION WITH OTHER LAW.—For purposes of section 552 of title 5, United States Code, this subparagraph shall be considered to be a statute described in subsection (b)(3)(B) of such section.

''(iv) DESIGNATION OF CONFIDENTIAL INFORMATION.—In prescribing regulations to carry out the requirements of this subsection, the Board shall designate information described in or obtained pursuant to this paragraph as confidential information.

''(F) COSTS.—The cost of any examination conducted by the Board under this section may be assessed against, and made payable by, the wholesale financial holding company.

''(4) CAPITAL ADEQUACY GUIDELINES.—

''(A) CAPITAL ADEQUACY PROVISIONS.—Subject to the requirements of, and solely in accordance with, the terms of this paragraph, the Board may adopt capital adequacy rules or guidelines for wholesale financial holding companies.

''(B) METHOD OF CALCULATION.—In developing rules or guidelines under this paragraph, the following provisions shall apply:

''(i) FOCUS ON DOUBLE LEVERAGE.—The Board shall focus on the use by wholesale financial holding companies of debt and other liabilities to fund capital investments in subsidiaries.

''(ii) NO UNWEIGHTED CAPITAL RATIO.—The Board shall not, by regulation, guideline, order, or otherwise, impose under this section a capital ratio that is not based on appropriate risk-weighting considerations.

''(iii) NO CAPITAL REQUIREMENT ON REGULATED ENTITIES.—The Board shall not, by regulation, guideline, order or otherwise, prescribe or impose any capital or capital adequacy rules, standards, guidelines, or requirements upon any subsidiary that—

''(I) is not a depository institution; and

''(II) is in compliance with applicable capital requirements of another Federal regulatory authority (including the Securities and Exchange Commission) or State insurance authority.

''(iv) LIMITATION.—The Board shall not, by regulation, guideline, order or otherwise, prescribe or impose any capital or capital adequacy rules, standards, guidelines, or requirements upon any subsidiary that is not a depository institution and that is registered as an investment adviser under the Investment Advisers Act of 1940, except that this clause shall not be construed as preventing the Board from imposing capital or capital adequacy rules, guidelines, standards, or requirements with respect to activities of a registered investment adviser other than investment advisory activities or activities incidental to investment advisory activities.

''(v) APPROPRIATE EXCLUSIONS.—The Board shall take full account of—

''(I) the capital requirements made applicable to any subsidiary that is not a depository institution by another Federal regulatory authority or State insurance authority; and

''(II) industry norms for capitalization of a company's unregulated subsidiaries and activities.

''(vi) INTERNAL RISK MANAGEMENT MODELS.—The Board may incorporate internal risk management models of wholesale financial holding companies into its capital adequacy guidelines or rules and may take account of the extent to which resources of a subsidiary depository institution may be used to service the debt or other liabilities of the wholesale financial holding company.

''(c) NONFINANCIAL ACTIVITIES AND INVESTMENTS.—

''(1) AUTHORITY FOR LIMITED AMOUNTS OF NEW ACTIVITIES AND INVESTMENTS.—

''(A) IN GENERAL.—Notwithstanding section 4(a), a wholesale financial holding company may engage in activities which are not (or have not been determined to be) financial in nature or incidental to activities which are financial in nature, or acquire and retain ownership and control of the shares of a company engaged in such activities if—

''(i) the aggregate annual gross revenues derived from all such activities and of all such companies does not exceed 5 percent of the consolidated annual gross revenues of the wholesale financial holding company or, in the case of a foreign bank or any company that owns or controls a foreign bank, the aggregate annual gross revenues derived from any such activities in the United States does not exceed 5 percent of the consolidated annual gross revenues of the foreign bank or company in the United States derived from any branch, agency, commercial lending company, or depository institution controlled by the foreign bank or company and any subsidiary engaged in the United States in activities permissible under section 4 or 6 or this subsection;

''(ii) the consolidated total assets of any company the shares of which are acquired pursuant to this subsection are less than $750,000,000 at the time the shares are acquired by the wholesale financial holding company; and

''(iii) such company provides notice to the Board within 30 days of commencing the activity or acquiring the ownership or control.

''(B) INCLUSION OF GRANDFATHERED ACTIVITIES.—For purposes of determining compliance with the limits contained in subparagraph (A), the gross revenues derived from all activities conducted and companies the shares of which are held under paragraph (2) shall be considered to be derived or held under this paragraph.

''(C) REPORT.—No later than 5 years after the date of enactment of the Financial Services Act of 1998, the Board shall submit to the Congress a report regarding the activities conducted and companies held pursuant to this paragraph and the effect, if any, that affiliations permitted under this paragraph have had on affiliated depository institutions. The report shall include recommendations regarding the appropriateness of retaining, increasing, or decreasing the limits contained in those provisions.

''(2) GRANDFATHERED ACTIVITIES.—

''(A) IN GENERAL.—Notwithstanding paragraph (1)(A) and section 4(a), a company that becomes a wholesale financial holding company may continue to engage, directly or indirectly, in any activity and may retain ownership and control of shares of a company engaged in any activity if—

''(i) on the date of the enactment of the Financial Services Act of 1998, such wholesale financial holding company was lawfully engaged in that nonfinancial activity, held the shares of such company, or had entered into a contract to acquire shares of any company engaged in such activity; and

''(ii) the company engaged in such activity continues to engage only in the same activities that such company conducted on the date of the enactment of the Financial Services Act of 1998, and other activities permissible under this Act.

''(B) NO EXPANSION OF GRANDFATHERED COMMERCIAL ACTIVITIES THROUGH MERGER OR CONSOLIDATION.—A wholesale financial holding company that engages in activities or holds shares pursuant to this paragraph, or a subsidiary of such wholesale financial holding company, may not acquire, in any merger, consolidation, or other type of business combination, assets of any other company which is engaged in any activity which the Board has not determined to be financial in nature or incidental to activities that are financial in nature under section 6(c).

''(C) LIMITATION TO SINGLE EXEMPTION.—No company that engages in any activity or controls any shares under subsection (f) or (g) of section 6 may engage in any activity or own any shares pursuant to this paragraph or paragraph (1).

''(3) COMMODITIES.—

''(A) IN GENERAL.—Notwithstanding section 4(a), a wholesale financial holding company which was predominately engaged as of January 1, 1997, in financial activities in the United States (or any successor to any such company) may engage in, or directly or indirectly own or control shares of a company engaged in, activities related to the trading, sale, or investment in commodities and underlying physical properties that were not permissible for bank holding companies to conduct in the United States as of January 1, 1997, if such wholesale financial holding company, or any subsidiary of such holding company, was engaged directly, indirectly, or through any such company in any of such activities as of January 1, 1997, in the United States.

''(B) LIMITATION.—Notwithstanding paragraph (1)(A)(i), the attributed aggregate consolidated assets of a wholesale financial holding company held under the authority granted under this paragraph and not otherwise permitted to be held by all wholesale financial holding companies under this section may not exceed 5 percent of the total consolidated assets of the wholesale financial holding company, except that the Board may increase such percentage of total consolidated assets by such amounts and under such circumstances as the Board considers appropriate, consistent with the purposes of this Act.

''(4) CROSS MARKETING RESTRICTIONS.—A wholesale financial holding company shall not permit—

''(A) any company whose shares it owns or controls pursuant to paragraph (1), (2), or (3) to offer or market any product or service of an affiliated wholesale financial institution; or

''(B) any affiliated wholesale financial institution to offer or market any product or service of any company whose shares are owned or controlled by such wholesale financial holding company pursuant to such paragraphs.

''(d) QUALIFICATION OF FOREIGN BANK AS WHOLESALE FINANCIAL HOLDING COMPANY.—

''(1) IN GENERAL.—Any foreign bank, or any company that owns or controls a foreign bank, that—

''(A) operates a branch, agency, or commercial lending company in the United States, including a foreign bank or company that owns or controls a wholesale financial institution; and

''(B) owns, controls, or is affiliated with a security affiliate that engages in underwriting corporate equity securities,

may request a determination from the Board that such bank or company be treated as a wholesale financial holding company for purposes of subsection (c).

''(2) CONDITIONS FOR TREATMENT AS A WHOLESALE FINANCIAL HOLDING COMPANY.—A foreign bank and a company that owns or controls a foreign bank may not be treated as a wholesale financial holding company unless the bank and company meet and continue to meet the following criteria:

''(A) NO INSURED DEPOSITS.—No deposits held directly by a foreign bank or through an affiliate (other than an institution described in subparagraph (D) or (F) of section 2(c)(2)) are insured under the Federal Deposit Insurance Act.

''(B) CAPITAL STANDARDS.—The foreign bank meets risk-based capital standards comparable to the capital standards required for a wholesale financial institution, giving due regard to the principle of national treatment and equality of competitive opportunity.

''(C) TRANSACTION WITH AFFILIATES.—Transactions between a branch, agency, or commercial lending company subsidiary of the foreign bank in the United States, and any securities affiliate or company in which the foreign bank (or any company that owns or controls such foreign bank) has invested pursuant to subsection (d) comply with the provisions of sections 23A and 23B of the Federal Reserve Act in the same manner and to the same extent as such transactions would be required to comply with such sections if the bank were a member bank.

''(3) TREATMENT AS A WHOLESALE FINANCIAL INSTITUTION.—Any foreign bank which is, or is affiliated with a company which is, treated as a wholesale financial holding company under this subsection shall be treated as a wholesale financial institution for purposes of subsection (c)(4) of this section and subsections (c)(1)(C) and (c)(3) of section 9B of the Federal Reserve Act, and any such foreign bank or company shall be subject to paragraphs (3), (4), and (5) of section 9B(d) of the Federal Reserve Act, except that the Board may adopt such modifications, conditions, or exemptions as the Board deems appropriate, giving due regard to the principle of national treatment and equality of competitive opportunity.

''(4) NONAPPLICABILITY OF OTHER EXEMPTION.—Any foreign bank or company which is treated as a wholesale financial holding company under this subsection shall not be eligible for any exception described in section 2(h).

''(5) SUPERVISION OF FOREIGN BANK WHICH MAINTAINS NO BANKING PRESENCE OTHER THAN CONTROL OF A WHOLESALE FINANCIAL INSTITUTION.—A foreign bank that owns or controls a wholesale financial institution but does not operate a branch, agency, or commercial lending company in the United States (and any company that owns or controls such foreign bank) may request a determination from the Board that such bank or company be treated as a wholesale financial holding company for purposes of subsection (c), except that such bank or company shall be subject to the restrictions of paragraphs (2)(A), (3), and (4) of this subsection.

''(6) NO EFFECT ON OTHER PROVISIONS.—This section shall not be construed as limiting the authority of the Board under the International Banking Act of 1978 with respect to the regulation, supervision, or examination of foreign banks and their offices and affiliates in the United States.

''(7) APPLICABILITY OF COMMUNITY REINVESTMENT ACT OF 1977.—The branches in the

United States of a foreign bank that is, or is affiliated with a company that is, treated as a wholesale financial holding company shall be subject to section 9B(b)(11) of the Federal Reserve Act as if the foreign bank were a wholesale financial institution under such section. The Board and the Comptroller of the Currency shall apply the provisions of sections 803(2), 804, and 807(1) of the Community Reinvestment Act of 1977 to branches of foreign banks which receive only such deposits as are permissible for receipt by a corporation organized under section 25A of the Federal Reserve Act, in the same manner and to the same extent such sections apply to such a corporation.''.

(b) UNINSURED STATE BANKS.—Section 9 of the Federal Reserve Act (U.S.C. 321 et seq.) is amended by adding at the end the following new paragraph:

''(24) ENFORCEMENT AUTHORITY OVER UNINSURED STATE MEMBER BANKS.—Section 3(u) of the Federal Deposit Insurance Act, subsections (j) and (k) of section 7 of such Act, and subsections (b) through (n), (s), (u), and (v) of section 8 of such Act shall apply to an uninsured State member bank in the same manner and to the same extent such provisions apply to an insured State member bank and any reference in any such provision to 'insured depository institution' shall be deemed to be a reference to 'uninsured State member bank' for purposes of this paragraph.''.

SEC. 132. AUTHORIZATION TO RELEASE REPORTS.

(a) FEDERAL RESERVE ACT.—The last sentence of the 8th undesignated paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 326) is amended to read as follows: ''The Board of Governors of the Federal Reserve System, at its discretion, may furnish reports of examination or other confidential supervisory information concerning State member banks or any other entities examined under any other authority of the Board to any Federal or State authorities with supervisory or regulatory authority over the examined entity, to officers, directors, or receivers of the examined entity, and to any other person that the Board determines to be proper.''.

(b) COMMODITY FUTURES TRADING COMMISSION.—

(1) Section 1101(7) of the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401(7)) is amended—

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

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

''(G) the Commodity Futures Trading Commission; or'' and

(2) Section 1112(e) of the Right to Financial Privacy Act (12 U.S.C. 3412(e)) is amended by striking ''and the Securities and Exchange Commission'' and inserting '', the Securities and Exchange Commission, and the Commodity Futures Trading Commission''.

SEC. 133. CONFORMING AMENDMENTS.

(a) BANK HOLDING COMPANY ACT OF 1956.—

(1) DEFINITIONS.—Section 2 of the Bank Holding Company Act of 1956 (12 U.S.C. 1842) is amended by adding at the end the following new subsections:

''(p) WHOLESALE FINANCIAL INSTITUTION.—The term 'wholesale financial institution' means a wholesale financial institution subject to section 9B of the Federal Reserve Act.

''(q) COMMISSION.—The term 'Commission' means the Securities and Exchange Commission.

''(r) DEPOSITORY INSTITUTION.—The term 'depository institution'—

''(1) has the meaning given to such term in section 3 of the Federal Deposit Insurance Act; and

''(2) includes a wholesale financial institution.''.

(2) DEFINITION OF BANK INCLUDES WHOLESALE FINANCIAL INSTITUTION.—Section 2(c)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(c)(1)) is amended by adding at the end the following new subparagraph:

''(C) A wholesale financial institution.''.

(3) INCORPORATED DEFINITIONS.—Section 2(n) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(n)) is amended by inserting ''insured bank','' after ''in danger of default',''.

(4) EXCEPTION TO DEPOSIT INSURANCE REQUIREMENT.—Section 3(e) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(e)) is amended by adding at the end the following: ''This subsection shall not apply to a wholesale financial institution.''

(b) FEDERAL DEPOSIT INSURANCE ACT.—Section 3(q)(2)(A) of the Federal Deposit Insurance Act (12 U.S.C. 1813(q)(2)(A)) is amended to read as follows:

''(A) any State member insured bank (except a District bank) and any wholesale financial institution as authorized pursuant to section 9B of the Federal Reserve Act;''.

CHAPTER 2—WHOLESALE FINANCIAL INSTITUTIONS

SEC. 136. WHOLESALE FINANCIAL INSTITUTIONS.

(a) NATIONAL WHOLESALE FINANCIAL INSTITUTIONS.—

(1) IN GENERAL.—Chapter one of title LXII of the Revised Statutes of the United States (12 U.S.C. 21 et seq.) is amended by inserting after section 5136A (as added by section 121(a) of this title) the following new section:

''SEC. 5136B. NATIONAL WHOLESALE FINANCIAL INSTITUTIONS.

''(a) AUTHORIZATION OF THE COMPTROLLER REQUIRED.—A national bank may apply to the Comptroller on such forms and in accordance with such regulations as the Comptroller may prescribe, for permission to operate as a national wholesale financial institution.

''(b) REGULATION.—A national wholesale financial institution may exercise, in accordance with such institution's articles of incorporation and regulations issued by the Comptroller, all the powers and privileges of a national bank formed in accordance with section 5133 of the Revised Statutes of the United States, subject to section 9B of the Federal Reserve Act and the limitations and restrictions contained therein.

''(c) COMMUNITY REINVESTMENT ACT OF 1977.—A national wholesale financial institution shall be subject to the Community Reinvestment Act of 1977.

''(d) EXAMINATION REPORTS.—The Comptroller of the Currency shall, to the fullest extent possible, use the report of examinations made by the Board of Governors of the Federal Reserve System of a wholesale financial institution.''.

(2) CLERICAL AMENDMENT.—The table of sections for chapter one of title LXII of the Revised Statutes of the United States is amended by inserting after the item relating to section 5136A (as added by section 121(d) of this title) the following new item:

''5136B. National wholesale financial institutions.''.

(b) STATE WHOLESALE FINANCIAL INSTITUTIONS.—The Federal Reserve Act (12 U.S.C. 221 et seq.) is amended by inserting after section 9A the following new section:

''SEC. 9B. WHOLESALE FINANCIAL INSTITUTIONS.

''(a) APPLICATION FOR MEMBERSHIP AS WHOLESALE FINANCIAL INSTITUTION.—

''(1) APPLICATION REQUIRED.—

''(A) IN GENERAL.—Any bank may apply to the Board of Governors of the Federal Reserve System to become a wholesale financial institution and, as a wholesale financial institution, to subscribe to the stock of the Federal reserve bank organized within the district where the applying bank is located.

''(B) TREATMENT AS MEMBER BANK.—Any application under subparagraph (A) shall be treated as an application under, and shall be subject to the provisions of, section 9.

''(2) INSURANCE TERMINATION.—No bank the deposits of which are insured under the Federal Deposit Insurance Act may become a wholesale financial institution unless it has met all requirements under that Act for voluntary termination of deposit insurance.

''(b) GENERAL REQUIREMENTS APPLICABLE TO WHOLESALE FINANCIAL INSTITUTIONS.—

''(1) FEDERAL RESERVE ACT.—Except as otherwise provided in this section, wholesale financial institutions shall be member banks and shall be subject to the provisions of this Act that apply to member banks to the same extent and in the same manner as State member insured banks, except that a wholesale financial institution may terminate membership under this Act only with the prior written approval of the Board and on terms and conditions that the Board determines are appropriate to carry out the purposes of this Act.

''(2) PROMPT CORRECTIVE ACTION.—A wholesale financial institution shall be deemed to be an insured depository institution for purposes of section 38 of the Federal Deposit Insurance Act except that—

''(A) the relevant capital levels and capital measures for each capital category shall be the levels specified by the Board for wholesale financial institutions; and

''(B) all references to the appropriate Federal banking agency or to the Corporation in that section shall be deemed to be references to the Board.

''(3) ENFORCEMENT AUTHORITY.—Subsections (j) and (k) of section 7, subsections (b) through (n), (s), and (v) of section 8, and section 19 of the Federal Deposit Insurance Act shall apply to a wholesale financial institution in the same manner and to the same extent as such provisions apply to State member insured banks and any reference in such sections to an insured depository institution shall be deemed to include a reference to a wholesale financial institution.

''(4) CERTAIN OTHER STATUTES APPLICABLE.—A wholesale financial institution shall be deemed to be a banking institution, and the Board shall be the appropriate Federal banking agency for such bank and all such bank's affiliates, for purposes of the International Lending Supervision Act.

''(5) BANK MERGER ACT.—A wholesale financial institution shall be subject to sections 18(c) and 44 of the Federal Deposit Insurance Act in the same manner and to the same extent the wholesale financial institution would be subject to such sections if the institution were a State member insured bank.

''(6) BRANCHING.—Notwithstanding any other provision of law, a wholesale financial institution may establish and operate a branch at any location on such terms and conditions as established by the Board and, in the case of a State-chartered wholesale financial institution, with the approval of the Board, and, in the case of a national bank wholesale financial institution, with the approval of the Comptroller of the Currency.

''(7) ACTIVITIES OF OUT-OF-STATE BRANCHES OF WHOLESALE FINANCIAL INSTITUTIONS.—

''(A) GENERAL.—A State-chartered wholesale financial institution shall be deemed a State bank and an insured State bank and a national wholesale financial institution shall be deemed a national bank for purposes of paragraphs (1), (2), and (3) of section 24(j) of the Federal Deposit Insurance Act.

''(B) DEFINITIONS.—The following definitions shall apply solely for purposes of applying paragraph (1):

''(i) HOME STATE.—The term 'home State' means—

''(I) with respect to a national wholesale financial institution, the State in which the main office of the institution is located; and

''(II) with respect to a State-chartered wholesale financial institution, the State by which the institution is chartered.

''(ii) HOST STATE.—The term 'host State' means a State, other than the home State of the wholesale financial institution, in which the institution maintains, or seeks to establish and maintain, a branch.

''(iii) OUT-OF-STATE BANK.—The term 'out-of-State bank' means, with respect to any State, a wholesale financial institution whose home State is another State.

''(8) DISCRIMINATION REGARDING INTEREST RATES.—Section 27 of the Federal Deposit Insurance Act shall apply to State-chartered wholesale financial institutions in the same manner and to the same extent as such provisions apply to State member insured banks and any reference in such section to a State-chartered insured depository institution shall be deemed to include a reference to a State-chartered wholesale financial institution.

''(9) PREEMPTION OF STATE LAWS REQUIRING DEPOSIT INSURANCE FOR WHOLESALE FINANCIAL INSTITUTIONS.—The appropriate State banking authority may grant a charter to a wholesale financial institution notwithstanding any State constitution or statute requiring that the institution obtain insurance of its deposits and any such State constitution or statute is hereby preempted solely for purposes of this paragraph.

''(10) PARITY FOR WHOLESALE FINANCIAL INSTITUTIONS.—A State bank that is a wholesale financial institution under this section shall have all of the rights, powers, privileges, and immunities (including those derived from status as a federally chartered institution) of and as if it were a national bank, subject to such terms and conditions as established by the Board.

''(11) COMMUNITY REINVESTMENT ACT OF 1977.—A State wholesale financial institution shall be subject to the Community Reinvestment Act of 1977.

''(c) SPECIFIC REQUIREMENTS APPLICABLE TO WHOLESALE FINANCIAL INSTITUTIONS.—

''(1) LIMITATIONS ON DEPOSITS.—

''(A) MINIMUM AMOUNT.—

''(i) IN GENERAL.—No wholesale financial institution may receive initial deposits of $100,000 or less, other than on an incidental and occasional basis.

''(ii) LIMITATION ON DEPOSITS OF LESS THAN $100,000.—No wholesale financial institution may receive initial deposits of $100,000 or less if such deposits constitute more than 5 percent of the institution's total deposits.

''(B) NO DEPOSIT INSURANCE.—No deposits held by a wholesale financial institution shall be insured deposits under the Federal Deposit Insurance Act.

''(C) ADVERTISING AND DISCLOSURE.—The Board shall prescribe regulations pertaining to advertising and disclosure by wholesale financial institutions to ensure that each depositor is notified that deposits at the wholesale financial institution are not federally insured or otherwise guaranteed by the United States Government.

''(2) MINIMUM CAPITAL LEVELS APPLICABLE TO WHOLESALE FINANCIAL INSTITUTIONS.—The Board shall, by regulation, adopt capital requirements for wholesale financial institutions—

''(A) to account for the status of wholesale financial institutions as institutions that accept deposits that are not insured under the Federal Deposit Insurance Act; and

''(B) to provide for the safe and sound operation of the wholesale financial institution without undue risk to creditors or other persons, including Federal reserve banks, engaged in transactions with the bank.

''(3) ADDITIONAL REQUIREMENTS APPLICABLE TO WHOLESALE FINANCIAL INSTITUTIONS.—In addition to any requirement otherwise applicable to State member insured banks or applicable, under this section, to wholesale financial institutions, the Board may impose, by regulation or order, upon wholesale financial institutions—

''(A) limitations on transactions, direct or indirect, with affiliates to prevent—

''(i) the transfer of risk to the deposit insurance funds; or

''(ii) an affiliate from gaining access to, or the benefits of, credit from a Federal reserve bank, including overdrafts at a Federal reserve bank;

''(B) special clearing balance requirements; and

''(C) any additional requirements that the Board determines to be appropriate or necessary to—

''(i) promote the safety and soundness of the wholesale financial institution or any insured depository institution affiliate of the wholesale financial institution;

''(ii) prevent the transfer of risk to the deposit insurance funds; or

''(iii) protect creditors and other persons, including Federal reserve banks, engaged in transactions with the wholesale financial institution.

''(4) EXEMPTIONS FOR WHOLESALE FINANCIAL INSTITUTIONS.—The Board may, by regulation or order, exempt any wholesale financial institution from any provision applicable to a member bank that is not a wholesale financial institution, if the Board finds that such exemption is not inconsistent with—

''(A) the promotion of the safety and soundness of the wholesale financial institution or any insured depository institution affiliate of the wholesale financial institution;

''(B) the protection of the deposit insurance funds; and

''(C) the protection of creditors and other persons, including Federal reserve banks, engaged in transactions with the wholesale financial institution.

''(5) LIMITATION ON TRANSACTIONS BETWEEN A WHOLESALE FINANCIAL INSTITUTION AND AN INSURED BANK.—For purposes of section 23A(d)(1) of the Federal Reserve Act, a wholesale financial institution that is affiliated with an insured bank shall not be a bank.

''(6) NO EFFECT ON OTHER PROVISIONS.—This section shall not be construed as limiting the Board's authority over member banks under any other provision of law, or to create any obligation for any Federal reserve bank to make, increase, renew, or extend any advance or discount under this Act to any member bank or other depository institution.

''(d) CAPITAL AND MANAGERIAL REQUIREMENTS.—

''(1) IN GENERAL.—A wholesale financial institution shall be well capitalized and well managed.

''(2) NOTICE TO COMPANY.—The Board shall promptly provide notice to a company that controls a wholesale financial institution whenever such wholesale financial institution is not well capitalized or well managed.

''(3) AGREEMENT TO RESTORE INSTITUTION.—Within 45 days of receipt of a notice under paragraph (2) (or such additional period not to exceed 90 days as the Board may permit), the company shall execute an agreement acceptable to the Board to restore the wholesale financial institution to compliance with all of the requirements of paragraph (1).

''(4) LIMITATIONS UNTIL INSTITUTION RESTORED.—Until the wholesale financial institution is restored to compliance with all of the requirements of paragraph (1), the Board may impose such limitations on the conduct or activities of the company or any affiliate of the company as the Board determines to be appropriate under the circumstances.

''(5) FAILURE TO RESTORE.—If the company does not execute and implement an agreement in accordance with paragraph (3), comply with any limitation imposed under paragraph (4), restore the wholesale financial institution to well capitalized status within 180 days after receipt by the company of the notice described in paragraph (2), or restore the wholesale financial institution to well managed status within such period as the Board may permit, the company shall, under such terms and conditions as may be imposed by the Board and subject to such extension of time as may be granted in the Board's discretion, divest control of its subsidiary depository institutions.

''(6) WELL MANAGED DEFINED.—For purposes of this subsection, the term 'well managed' has the same meaning as in section 2 of the Bank Holding Company Act of 1956.

''(e) CONSERVATORSHIP AUTHORITY.—

''(1) IN GENERAL.—The Board may appoint a conservator to take possession and control of a wholesale financial institution to the same extent and in the same manner as the Comptroller of the Currency may appoint a conservator for a national bank under section 203 of the Bank Conservation Act, and the conservator shall exercise the same powers, functions, and duties, subject to the same limitations, as are provided under such Act for conservators of national banks.

''(2) BOARD AUTHORITY.—The Board shall have the same authority with respect to any conservator appointed under paragraph (1) and the wholesale financial institution for which such conservator has been appointed as the Comptroller of the Currency has under the Bank Conservation Act with respect to a conservator appointed under such Act and a national bank for which the conservator has been appointed.

''(f) EXCLUSIVE JURISDICTION.—Subsections (c) and (e) of section 43 of the Federal Deposit Insurance Act shall not apply to any wholesale financial institution.''.

(c) VOLUNTARY TERMINATION OF INSURED STATUS BY CERTAIN INSTITUTIONS.—

(1) SECTION 8 DESIGNATIONS.—Section 8(a) of the Federal Deposit Insurance Act (12 U.S.C. 1818(a)) is amended—

(A) by striking paragraph (1); and

(B) by redesignating paragraphs (2) through (10) as paragraphs (1) through (9), respectively.

(2) VOLUNTARY TERMINATION OF INSURED STATUS.—The Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) is amended by inserting after section 8 the following new section:

''SEC. 8A. VOLUNTARY TERMINATION OF STATUS AS INSURED DEPOSITORY INSTITUTION.

''(a) IN GENERAL.—Except as provided in subsection (b), an insured State bank or a national bank may voluntarily terminate such bank's status as an insured depository institution in accordance with regulations of the Corporation if—

''(1) the bank provides written notice of the bank's intent to terminate such insured status—

''(A) to the Corporation and the Board of Governors of the Federal Reserve System not less than 6 months before the effective date of such termination; and

''(B) to all depositors at such bank, not less than 6 months before the effective date of the termination of such status; and

''(2) either—

''(A) the deposit insurance fund of which such bank is a member equals or exceeds the fund's designated reserve ratio as of the date the bank provides a written notice under

paragraph (1) and the Corporation determines that the fund will equal or exceed the applicable designated reserve ratio for the 2 semiannual assessment periods immediately following such date; or

''(B) the Corporation and the Board of Governors of the Federal Reserve System approved the termination of the bank's insured status and the bank pays an exit fee in accordance with subsection (e).

''(b) EXCEPTION.—Subsection (a) shall not apply with respect to—

''(1) an insured savings association; or

''(2) an insured branch that is required to be insured under subsection (a) or (b) of section 6 of the International Banking Act of 1978.

''(c) ELIGIBILITY FOR INSURANCE TERMINATED.—Any bank that voluntarily elects to terminate the bank's insured status under subsection (a) shall not be eligible for insurance on any deposits or any assistance authorized under this Act after the period specified in subsection (f)(1).

''(d) INSTITUTION MUST BECOME WHOLESALE FINANCIAL INSTITUTION OR TERMINATE DEPOSIT-TAKING ACTIVITIES.—Any depository institution which voluntarily terminates such institution's status as an insured depository institution under this section may not, upon termination of insurance, accept any deposits unless the institution is a wholesale financial institution subject to section 9B of the Federal Reserve Act.

''(e) EXIT FEES.—

''(1) IN GENERAL.—Any bank that voluntarily terminates such bank's status as an insured depository institution under this section shall pay an exit fee in an amount that the Corporation determines is sufficient to account for the institution's pro rata share of the amount (if any) which would be required to restore the relevant deposit insurance fund to the fund's designated reserve ratio as of the date the bank provides a written notice under subsection (a)(1).

''(2) PROCEDURES.—The Corporation shall prescribe, by regulation, procedures for assessing any exit fee under this subsection.

''(f) TEMPORARY INSURANCE OF DEPOSITS INSURED AS OF TERMINATION.—

''(1) TRANSITION PERIOD.—The insured deposits of each depositor in a State bank or a national bank on the effective date of the voluntary termination of the bank's insured status, less all subsequent withdrawals from any deposits of such depositor, shall continue to be insured for a period of not less than 6 months and not more than 2 years, as determined by the Corporation. During such period, no additions to any such deposits, and no new deposits in the depository institution made after the effective date of such termination shall be insured by the Corporation.

''(2) TEMPORARY ASSESSMENTS; OBLIGATIONS AND DUTIES.—During the period specified in paragraph (1) with respect to any bank, the bank shall continue to pay assessments under section 7 as if the bank were an insured depository institution. The bank shall, in all other respects, be subject to the authority of the Corporation and the duties and obligations of an insured depository institution under this Act during such period, and in the event that the bank is closed due to an inability to meet the demands of the bank's depositors during such period, the Corporation shall have the same powers and rights with respect to such bank as in the case of an insured depository institution.

''(g) ADVERTISEMENTS.—

''(1) IN GENERAL.—A bank that voluntarily terminates the bank's insured status under this section shall not advertise or hold itself out as having insured deposits, except that the bank may advertise the temporary insurance of deposits under subsection (f) if, in connection with any such advertisement, the advertisement also states with equal prominence that additions to deposits and new deposits made after the effective date of the termination are not insured.

''(2) CERTIFICATES OF DEPOSIT, OBLIGATIONS, AND SECURITIES.—Any certificate of deposit or other obligation or security issued by a State bank or a national bank after the effective date of the voluntary termination of the bank's insured status under this section shall be accompanied by a conspicuous, prominently displayed notice that such certificate of deposit or other obligation or security is not insured under this Act.

''(h) NOTICE REQUIREMENTS.—

''(1) NOTICE TO THE CORPORATION.—The notice required under subsection (a)(1)(A) shall be in such form as the Corporation may require.

''(2) NOTICE TO DEPOSITORS.—The notice required under subsection (a)(1)(B) shall be—

''(A) sent to each depositor's last address of record with the bank; and

''(B) in such manner and form as the Corporation finds to be necessary and appropriate for the protection of depositors.''.

(3) DEFINITION.—Section 19(b)(1)(A)(i) of the Federal Reserve Act (12 U.S.C. 461(b)(1)(A)(i)) is amended by inserting '', or any wholesale financial institution subject to section 9B of this Act'' after ''such Act''.

Subtitle E—Streamlining Antitrust Review of Bank Acquisitions and Mergers

SEC. 141. AMENDMENTS TO THE BANK HOLDING COMPANY ACT OF 1956.

(a) AMENDMENTS TO SECTION 3 TO REQUIRE FILING OF APPLICATION COPIES WITH ANTITRUST AGENCIES.—Section 3 of the Bank Holding Company Act of 1956 (12 U.S.C. 1842) is amended—

(1) in subsection (b) by inserting after paragraph (2) the following new paragraph:

''(3) REQUIREMENT TO FILE INFORMATION WITH ANTITRUST AGENCIES.—Any applicant seeking prior approval of the Board to engage in an acquisition transaction under this section must file simultaneously with the Attorney General and, if the transaction also involves an acquisition under section 4 or 6, the Federal Trade Commission copies of any documents regarding the proposed transaction required by the Board.''; and

(2) in subsection (c)—

(A) by striking paragraph (1); and

(B) by redesignating paragraphs (2) through (5) as paragraphs (1) through (4), respectively.

(b) AMENDMENTS TO SECTION 11 TO MODIFY JUSTICE DEPARTMENT NOTIFICATION AND POST-APPROVAL WAITING PERIOD FOR SECTION 3 TRANSACTIONS.—Section 11 of the Bank Holding Company Act of 1956 (12 U.S.C. 1849) is amended—

(1) in subsection (b)(1)—

(A) by striking '', if the Board has not received any adverse comment from the Attorney General of the United States relating to competitive factors,'';

(B) by striking ''as may be prescribed by the Board with the concurrence of the Attorney General, but in no event less than 15 calendar days after the date of approval.'' and inserting ''as may be prescribed by the appropriate antitrust agency.''; and

(C) by striking the 3d to last sentence and the penultimate sentence; and

(2) by striking subsections (c) and (e) and redesignating subsections (d) and (f) as subsections (c) and (d), respectively.

(c) DEFINITIONS.—Section 2(o) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(o)) is amended by adding at the end the following new paragraphs:

''(8) ANTITRUST AGENCIES.—The term 'antitrust agencies' means the Attorney General and the Federal Trade Commission.

''(9) APPROPRIATE ANTITRUST AGENCY.—With respect to a particular transaction, the term 'appropriate antitrust agency' means the antitrust agency engaged in reviewing the competitive effects of such transaction.''.

SEC. 142. AMENDMENTS TO THE FEDERAL DEPOSIT INSURANCE ACT TO VEST IN THE ATTORNEY GENERAL SOLE RESPONSIBILITY FOR ANTITRUST REVIEW OF DEPOSITORY INSTITUTION MERGERS.

Section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828) is amended—

(1) in paragraph (3)(C) by striking ''during a period at least as long as the period allowed for furnishing reports under paragraph (4) of this subsection'';

(2) by striking paragraph (4) and inserting the following new paragraph:

''(4) FACTORS TO BE CONSIDERED.—In determining whether to approve a transaction, the responsible agency shall in every case take into consideration the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served.'';

(3) by striking paragraph (5) and inserting the following new paragraph:

''(5) NOTICE TO ATTORNEY GENERAL.—The responsible agency shall immediately notify the Attorney General of any approval by it pursuant to this subsection of a proposed merger transaction. If the responsible agency has found that it must act immediately in order to prevent the probable failure of one of the banks involved, the transaction may be consummated immediately upon approval by the agency. If the responsible agency has notified the other Federal banking agencies referred to in this section of the existence of an emergency requiring expeditious action and has required the submission of views and recommendations within 10 days, the transaction may not be consummated before the 5th calendar day after the date of approval of the responsible agency. In all other cases, the transaction may not be consummated before the 30th calendar day after the date of approval by the agency, or such shorter period of time as may be prescribed by the Attorney General.'';

(4) by striking paragraph (6) and redesignating paragraphs (7) through (11) as paragraphs (6) through (10), respectively;

(5) in subparagraph (A) of paragraph (6) (as so redesignated by paragraph (4) of this section)—

(A) by striking ''(5)'' and inserting ''(4)''; and

(B) by striking ''(6)'' and inserting ''(5)'';

(C) by striking ''In any such action, the court shall review de novo the issues presented.'';

(6) in paragraph (6) (as so redesignated by paragraph (4) of this section)—

(A) by striking subparagraphs (B) and (D); and

(B) by redesignating subparagraph (C) as subparagraph (B);

(7) in paragraph (8) (as so redesignated by paragraph (4) of this section)—

(A) by inserting ''and'' after the semicolon at the end of subparagraph (A):

(B) by striking subparagraph (B); and

(C) by redesignating subparagraph (C) as subparagraph (B); and

(8) by inserting after paragraph (10) (as so redesignated by paragraph (4) of this section) the following new paragraph:

''(11) REQUIREMENT TO FILE INFORMATION WITH ATTORNEY GENERAL.—Any applicant seeking prior written approval of the responsible Federal banking agency to engage in a merger transaction under this subsection shall file simultaneously with the Attorney General copies of any documents regarding

the proposed transaction required by the Federal banking agency.''.

SEC. 143. INFORMATION FILED BY DEPOSITORY INSTITUTIONS; INTERAGENCY DATA SHARING.

(a) FORMAT OF NOTICE.—

(1) IN GENERAL.—Notice of any proposed transaction for which approval is required under section 3 of the Bank Holding Company Act of 1956 or section 18(c) of the Federal Deposit Insurance Act shall be in a format designated and required by the appropriate Federal banking agency (as defined in section 3 of the Federal Deposit Insurance Act) and shall contain a section on the likely competitive effects of the proposed transaction.

(2) DESIGNATION BY AGENCY.—The appropriate Federal banking agency, with the concurrence of the antitrust agencies, shall designate and require the form and content of the competitive effects section.

(3) NOTICE OF SUSPENSION.—Upon notification by the appropriate antitrust agency that the competitive effects section of an application is incomplete, the appropriate Federal banking agency shall notify the applicant that the agency will suspend processing of the application until the appropriate antitrust agency notifies the agency that the application is complete.

(4) EMERGENCY ACTION.—This provision shall not affect the appropriate Federal banking agency's authority to act immediately—

(A) to prevent the probable failure of 1 of the banks involved; or

(B) to reduce or eliminate a post approval waiting period in case of an emergency requiring expeditious action.

(5) EXEMPTION FOR CERTAIN FILINGS.—With the concurrence of the antitrust agencies, the appropriate Federal banking agency may exempt classes of persons, acquisitions, or transactions that are not likely to violate the antitrust laws from the requirement that applicants file a competitive effects section.

(b) INTERAGENCY DATA SHARING REQUIREMENT.—

(1) IN GENERAL.—To the extent not prohibited by other law, the Federal banking agencies shall make available to the antitrust agencies any data in their possession that the antitrust agencies deem necessary for antitrust reviews of transactions requiring approval under section 3 of the Bank Holding Company Act of 1956 or section 18(c) of the Federal Deposit Insurance Act.

(2) CONTINUATION OF DATA COLLECTION AND ANALYSIS.—The Federal banking agencies shall continue to provide market analysis, deposit share information, and other relevant information for determining market competition as needed by the Attorney General in the same manner such agencies provided analysis and information under section 18(c) of the Federal Deposit Insurance Act and 3(c) of the Bank Holding Company Act of 1956 (as such sections were in effect on the day before the date of the enactment of this Act) and shall continue to collect information necessary or useful for such analysis.

(c) DEFINITIONS.—For purposes of this section, the following definitions shall apply:

(1) ANTITRUST AGENCIES.—The term ''antitrust agencies'' means the Attorney General and the Federal Trade Commission.

(2) APPROPRIATE ANTITRUST AGENCY.—With respect to a particular transaction, the term ''appropriate antitrust agency'' means the antitrust agency engaged in reviewing the competitive effects of such transaction.

SEC. 144. APPLICABILITY OF ANTITRUST LAWS.

No provision of this subtitle shall be construed as affecting—

(1) the applicability of antitrust laws (as defined in section 11(d) of the Bank Holding Company Act of 1956; as so redesignated pursuant to this subtitle); or

(2) the applicability, if any, of any State law which is similar to the antitrust laws.

SEC. 145. CLARIFICATION OF STATUS OF SUBSIDIARIES AND AFFILIATES.

(a) CLARIFICATION OF FEDERAL TRADE COMMISSION JURISDICTION.—Any person which directly or indirectly controls, is controlled directly or indirectly by, or is directly or indirectly under common control with, any bank or savings association (as such terms are defined in section 3 of the Federal Deposit Insurance Act) and is not itself a bank or savings association shall not be deemed to be a bank or savings association for purposes of the Federal Trade Commission Act or any other law enforced by the Federal Trade Commission.

(b) SAVINGS PROVISION.—No provision of this section shall be construed as restricting the authority of any Federal banking agency (as defined in section 3 of the Federal Deposit Insurance Act) under any Federal banking law, including section 8 of the Federal Deposit Insurance Act.

SEC. 146. EFFECTIVE DATE.

This subtitle shall take effect 6 months after the date of enactment of this Act.

Subtitle F—Applying the Principles of National Treatment and Equality of Competitive Opportunity to Foreign Banks and Foreign Financial Institutions

SEC. 151. APPLYING THE PRINCIPLES OF NATIONAL TREATMENT AND EQUALITY OF COMPETITIVE OPPORTUNITY TO FOREIGN BANKS THAT ARE FINANCIAL HOLDING COMPANIES.

Section 8(c) of the International Banking Act of 1978 (12 U.S.C. 3106(c)) is amended by adding at the end the following new paragraph:

''(3) TERMINATION OF GRANDFATHERED RIGHTS.—

''(A) IN GENERAL.—If any foreign bank or foreign company files a declaration under section 6(b)(1)(E) or which receives a determination under section 10(d)(1) of the Bank Holding Company Act of 1956, any authority conferred by this subsection on any foreign bank or company to engage in any activity which the Board has determined to be permissible for financial holding companies under section 6 of such Act shall terminate immediately.

''(B) RESTRICTIONS AND REQUIREMENTS AUTHORIZED.—If a foreign bank or company that engages, directly or through an affiliate pursuant to paragraph (1), in an activity which the Board has determined to be permissible for financial holding companies under section 6 of the Bank Holding Company Act of 1956 has not filed a declaration with the Board of its status as a financial holding company under such section or received a determination under section 10(d)(1) by the end of the 2-year period beginning on the date of enactment of the Financial Services Act of 1998, the Board, giving due regard to the principle of national treatment and equality of competitive opportunity, may impose such restrictions and requirements on the conduct of such activities by such foreign bank or company as are comparable to those imposed on a financial holding company organized under the laws of the United States, including a requirement to conduct such activities in compliance with any prudential safeguards established under section 5(h) of the Bank Holding Company Act of 1956.''.

SEC. 152. APPLYING THE PRINCIPLES OF NATIONAL TREATMENT AND EQUALITY OF COMPETITIVE OPPORTUNITY TO FOREIGN BANKS AND FOREIGN FINANCIAL INSTITUTIONS THAT ARE WHOLESALE FINANCIAL INSTITUTIONS.

Section 8A of the Federal Deposit Insurance Act (as added by section 136(c)(2) of this Act) is amended by adding at the end the following new subsection:

''(i) VOLUNTARY TERMINATION OF DEPOSIT INSURANCE.—The provisions on voluntary termination of insurance in this section shall apply to an insured branch of a foreign bank (including a Federal branch) in the same manner and to the same extent as they apply to an insured State bank or a national bank.''.

Subtitle G—Federal Home Loan Bank System

SEC. 161. FEDERAL HOME LOAN BANKS–

The 1st sentence of section 3 of the Federal Home Loan Bank Act (12 U.S.C. 1423) is amended—

(1) by striking ''the continental United States'' and all that follows through the ''eight''; and

(2) by inserting ''the States into not less than 1'' before ''nor''.

SEC. 162. MEMBERSHIP AND COLLATERAL.

(a) Subsection (f) of section 5 of the Home Owners' Loan Act (12 U.S.C. 1464) is amended to read as follows:

''(f) FEDERAL HOME LOAN BANK MEMBERSHIP.—A Federal savings association may become a member, of the Federal Home Loan Bank System, and shall qualify for such membership in the manner provided by the Federal Home Loan Bank Act, beginning January 1, 1999.''.

(b) Section 10(a)(5) of the Federal Home Loan Bank Act (12 U.S.C. 1430(a)(5)) is amended—

(1) in the 2d sentence, by striking ''and the Board''; and

(2) in the 3d sentence, by striking ''Board'' and inserting ''Bank''.

(c) Section 10(a) of the Federal Home Loan Bank Act (12 U.S.C. 1430(a)) is amended—

(1) in the 2d sentence, by striking ''All long-term advances'' and inserting ''Except as provided in the succeeding sentence, all long-term advances'';

(2) by inserting after the 2d sentence, the following sentence: ''Notwithstanding the preceding sentence, long-term advances may be made to members insured by the Federal Deposit Insurance Corporation which have less than $500,000,000 in total assets for the purpose of funding small businesses, agriculture, rural development, or low-income community development (as defined by the Board).''; and

(3) by redesignating paragraph (5) as paragraph (6) and inserting after paragraph (4) the following new paragraph:

''(5) In the case of any member insured by the Federal Deposit Insurance Corporation which has total assets of less than $500,000,000, secured loans for small business, agriculture, rural development, or low-income community development, or securities representing a whole interest in such secured loans.''.

(d) Section 4(a) of the Federal Home Loan Bank Act (12 U.S.C. 1424(a)) is amended by adding at the end the following new paragraph:

''(3) ELIGIBILITY REQUIREMENTS FOR COMMUNITY FINANCIAL INSTITUTIONS.—The requirements of paragraph (2) (other than subparagraph (B) of such paragraph) shall not apply to any insured depository institution which has total assets of less than $500,000,000.

(e) Section 10 of the Federal Home Loan Bank Act (12 U.S.C. 1430) is amended by striking the 1st of the 2 subsections designated as subsection (e) (relating to qualified thrift lender status).

SEC. 163. THE OFFICE OF FINANCE.

The Federal Home Loan Bank Act (12 U.S.C. 1421) is amended by inserting after section 4 the following new section:

"SEC. 5. THE OFFICE OF FINANCE.

''(a) OPERATION.—The Federal home loan banks shall operate jointly an office of finance (hereafter in this section referred to as the 'Office') to issue the notes, bonds, and debentures of the Federal home loan banks in accordance with this Act.

''(b) POWERS.—Subject to the other provisions of this Act and such safety and soundness regulations as the Finance Board may prescribe, the Office shall be authorized by the Federal home loan banks to act as the agent of such banks to issue Federal home loan bank notes, bonds and debentures pursuant to section 11 of this Act on behalf of the banks.

''(c) CENTRAL BOARD OF DIRECTORS.—

''(1) ESTABLISHMENT.—The Federal home loan banks shall establish a central board of directors of the Office to administer the affairs of the Office in accordance with the provisions of this Act.

''(2) COMPOSITION OF BOARD.—Each Federal home loan bank shall annually select 1 individual who, as of the time of the election, is an officer or director of such bank to serve as a member of the central board of directors of the Office.

''(d) STATUS.—Except to the extent expressly provided in this Act, the Office shall be treated as a Federal home loan bank for purposes of any law.''.

SEC. 164. MANAGEMENT OF BANKS.

(a) Subsections (a) and (b) of section 7 of the Federal Home Loan Bank Act (12 U.S.C. 1427(a) and (b)) are amended to read as follows:

''(a) The management of each Federal home loan bank shall be vested in a board of 15 directors, 9 of whom shall be elected by the members in accordance with this section, 6 of whom shall be appointed by the Board referred to in section 2A, and all of whom shall be citizens of the United States and bona fide residents of the district in which such bank is located. At least 2 of the Federal home loan bank directors who are appointed by the Board shall be representatives chosen from organizations with more than a 2-year history of representing consumer or community interests on banking services, credit needs, housing, or financial consumer protections. No Federal home loan bank director who is appointed pursuant to this subsection may, during such bank director's term of office, serve as an officer of any Federal home loan bank or a director or officer of any member of a bank, or hold shares, or any other financial interest in, any member of a bank.

''(b) The elective directors shall be divided into three classes, designated as classes A, B, and C, as nearly equal in number as possible. Each directorship shall be filled by a person who is an officer or director of a member located in that bank's district. Each class shall represent members of similar asset size, and the Board shall, to the maximum extent possible, seek to achieve geographic diversity. The Finance Board shall establish the minimum and maximum asset size for each class. Any member shall be entitled to nominate and elect eligible persons for its class of directorship; such offices shall be filled from such nominees by a plurality of the votes which members of each class may cast for nominees in their corresponding class of directors in an election held for the purpose of filling such offices. Each member shall be permitted to cast one vote for each share of Federal home loan bank stock owned by that member. No person who is an officer or director of a member that fails to meet any applicable capital requirement is eligible to hold the office of Federal Home Loan Bank director. As used in this subsection, the term ''member'' means a member of a Federal home loan bank which was a member of such Bank as of a record date established by the Bank.''.

(b) Section 7 of the Federal Home Loan Bank Act (12 U.S.C. 1427) is amended—

(1) by striking subsections (c) and (h); and

(2) by redesignating subsections (d), (e), (f), (g), (i), (j), and (k) as subsections (c), (d), (e), (f), (g), (h), and (i), respectively.

(c) Subsection (c) of section 7 of the Federal Home Loan Bank Act (12 U.S.C. 1427(d)) (as so redesignated by subsection (b) of this section) is amended by striking the 1st and 2d sentences and inserting the following 2 new sentences: ''The term of each position of director shall be 3 years. No director serving for 3 consecutive terms, nor any other officer, director or that member or any affiliated depository institution, shall be eligible for another term earlier than 3 years after the expiration of the last expiring of said 3-year terms. 3 elected directors of different classes as specified by the Finance Board shall be elected by ballot annually.''.

(d) Subsection (d) of section 7 of the Federal Home Loan Bank Act (12 U.S.C. 1427(e)) (as so redesignated by subsection (b) of this section) is amended to read as follows:

''(d) TRANSITION PROVISION.—In the 1st election after the date of the enactment of the Financial Services Act of 1998, 3 directors shall be elected in each of the 3 classes of elective directorship. The Finance Board may, in the 1st election after such date of enactment, designate the terms of each elected director in each class, not to exceed 3 years, to assure that, in each subsequent election, 3 directors from different classes of elective directorships are elected each year.''.

(e) Subsection (g) of section 7 of the Federal Home Loan Bank Act (12 U.S.C. 1427(i)) (as so redesignated by subsection (b) of this section) is amended by striking ''subject to the approval of the board''.

SEC. 165. ADVANCES TO NONMEMBER BORROWERS.

Section 10b of the Federal Home Loan Bank Act (12 U.S.C. 1430b) is amended—

(1) in subsection (a), by striking ''(a) IN GENERAL.—'';

(2) by striking the 4th sentence of subsection (a), and inserting ''Notwithstanding the preceding sentence, if an advance is made for the purpose of facilitating mortgage lending that benefits individuals and families that meet the income requirements set forth in section 142(d) or 143(f) of the Internal Revenue Code of 1986, the advance may be collateralized as provided in section 10(a) of this Act.''; and

(3) by striking subsection (b).

SEC. 166. POWERS AND DUTIES OF BANKS.

(a) Subsection (a) of section 11 of the Federal Home Loan Bank Act (12 U.S.C. 1431(a)) is amended—

(1) by inserting ''through the Office of Finance'' after ''to issue'';

(2) by striking ''Board'' after ''upon such terms and conditions as the'' and inserting ''board of directors of the bank''.

(b) Subsection (b) of section 11 of the Federal Home Loan Bank Act (12 U.S.C. 1431(b)) is amended to read as follows:

''(b) ISSUANCE OF FEDERAL HOME LOAN BANK CONSOLIDATED BONDS.—

''(1) IN GENERAL.— The Office of Finance may issue consolidated Federal home loan bank bonds and other consolidated obligations on behalf of the banks.

''(2) JOINT AND SEVERAL OBLIGATION; TERMS AND CONDITIONS.—Consolidated obligations issued by the Office of Finance under paragraph (1) shall—

''(A) be the joint and several obligations of all the Federal home loan banks; and

''(B) shall be issued upon such terms and conditions as shall be established by the Office of Finance subject to such rules and regulations as the Finance Board may prescribe.''.

(c) Section 11(f) of the Federal Home Loan Bank Act (12 U.S.C. 1430(f) (as designated before the redesignation by subsection (e) of this section) is amended by striking both commas immediately following ''permit'' and inserting ''or''.

(d) Subsection (i) of section 11 of the Federal Home Loan Bank Act (12 U.S.C. 1431(i)) is amended by striking the 2d undesignated paragraph.

(e) Section 11 of the Federal Home Loan Bank Act (12 U.S.C. 1431) is amended—

(1) by striking subsection (c); and

(2) by redesignating subsections (d) through (k) as subsections (c) through (j), respectively.

SEC. 167. MERGERS AND CONSOLIDATIONS OF FEDERAL HOME LOAN BANKS.

Section 26 of the Federal Home Loan Bank Act (12 U.S.C. 1446) is amended by designating the current paragraph as ''(a)'' and adding the following new sections:

''(b) Nothing in this section shall preclude voluntary mergers, combinations or consolidation by or among the Federal home loan banks pursuant to such regulations as the Finance Board may prescribe.

''(c) NUMBER OF ELECTED DIRECTORS OF RESULTING BANK.— Subject to section 7 of this Act, any bank resulting from a merger, combination, or consolidation pursuant to this section may have a number of elected directors equal to or less than the total number of elected directors of all the banks which participated in such transaction (as determined immediately before such transaction).

''(d) NUMBER OF APPOINTED DIRECTORS OF RESULTING BANK.—The number of appointed directors of any bank resulting from a merger, combination, or consolidation pursuant to this section shall be a number that is three less than the number of elected directors.

''(e) ADJUSTMENT OF DISTRICT BOUNDARIES.—After consummation of any merger, combination, or consolidation of 2 or more Federal home loan banks, the Finance Board shall adjust the districts established in section 3 of this Act to reflect such merger, combination, or consolidation.''.

SEC. 168. TECHNICAL AMENDMENTS.

(a) REPEAL OF SECTIONS 22A AND 27.—The Federal Home Loan Bank Act (12 U.S.C. 1421 et seq.) is amended by striking sections 22A (12 U.S.C. 1442a) and 27 (12 U.S.C. 1447).

(b) SECTION 12.—

(1) Section 12(a) of the Federal Home Loan Bank Act (12 U.S.C. 1432(a)) is amended—

(A) by striking ''subject to the approval of the Board'' immediately following ''transaction of its business''; and

(B) by striking ''and, by its Board of directors, to prescribe, amend, and repeal by-laws, rules, and regulations governing the manner in which its affairs may be administered; and the powers granted to it by law may be exercised and enjoyed subject to the approval of the Board. The president of a Federal Home Loan Bank may also be a member of the Board of directors thereof, but no other officer, employee, attorney, or agent of such bank,'' and inserting ''and, by the board of directors of the bank, to prescribe, amend, and repeal by-laws governing the manner in which its affairs may be administered, consistent with applicable statute and regulation, as administered by the Finance Board. No officer, employee, attorney, or agent of a Federal home loan bank''.

(2) Section 12 of the Federal Home Loan Bank Act (12 U.S.C. 1432) is amended by inserting after subsection (b) the following new subsection:

''(c) PROHIBITION ON EXCESSIVE COMPENSATION.—

''(1) IN GENERAL.—The Finance Board shall prohibit the Federal home loan banks from providing compensation to any officer, director, or employee that is not reasonable and comparable with the compensation for employment in other similar businesses involving similar duties and responsibilities. However, the Finance Board may not prescribe or set a specific level or range of compensation for any officer, director, or employee.

''(2) REGULATIONS.—The Finance Board, by regulation, may provide for the requirements of paragraph (1) to be phased-in over a period not to exceed 3 years.

''(3) EXCEPTION FOR EXISTING CONTRACTS.—Paragraph (1) shall not apply to any contract entered into before June 1, 1997.''.

(c) POWERS AND DUTIES OF FEDERAL HOUSING FINANCE BOARD.—

(1) Subsection (a)(1) of section 2B of the Federal Home Loan Bank Act (12 U.S.C. 1422b(a)(1)) is amended by striking the period at the end of the sentence and inserting ''; and to have the same powers, rights, and duties to enforce this Act with respect to the Federal home loan banks and the senior officers and directors of such banks as the Office of Federal Housing Enterprise Oversight has over the Federal housing enterprises and the senior officers and directors of such enterprises under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992.''.

(2) Subsection (b) of section 2B of the Federal Home Loan Bank Act (12 U.S.C. 1422b(b)) is amended—

(A) by striking ''(1) BOARD STAFF.—'';

(B) by striking ''function to any employee, administrative unit'' and inserting ''function to any employee or administrative unit'';

(C) by striking the 2d sentence in paragraph (1); and

(D) by striking paragraph (2).

(3) Section 111 of Public Law 93–495 (12 U.S.C. 250) is amended by striking ''Federal Home Loan Bank Board'' and inserting ''Federal Housing Finance Board''.

(d) ELIGIBILITY TO SECURE ADVANCES.—

(1) SECTION 9.—Section 9 of the Federal Home Loan Bank Act (12 U.S.C. 1429) is amended—

(A) in the second sentence, by striking ''with the approval of the Board''; and

(B) in the third sentence, by striking '', subject to the approval of the Board,''.

(2) SECTION 10.—

(A) Subsection (a) of section 10 of the Federal Home Loan Bank Act (12 U.S.C. 1430(a)) is amended in paragraph (3), by striking ''Deposits'' and inserting ''Cash or deposits''.

(B) Subsection (c) of section 10 of the Federal Home Loan Bank Act (12 U.S.C. 1430(c)) is amended—

(i) in the 1st sentence by striking ''Board'' and inserting ''Federal home loan bank''; and

(ii) by striking the 2d sentence.

(C) Subsection (d) of section 10 of the Federal Home Loan Bank Act (12 U.S.C. 1430(d)) is amended—

(i) in the 1st sentence, by striking ''and the approval of the Board'';

(ii) in the last sentence, by striking ''Subject to the approval of the Board, any'' and inserting ''Any''.

(D) Section 10(j) of the Federal Home Loan Bank Act (12 U.S.C. 1430(j)) is amended—

(i) in the 1st sentence of paragraph (1) by striking ''to subsidize the interest rate on advances'' and inserting ''to provide subsidies, including subsidized interest rates on advances'';

(ii) in paragraphs (2), (3), (4), (5), (9), (11), and (12) by striking ''advances'' and ''subsidized advances'' each place such terms appear and inserting ''subsidies, including subsidized advances'';

(iii) in paragraph (1), by inserting ''(A)'' before the 1st sentence, and inserting the following at the end of the paragraph:

''(B) Subject to such regulations as the Finance Board may prescribe, the board of directors of each Federal home loan bank may approve or disapprove requests from members for Affordable Housing Program subsidies, and may not delegate such authority.'';

(iv) in paragraph (2), by striking subparagraph (B) and inserting the following new subparagraph:

''(B) finance the purchase, construction or rehabilitation of rental housing if, for a period of at least 15 years, either 20 percent or more of the units in such housing are occupied by and affordable for households whose income is 50 percent or less of area median income (as determined by the Secretary of Housing and Urban Development, and as adjusted for family size); or 40 percent or more of the units in such housing are occupied by and affordable for households whose income is 60 percent or less of area median income (as determined by the Secretary of Housing and Urban Development, and as adjusted for family size).'';

(v) in paragraph (5)—

(I) by striking the colon after ''Affordable Housing Program'';

(II) by striking subparagraphs (A) and (B); and

(III) by striking ''(C) In 1995, and subsequent years,'';

(vi) in paragraph (11)—

(I) by inserting '', pursuant to a nomination process that is as broad and as participatory as possible, and giving consideration to the size of the District and the diversity of low- and moderate-income housing needs and activities within the District,'' after ''Advisory Council of 7 to 15 persons'';

(II) by inserting ''a diverse range of'' before ''community and nonprofit organizations''; and

(III) by inserting after the 1st sentence, the following new sentence: ''Representatives of no one group shall constitute an undue proportion of the membership of the Advisory Council.''; and

(vii) in paragraph (13), by striking subparagraph (D) and inserting the following new subparagraph:

''(D) AFFORDABLE.—For purposes of paragraph (2)(B), the term ''affordable'' means that the rent with respect to a unit shall not exceed 30 percent of the income limitation under paragraph (2)(B) applicable to occupants of such unit.''.

(e) SECTION 16.—Subsection (a) of section 16 of the Federal Home Loan Bank Act (12 U.S.C. 1436) is amended in the 3d sentence by striking ''net earnings'' and inserting ''previously retained earnings or current net earnings''; by striking '', and then only with the approval of the Federal Housing Finance Board''; and by striking the 4th sentence.

(f) SECTION 18.—Subsection (b) of section 18 of the Federal Home Loan Bank Act (12 U.S.C. 1438) is amended by striking paragraph (4).

(g) SECTION 11.—Section 11 of the Federal Home Loan Bank Act (12 U.S.C. 1431) is amended by inserting after subsection (j) (as so redesignated by section 166(e) of this subtitle) the following subsection:

''(k) PROHIBITION ON OTHER ACTIVITIES.—

''(1) A Federal home loan bank may not engage in any activity other than the activities authorized under this Act and activities incidental to such authorized activities.

''(2) All activities specified in paragraph (1) are subject to Finance Board approval.''.

SEC. 169. DEFINITIONS.

Paragraph (3) of section 2 of the Federal Home Loan Bank Act (12 U.S.C. 1422(3)) is amended to read as follows:

''(3) The term ''State'' in addition to the states of the United States, includes the District of Columbia, Guam, Puerto Rico, the United States Virgin Islands, American Samoa, and the Commonwealth of the Northern Mariana Islands.''

SEC. 170. RESOLUTION FUNDING CORPORATION

(a) IN GENERAL.—Section 21B(f)(2)(C) of the Federal Home Loan Bank Act (12 U.S.C. 1441b(f)(2)(C)) is amended to read as follows:

''(C) PAYMENTS BY FEDERAL HOME LOAN BANKS.—To the extent the amounts available pursuant to subparagraphs (A) and (B) are insufficient to cover the amount of interest payments, each Federal home loan bank shall pay to the Funding Corporation each calendar year 20.75 percent of the net earnings of such bank (after deducting expenses relating to subsection (j) of section 10 and operating expenses).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on January 1, 1999.

SEC. 171. CAPITAL STRUCTURE OF THE FEDERAL HOME LOAN BANKS.

(a) IN GENERAL.—Section 6 of the Federal Home Loan Bank Act (12 U.S.C. 1426) is amended to read as follows:

''SEC. 6. CAPITAL STRUCTURE OF FEDERAL HOME LOAN BANKS.

''(a) CAPITAL STRUCTURE PLAN.—On or before January 1, 1999, the board of directors of each Federal home loan bank shall submit for Finance Board approval a plan establishing and implementing a capital structure for such bank which—

''(1) the board of directors determines is the best suited for the condition and operation of the bank and the interests of the shareholders of the bank;

''(2) meets the requirements of subsection (b); and

''(3) meets the minimum capital standards and requirements established under subsection (c) and any regulations prescribed by the Finance Board pursuant to such subsection.

''(b) CONTENTS OF PLAN.—The capital structure plan of each Federal home loan bank shall meet the following requirements:

''(1) STOCK PURCHASE REQUIREMENTS.—

''(A) IN GENERAL.—Each capital structure plan of a Federal home loan bank shall require the shareholders of the bank to maintain an investment in the stock of the bank in amount not less than—

''(i) a minimum percentage of the total assets of the shareholder; and

''(ii) a minimum percentage of the outstanding advances from the bank to the shareholder.

''(B) MINIMUM PERCENTAGE LEVELS.—The minimum percentages established pursuant to subparagraph (A) shall be set at levels sufficient to meet the bank's minimum capital requirements established by the Finance Board under subsection (c).

''(C) MAXIMUM ASSET BASED CAPITAL REQUIREMENT.—The asset-based capital requirement applicable to any shareholder of a Federal home loan bank in any year shall not exceed the lesser of—

''(i) 0.6 percent of a shareholder's total assets at the close of the preceding year; or

''(ii) $300,000,000.

''(D) MAXIMUM ADVANCE-BASED REQUIREMENT.—The advance-based capital requirement applicable to any shareholder of a Federal home loan bank shall not exceed 6 percent of the total outstanding advances from the bank to the shareholder.

''(E) MINIMUM STOCK PURCHASE REQUIREMENT AUTHORIZED.—A capital structure plan may establish a minimum dollar amount of stock of a Federal home loan bank in which a shareholder shall be required to invest.

''(2) ADJUSTMENTS TO STOCK PURCHASE REQUIREMENTS.—The capital structure plan adopted by each Federal home loan bank shall impose a continuing obligation on the board of directors of the bank to review and adjust as necessary member stock purchase requirements in order to ensure that the bank remains in compliance with applicable minimum capital levels established by the Finance Board.

''(3) TRANSITION RULE FOR STOCK PURCHASE REQUIREMENTS.—

''(A) IN GENERAL.—A capital structure plan may allow shareholders who were members of a Federal home loan bank on the date of the enactment of the Financial Services Act of 1998 to come into compliance with the asset-based stock purchase requirement established under paragraph (1) during a transition period established under the plan of not more than 3 years, if such requirement exceeds the asset-based stock purchase requirement in effect on such date of enactment.

''(B) INTERIM PURCHASE REQUIREMENTS.—A capital structure plan may establish interim asset-based stock purchase requirements applicable to members referred to in subparagraph (A) during a transition period established under subparagraph (A).

''(4) CLASSES OF STOCK.—

''(A) IN GENERAL.—Each capital structure plan shall afford each shareholder of a Federal home loan bank the option of meeting the shareholder's stock purchase requirements through the purchase of any combination of Class A or Class B stock.

''(B) CLASS A STOCK.—Class A stock shall be stock of a Federal home loan bank that shall be redeemed in cash and at par by the bank no later than 12 months following submission of a written notice by a shareholder of the shareholder's intention to divest all shares of stock in the bank.

''(C) CLASS B STOCK.—Class B stock shall be stock of a Federal home loan bank that shall be redeemed in cash and at par by the bank no later than 5 years following submission of a written notice by a shareholder of the shareholder's intention to divest all shares of stock in the bank.

''(D) RIGHTS REQUIREMENT.—The Class B stock of a Federal home loan bank may receive a dividend premium over that paid on Class A stock, and may have preferential voting rights in the election of Federal home loan bank directors.

''(E) LOWER STOCK PURCHASE REQUIREMENTS FOR CLASS B STOCK.—A capital structure plan may provide for lower stock purchase requirements with respect to those shareholder's that elect to purchase Class B stock in a manner that is consistent with meeting the bank's own minimum capital requirements as established by the Finance Board.

''(F) NO OTHER CLASSES OF STOCK PERMITTED.—No class of stock other than the Class A and Class B stock described in subparagraphs (B) and (C) may be issued by a Federal home loan bank.

''(5) LIMITED TRANSFERABILITY OF STOCK.—Each capital structure plan shall provide that any equity securities issued by the bank shall be available only to, held only by, and tradable only among shareholders of the bank.

''(c) CAPITAL STANDARDS.—

''(1) IN GENERAL.—The Finance Board shall prescribe, by regulation, uniform capital standards applicable to each Federal home loan bank which shall include—

''(A) a leverage limit in accordance with paragraph (2); and

''(B) a risk-based capital requirement in accordance with paragraph (3).

''(2) MINIMUM LEVERAGE LIMIT.—The leverage limit established by the Finance Board shall require each Federal home loan bank to maintain total capital in an amount not less than 5 percent of the total assets of the bank. In determining compliance with the minimum leverage ratio, the amount of retained earnings and the paid-in value of Class B stock, if any, shall be multiplied by 1.5 and such higher amount shall be deemed to be capital for purposes of meeting the 5 percent minimum leverage ratio.

''(3) RISK-BASED CAPITAL STANDARD.—The risk-based capital requirement shall be composed of the following components:

''(A) Capital sufficient to meet the credit risk to which a Federal home loan bank is subject, based on an amount which is not less than the amount of tier 1, risk-based capital required by regulations prescribed, or guidelines issued under section 38 of the Federal Deposit Insurance Act for a well capitalized insured depository institution.

''(B) Capital sufficient to meet the interest rate risk to which a Federal home loan bank is subject, based on an interest rate stress test applied by the Finance Board that rigorously tests for changes in interest rates, rate volatility, and changes in the shape of the yield curve.

''(d) REDEMPTION OF CAPITAL.—

''(1) IN GENERAL.—Any shareholder of a Federal home loan bank shall have the right to withdraw the shareholder's membership from a Federal home loan bank and to redeem the shareholder's stock in accordance with the redemption rights associated with the class of stock the shareholder holds, if—

''(A) such shareholder has filed a written notice of an intention to redeem all such shares; and

''(B) the shareholder has no outstanding advances from any Federal home loan bank at the time of such redemption.

''(2) PARTIAL REDEMPTION.—A shareholder who files notice of intention to redeem all shares of stock in a Federal home loan bank may redeem not more than 1/2 of all such shares, in cash and at par, 6 months before the date by which the bank is required to redeem such stock pursuant to subparagraph (B) or (C) of subsection (b)(4).

''(3) DIVESTITURE.—The board of directors of any Federal home loan bank may, after a hearing, order the divestiture by any shareholder of all ownership interests of such shareholder in the bank, if—

''(A) in the opinion of the board of directors, such shareholder has failed to comply with a provision of this Act or any regulation prescribed under this Act; or

''(B) the shareholder has been determined to be insolvent, or otherwise subject to the appointment of a conservator, receiver, or other legal custodian, by a State or Federal authority with regulatory and supervisory responsibility for such shareholder.

''(4) RETIREMENT OF EXCESS STOCK.—Any shareholder may—

''(A) retire shares of Class A stock or, at the option of the shareholder, shares of Class B stock, or any combination of Class A and Class B stock, that are excess to the minimum stock purchase requirements applicable to the shareholder; and

''(B) receive from the Federal home loan bank a prompt payment in cash equal to the par value of such stock.

''(5) IMPAIRMENT OF CAPITAL.—If the Finance Board or the board of directors of a Federal home loan bank determines that the paid-in capital of the bank is, or is likely to be, impaired as a result of losses in or depreciation of the assets of the bank, the Federal home loan bank shall withhold that portion of the amount due any shareholder with respect to any redemption or retirement of any class of stock which bears the same ratio to the total of such amount as the amount of the impaired capital bears to the total amount of capital allocable to such class of stock.

''(6) POLICIES.—Subject to the requirements of this section, the board of directors of each Federal home loan bank shall promptly establish policies, consistent with this Act, governing the capital stock of such bank and other provisions of this section.''.

SEC. 172. INVESTMENTS.

Subsection (j) of section 11 of the Federal Home Loan Bank Act (12 U.S.C. 1431) (as so redesignated by section 166(e) of this subtitle) is amended to read as follows:

''(j) INVESTMENTS.—Each bank shall reduce its investments to those necessary for liquidity purposes, for safe and sound operation of the banks, or for housing finance, as administered by the Finance Board.''.

SEC. 173. FEDERAL HOUSING FINANCE BOARD.

Section 2A(b)(1) of the Federal Home Loan Bank Act (12 U.S.C. 1422(b)(1)) is amended—

(1) by redesignating subparagraphs (A) and (B) as subparagraphs (B) and (C), respectively;

(2) by inserting before subparagraph (B) (as so redesignated by paragraph (1) of this section) the following new subparagraph:

''(A) The Secretary of the Treasury (or the Secretary of the Treasury's designee), who shall serve without additional compensation.''; and

(3) in subparagraph (C) (as so redesignated by paragraph (1) of this section) by striking ''Four'' and inserting ''3''.

Subtitle H—Direct Activities of Banks

SEC. 181. AUTHORITY OF NATIONAL BANKS TO UNDERWRITE CERTAIN MUNICIPAL BONDS

The paragraph designated the Seventh of section 5136 of the Revised Statutes of the United States (12 U.S.C. 24(7)) is amended by adding at the end the following new sentence: ''In addition to the provisions in this paragraph for dealing in, underwriting or purchasing securities, the limitations and restrictions contained in this paragraph as to dealing in, underwriting, and purchasing investment securities for the national bank's own account shall not apply to obligations (including limited obligation bonds, revenue bonds, and obligations that satisfy the requirements of section 142(b)(1) of the Internal Revenue Code of 1986) issued by or on behalf of any state or political subdivision of a state, including any municipal corporate instrumentality of 1 or more states, or any public agency or authority of any state or political subdivision of a state, if the national banking association is well capitalized (as defined in section 38 of the Federal Deposit Insurance Act).''.

Subtitle I—Effective Date of Title

SEC. 191. EFFECTIVE DATE.

Except with regard to any subtitle or other provision of this title for which a specific effective date is provided, this title and the amendments made by this title shall take effect at the end of the 270-day period beginning on the date of the enactment of this Act.

TITLE II—FUNCTIONAL REGULATION

Subtitle A—Brokers and Dealers

SEC. 201. DEFINITION OF BROKER.

Section 3(a)(4) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(4)) is amended to read as follows:

''(4) BROKER.—

''(A) IN GENERAL.—The term 'broker' means any person engaged in the business of effecting transactions in securities for the account of others.

''(B) EXCEPTION FOR CERTAIN BANK ACTIVITIES.—A bank shall not be considered to be a broker because the bank engages in any of the following activities under the conditions described:

''(i) THIRD PARTY BROKERAGE ARRANGEMENTS.—The bank enters into a contractual or other arrangement with a broker or dealer registered under this title under which the broker or dealer offers brokerage services on or off the premises of the bank if—

''(I) such broker or dealer is clearly identified as the person performing the brokerage services;

''(II) the broker or dealer performs brokerage services in an area that is clearly marked and, to the extent practicable, physically separate from the routine deposit-taking activities of the bank;

''(III) any materials used by the bank to advertise or promote generally the availability of brokerage services under the contractual or other arrangement clearly indicate that the brokerage services are being provided by the broker or dealer and not by the bank;

''(IV) any materials used by the bank to advertise or promote generally the availability of brokerage services under the contractual or other arrangement are in compliance with the Federal securities laws before distribution;

''(V) bank employees (other than associated persons of a broker or dealer who are qualified pursuant to the rules of a self-regulatory organization) perform only clerical or ministerial functions in connection with brokerage transactions including scheduling appointments with the associated persons of a broker or dealer, except that bank employees may forward customer funds or securities and may describe in general terms the range of investment vehicles available from the bank and the broker or dealer under the contractual or other arrangement;

''(VI) bank employees do not directly receive incentive compensation for any brokerage transaction unless such employees are associated persons of a broker or dealer and are qualified pursuant to the rules of a self-regulatory organization, except that the bank employees may receive compensation for the referral of any customer if the compensation is a nominal one-time cash fee of a fixed dollar amount and the payment of the fee is not contingent on whether the referral results in a transaction;

''(VII) such services are provided by the broker or dealer on a basis in which all customers which receive any services are fully disclosed to the broker or dealer;

''(VIII) the bank does not carry a securities account of the customer except in a customary custodian or trustee capacity; and

''(IX) the bank, broker, or dealer informs each customer that the brokerage services are provided by the broker or dealer and not by the bank and that the securities are not deposits or other obligations of the bank, are not guaranteed by the bank, and are not insured by the Federal Deposit Insurance Corporation.

''(ii) TRUST ACTIVITIES.—The bank—

''(I) effects transactions in a trustee capacity and is primarily compensated based on an annual fee (payable on a monthly, quarterly, or other basis) or percentage of assets under management, or both; or

''(II) effects transactions in a fiduciary capacity in its trust department or other department that is regularly examined by bank examiners for compliance with fiduciary principles and standards and—

''(aa) is primarily compensated on the basis of either an annual fee (payable on a monthly, quarterly, or other basis), a percentage of assets under management, or both, and does not receive brokerage commissions or other similar remuneration based on effecting transactions in securities, other than the cost incurred by the bank in connection with executing securities transactions for fiduciary customers; and

''(bb) does not publicly solicit brokerage business, other than by advertising that it effects transactions in securities in conjunction with advertising its other trust activities.

''(iii) PERMISSIBLE SECURITIES TRANSACTIONS.—The bank effects transactions in—

''(I) commercial paper, bankers acceptances, or commercial bills;

''(II) exempted securities;

''(III) qualified Canadian government obligations as defined in section 5136 of the Revised Statutes, in conformity with section 15C of this title and the rules and regulations thereunder, or obligations of the North American Development Bank; or

''(IV) any standardized, credit enhanced debt security issued by a foreign government pursuant to the March 1989 plan of then Secretary of the Treasury Brady, used by such foreign government to retire outstanding commercial bank loans.

''(iv) CERTAIN STOCK PURCHASE PLANS.—

''(I) IN GENERAL.—The bank effects transactions, as part of its transfer agency activities, in—

''(aa) the securities of an issuer as part of any pension, retirement, profit-sharing, bonus, thrift, savings, incentive, or other similar benefit plan for the employees of that issuer or its subsidiaries, if the bank does not solicit transactions or provide investment advice with respect to the purchase or sale of securities in connection with the plan;

''(bb) the securities of an issuer as part of that issuer's dividend reinvestment plan, if the bank does not—

''(AA) solicit transactions or provide investment advice with respect to the purchase or sale of securities in connection with the plan;

''(BB) net shareholders' buy and sell orders, other than for programs for odd-lot holders or plans registered with the Commission; or

''(cc) the securities of an issuer as part of a plan or program for the purchase or sale of that issuer's shares, if—

''(AA) the bank does not solicit transactions or provide investment advice with respect to the purchase or sale of securities in connection with the plan or program;

''(BB) the bank does not net shareholders' buy and sell orders, other than for programs for odd-lot holders or plans registered with the Commission; and

''(CC) the bank's compensation for such plan or program consists of administration fees, or flat or capped per order processing fees, or both, plus the cost incurred by the bank in connection with executing securities transactions resulting from such plan or program.

''(II) PERMISSIBLE DELIVERY OF MATERIALS.—The exception to being considered a broker for a bank engaged in activities described in subclause (I) will not be affected by a bank's delivery of written or electronic plan materials to employees of the issuer, shareholders of the issuer, or members of affinity groups of the issuer, so long as such materials are—

''(aa) comparable in scope or nature to that permitted by the Commission as of the date of the enactment of the Financial Services Act of 1998; or

''(bb) otherwise permitted by the Commission.

''(v) SWEEP ACCOUNTS.—The bank effects transactions as part of a program for the investment or reinvestment of bank deposit funds into any no-load, open-end management investment company registered under the Investment Company Act of 1940 that holds itself out as a money market fund.

''(vi) AFFILIATE TRANSACTIONS.—The bank effects transactions for the account of any affiliate of the bank (as defined in section 2 of the Bank Holding Company Act of 1956) other than—

''(I) a registered broker or dealer; or

''(II) an affiliate that is engaged in merchant banking, as described in section 6(c)(3)(H) of the Bank Holding company Act of 1956.

''(vii) PRIVATE SECURITIES OFFERINGS.—The bank—

''(I) effects sales as part of a primary offering of securities not involving a public offering, pursuant to section 3(b), 4(2), or 4(6) of the Securities Act of 1933 or the rules and regulations issued thereunder;

''(II) at any time after one year after the date of enactment of the Financial Services Act of 1998, is not affiliated with a broker or dealer that has been registered for more than one year; and

''(III) effects transactions exclusively with qualified investors.

''(viii) SAFEKEEPING AND CUSTODY ACTIVITIES.—

''(I) IN GENERAL.—The bank, as part of customary banking activities—

''(aa) provides safekeeping or custody services with respect to securities, including the exercise of warrants and other rights on behalf of customers;

''(bb) facilitates the transfer of funds or securities, as a custodian or a clearing agency, in connection with the clearance and settlement of its customers' transactions in securities;

''(cc) effects securities lending or borrowing transactions with or on behalf of customers as part of services provided to customers pursuant to division (aa) or (bb) or invests cash collateral pledged in connection with such transactions; or

''(dd) holds securities pledged by a customer to another person or securities subject to purchase or resale agreements involving a customer, or facilitates the pledging or transfer of such securities by book entry or as otherwise provided under applicable law.

''(II) EXCEPTION FOR CARRYING BROKER ACTIVITIES.—The exception to being considered a broker for a bank engaged in activities described in subclause (I) shall not apply if the bank, in connection with such activities, acts in the United States as a carrying broker (as such term, and different formulations thereof, are used in section 15(c)(3) and the rules and regulations thereunder) for any broker or dealer, unless such carrying broker activities are engaged in with respect to government securities (as defined in paragraph (42) of this subsection).

''(ix) BANKING PRODUCTS.—The bank effects transactions in traditional banking products, as defined in section 206(a) of the Financial Services Act of 1998.

''(x) DE MINIMIS EXCEPTION.—The bank effects, other than in transactions referred to in clauses (i) through (ix), not more than 500 transactions in securities in any calendar year, and such transactions are not effected by an employee of the bank who is also an employee of a broker or dealer.

''(C) BROKER DEALER EXECUTION.—The exception to being considered a broker for a bank engaged in activities described in clauses (ii), (iv), and (viii) of subparagraph (B) shall not apply if the activities described in such provisions result in the trade in the United States of any security that is a publicly traded security in the United States, unless—

''(i) the bank directs such trade to a registered or broker dealer for execution;

''(ii) the trade is a cross trade or other substantially similar trade of a security that—

''(I) is made by the bank or between the bank and an affiliated fiduciary; and

''(II) is not in contravention of fiduciary principles established under applicable Federal or State law; or

''(iii) the trade is conducted in some other manner permitted under rules, regulations, or orders as the Commission may prescribe or issue.

''(D) NO EFFECT OF BANK EXEMPTIONS ON OTHER COMMISSION AUTHORITY.—The exception to being considered a broker for a bank engaged in activities described in subparagraphs (B) and (C) shall not affect the commission's authority under any other provision of this Act or any other securities law.

''(E) FIDUCIARY CAPACITY.—For purposes of subparagraph (B)(ii), the term 'fiduciary capacity' means—

''(i) in the capacity as trustee, executor, administrator, registrar of stocks and bonds, transfer agent, guardian, assignee, receiver, or custodian under a uniform gift to minor act, or as an investment adviser if the bank receives a fee for its investment advice;

''(ii) in any capacity in which the bank possesses investment discretion on behalf of another; or

''(iii) in any other similar capacity.

''(F) EXCEPTION FOR ENTITIES SUBJECT TO SECTION 15(e).—The term 'broker' does not include a bank that—

''(i) was, immediately prior to the enactment of the Financial Services Act of 1998, subject to section 15(e); and

''(ii) is subject to such restrictions and requirements as the Commission considers appropriate.''.

SEC. 202. DEFINITION OF DEALER.

Section 3(a)(5) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(5)) is amended to read as follows:

''(5) DEALER.—

''(A) IN GENERAL.—The term 'dealer' means any person engaged in the business of buying and selling securities for such person's own account through a broker or otherwise.

''(B) EXCEPTION FOR PERSON NOT ENGAGED IN THE BUSINESS OF DEALING.—The term 'dealer' does not include a person that buys or sells securities for such person's own account, either individually or in a fiduciary capacity, but not as a part of a regular business.

''(C) EXCEPTION FOR CERTAIN BANK ACTIVITIES.—A bank shall not be considered to be a dealer because the bank engages in any of the following activities under the conditions described:

''(i) PERMISSIBLE SECURITIES TRANSACTIONS.—The bank buys or sells—

''(I) commercial paper, bankers acceptances, or commercial bills;

''(II) exempted securities;

''(III) qualified Canadian government obligations as defined in section 5136 of the Revised Statutes of the United States, in conformity with section 15C of this title and the rules and regulations thereunder, or obligations of the North American Development Bank; or

''(IV) any standardized, credit enhanced debt security issued by a foreign government pursuant to the March 1989 plan of then Secretary of the Treasury Brady, used by such foreign government to retire outstanding commercial bank loans.

''(ii) INVESTMENT, TRUSTEE, AND FIDUCIARY TRANSACTIONS.—The bank buys or sells securities for investment purposes—

''(I) for the bank; or

''(II) for accounts for which the bank acts as a trustee or fiduciary.

''(iii) ASSET-BACKED TRANSACTIONS.—The bank engages in the issuance or sale to qualified investors, through a grantor trust or otherwise, of securities backed by or representing an interest in notes, drafts, acceptances, loans, leases, receivables, other obligations, or pools of any such obligations predominantly originated by the bank, or a syndicate of banks of which the bank is a member, or an affiliate of any such bank other than a broker or dealer.

''(iv) BANKING PRODUCTS.—The bank buys or sells traditional banking products, as defined in section 206(a) of the Financial Services Act of 1998.

''(v) DERIVATIVE INSTRUMENTS.—The bank issues, buys, or sells any derivative instrument to which the bank is a party—

''(I) to or from a corporation, limited liability company, or partnership that owns and invests on a discretionary basis, not less than $10,000,000 in investments, or to or from a qualified investor, except that if the instrument provides for the delivery of one or more securities (other than a derivative instrument or government security), the transaction shall be effected with or through a registered broker or dealer; or

''(II) to or from other persons, except that if the derivative instrument provides for the delivery of one or more securities (other than a derivative instrument or government security), or is a security (other than a government security), the transaction shall be effected with or through a registered broker or dealer; or

''(III) to or from any person if the instrument is neither a security nor provides for the delivery of one or more securities (other than a derivative instrument).''.

SEC. 203. REGISTRATION FOR SALES OF PRIVATE SECURITIES OFFERINGS.

Section 15A of the Securities Exchange Act of 1934 (15 U.S.C. 78*o*–3) is amended by inserting after subsection (i) the following new subsection:

''(j) REGISTRATION FOR SALES OF PRIVATE SECURITIES OFFERINGS.—A registered securities association shall create a limited qualification category for any associated person of a member who effects sales as part of a primary offering of securities not involving a public offering, pursuant to section 3(b), 4(2), or 4(6) of the Securities Act of 1933 and the rules and regulations thereunder, and shall deem qualified in such limited qualification category, without testing, any bank employee who, in the six month period preceding the date of enactment of this Act, engaged in effecting such sales.''.

SEC. 204. SALES PRACTICES AND COMPLAINT PROCEDURES.

Section 18 of the Federal Deposit Insurance Act is amended by adding at the end the following new subsection:

''(s) SALES PRACTICES AND COMPLAINT PROCEDURES WITH RESPECT TO BANK SECURITIES ACTIVITIES.—

''(1) REGULATIONS REQUIRED.—Each Federal banking agency shall prescribe and publish in final form, not later than 6 months after the date of enactment of the Financial Services Act of 1998, regulations which apply to retail transactions, solicitations, advertising, or offers of any security by any insured depository institution or any affiliate thereof other than a registered broker or dealer or an individual acting on behalf of such a broker or dealer who is an associated person of such broker or dealer. Such regulations shall include—

''(A) requirements that sales practices comply with just and equitable principles of trade that are substantially similar to the Rules of Fair Practice of the National Association of Securities Dealers; and

''(B) requirements prohibiting (i) conditioning an extension of credit on the purchase or sale of a security; and (ii) any conduct leading a customer to believe that an extension of credit is conditioned upon the purchase or sale of a security.

''(2) PROCEDURES REQUIRED.—The appropriate Federal banking agencies shall jointly establish procedures and facilities for receiving and expeditiously processing complaints against any bank or employee of a bank arising in connection with the purchase or sale of a security by a customer, including a complaint alleging a violation of the regulations prescribed under paragraph (1), but excluding a complaint involving an individual acting on behalf of such a broker or dealer who is an associated person of such broker or dealer. The use of any such procedures and facilities by such a customer shall be at the election of the customer. Such procedures shall include provisions to refer a complaint alleging fraud to the Securities and Exchange Commission and appropriate State securities commissions.

''(3) REQUIRED ACTIONS.—The actions required by the Federal banking agencies under paragraph (2) shall include the following:

''(A) establishing a group, unit, or bureau within each such agency to receive such complaints;

''(B) developing and establishing procedures for investigating, and permitting customers to investigate, such complaints;

''(C) developing and establishing procedures for informing customers of the rights they may have in connection with such complaints;

''(D) developing and establishing procedures that allow customers a period of at least 6 years to make complaints and that do not require customers to pay the costs of the proceeding; and

''(E) developing and establishing procedures for resolving such complaints, including procedures for the recovery of losses to the extent appropriate.

''(4) CONSULTATION AND JOINT REGULATIONS.—The Federal banking agencies shall consult with each other and prescribe joint regulations pursuant to paragraphs (1) and (2), after consultation with the Securities and Exchange Commission.

''(5) PROCEDURES IN ADDITION TO OTHER REMEDIES.—The procedures and remedies provided under this subsection shall be in addition to, and not in lieu of, any other remedies available under law.

''(6) DEFINITION.—As used in this subsection—

''(A) the term 'security' has the meaning provided in section 3(a)(10) of the Securities Exchange Act of 1934;

''(B) the term 'registered broker or dealer' has the meaning provided in section 3(a)(48) of such Act; and

''(C) the term 'associated person' has the meaning provided in section 3(a)(18) of such Act.''.

SEC. 205. INFORMATION SHARING.

Section 18 of the Federal Deposit Insurance Act is amended by adding at the end the following new subsection:

''(t) RECORDKEEPING REQUIREMENTS.—

''(1) REQUIREMENTS.—Each appropriate Federal banking agency, after consultation with and consideration of the views of the Commission, shall establish recordkeeping requirements for banks relying on exceptions contained in paragraphs (4) and (5) of section 3(a) of the Securities Exchange Act of 1934. Such recordkeeping requirements shall be sufficient to demonstrate compliance with the terms of such exceptions and be designed to facilitate compliance with such exceptions. Each appropriate Federal banking agency shall make any such information available to the Commission upon request.

''(2) DEFINITIONS.—As used in this subsection the term 'Commission' means the Securities and Exchange Commission.''.

SEC. 206. DEFINITION AND TREATMENT OF BANKING PRODUCTS.

(a) DEFINITION OF TRADITIONAL BANKING PRODUCT.—

(1) IN GENERAL.—For purposes of paragraphs (4) and (5) of section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(4), (5)), the term 'traditional banking product' means—

(A) a deposit account, savings account, certificate of deposit, or other deposit instrument issued by a bank;

(B) a banker's acceptance;

(C) a letter of credit issued or loan made by a bank;

(D) a debit account at a bank arising from a credit card or similar arrangement;

(E) a participation in a loan which the bank or an affiliate of the bank (other than a broker or dealer) funds, participates in, or owns that is sold—

(i) to qualified investors; or

(ii) to other persons that—

''(I) have the opportunity to review and assess any material information, including information regarding the borrower's creditworthiness; and

''(II) based on such factors as financial sophistication, net worth, and knowledge and experience in financial matters, have the capability to evaluate the information available, as determined under generally applicable banking standards or guidelines; or

(F) any derivative instrument, whether or not individually negotiated, involving or relating to—

(i) foreign currencies, except options on foreign currencies that trade on a national securities exchange;

(ii) interest rates, except interest rate derivative instruments (I) that are based on a security; or (II) that provide for the delivery of one or more securities; or

(iii) commodities, other rates, indices, or other assets, except derivative instruments that are securities or that provide for the delivery of one or more securities.

(2) CLASSIFICATION LIMITED.—Classification of a particular product as a traditional banking product pursuant to this subsection shall not be construed as finding or implying that such product is oris not a security for any purpose under the securities laws, or is or is not an account, agreement, contract, or transaction for any purpose under the Commodity Exchange Act.

(3) DEFINITIONS.—For purposes of this subsection—

(A) the term ''bank'' has the meaning provided in section 3(a)(6) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(6);

(B) the term ''qualified investor'' has the meaning provided in section 3(a)(55) of such Act; and

(C) the term ''Federal banking agency'' has the meaning provided in section 3(z) of the Federal Deposit Insurance Act (12 U.S.C. 1813(z)).

(b) TREATMENT OF NEW BANKING PRODUCTS FOR PURPOSES OF BROKER/DEALER REQUIREMENTS.—Section 15 of the Securities Exchange Act of 1934 (15 U.S.C. 78o) is amended by adding at the end the following new subsection:

''(i) RULEMAKING TO EXTEND REQUIREMENTS TO NEW BANKING PRODUCTS.—

''(1) LIMITATION.—The Commission shall not—

''(A) require a bank to register as a broker or dealer under this section because the bank engages in any transaction in, or buys or sells, a new banking product; or

''(B) bring an action against a bank for a failure to comply with a requirement described in subparagraph (A);

unless the Commission has imposed such requirement by rule or regulation issued in accordance with this section.

''(2) CRITERIA FOR RULEMAKING.—The Commission shall not impose a requirement under paragraph (1) of this subsection with respect to any new banking product unless the Commission determines that—

''(A) the new banking product is a security; and

''(B) imposing such requirement is necessary or appropriate in the public interest and for the protection of investors, consistent with the requirements of section 3(f).

''(3) NEW BANKING PRODUCT.—For purposes of this subsection, the term 'new banking product' means a product that—

''(A) was not subjected to regulation by the Commission as a security prior to the date of enactment of this subsection; and

''(B) is not a traditional banking product, as such term is defined in section 206(a) of the Financial Services Act of 1998.

''(4) CONSULTATION.—In promulgating rules under this subsection, the Commission shall consult with and consider the views of the appropriate regulatory agencies concerning the proposed rule and the impact on the banking industry.''.

SEC. 207. DERIVATIVE INSTRUMENT AND QUALIFIED INVESTOR DEFINED.

Section 3(a) of the Securities Exchange Act of 1934 is amended by adding at the end the following new paragraphs:

''(54) DERIVATIVE INSTRUMENT.—

''(A) DEFINITION.—The term 'derivative instrument' means any individually negotiated contract, agreement, warrant, note, or option that is based, in whole or in part, on the value of, any interest in, or any quantitative measure or the occurrence of any event relating to, one or more commodities, securities, currencies, interest or other rates, indices, or other assets, but does not include a traditional banking product, as defined in section 206(a) of the Financial Services Act of 1998.

''(B) CLASSIFICATION LIMITED.— Classification of a particular contract as a derivative instrument pursuant to this paragraph shall not be construed as finding or implying that such instrument is or is not a security for any purpose under the securities laws, or is or is not an account, agreement, contract, or transaction for any purpose under the Commodity Exchange Act.

''(55) QUALIFIED INVESTOR.—

''(A) DEFINITION.—For purposes of this title and section 206(a)(1)(E) of the Financial Services Act of 1998, the term 'qualified investor' means—

''(i) any investment company registered with the Commission under section 8 of the Investment Company Act of 1940;

''(ii) any issuer eligible for an exclusion from the definition of investment company pursuant to section 3(c)(7) of the Investment Company Act of 1940;

''(iii) any bank (as defined in paragraph (6) of this subsection), savings and loan association (as defined in section 3(b) of the Federal Deposit Insurance Act), broker, dealer, insurance company (as defined in section 2(a)(13) of the Securities Act of 1933), or business development company (as defined in section 2(a)(48) of the Investment Company Act of 1940);

''(iv) any small business investment company licensed by the United States Small Business Administration under section 301(c) or (d) of the Small Business Investment Act of 1958;

''(v) any State sponsored employee benefit plan, or any other employee benefit plan, within the meaning of the Employee Retirement Income Security Act of 1974, other than an individual retirement account, if the investment decisions are made by a plan fiduciary, as defined in section 3(21) of that Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser;

''(vi) any trust whose purchases of securities are directed by a person described in clauses (i) through (v) of this subparagraph;

''(vii) any market intermediary exempt under section 3(c)(2) of the Investment Company Act of 1940;

''(viii) any associated person of a broker or dealer other than a natural person; or

''(ix) any foreign bank (as defined in section 1(b)(7) of the International Banking Act of 1978).

''(B) ADDITIONAL QUALIFICATIONS DEFINED.—For purposes of paragraphs (4)(B)(vii) and (5)(C)(iii) of this subsection, and section 206(a)(1)(E) of the Financial Services Act of 1998, the term 'qualified investor' also means—

''(i) any corporation, company, or partnership that owns and invests on a discretionary basis, not less than $10,000,000 in investments;

''(ii) any natural person who owns and invests on a discretionary basis, not less than $10,000,000 in investments;

''(iii) any government or political subdivision, agency, or instrumentality of a government who owns and invests on a discretionary basis not less than $50,000,000 in investments; or

''(iv) any multinational or supranational entity or any agency or instrumentality thereof.

''(C) ADDITIONAL AUTHORITY.—The Commission may, by rule or order, define a 'qualified investor' as any other person, other than a natural person, taking into consideration such factors as the person's financial sophistication, net worth, and knowledge and experience in financial matters.''.

SEC. 208. GOVERNMENT SECURITIES DEFINED.

Section 3(a)(42) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(42)) is amended—

(1) by striking ''or'' at the end of subparagraph (C);

(2) by striking the period at the end of subparagraph (D) and inserting ''; or''; and

(3) by adding at the end the following new subparagraph:

''(E) for purposes of section 15C as applied to a bank, a qualified Canadian government obligation as defined in section 5136 of the Revised Statutes.''.

SEC. 209. EFFECTIVE DATE.

This subtitle shall take effect at the end of the 270-day period beginning on the date of the enactment of this Act.

Subtitle B—Bank Investment Company Activities

SEC. 211. CUSTODY OF INVESTMENT COMPANY ASSETS BY AFFILIATED BANK.

(a) MANAGEMENT COMPANIES.—Section 17(f) of the Investment Company Act of 1940 (15 U.S.C. 80a–17(f)) is amended—

(1) by redesignating paragraphs (1), (2), and (3) as subparagraphs (A), (B), and (C), respectively;

(2) by striking ''(f) Every registered'' and inserting the following:

''(f) CUSTODY OF SECURITIES.—

''(1) Every registered'';

(3) by redesignating the 2d, 3d, 4th, and 5th sentences of such subsection as paragraphs (2) through (5), respectively, and indenting the left margin of such paragraphs appropriately; and

(4) by adding at the end the following new paragraph:

''(6) The Commission may adopt rules and regulations, and issue orders, consistent with the protection of investors, prescribing the conditions under which a bank, or an affiliated person of a bank, either of which is an affiliated person, promoter, organizer, or sponsor of, or principal underwriter for, a registered management company may serve

as custodian of that registered management company.''.

(b) UNIT INVESTMENT TRUSTS.—Section 26 of the Investment Company Act of 1940 (15 U.S.C. 80a–26) is amended—

(1) by redesignating subsections (b) through (e) as subsections (c) through (f), respectively; and

(2) by inserting after subsection (a) the following new subsection:

''(b) The Commission may adopt rules and regulations, and issue orders, consistent with the protection of investors, prescribing the conditions under which a bank, or an affiliated person of a bank, either of which is an affiliated person of a principal underwriter for, or depositor of, a registered unit investment trust, may serve as trustee or custodian under subsection (a)(1).''.

(c) FIDUCIARY DUTY OF CUSTODIAN.—Section 36(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–35(a)) is amended—

(1) in paragraph (1), by striking ''or'' at the end;

(2) in paragraph (2), by striking the period at the end and inserting ''; or''; and

(3) by inserting after paragraph (2) the following:

''(3) as custodian.''.

SEC. 212. LENDING TO AN AFFILIATED INVESTMENT COMPANY.

Section 17(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–17(a)) is amended—

(1) by striking ''or'' at the end of paragraph (2);

(2) by striking the period at the end of paragraph (3) and inserting ''; or''; and

(3) by adding at the end the following new paragraph:

''(4) to loan money or other property to such registered company, or to any company controlled by such registered company, in contravention of such rules, regulations, or orders as the Commission may prescribe or issue consistent with the protection of investors.''.

SEC. 213. INDEPENDENT DIRECTORS.

(a) IN GENERAL.—Section 2(a)(19)(A) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a)(19)(A)) is amended—

(1) by striking clause (v) and inserting the following new clause:

''(v) any person or any affiliated person of a person (other than a registered investment company) that, at any time during the 6-month period preceding the date of the determination of whether that person or affiliated person is an interested person, has executed any portfolio transactions for, engaged in any principal transactions with, or distributed shares for—

''(I) the investment company,

''(II) any other investment company having the same investment adviser as such investment company or holding itself out to investors as a related company for purposes of investment or investor services, or

''(III) any account over which the investment company's investment adviser has brokerage placement discretion,'';

(2) by redesignating clause (vi) as clause (vii); and

(3) by inserting after clause (v) the following new clause:

''(vi) any person or any affiliated person of a person (other than a registered investment company) that, at any time during the 6-month period preceding the date of the determination of whether that person or affiliated person is an interested person, has loaned money or other property to—

''(I) the investment company,

''(II) any other investment company having the same investment adviser as such investment company or holding itself out to investors as a related company for purposes of investment or investor services, or

''(III) any account for which the investment company's investment adviser has borrowing authority,''.

(b) CONFORMING AMENDMENT.—Section 2(a)(19)(B) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a)(19)(B)) is amended—

(1) by striking clause (v) and inserting the following new clause:

''(v) any person or any affiliated person of a person (other than a registered investment company) that, at any time during the 6-month period preceding the date of the determination of whether that person or affiliated person is an interested person, has executed any portfolio transactions for, engaged in any principal transactions with, or distributed shares for—

''(I) any investment company for which the investment adviser or principal underwriter serves as such,

''(II) any investment company holding itself out to investors, for purposes of investment or investor services, as a company related to any investment company for which the investment adviser or principal underwriter serves as such, or

''(III) any account over which the investment adviser has brokerage placement discretion,'';

(2) by redesignating clause (vi) as clause (vii); and

(3) by inserting after clause (v) the following new clause:

''(vi) any person or any affiliated person of a person (other than a registered investment company) that, at any time during the 6-month period preceding the date of the determination of whether that person or affiliated person is an interested person, has loaned money or other property to—

''(I) any investment company for which the investment adviser or principal underwriter serves as such,

''(II) any investment company holding itself out to investors, for purposes of investment or investor services, as a company related to any investment company for which the investment adviser or principal underwriter serves as such, or

''(III) any account for which the investment adviser has borrowing authority,''.

(c) AFFILIATION OF DIRECTORS.—Section 10(c) of the Investment Company Act of 1940 (15 U.S.C. 80a–10(c)) is amended by striking ''bank, except'' and inserting ''bank (together with its affiliates and subsidiaries) or any one bank holding company (together with its affiliates and subsidiaries) (as such terms are defined in section 2 of the Bank Holding Company Act of 1956), except''.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect at the end of the 1-year period beginning on the date of enactment of this subtitle.

SEC. 214. ADDITIONAL SEC DISCLOSURE AUTHORITY.

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

''(a) MISREPRESENTATION OF GUARANTEES.—

''(1) IN GENERAL.—It shall be unlawful for any person, issuing or selling any security of which a registered investment company is the issuer, to represent or imply in any manner whatsoever that such security or company—

''(A) has been guaranteed, sponsored, recommended, or approved by the United States, or any agency, instrumentality or officer of the United States;

''(B) has been insured by the Federal Deposit Insurance Corporation; or

''(C) is guaranteed by or is otherwise an obligation of any bank or insured depository institution.

''(2) DISCLOSURES.—Any person issuing or selling the securities of a registered investment company that is advised by, or sold through, a bank shall prominently disclose that an investment in the company is not insured by the Federal Deposit Insurance Corporation or any other government agency. The Commission may adopt rules and regulations, and issue orders, consistent with the protection of investors, prescribing the manner in which the disclosure under this paragraph shall be provided.

''(3) DEFINITIONS.—The terms 'insured depository institution' and 'appropriate Federal banking agency' have the meaning given to such terms in section 3 of the Federal Deposit Insurance Act.''.

SEC. 215. DEFINITION OF BROKER UNDER THE INVESTMENT COMPANY ACT OF 1940.

Section 2(a)(6) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a)(6)) is amended to read as follows:

''(6) The term 'broker' has the same meaning as in the Securities Exchange Act of 1934, except that such term does not include any person solely by reason of the fact that such person is an underwriter for one or more investment companies.''.

SEC. 216. DEFINITION OF DEALER UNDER THE INVESTMENT COMPANY ACT OF 1940.

Section 2(a)(11) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a)(11)) is amended to read as follows:

''(11) The term 'dealer' has the same meaning as in the Securities Exchange Act of 1934, but does not include an insurance company or investment company.''.

SEC. 217. REMOVAL OF THE EXCLUSION FROM THE DEFINITION OF INVESTMENT ADVISER FOR BANKS THAT ADVISE INVESTMENT COMPANIES.

(a) INVESTMENT ADVISER.—Section 202(a)(11) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a)(11)) is amended in subparagraph (A), by striking ''investment company'' and inserting ''investment company, except that the term 'investment adviser' includes any bank or bank holding company to the extent that such bank or bank holding company serves or acts as an investment adviser to a registered investment company, but if, in the case of a bank, such services or actions are performed through a separately identifiable department or division, the department or division, and not the bank itself, shall be deemed to be the investment adviser''.

(b) SEPARATELY IDENTIFIABLE DEPARTMENT OR DIVISION.—Section 202(a) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a)) is amended by adding at the end the following:

''(26) The term 'separately identifiable department or division' of a bank means a unit—

''(A) that is under the direct supervision of an officer or officers designated by the board of directors of the bank as responsible for the day-to-day conduct of the bank's investment adviser activities for one or more investment companies, including the supervision of all bank employees engaged in the performance of such activities; and

''(B) for which all of the records relating to its investment adviser activities are separately maintained in or extractable from such unit's own facilities or the facilities of the bank, and such records are so maintained or otherwise accessible as to permit independent examination and enforcement by the Commission of this Act or the Investment Company Act of 1940 and rules and regulations promulgated under this Act or the Investment Company Act of 1940.''.

SEC. 218. DEFINITION OF BROKER UNDER THE INVESTMENT ADVISERS ACT OF 1940.

Section 202(a)(3) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a)(3)) is amended to read as follows:

''(3) The term 'broker' has the same meaning as in the Securities Exchange Act of 1934.''.

SEC. 219. DEFINITION OF DEALER UNDER THE INVESTMENT ADVISERS ACT OF 1940.

Section 202(a)(7) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a)(7)) is amended to read as follows:

''(7) The term 'dealer' has the same meaning as in the Securities Exchange Act of 1934, but does not include an insurance company or investment company.''.

SEC. 220. INTERAGENCY CONSULTATION.

The Investment Advisers Act of 1940 (15 U.S.C. 80b–1 et seq.) is amended by inserting after section 210 the following new section:

''SEC. 210A. CONSULTATION.

''(a) EXAMINATION RESULTS AND OTHER INFORMATION.—

''(1) The appropriate Federal banking agency shall provide the Commission upon request the results of any examination, reports, records, or other information to which such agency may have access with respect to the investment advisory activities—

''(A) of any—

''(i) bank holding company,

''(ii) bank, or

''(iii) separately identifiable department or division of a bank,

that is registered under section 203 of this title; and

''(B) in the case of a bank holding company or bank that has a subsidiary or a separately identifiable department or division registered under that section, of such bank or bank holding company.

''(2) The Commission shall provide to the appropriate Federal banking agency upon request the results of any examination, reports, records, or other information with respect to the investment advisory activities of any bank holding company, bank, or separately identifiable department or division of a bank, any of which is registered under section 203 of this title.

''(b) EFFECT ON OTHER AUTHORITY.—Nothing in this section shall limit in any respect the authority of the appropriate Federal banking agency with respect to such bank holding company, bank, or department or division under any provision of law.

''(c) DEFINITION.—For purposes of this section, the term 'appropriate Federal banking agency' shall have the same meaning as in section 3 of the Federal Deposit Insurance Act.''.

SEC. 221. TREATMENT OF BANK COMMON TRUST FUNDS.

(a) SECURITIES ACT OF 1933.—Section 3(a)(2) of the Securities Act of 1933 (15 U.S.C. 77c(a)(2)) is amended by striking ''or any interest or participation in any common trust fund or similar fund maintained by a bank exclusively for the collective investment and reinvestment of assets contributed thereto by such bank in its capacity as trustee, executor, administrator, or guardian'' and inserting ''or any interest or participation in any common trust fund or similar fund that is excluded from the definition of the term 'investment company' under section 3(c)(3) of the Investment Company Act of 1940''.

(b) SECURITIES EXCHANGE ACT OF 1934.—Section 3(a)(12)(A)(iii) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(12)(A)(iii)) is amended to read as follows:

''(iii) any interest or participation in any common trust fund or similar fund that is excluded from the definition of the term 'investment company' under section 3(c)(3) of the Investment Company Act of 1940;''.

(c) INVESTMENT COMPANY ACT OF 1940.—Section 3(c)(3) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(c)(3)) is amended by inserting before the period the following: '', if—

''(A) such fund is employed by the bank solely as an aid to the administration of trusts, estates, or other accounts created and maintained for a fiduciary purpose;

''(B) except in connection with the ordinary advertising of the bank's fiduciary services, interests in such fund are not—

''(i) advertised; or

''(ii) offered for sale to the general public; and

''(C) fees and expenses charged by such fund are not in contravention of fiduciary principles established under applicable Federal or State law''.

SEC. 222. INVESTMENT ADVISERS PROHIBITED FROM HAVING CONTROLLING INTEREST IN REGISTERED INVESTMENT COMPANY.

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

''(g) CONTROLLING INTEREST IN INVESTMENT COMPANY PROHIBITED.—

''(1) IN GENERAL.—If an investment adviser to a registered investment company, or an affiliated person of that investment adviser, holds a controlling interest in that registered investment company in a trustee or fiduciary capacity, such person shall—

''(A) if it holds the shares in a trustee or fiduciary capacity with respect to any employee benefit plan subject to the Employee Retirement Income Security Act of 1974, transfer the power to vote the shares of the investment company through to another person acting in a fiduciary capacity with respect to the plan who is not an affiliated person of that investment adviser or any affiliated person thereof; or

''(B) if it holds the shares in a trustee or fiduciary capacity with respect to any person or entity other than an employee benefit plan subject to the Employee Retirement Income Security Act of 1974—

''(i) transfer the power to vote the shares of the investment company through to—

''(I) the beneficial owners of the shares;

''(II) another person acting in a fiduciary capacity who is not an affiliated person of that investment adviser or any affiliated person thereof; or

''(III) any person authorized to receive statements and information with respect to the trust who is not an affiliated person of that investment adviser or any affiliated person thereof;

''(ii) vote the shares of the investment company held by it in the same proportion as shares held by all other shareholders of the investment company; or

''(iii) vote the shares of the investment company as otherwise permitted under such rules, regulations, or orders as the Commission may prescribe or issue consistent with the protection of investors.

''(2) EXEMPTION.—Paragraph (1) shall not apply to any investment adviser to a registered investment company, or any affiliated person of that investment adviser, that holds shares of the investment company in a trustee or fiduciary capacity if that registered investment company consists solely of assets held in such capacities.

''(3) SAFE HARBOR.—No investment adviser to a registered investment company or any affiliated person of such investment adviser shall be deemed to have acted unlawfully or to have breached a fiduciary duty under State or Federal law solely by reason of acting in accordance with clause (i), (ii), or (iii) of paragraph (1)(B).''.

SEC. 223. CONFORMING CHANGE IN DEFINITION.

Section 2(a)(5) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a)(5)) is amended by striking ''(A) a banking institution organized under the laws of the United States'' and inserting ''(A) a depository institution (as defined in section 3 of the Federal Deposit Insurance Act) or a branch or agency of a foreign bank (as such terms are defined in section 1(b) of the International Banking Act of 1978)''.

SEC. 224. CONFORMING AMENDMENT.

Section 202 of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2) is amended by adding at the end the following new subsection:

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

SEC. 225. EFFECTIVE DATE.

This subtitle shall take effect 90 days after the date of the enactment of this Act.

Subtitle C—Securities and Exchange Commission Supervision of Investment Bank Holding Companies

SEC. 231. SUPERVISION OF INVESTMENT BANK HOLDING COMPANIES BY THE SECURITIES AND EXCHANGE COMMISSION.

(a) AMENDMENT.—Section 17 of the Securities Exchange Act of 1934 (15 U.S.C. 78q) is amended—

(1) by redesignating subsection (i) as subsection (l); and

(2) by inserting after subsection (h) the following new subsections:

''(i) INVESTMENT BANK HOLDING COMPANIES.—

''(1) ELECTIVE SUPERVISION OF AN INVESTMENT BANK HOLDING COMPANY NOT HAVING A BANK OR SAVINGS ASSOCIATION AFFILIATE.—

''(A) IN GENERAL.—An investment bank holding company that is not—

''(i) an affiliate of a wholesale financial institution, an insured bank (other than an institution described in subparagraph (D), (F), or (G) of section 2(c)(2), or held under section 4(f), of the Bank Holding Company Act of 1956), or a savings association,

''(ii) a foreign bank, foreign company, or company that is described in section 8(a) of the International Banking Act of 1978, or

''(iii) a foreign bank that controls, directly or indirectly, a corporation chartered under section 25A of the Federal Reserve Act,

may elect to become supervised by filing with the Commission a notice of intention to become supervised, pursuant to subparagraph (B) of this paragraph. Any investment bank holding company filing such a notice shall be supervised in accordance with this section and comply with the rules promulgated by the Commission applicable to supervised investment bank holding companies.

''(B) NOTIFICATION OF STATUS AS A SUPERVISED INVESTMENT BANK HOLDING COMPANY.—An investment bank holding company that elects under subparagraph (A) to become supervised by the Commission shall file with the Commission a written notice of intention to become supervised by the Commission in such form and containing such information and documents concerning such investment bank holding company as the Commission, by rule, may prescribe as necessary or appropriate in furtherance of the purposes of this section. Unless the Commission finds that such supervision is not necessary or appropriate in furtherance of the purposes of this section, such supervision shall become effective 45 days after receipt of such written notice by the Commission or within such shorter time period as the Commission, by rule or order, may determine.

''(2) ELECTION NOT TO BE SUPERVISED BY THE COMMISSION AS AN INVESTMENT BANK HOLDING COMPANY.—

''(A) VOLUNTARY WITHDRAWAL.—A supervised investment bank holding company that

is supervised pursuant to paragraph (1) may, upon such terms and conditions as the Commission deems necessary or appropriate, elect not to be supervised by the Commission by filing a written notice of withdrawal from Commission supervision. Such notice shall not become effective until one year after receipt by the Commission, or such shorter or longer period as the Commission deems necessary or appropriate to ensure effective supervision of the material risks to the supervised investment bank holding company and to the affiliated broker or dealer, or to prevent evasion of the purposes of this section.

''(B) DISCONTINUATION OF COMMISSION SUPERVISION.—If the Commission finds that any supervised investment bank holding company that is supervised pursuant to paragraph (1) is no longer in existence or has ceased to be an investment bank holding company, or if the Commission finds that continued supervision of such a supervised investment bank holding company is not consistent with the purposes of this section, the Commission may discontinue the supervision pursuant to a rule or order, if any, promulgated by the Commission under this section.

''(3) SUPERVISION OF INVESTMENT BANK HOLDING COMPANIES.—

''(A) RECORDKEEPING AND REPORTING.—

''(i) IN GENERAL.—Every supervised investment bank holding company and each affiliate thereof shall make and keep for prescribed periods such records, furnish copies thereof, and make such reports, as the Commission may require by rule, in order to keep the Commission informed as to—

''(I) the company's or affiliate's activities, financial condition, policies, systems for monitoring and controlling financial and operational risks, and transactions and relationships between any broker or dealer affiliate of the supervised investment bank holding company; and

''(II) the extent to which the company or affiliate has complied with the provisions of this Act and regulations prescribed and orders issued under this Act.

''(ii) FORM AND CONTENTS.—Such records and reports shall be prepared in such form and according to such specifications (including certification by an independent public accountant), as the Commission may require and shall be provided promptly at any time upon request by the Commission. Such records and reports may include—

''(I) a balance sheet and income statement;

''(II) an assessment of the consolidated capital of the supervised investment bank holding company;

''(III) an independent auditor's report attesting to the supervised investment bank holding company's compliance with its internal risk management and internal control objectives; and

''(IV) reports concerning the extent to which the company or affiliate has complied with the provisions of this title and any regulations prescribed and orders issued under this title.

''(B) USE OF EXISTING REPORTS.—

''(i) IN GENERAL.—The Commission shall, to the fullest extent possible, accept reports in fulfillment of the requirements under this paragraph that the supervised investment bank holding company or its affiliates have been required to provide to another appropriate regulatory agency or self-regulatory organization.

''(ii) AVAILABILITY.—A supervised investment bank holding company or an affiliate of such company shall provide to the Commission, at the request of the Commission, any report referred to in clause (i).

''(C) EXAMINATION AUTHORITY.—

''(i) FOCUS OF EXAMINATION AUTHORITY.—The Commission may make examinations of any supervised investment bank holding company and any affiliate of such company in order to—

''(I) inform the Commission regarding—

''(aa) the nature of the operations and financial condition of the supervised investment bank holding company and its affiliates;

''(bb) the financial and operational risks within the supervised investment bank holding company that may affect any broker or dealer controlled by such supervised investment bank holding company; and

''(cc) the systems of the supervised investment bank holding company and its affiliates for monitoring and controlling those risks; and

''(II) monitor compliance with the provisions of this subsection, provisions governing transactions and relationships between any broker or dealer affiliated with the supervised investment bank holding company and any of the company's other affiliates, and applicable provisions of subchapter II of chapter 53, title 31, United States Code (commonly referred to as the 'Bank Secrecy Act') and regulations thereunder.

''(ii) RESTRICTED FOCUS OF EXAMINATIONS.—The Commission shall limit the focus and scope of any examination of a supervised investment bank holding company to—

''(I) the company; and

''(II) any affiliate of the company that, because of its size, condition, or activities, the nature or size of the transactions between such affiliate and any affiliated broker or dealer, or the centralization of functions within the holding company system, could, in the discretion of the Commission, have a materially adverse effect on the operational or financial condition of the broker or dealer.

''(iii) DEFERENCE TO OTHER EXAMINATIONS.—For purposes of this subparagraph, the Commission shall, to the fullest extent possible, use the reports of examination of an institution described in subparagraph (D), (F), or (G) of section 2(c)(2), or held under section 4(f), of the Bank Holding Company Act of 1956 made by the appropriate regulatory agency, or of a licensed insurance company made by the appropriate State insurance regulator.

''(4) HOLDING COMPANY CAPITAL.—

''(A) AUTHORITY.—If the Commission finds that it is necessary to adequately supervise investment bank holding companies and their broker or dealer affiliates consistent with the purposes of this subsection, the Commission may adopt capital adequacy rules for supervised investment bank holding companies.

''(B) METHOD OF CALCULATION.—In developing rules under this paragraph:

''(i) DOUBLE LEVERAGE.—The Commission shall consider the use by the supervised investment bank holding company of debt and other liabilities to fund capital investments in affiliates.

''(ii) NO UNWEIGHTED CAPITAL RATIO.—The Commission shall not impose under this section a capital ratio that is not based on appropriate risk-weighting considerations.

''(iii) NO CAPITAL REQUIREMENT ON REGULATED ENTITIES.—The Commission shall not, by rule, regulation, guideline, order or otherwise, impose any capital adequacy provision on a nonbanking affiliate (other than a broker or dealer) that is in compliance with applicable capital requirements of another Federal regulatory authority or State insurance authority.

''(iv) APPROPRIATE EXCLUSIONS.—The Commission shall take full account of the applicable capital requirements of another Federal regulatory authority or State insurance regulator.

''(C) INTERNAL RISK MANAGEMENT MODELS.—The Commission may incorporate internal risk management models into its capital adequacy rules for supervised investment bank holding companies.

''(5) FUNCTIONAL REGULATION OF BANKING AND INSURANCE ACTIVITIES OF SUPERVISED INVESTMENT BANK HOLDING COMPANIES.—The Commission shall defer to—

''(A) the appropriate regulatory agency with regard to all interpretations of, and the enforcement of, applicable banking laws relating to the activities, conduct, ownership, and operations of banks, and institutions described in subparagraph (D), (F), and (G) of section 2(c)(2), or held under section 4(f), of the Bank Holding Company Act of 1956; and

''(B) the appropriate State insurance regulators with regard to all interpretations of, and the enforcement of, applicable State insurance laws relating to the activities, conduct, and operations of insurance companies and insurance agents.

''(6) DEFINITIONS.—For purposes of this subsection—

''(A) The term 'investment bank holding company' means—

''(i) any person other than a natural person that owns or controls one or more brokers or dealers; and

''(ii) the associated persons of the investment bank holding company.

''(B) The term 'supervised investment bank holding company' means any investment bank holding company that is supervised by the Commission pursuant to this subsection.

''(C) The terms 'affiliate', 'bank', 'bank holding company', 'company', 'control', and 'savings association' have the meanings given to those terms in section 2 of the Bank Holding Company Act of 1956 (12 U.S.C. 1841).

''(D) The term 'insured bank' has the meaning given to that term in section 3 of the Federal Deposit Insurance Act.

''(E) The term 'foreign bank' has the meaning given to that term in section 1(b)(7) of the International Banking Act of 1978.

''(F) The terms ''person associated with an investment bank holding company' and ''associated person of an investment bank holding company' means any person directly or indirectly controlling, controlled by, or under common control with, an investment bank holding company.

''(j) AUTHORITY TO LIMIT DISCLOSURE OF INFORMATION.—Notwithstanding any other provision of law, the Commission shall not be compelled to disclose any information required to be reported under subsection (h) or (i) or any information supplied to the Commission by any domestic or foreign regulatory agency that relates to the financial or operational condition of any associated person of a broker or dealer, investment bank holding company, or any affiliate of an investment bank holding company. Nothing in this subsection shall authorize the Commission to withhold information from Congress, or prevent the Commission from complying with a request for information from any other Federal department or agency or any self-regulatory organization requesting the information for purposes within the scope of its jurisdiction, or complying with an order of a court of the United States in an action brought by the United States or the Commission. For purposes of section 552 of title 5, United States Code, this subsection shall be considered a statute described in subsection (b)(3)(B) of such section 552. In prescribing regulations to carry out the requirements of this subsection, the Commission shall designate information described in or obtained pursuant to subparagraphs (A), (B), and (C) of subsection (i)(5) as confidential information for purposes of section 24(b)(2) of this title.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 3(a)(34) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(34)) is amended by adding at the end the following new subparagraphs:

''(H) When used with respect to an institution described in subparagraph (D), (F), or (G) of section 2(c)(2), or held under section 4(f), of the Bank Holding Company Act of 1956—

''(i) the Comptroller of the Currency, in the case of a national bank or a bank in the District of Columbia examined by the Comptroller of the Currency;

''(ii) the Board of Governors of the Federal Reserve System, in the case of a State member bank of the Federal Reserve System or any corporation chartered under section 25A of the Federal Reserve Act;

''(iii) the Federal Deposit Insurance Corporation, in the case of any other bank the deposits of which are insured in accordance with the Federal Deposit Insurance Act; or

''(iv) the Commission in the case of all other such institutions.''.

(2) Section 1112(e) of the Right to Financial Privacy Act of 1978 (12 U.S.C. 3412(e)) is amended—

(A) by striking ''this title'' and inserting ''law''; and

(B) by inserting '', examination reports'' after ''financial records''.

Subtitle D—Study

SEC. 241. STUDY OF METHODS TO INFORM INVESTORS AND CONSUMERS OF UNINSURED PRODUCTS.

Within one year after the date of enactment of this Act, the Comptroller General of the United States shall submit a report to the Congress regarding the efficacy, costs, and benefits of requiring that any depository institution that accepts federally insured deposits and that, directly or through a contractual or other arrangement with a broker, dealer, or agent, buys from, sells to, or effects transactions for retail investors in securities or consumers of insurance to inform such investors and consumers through the use of a logo or seal that the security or insurance is not insured by the Federal Deposit Insurance Corporation.

TITLE III—INSURANCE

Subtitle A—State Regulation of Insurance

SEC. 301. STATE REGULATION OF THE BUSINESS OF INSURANCE.

The Act entitled ''An Act to express the intent of the Congress with reference to the regulation of the business of insurance'' and approved March 9, 1945 (15 U.S.C. 1011 et seq.), commonly referred to as the ''McCarran—Ferguson Act'') remains the law of the United States.

SEC. 302. MANDATORY INSURANCE LICENSING REQUIREMENTS.

No person or entity shall provide insurance in a State as principal or agent unless such person or entity is licensed as required by the appropriate insurance regulator of such State in accordance with the relevant State insurance law, subject to section 104 of this Act.

SEC. 303. FUNCTIONAL REGULATION OF INSURANCE.

The insurance sales activity of any person or entity shall be functionally regulated by the States, subject to section 104 of this Act.

SEC. 304. INSURANCE UNDERWRITING IN NATIONAL BANKS.

(a) IN GENERAL.—Except as provided in section 306, a national bank and the subsidiaries of a national bank may not provide insurance in a State as principal except that this prohibition shall not apply to authorized products.

(b) AUTHORIZED PRODUCTS.—For the purposes of this section, a product is authorized if—

(1) as of January 1, 1997, the Comptroller of the Currency had determined in writing that national banks may provide such product as principal, or national banks were in fact lawfully providing such product as principal;

(2) no court of relevant jurisdiction had, by final judgment, overturned a determination of the Comptroller of the Currency that national banks may provide such product as principal; and

(3) the product is not title insurance, or an annuity contract the income of which is subject to tax treatment under section 72 of the Internal Revenue Code of 1986.

(c) DEFINITION.—For purposes of this section, the term ''insurance'' means—

(1) any product regulated as insurance as of January 1, 1997, in accordance with the relevant State insurance law, in the State in which the product is provided;

(2) any product first offered after January 1, 1997, which—

(A) a State insurance regulator determines shall be regulated as insurance in the State in which the product is provided because the product insures, guarantees, or indemnifies against liability, loss of life, loss of health, or loss through damage to or destruction of property, including, but not limited to, surety bonds, life insurance, health insurance, title insurance, and property and casualty insurance (such as private passenger or commercial automobile, homeowners, mortgage, commercial multiperil, general liability, professional liability, workers' compensation, fire and allied lines, farm owners multiperil, aircraft, fidelity, surety, medical malpractice, ocean marine, inland marine, and boiler and machinery insurance); and

(B) is not a product or service of a bank that is—

(i) a deposit product;

(ii) a loan, discount, letter of credit, or other extension of credit;

(iii) a trust or other fiduciary service;

(iv) a qualified financial contract (as defined in or determined pursuant to section 11(e)(8)(D)(i) of the Federal Deposit Insurance Act); or

(v) a financial guaranty, except that this subparagraph (B) shall not apply to a product that includes an insurance component such that if the product is offered or proposed to be offered by the bank as principal—

(I) it would be treated as a life insurance contract under section 7702 of the Internal Revenue Code of 1986, as amended; or

(II) in the event that the product is not a letter of credit or other similar extension of credit, a qualified financial contract, or a financial guaranty, it would qualify for treatment for losses incurred with respect to such product under section 832(b)(5) of the Internal Revenue Code of 1986, as amended, if the bank were subject to tax as an insurance company under section 831 of such Code; or

(3) any annuity contract the income on which is subject to tax treatment under section 72 of the Internal Revenue Code of 1986, as amended.

SEC. 305. NEW BANK AGENCY ACTIVITIES ONLY THROUGH ACQUISITION OF EXISTING LICENSED AGENTS.

If a national bank or a subsidiary of a national bank is not providing insurance as agent in a State as of the date of the enactment of this Act, the national bank and the subsidiary of the national bank may provide insurance (which such bank or subsidiary is otherwise authorized to provide) as agent in such State after such date only by acquiring a company which has been licensed by the appropriate State regulator to provide insurance as agent in such State for not less than 2 years before such acquisition.

SEC. 306. TITLE INSURANCE ACTIVITIES OF NATIONAL BANKS AND THEIR AFFILIATES.

(a) AUTHORITY.—

(1) IN GENERAL.—Notwithstanding any other provision of this Act or any other law, no national bank, and no subsidiary of a national bank, may engage in any activity involving the underwriting or sale of title insurance other than title insurance activities in which such national bank or subsidiary was actively and lawfully engaged before the date of the enactment of this Act.

(2) INSURANCE AFFILIATE.—In the case of a national bank which has an affiliate which provides insurance as principal and is not a subsidiary of the bank, the national bank and any subsidiary of the national bank may not engage in any activity involving the underwriting or sale of title insurance pursuant to paragraph (1).

(3) INSURANCE SUBSIDIARY.—In the case of a national bank which has a subsidiary which provides insurance as principal and has no affiliate which provides insurance as principal and is not a subsidiary, the national bank may not engage in any activity involving the underwriting or sale of title insurance pursuant to paragraph (1).

(4) AFFILIATE AND SUBSIDIARY DEFINED.—For purposes of this section, the terms ''affiliate'' and ''subsidiary'' have the meaning given such terms in section 2 of the Bank Holding Company Act of 1956.

(b) PARITY EXCEPTION.—Notwithstanding subsection (a), in the case of any State in which banks organized under the laws of such State were authorized to sell title insurance as agent as of January 1, 1997, a national bank and a subsidiary of a national bank may sell title insurance as agent in such State in the same manner and to the same extent such State banks are authorized to sell title insurance as agent in such State.

SEC. 307. EXPEDITED AND EQUALIZED DISPUTE RESOLUTION FOR FINANCIAL REGULATORS.

(a) FILING IN COURT OF APPEAL.—In the case of a regulatory conflict between a State insurance regulator and a Federal regulator as to whether any product is or is not insurance as defined in section 304(c) of this Act, or whether a State statute, regulation, order, or interpretation regarding any insurance sales or solicitation activity is properly treated as preempted under Federal law, either regulator may seek expedited judicial review of such determination by the United States Court of Appeals for the circuit in which the State is located or in the United States Court of Appeals for the District of Columbia Circuit by filing a petition for review in such court.

(b) EXPEDITED REVIEW.—The United States court of appeals in which a petition for review is filed in accordance with paragraph (1) shall complete all action on such petition, including rendering a judgment, before the end of the 60-day period beginning on the date such petition is filed, unless all parties to such proceeding agree to any extension of such period.

(c) SUPREME COURT REVIEW.—Any request for certiori to the Supreme Court of the United States of any judgment of a United States court of appeals with respect to a petition for review under this section shall be filed with the United States Supreme Court as soon as practicable after such judgment is issued.

(d) STATUTE OF LIMITATION.—No action may be filed under this section challenging an order, ruling, determination, or other action of a Federal financial regulator or State insurance regulator after the later of—

(1) the end of the 12-month period beginning on the date the first public notice is made of such order, ruling, or determination in its final form; or

(2) the end of the 6-month period beginning on the date such order, ruling, or determination takes effect.

(e) STANDARD OF REVIEW.—The court shall decide an action filed under this section based on its review on the merits of all questions presented under State and Federal law, including the nature of the product or activity and the history and purpose of its regulation under State and Federal law, without unequal deference.

SEC. 308. CONSUMER PROTECTION REGULATIONS.

(a) REGULATIONS REQUIRED.—

(1) IN GENERAL.—The Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) is amended by adding at the end the following new section:

"SEC. 45. CONSUMER PROTECTION REGULATIONS.

''(a) REGULATIONS REQUIRED.—

''(1) IN GENERAL.—The Federal banking agencies shall prescribe and publish in final form, before the end of the 1-year period beginning on the date of the enactment of this Act, consumer protection regulations (which the agencies jointly determine to be appropriate) that—

''(A) apply to retail sales, solicitations, advertising, or offers of any insurance product by any insured depository institution or wholesale financial institution or any person who is engaged in such activities at an office of the institution or on behalf of the institution; and

''(B) are consistent with the requirements of this Act and provide such additional protections for consumers to whom such sales, solicitations, advertising, or offers are directed as the agency determines to be appropriate.

''(2) APPLICABILITY TO SUBSIDIARIES.—The regulations prescribed pursuant to paragraph (1) shall extend such protections to any subsidiaries of an insured depository institution, as deemed appropriate by the regulators referred to in paragraph (3), where such extension is determined to be necessary to ensure the consumer protections provided by this section.

''(3) CONSULTATION AND JOINT REGULATIONS.—The Federal banking agencies shall consult with each other and prescribe joint regulations pursuant to paragraph (1), after consultation with the State insurance regulators, as appropriate.

''(b) SALES PRACTICES.—The regulations prescribed pursuant to subsection (a) shall include anticoercion rules applicable to the sale of insurance products which prohibit an insured depository institution from engaging in any practice that would lead a consumer to believe an extension of credit, in violation of section 106(b) of the Bank Holding Company Act Amendments of 1970, is conditional upon—

''(1) the purchase of an insurance product from the institution or any of its affiliates or subsidiaries; or

''(2) an agreement by the consumer not to obtain, or a prohibition on the consumer from obtaining, an insurance product from an unaffiliated entity.

''(c) DISCLOSURES AND ADVERTISING.—The regulations prescribed pursuant to subsection (a) shall include the following provisions relating to disclosures and advertising in connection with the initial purchase of an insurance product:

''(1) DISCLOSURES.—

''(A) IN GENERAL.—Requirements that the following disclosures be made orally and in writing before the completion of the initial sale and, in the case of clause (iv), at the time of application for an extension of credit:

''(i) UNINSURED STATUS.—As appropriate, the product is not insured by the Federal Deposit Insurance Corporation, the United States Government, or the insured depository institution.

''(ii) INVESTMENT RISK.—In the case of a variable annuity or other insurance product which involves an investment risk, that there is an investment risk associated with the product, including possible loss of value.

''(iv) COERCION.—The approval of an extension of credit may not be conditioned on—

''(I) the purchase of an insurance product from the institution in which the application for credit is pending or any of its affiliates or subsidiaries; or

''(II) an agreement by the consumer not to obtain, or a prohibition on the consumer from obtaining, an insurance product from an unaffiliated entity.

''(B) MAKING DISCLOSURE READILY UNDERSTANDABLE.—Regulations prescribed under subparagraph (A) shall encourage the use of disclosure that is conspicuous, simple, direct, and readily understandable, such as the following:

''(i) 'NOT FDIC–INSURED'.

''(ii) 'NOT GUARANTEED BY THE BANK'.

''(iii) 'MAY GO DOWN IN VALUE'.

''(C) ADJUSTMENTS FOR ALTERNATIVE METHODS OF PURCHASE.—In prescribing the requirements under subparagraphs (A) and (D), necessary adjustments shall be made for purchase in person, by telephone, or by electronic media to provide for the most appropriate and complete form of disclosure and acknowledgments.

''(D) CONSUMER ACKNOWLEDGMENT.—A requirement that an insured depository institution shall require any person selling an insurance product at any office of, or on behalf of, the institution to obtain, at the time a consumer receives the disclosures required under this paragraph or at the time of the initial purchase by the consumer of such product, an acknowledgment by such consumer of the receipt of the disclosure required under this subsection with respect to such product.

''(2) PROHIBITION ON MISREPRESENTATIONS.—A prohibition on any practice, or any advertising, at any office of, or on behalf of, the insured depository institution, or any subsidiary as appropriate, which could mislead any person or otherwise cause a reasonable person to reach an erroneous belief with respect to—

''(A) the uninsured nature of any insurance product sold, or offered for sale, by the institution or any subsidiary of the institution; or

''(B) in the case of a variable annuity or other insurance product that involves an investment risk, the investment risk associated with any such product.

''(d) SEPARATION OF BANKING AND NONBANKING ACTIVITIES.—

''(1) REGULATIONS REQUIRED.—The regulations prescribed pursuant to subsection (a) shall include such provisions as the Federal banking agencies consider appropriate to ensure that the routine acceptance of deposits and the making of loans is kept, to the extent practicable, physically segregated from insurance product activity.

''(2) REQUIREMENTS.—Regulations prescribed pursuant to paragraph (1) shall include the following requirements:

''(A) SEPARATE SETTING.—A clear delineation of the setting in which, and the circumstances under which, transactions involving insurance products should be conducted in a location physically segregated from an area where retail deposits are routinely accepted.

''(B) REFERRALS.—Standards which permit any person accepting deposits from, or making loans to, the public in an area where such transactions are routinely conducted in an insured depository institution to refer a customer who seeks to purchase any insurance product to a qualified person who sells such product, only if the person making the referral receives no more than a one-time nominal fee of a fixed dollar amount for each referral that does not depend on whether the referral results in a transaction.

''(C) QUALIFICATION AND LICENSING REQUIREMENTS.—Standards prohibiting any insured depository institution from permitting any person to sell or offer for sale any insurance product in any part of any office of the institution, or on behalf of the institution, unless such person is appropriately qualified and licensed.

''(e) DOMESTIC VIOLENCE DISCRIMINATION PROHIBITION.—

''(1) IN GENERAL.—In the case of an applicant for, or an insured under, any insurance product described in paragraph (2), the status of the applicant or insured as a victim of domestic violence, or as a provider of services to victims of domestic violence, shall not be considered as a criterion in any decision with regard to insurance underwriting, pricing, renewal, or scope of coverage of insurance policies, or payment of insurance claims, except as required or expressly permitted under State law.

''(2) SCOPE OF APPLICATION.—The prohibition contained in paragraph (1) shall apply to any insurance product which is sold or offered for sale, as principal, agent, or broker, by any insured depository institution or any person who is engaged in such activities at an office of the institution or on behalf of the institution.

''(3) SENSE OF THE CONGRESS.—It is the sense of the Congress that, by the end of the 30-month period beginning on the date of the enactment of this Act, the States should enact prohibitions against discrimination with respect to insurance products that are at least as strict as the prohibitions contained in paragraph (1).

''(4) DOMESTIC VIOLENCE DEFINED.—For purposes of this subsection, the term 'domestic violence' means the occurrence of 1 or more of the following acts by a current or former family member, household member, intimate partner, or caretaker:

''(A) Attempting to cause or causing or threatening another person physical harm, severe emotional distress, psychological trauma, rape, or sexual assault.

''(B) Engaging in a course of conduct or repeatedly committing acts toward another person, including following the person without proper authority, under circumstances that place the person in reasonable fear of bodily injury or physical harm.

''(C) Subjecting another person to false imprisonment.

''(D) Attempting to cause or cause damage to property so as to intimidate or attempt to control the behavior of another person.

''(f) CONSUMER GRIEVANCE PROCESS.—The Federal banking agencies shall jointly establish a consumer complaint mechanism, for receiving and expeditiously addressing consumer complaints alleging a violation of regulations issued under the section, which shall—

''(1) establish a group within each regulatory agency to receive such complaints;

''(2) develop procedures for investigating such complaints;

''(3) develop procedures for informing consumers of rights they may have in connection with such complaints; and

''(4) develop procedures for addressing concerns raised by such complaints, as appropriate, including procedures for the recovery of losses to the extent appropriate.

''(g) EFFECT ON OTHER AUTHORITY.—

''(1) No provision of this section shall be construed as granting, limiting, or otherwise affecting—

''(A) any authority of the Securities and Exchange Commission, any self-regulatory organization, the Municipal Securities Rulemaking Board, or the Secretary of the Treasury under any Federal securities law; or

''(B) any authority of any State insurance commissioner or other State authority under any State law.

''(2) Regulations prescribed by a Federal banking agency under this section shall not apply to retail sales, solicitations, advertising, or offers of any insurance product by any insured depository institution or wholesale financial institution or to any person who is engaged in such activities at an office of such institution or on behalf of the institution, in a State where the State has in effect statutes, regulations, orders, or interpretations, that are inconsistent with or contrary to the regulations prescribed by the Federal banking agencies.

''(h) INSURANCE PRODUCT DEFINED.—For purposes of this section, the term 'insurance product' includes an annuity contract the income of which is subject to tax treatment under section 72 of the Internal Revenue Code of 1986.''.

SEC. 309. CERTAIN STATE AFFILIATION LAWS PREEMPTED FOR INSURANCE COMPANIES AND AFFILIATES.

No State may, by law, regulation, order, interpretation, or otherwise—

(1) prevent or restrict any insurer, or any affiliate of an insurer (whether such affiliate is organized as a stock company, mutual holding company, or otherwise), from becoming a financial holding company or acquiring control of an insured depository institution;

(2) limit the amount of an insurer's assets that may be invested in the voting securities of an insured depository institution (or any company which controls such institution), except that the laws of an insurer's State of domicile may limit the amount of such investment to an amount that is not less than 5 percent of the insurer's admitted assets; or

(3) prevent, restrict, or have the authority to review, approve, or disapprove a plan of reorganization by which an insurer proposes to reorganize from mutual form to become a stock insurer (whether as a direct or indirect subsidiary of a mutual holding company or otherwise) unless such State is the State of domicile of the insurer.

Subtitle B—Redomestication of Mutual Insurers

SEC. 311. GENERAL APPLICATION.

This subtitle shall only apply to a mutual insurance company in a State which has not enacted a law which expressly establishes reasonable terms and conditions for a mutual insurance company domiciled in such State to reorganize into a mutual holding company.

SEC. 312. REDOMESTICATION OF MUTUAL INSURERS.

(a) REDOMESTICATION.—A mutual insurer organized under the laws of any State may transfer its domicile to a transferee domicile as a step in a reorganization in which, pursuant to the laws of the transferee domicile and consistent with the standards in subsection (f), the mutual insurer becomes a stock insurer that is a direct or indirect subsidiary of a mutual holding company.

(b) RESULTING DOMICILE.—Upon complying with the applicable law of the transferee domicile governing transfers of domicile and completion of a transfer pursuant to this section, the mutual insurer shall cease to be a domestic insurer in the transferor domicile and, as a continuation of its corporate existence, shall be a domestic insurer of the transferee domicile.

(c) LICENSES PRESERVED.—The certificate of authority, agents' appointments and licenses, rates, approvals and other items that a licensed State allows and that are in existence immediately prior to the date that a redomesticating insurer transfers its domicile pursuant to this subtitle shall continue in full force and effect upon transfer, if the insurer remains duly qualified to transact the business of insurance in such licensed State.

(d) EFFECTIVENESS OF OUTSTANDING POLICIES AND CONTRACTS.—

(1) IN GENERAL.—All outstanding insurance policies and annuities contracts of a redomesticating insurer shall remain in full force and effect and need not be endorsed as to the new domicile of the insurer, unless so ordered by the State insurance regulator of a licensed State, and then only in the case of outstanding policies and contracts whose owners reside in such licensed State.

(2) FORMS.—

(A) Applicable State law may require a redomesticating insurer to file new policy forms with the State insurance regulator of a licensed State on or before the effective date of the transfer.

(B) Notwithstanding subparagraph (A), a redomesticating insurer may use existing policy forms with appropriate endorsements to reflect the new domicile of the redomesticating insurer until the new policy forms are approved for use by the State insurance regulator of such licensed State.

(e) NOTICE.—A redomesticating insurer shall give notice of the proposed transfer to the State insurance regulator of each licensed State and shall file promptly any resulting amendments to corporate documents required to be filed by a foreign licensed mutual insurer with the insurance regulator of each such licensed State.

(f) PROCEDURAL REQUIREMENTS.—No mutual insurer may redomesticate to another State and reorganize into a mutual holding company pursuant to this section unless the State insurance regulator of the transferee domicile determines that the plan of reorganization of the insurer includes the following requirements:

(1) APPROVAL BY BOARD OF DIRECTORS AND POLICYHOLDERS.—The reorganization is approved by at least a majority of the board of directors of the mutual insurer and at least a majority of the policyholders who vote after notice, disclosure of the reorganization and the effects of the transaction on policyholder contractual rights, and reasonable opportunity to vote, in accordance with such notice, disclosure, and voting procedures as are approved by the State insurance regulator of the transferee domicile.

(2) CONTINUED VOTING CONTROL BY POLICYHOLDERS; REVIEW OF PUBLIC STOCK OFFERING.—After the consummation of a reorganization, the policyholders of the reorganized insurer shall have the same voting rights with respect to the mutual holding company as they had before the reorganization with respect to the mutual insurer. With respect to an initial public offering of stock, the offering shall be conducted in compliance with applicable securities laws and in a manner approved by the State insurance regulator of the transferee domicile.

(3) AWARD OF STOCK OR GRANT OF OPTIONS TO OFFICERS AND DIRECTORS.—For a period of 6 months after completion of an initial public offering, neither a stock holding company nor the converted insurer shall award any stock options or stock grants to persons who are elected officers or directors of the mutual holding company, the stock holding company, or the converted insurer, except with respect to any such awards or options to which a person is entitled as a policyholder and as approved by the State insurance regulator of the transferee domicile.

(4) CONTRACTUAL RIGHTS.—Upon reorganization into a mutual holding company, the contractual rights of the policyholders are preserved.

(5) FAIR AND EQUITABLE TREATMENT OF POLICYHOLDERS.—The reorganization is approved as fair and equitable to the policyholders by the insurance regulator of the transferee domicile.

SEC. 313. EFFECT ON STATE LAWS RESTRICTING REDOMESTICATION.

(a) IN GENERAL.—Unless otherwise permitted by this subtitle, State laws of any transferor domicile that conflict with the purposes and intent of this subtitle are preempted, including but not limited to—

(1) any law that has the purpose or effect of impeding the activities of, taking any action against, or applying any provision of law or regulation to, any insurer or an affiliate of such insurer because that insurer or any affiliate plans to redomesticate, or has redomesticated, pursuant to this subtitle;

(2) any law that has the purpose or effect of impeding the activities of, taking action against, or applying any provision of law or regulation to, any insured or any insurance licensee or other intermediary because such person or entity has procured insurance from or placed insurance with any insurer or affiliate of such insurer that plans to redomesticate, or has redomesticated, pursuant to this subtitle, but only to the extent that such law would treat such insured licensee or other intermediary differently than if the person or entity procured insurance from, or placed insurance with, an insured licensee or other intermediary which had not redomesticated;

(3) any law that has the purpose or effect of terminating, because of the redomestication of a mutual insurer pursuant to this subtitle, any certificate of authority, agent appointment or license, rate approval, or other approval, of any State insurance regulator or other State authority in existence immediately prior to the redomestication in any State other than the transferee domicile.

(b) DIFFERENTIAL TREATMENT PROHIBITED.—No State law, regulation, interpretation, or functional equivalent thereof, of a State other than a transferee domicile may treat a redomesticating or redomesticated insurer or any affiliate thereof any differently than an insurer operating in that State that is not a redomesticating or redomesticated insurer.

(c) LAWS PROHIBITING OPERATIONS.—If any licensed State fails to issue, delays the issuance of, or seeks to revoke an original or renewal certificate of authority of a redomesticated insurer immediately following redomestication, except on grounds and in a manner consistent with its past practices regarding the issuance of certificates of authority to foreign insurers that are not redomesticating, then the redomesticating insurer shall be exempt from any State law of the licensed State to the extent that such State law or the operation of such State law would make unlawful, or regulate, directly or indirectly, the operation of the redomesticated insurer, except that such licensed State may require the redomesticated insurer to—

(1) comply with the unfair claim settlement practices law of the licensed State;

(2) pay, on a nondiscriminatory basis, applicable premium and other taxes which are levied on licensed insurers or policyholders under the laws of the licensed State;

(3) register with and designate the State insurance regulator as its agent solely for the purpose of receiving service of legal documents or process;

(4) submit to an examination by the State insurance regulator in any licensed state in which the redomesticated insurer is doing

business to determine the insurer's financial condition, if—

(A) the State insurance regulator of the transferee domicile has not begun an examination of the redomesticated insurer and has not scheduled such an examination to begin before the end of the 1-year period beginning on the date of the redomestication; and

(B) any such examination is coordinated to avoid unjustified duplication and repetition;

(5) comply with a lawful order issued in—

(A) a delinquency proceeding commenced by the State insurance regulator of any licensed State if there has been a judicial finding of financial impairment under paragraph (7); or

(B) a voluntary dissolution proceeding;

(6) comply with any State law regarding deceptive, false, or fraudulent acts or practices, except that if the licensed State seeks an injunction regarding the conduct described in this paragraph, such injunction must be obtained from a court of competent jurisdiction as provided in section 314(a);

(7) comply with an injunction issued by a court of competent jurisdiction, upon a petition by the State insurance regulator alleging that the redomesticating insurer is in hazardous financial condition or is financially impaired;

(8) participate in any insurance insolvency guaranty association on the same basis as any other insurer licensed in the licensed State; and

(9) require a person acting, or offering to act, as an insurance licensee for a redomesticated insurer in the licensed State to obtain a license from that State, except that such State may not impose any qualification or requirement that discriminates against a nonresident insurance licensee.

SEC. 314. OTHER PROVISIONS.

(a) JUDICIAL REVIEW.—The appropriate United States district court shall have exclusive jurisdiction over litigation arising under this section involving any redomesticating or redomesticated insurer.

(b) SEVERABILITY.—If any provision of this section, or the application thereof to any person or circumstances, is held invalid, the remainder of the section, and the application of such provision to other persons or circumstances, shall not be affected thereby.

SEC. 315. DEFINITIONS.

For purposes of this subtitle, the following definitions shall apply:

(1) COURT OF COMPETENT JURISDICTION.—The term ''court of competent jurisdiction'' means a court authorized pursuant to section 314(a) to adjudicate litigation arising under this subtitle.

(2) DOMICILE.—The term ''domicile'' means the State in which an insurer is incorporated, chartered, or organized.

(3) INSURANCE LICENSEE.—The term ''insurance licensee'' means any person holding a license under State law to act as insurance agent, subagent, broker, or consultant.

(4) INSTITUTION.—The term ''institution'' means a corporation, joint stock company, limited liability company, limited liability partnership, association, trust, partnership, or any similar entity.

(5) LICENSED STATE.—The term ''licensed State'' means any State, the District of Columbia, American Samoa, Guam, Puerto Rico, or the United States Virgin Islands in which the redomesticating insurer has a certificate of authority in effect immediately prior to the redomestication.

(6) MUTUAL INSURER.—The term ''mutual insurer'' means a mutual insurer organized under the laws of any State.

(7) PERSON.—The term ''person'' means an individual, institution, government or governmental agency, State or political subdivision of a State, public corporation, board, association, estate, trustee, or fiduciary, or other similar entity.

(8) POLICYHOLDER.—The term ''policyholder'' means the owner of a policy issued by a mutual insurer, except that, with respect to voting rights, the term means a member of a mutual insurer or mutual holding company granted the right to vote, as determined under applicable State law.

(9) REDOMESTICATED INSURER.—The term ''redomesticated insurer'' means a mutual insurer that has redomesticated pursuant to this subtitle.

(10) REDOMESTICATING INSURER.—The term ''redomesticating insurer'' means a mutual insurer that is redomesticating pursuant to this subtitle.

(11) REDOMESTICATION OR TRANSFER.—The terms ''redomestication'' and ''transfer'' mean the transfer of the domicile of a mutual insurer from one State to another State pursuant to this subtitle.

(12) STATE INSURANCE REGULATOR.—The term ''State insurance regulator'' means the principal insurance regulatory authority of a State, the District of Columbia, American Samoa, Guam, Puerto Rico, or the United States Virgin Islands.

(13) STATE LAW.—The term ''State law'' means the statutes of any State, the District of Columbia, American Samoa, Guam, Puerto Rico, or the United States Virgin Islands and any regulation, order, or requirement prescribed pursuant to any such statute.

(14) TRANSFEREE DOMICILE.—The term ''transferee domicile'' means the State to which a mutual insurer is redomesticating pursuant to this subtitle.

(15) TRANSFEROR DOMICILE.—The term ''transferor domicile'' means the State from which a mutual insurer is redomesticating pursuant to this subtitle.

SEC. 316. EFFECTIVE DATE.

This subtitle shall take effect on the date of enactment of this Act.

Subtitle C—National Association of Registered Agents and Brokers

SEC. 321. STATE FLEXIBILITY IN MULTISTATE LICENSING REFORMS.

(a) IN GENERAL.—The provisions of this subtitle shall take effect unless by the end of the 3-year period beginning on the date of the enactment of this Act at least a majority of the States—

(1) have enacted uniform laws and regulations governing the licensure of individuals and entities authorized to sell and solicit the purchase of insurance within the State; or

(2) have enacted reciprocity laws and regulations governing the licensure of nonresident individuals and entities authorized to sell and solicit insurance within those States.

(b) UNIFORMITY REQUIRED.—States shall be deemed to have established the uniformity necessary to satisfy subsection (a)(1) if the States—

(1) establish uniform criteria regarding the integrity, personal qualifications, education, training, and experience of licensed insurance producers, including the qualification and training of sales personnel in ascertaining the appropriateness of a particular insurance product for a prospective customer;

(2) establish uniform continuing education requirements for licensed insurance producers;

(3) establish uniform ethics course requirements for licensed insurance producers in conjunction with the continuing education requirements under paragraph (2);

(4) establish uniform criteria to ensure that an insurance product, including any annuity contract, sold to a consumer is suitable and appropriate for the consumer based on financial information disclosed by the consumer; and

(5) do not impose any requirement upon any insurance producer to be licensed or otherwise qualified to do business as a nonresident that has the effect of limiting or conditioning that producer's activities because of its residence or place of operations, except that counter-signature requirements imposed on nonresident producers shall not be deemed to have the effect of limiting or conditioning a producer's activities because of its residence or place of operations under this section.

(c) RECIPROCITY REQUIRED.—States shall be deemed to have established the reciprocity required to satisfy subsection (a)(2) if the following conditions are met:

(1) ADMINISTRATIVE LICENSING PROCEDURES.—At least a majority of the States permit a producer that has a resident license for selling or soliciting the purchase of insurance in its home State to receive a license to sell or solicit the purchase of insurance in such majority of States as a nonresident to the same extent such producer is permitted to sell or solicit the purchase of insurance in its State, without satisfying any additional requirements other than submitting—

(A) a request for licensure;

(B) the application for licensure that the producer submitted to its home State;

(C) proof that the producer is licensed and in good standing in its home State; and

(D) the payment of any requisite fee to the appropriate authority,

if the producer's home State also awards such licenses on such a reciprocal basis.

(2) CONTINUING EDUCATION REQUIREMENTS.—A majority of the States accept an insurance producer's satisfaction of its home State's continuing education requirements for licensed insurance producers to satisfy the States' own continuing education requirements if the producer's home State also recognizes the satisfaction of continuing education requirements on such a reciprocal basis.

(3) NO LIMITING NONRESIDENT REQUIREMENTS.—A majority of the States do not impose any requirement upon any insurance producer to be licensed or otherwise qualified to do business as a nonresident that has the effect of limiting or conditioning that producer's activities because of its residence or place of operations, except that countersignature requirements imposed on nonresident producers shall not be deemed to have the effect of limiting or conditioning a producer's activities because of its residence or place of operations under this section.

(4) RECIPROCAL RECIPROCITY.—Each of the States that satisfies paragraphs (1), (2), and (3) grants reciprocity to residents of all of the other States that satisfy such paragraphs.

(d) DETERMINATION.—

(1) NAIC DETERMINATION.—At the end of the 3-year period beginning on the date of the enactment of this Act, the National Association of Insurance Commissioners shall determine, in consultation with the insurance commissioners or chief insurance regulatory officials of the States, whether the uniformity or reciprocity required by subsections (b) and (c) has been achieved.

(2) JUDICIAL REVIEW.—The appropriate United States district court shall have exclusive jurisdiction over any challenge to the National Association of Insurance Commissioners' determination under this section and such court shall apply the standards set forth in section 706 of title 5, United States Code, when reviewing any such challenge.

(e) CONTINUED APPLICATION.—If, at any time, the uniformity or reciprocity required

by subsections (b) and (c) no longer exists, the provisions of this subtitle shall take effect within 2 years, unless the uniformity or reciprocity required by those provisions is satisfied before the expiration of that 2-year period.

(f) SAVINGS PROVISION.—No provision of this section shall be construed as requiring that any law, regulation, provision, or action of any State which purports to regulate insurance producers, including any such law, regulation, provision, or action which purports to regulate unfair trade practices or establish consumer protections, including countersignature laws, be altered or amended in order to satisfy the uniformity or reciprocity required by subsections (b) and (c), unless any such law, regulation, provision, or action is inconsistent with a specific requirement of any such subsection and then only to the extent of such inconsistency.

SEC. 322. NATIONAL ASSOCIATION OF REGISTERED AGENTS AND BROKERS.

(a) ESTABLISHMENT.—There is established the National Association of Registered Agents and Brokers (hereafter in this subtitle referred to as the ''Association'')

(b) STATUS.—The Association shall—

(1) be a nonprofit corporation and be presumed to have the status of an organization described in section 501(c)(6) of the Internal Revenue Code of 1986 unless the Secretary of the Treasury determines that the Association does not meet the requirements of such section;

(2) have succession until dissolved by an Act of Congress;

(3) not be an agency or establishment of the United States Government; and

(4) except as otherwise provided in this Act, be subject to, and have all the powers conferred upon a nonprofit corporation by the District of Columbia Nonprofit Corporation Act (D.C. Code, sec. 29y–1001 et seq.).

SEC. 323. PURPOSE.

The purpose of the Association shall be to provide a mechanism through which uniform licensing, appointment, continuing education, and other insurance producer sales qualification requirements and conditions can be adopted and applied on a multistate basis, while preserving the right of States to license, supervise, and discipline insurance producers and to prescribe and enforce laws and regulations with regard to insurance-related consumer protection and unfair trade practices.

SEC. 324. RELATIONSHIP TO THE FEDERAL GOVERNMENT.

The Association shall be subject to the supervision and oversight of the National Association of Insurance Commissioners (hereafter in this subtitle referred to as the ''NAIC'') and shall not be an agency or an instrumentality of the United States Government.

SEC. 325. MEMBERSHIP.

(a) ELIGIBILITY.—

(1) IN GENERAL.—Any State-licensed insurance producer shall be eligible to become a member in the Association.

(2) INELIGIBILITY FOR SUSPENSION OR REVOCATION OF LICENSE.—Notwithstanding paragraph (1), a State-licensed insurance producer shall not be eligible to become a member if a State insurance regulator has suspended or revoked such producer's license in that State during the 3-year preceding the date such producer applies for membership.

(3) RESUMPTION OF ELIGIBILITY.—Paragraph (2) shall cease to apply to any insurance producer if—

(A) the State insurance regulator renews the license of such producer in the State in which the license was suspended or revoked; or

(B) the suspension or revocation is subsequently overturned.

(b) AUTHORITY TO ESTABLISH MEMBERSHIP CRITERIA.—The Association shall have the authority to establish membership criteria that—

(1) bear a reasonable relationship to the purposes for which the Association was established; and

(2) do not unfairly limit the access of smaller agencies to the Association membership.

(c) ESTABLISHMENT OF CLASSES AND CATEGORIES.—

(1) CLASSES OF MEMBERSHIP.—The Association may establish separate classes of membership, with separate criteria, if the Association reasonably determines that performance of different duties requires different levels of education, training, or experience.

(2) CATEGORIES.—The Association may establish separate categories of membership for individuals and for other persons. The establishment of any such categories of membership shall be based either on the types of licensing categories that exist under State laws or on the aggregate amount of business handled by an insurance producer. No special categories of membership, and no distinct membership criteria, shall be established for members which are insured depository institutions or wholesale financial institutions or for their employees, agents, or affiliates.

(d) MEMBERSHIP CRITERIA.—

(1) IN GENERAL.—The Association may establish criteria for membership which shall include standards for integrity, personal qualifications, education, training, and experience.

(2) MINIMUM STANDARD.—In establishing criteria under paragraph (1), the Association shall consider the highest levels of insurance producer qualifications established under the licensing laws of the States.

(e) EFFECT OF MEMBERSHIP.—Membership in the Association shall entitle the member to licensure in each State for which the member pays the requisite fees, including licensing fees and, where applicable, bonding requirements, set by such State.

(f) ANNUAL RENEWAL.—Membership in the Association shall be renewed on an annual basis.

(g) CONTINUING EDUCATION.—The Association shall establish, as a condition of membership, continuing education requirements which shall be comparable to or greater than the continuing education requirements under the licensing laws of a majority of the States.

(h) SUSPENSION AND REVOCATION.—The Association may—

(1) inspect and examine the records and offices of the members of the Association to determine compliance with the criteria for membership established by the Association; and

(2) suspend or revoke the membership of an insurance producer if—

(A) the producer fails to meet the applicable membership criteria of the Association: or

(B) the producer has been subject to disciplinary action pursuant to a final adjudicatory proceeding under the jurisdiction of a State insurance regulator, and the Association concludes that retention of membership in the Association would not be in the public interest.

(i) OFFICE OF CONSUMER COMPLAINTS.—

(1) IN GENERAL.—The Association shall establish an office of consumer complaints that shall—

(A) receive and investigate complaints from both consumers and State insurance regulators related to members of the Association; and

(B) recommend to the Association any disciplinary actions that the office considers appropriate, to the extent that any such recommendation is not inconsistent with State law.

(2) RECORDS AND REFERRALS.—The office of consumer complaints of the Association shall—

(A) maintain records of all complaints received in accordance with paragraph (1) and make such records available to the NAIC and to each State insurance regulator for the State of residence of the consumer who filed the complaint; and

(B) refer, when appropriate, any such complaint to any appropriate State insurance regulator.

(3) TELEPHONE AND OTHER ACCESS.—The office of consumer complaints shall maintain a toll-free telephone number for the purpose of this subsection and, as practicable, other alternative means of communication with consumers, such as an Internet home page.

SEC. 326. BOARD OF DIRECTORS.

(a) ESTABLISHMENT.—There is established the board of directors of the Association (hereafter in this subtitle referred to as the ''Board'') for the purpose of governing and supervising the activities of the Association and the members of the Association.

(b) POWERS.—The Board shall have such powers and authority as may be specified in the bylaws of the Association.

(c) COMPOSITION.—

(1) MEMBERS.—The Board shall be composed of 7 members appointed by the NAIC.

(2) REQUIREMENT.—At least 4 of the members of the Board shall have significant experience with the regulation of commercial lines of insurance in at least 1 of the 20 States in which the greatest total dollar amount of commercial-lines insurance is placed in the United States.

(3) INITIAL BOARD MEMBERSHIP.—

(A) IN GENERAL.—If, by the end of the 2-year period beginning on the date of the enactment of this Act, the NAIC has not appointed the initial 7 members of the Board of the Association, the initial Board shall consist of the 7 State insurance regulators of the 7 States with the greatest total dollar amount of commercial-lines insurance in place as of the end of such period.

(B) ALTERNATE COMPOSITION.—If any of the State insurance regulators described in subparagraph (A) declines to serve on the Board, the State insurance regulator with the next greatest total dollar amount of commercial-lines insurance in place, as determined by the NAIC as of the end of such period, shall serve as a member of the Board.

(C) INOPERABILITY.—If fewer than 7 State insurance regulators accept appointment to the Board, the Association shall be established without NAIC oversight pursuant to section 332.

(d) TERMS.—The term of each director shall, after the initial appointment of the members of the Board, be for 3 years, with ⅓ of the directors to be appointed each year.

(e) BOARD VACANCIES.—A vacancy on the Board shall be filled in the same manner as the original appointment of the initial Board for the remainder of the term of the vacating member.

(f) MEETINGS.—The Board shall meet at the call of the chairperson, or as otherwise provided by the bylaws of the Association.

SEC. 327. OFFICERS.

(a) IN GENERAL.—

(1) POSITIONS.—The officers of the Association shall consist of a chairperson and a vice chairperson of the Board, a president, secretary, and treasurer of the Association, and such other officers and assistant officers as may be deemed necessary.

(2) MANNER OF SELECTION.—Each officer of the Board and the Association shall be elected or appointed at such time and in such manner and for such terms not exceeding 3

years as may be prescribed in the bylaws of the Association.

(b) CRITERIA FOR CHAIRPERSON.— Only individuals who are members of the National Association of Insurance Commissioners shall be eligible to serve as the chairperson of the board of directors.

SEC. 328. BYLAWS, RULES, AND DISCIPLINARY ACTION.

(a) ADOPTION AND AMENDMENT OF BYLAWS.—

(1) COPY REQUIRED TO BE FILED WITH THE NAIC.—The board of directors of the Association shall file with the NAIC a copy of the proposed bylaws or any proposed amendment to the bylaws, accompanied by a concise general statement of the basis and purpose of such proposal.

(2) EFFECTIVE DATE.—Except as provided in paragraph (3), any proposed bylaw or proposed amendment shall take effect—

(A) 30 days after the date of the filing of a copy with the NAIC;

(B) upon such later date as the Association may designate; or

(C) such earlier date as the NAIC may determine.

(3) DISAPPROVAL BY THE NAIC.—Notwithstanding paragraph (2), a proposed bylaw or amendment shall not take effect if, after public notice and opportunity to participate in a public hearing—

(A) the NAIC disapproves such proposal as being contrary to the public interest or contrary to the purposes of this subtitle and provides notice to the Association setting forth the reasons for such disapproval; or

(B) the NAIC finds that such proposal involves a matter of such significant public interest that public comment should be obtained, in which case it may, after notifying the Association in writing of such finding, require that the procedures set forth in subsection (b) be followed with respect to such proposal, in the same manner as if such proposed bylaw change were a proposed rule change within the meaning of such paragraph.

(b) ADOPTION AND AMENDMENT OF RULES.—

(1) FILING PROPOSED REGULATIONS WITH THE NAIC.—

(A) IN GENERAL.—The board of directors of the Association shall file with the NAIC a copy of any proposed rule or any proposed amendment to a rule of the Association which shall be accompanied by a concise general statement of the basis and purpose of such proposal.

(B) OTHER RULES AND AMENDMENTS INEFFECTIVE.—No proposed rule or amendment shall take effect unless approved by the NAIC or otherwise permitted in accordance with this paragraph.

(2) INITIAL CONSIDERATION BY THE NAIC.—Within 35 days after the date of publication of notice of filing of a proposal, or before the end of such longer period not to exceed 90 days as the NAIC may designate after such date if the NAIC finds such longer period to be appropriate and sets forth its reasons for so finding, or as to which the Association consents, the NAIC shall—

(A) by order approve such proposed rule or amendment; or

(B) institute proceedings to determine whether such proposed rule or amendment should be modified or disapproved.

(3) NAIC PROCEEDINGS.—

(A) IN GENERAL.—Proceedings instituted by the NAIC with respect to a proposed rule or amendment pursuant to paragraph (2) shall—

(i) include notice of the grounds for disapproval under consideration;

(ii) provide opportunity for hearing; and

(iii) be concluded within 180 days after the date of the Association's filing of such proposed rule or amendment.

(B) DISPOSITION OF PROPOSAL.—At the conclusion of any proceeding under subparagraph (A), the NAIC shall, by order, approve or disapprove the proposed rule or amendment.

(C) EXTENSION OF TIME FOR CONSIDERATION.—The NAIC may extend the time for concluding any proceeding under subparagraph (A) for—

(i) not more than 60 days if the NAIC finds good cause for such extension and sets forth its reasons for so finding; or

(ii) for such longer period as to which the Association consents.

(4) STANDARDS FOR REVIEW.—

(A) GROUNDS FOR APPROVAL.—The NAIC shall approve a proposed rule or amendment if the NAIC finds that the rule or amendment is in the public interest and is consistent with the purposes of this Act.

(B) APPROVAL BEFORE END OF NOTICE PERIOD.—The NAIC shall not approve any proposed rule before the end of the 30-day period beginning on the date the Association files proposed rules or amendments in accordance with paragraph (1) unless the NAIC finds good cause for so doing and sets forth the reasons for so finding.

(5) ALTERNATE PROCEDURE.—

(A) IN GENERAL.—Notwithstanding any provision of this subsection other than subparagraph (B), a proposed rule or amendment relating to the administration or organization of the Association may take effect—

(i) upon the date of filing with the NAIC, if such proposed rule or amendment is designated by the Association as relating solely to matters which the NAIC, consistent with the public interest and the purposes of this subsection, determines by rule do not require the procedures set forth in this paragraph; or

(ii) upon such date as the NAIC shall for good cause determine.

(B) ABROGATION BY THE NAIC.—

(i) IN GENERAL.—At any time within 60 days after the date of filing of any proposed rule or amendment under subparagraph (A)(i) or (B)(ii), the NAIC may repeal such rule or amendment and require that the rule or amendment be refiled and reviewed in accordance with this paragraph, if the NAIC finds that such action is necessary or appropriate in the public interest, for the protection of insurance producers or policyholders, or otherwise in furtherance of the purposes of this subtitle.

(ii) EFFECT OF RECONSIDERATION BY THE NAIC.—Any action of the NAIC pursuant to clause (i) shall—

(I) not affect the validity or force of a rule change during the period such rule or amendment was in effect; and

(II) not be considered to be final action.

(c) ACTION REQUIRED BY THE NAIC.—The NAIC may, in accordance with such rules as the NAIC determines to be necessary or appropriate to the public interest or to carry out the purposes of this subtitle, require the Association to adopt, amend, or repeal any bylaw, rule or amendment of the Association, whenever adopted.

(d) DISCIPLINARY ACTION BY THE ASSOCIATION.—

(1) SPECIFICATION OF CHARGES.—In any proceeding to determine whether membership shall be denied, suspended, revoked, and not renewed (hereafter in this section referred to as a ''disciplinary action''), the Association shall bring specific charges, notify such member of such charges and give the member an opportunity to defend against the charges, and keep a record.

(2) SUPPORTING STATEMENT.—A determination to take disciplinary action shall be supported by a statement setting forth—

(A) any act or practice in which such member has been found to have been engaged;

(B) the specific provision of this subtitle, the rules or regulations under this subtitle, or the rules of the Association which any such act or practice is deemed to violate; and

(C) the sanction imposed and the reason for such sanction.

(e) NAIC REVIEW OF DISCIPLINARY ACTION.—

(1) NOTICE TO THE NAIC.—If the Association orders any disciplinary action, the Association shall promptly notify the NAIC of such action.

(2) REVIEW BY THE NAIC.—Any disciplinary action taken by the Association shall be subject to review by the NAIC—

(A) on the NAIC's own motion; or

(B) upon application by any person aggrieved by such action if such application is filed with the NAIC not more than 30 days after the later of—

(i) the date the notice was filed with the NAIC pursuant to paragraph (1); or

(ii) the date the notice of the disciplinary action was received by such aggrieved person.

(f) EFFECT OF REVIEW.—The filing of an application to the NAIC for review of a disciplinary action, or the institution of review by the NAIC on the NAIC's own motion, shall not operate as a stay of disciplinary action unless the NAIC otherwise orders.

(g) SCOPE OF REVIEW.—

(A) IN GENERAL.—In any proceeding to review such action, after notice and the opportunity for hearing, the NAIC shall—

(i) determine whether the action should be taken;

(ii) affirm, modify, or rescind the disciplinary sanction; or

(iii) remand to the Association for further proceedings.

(B) DISMISSAL OF REVIEW.—The NAIC may dismiss a proceeding to review disciplinary action if the NAIC finds that—

(i) the specific grounds on which the action is based exist in fact;

(ii) the action is in accordance with applicable rules and regulations; and

(iii) such rules and regulations are, and were, applied in a manner consistent with the purposes of this Act.

SEC. 329. ASSESSMENTS.

(a) INSURANCE PRODUCERS SUBJECT TO ASSESSMENT.—The Association may establish such application and membership fees as the Association finds necessary to cover the costs of its operations, including fees made reimbursable to the NAIC under subsection (b), except that, in setting such fees, the Association may not discriminate against smaller insurance producers.

(b) NAIC ASSESSMENTS.—The NAIC may assess the Association for any costs it incurs under this subtitle.

SEC. 330. FUNCTIONS OF THE NAIC.

(a) ADMINISTRATIVE PROCEDURE.—Determinations of the NAIC, for purposes of making rules pursuant to section 328, shall be made after appropriate notice and opportunity for a hearing and for submission of views of interested persons.

(b) EXAMINATIONS AND REPORTS.—

(1) The NAIC may make such examinations and inspections of the Association and require the Association to furnish it with such reports and records or copies thereof as the NAIC may consider necessary or appropriate in the public interest or to effectuate the purposes of this subtitle.

(2) As soon as practicable after the close of each fiscal year, the Association shall submit to the NAIC a written report regarding the conduct of its business, and the exercise of the other rights and powers granted by this subtitle, during such fiscal year. Such report shall include financial statements setting forth the financial position of the Association at the end of such fiscal year and the

results of its operations (including the source and application of its funds) for such fiscal year. The NAIC shall transmit such report to the President and the Congress with such comment thereon as the NAIC determines to be appropriate.

SEC. 331. LIABILITY OF THE ASSOCIATION AND THE DIRECTORS, OFFICERS, AND EMPLOYEES OF THE ASSOCIATION.

(a) IN GENERAL.—The Association shall not be deemed to be an insurer or insurance producer within the meaning of any State law, rule, regulation, or order regulating or taxing insurers, insurance producers, or other entities engaged in the business of insurance, including provisions imposing premium taxes, regulating insurer solvency or financial condition, establishing guaranty funds and levying assessments, or requiring claims settlement practices.

(b) LIABILITY OF THE ASSOCIATION, ITS DIRECTORS, OFFICERS, AND EMPLOYEES.—Neither the Association nor any of its directors, officers, or employees shall have any liability to any person for any action taken or omitted in good faith under or in connection with any matter subject to this subtitle.

SEC. 332. ELIMINATION OF NAIC OVERSIGHT.

(a) IN GENERAL.—The Association shall be established without NAIC oversight and the provisions set forth in section 324, subsections (a), (b), (c), and (e) of section 328, and sections 329(b) and 330 of this subtitle shall cease to be effective if, at the end of the 2-year period after the date on which the provisions of this subtitle take effect pursuant to section 321—

(1) at least a majority of the States representing at least 50 percent of the total United States commercial-lines insurance premiums have not satisfied the uniformity or reciprocity requirements of subsections (a) and (b) of section 321; and

(2) the NAIC has not approved the Association's bylaws as required by section 328, the NAIC is unable to operate or supervise the Association, or the Association is not conducting its activities as required under this Act.

(b) BOARD APPOINTMENTS.—If the repeals required by subsection (a) are implemented—

(1) GENERAL APPOINTMENT POWER.—The President, with the advice and consent of the United States Senate, shall appoint the members of the Association's Board established under section 326 from lists of candidates recommended to the President by the National Association of Insurance Commissioners.

(2) PROCEDURES FOR OBTAINING NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS APPOINTMENT RECOMMENDATIONS.—

(A) INITIAL DETERMINATION AND RECOMMENDATIONS.—After the date on which the provisions of part a of this section take effect, then the National Association of Insurance Commissioners shall have 60 days to provide a list of recommended candidates to the President. If the National Association of Insurance Commissioners fails to provide a list by that date, or if any list that is provided does not include at least 14 recommended candidates or comply with the requirements of section 326(c), the President shall, with the advice and consent of the United States Senate, make the requisite appointments without considering the views of the NAIC.

(B) SUBSEQUENT APPOINTMENTS.—After the initial appointments, the National Association of Insurance Commissioners shall provide a list of at least 6 recommended candidates for the Board to the President by January 15 of each subsequent year. If the National Association of Insurance Commissioners fails to provide a list by that date, or if any list that is provided does not include at least 6 recommended candidates or comply with the requirements of section 326(c), the President, with the advice and consent of the Senate, shall make the requisite appointments without considering the views of the NAIC.

(C) PRESIDENTIAL OVERSIGHT.—

(i) REMOVAL.—If the President determines that the Association is not acting in the interests of the public, the President may remove the entire existing Board for the remainder of the term to which the members of the Board were appointed and appoint, with the advice and consent of the Senate, new members to fill the vacancies on the Board for the remainder of such terms.

(ii) SUSPENSION OF RULES OR ACTIONS.—The President, or a person designated by the President for such purpose, may suspend the effectiveness of any rule, or prohibit any action, of the Association which the President or the designee determines is contrary to the public interest.

(d) ANNUAL REPORT.—As soon as practicable after the close of each fiscal year, the Association shall submit to the President and to Congress a written report relative to the conduct of its business, and the exercise of the other rights and powers granted by this subtitle, during such fiscal year. Such report shall include financial statements setting forth the financial position of the Association at the end of such fiscal year and the results of its operations (including the source and application of its funds) for such fiscal year.

SEC. 333. RELATIONSHIP TO STATE LAW.

(a) PREEMPTION OF STATE LAWS.—State laws, regulations, provisions, or actions purporting to regulate insurance producers shall be preempted in the following instances:

(1) No State shall impede the activities of, take any action against, or apply any provision of law or regulation to, any insurance producer because that insurance producer or any affiliate plans to become, has applied to become, or is a member of the Association.

(2) No State shall impose any requirement upon a member of the Association that it pay different fees to be licensed or otherwise qualified to do business in that State, including bonding requirements, based on its residency.

(3) No State shall impose any licensing, appointment, integrity, personal or corporate qualifications, education, training, experience, residency, or continuing education requirement upon a member of the Association that is different than the criteria for membership in the Association or renewal of such membership, except that counter-signature requirements imposed on nonresident producers shall not be deemed to have the effect of limiting or conditioning a producer's activities because of its residence or place of operations under this section.

(4) No State shall implement the procedures of such State's system of licensing or renewing the licenses of insurance producers in a manner different from the authority of the Association under section 325.

(b) SAVINGS PROVISION.—Except as provided in subsection (a), no provision of this section shall be construed as altering or affecting the continuing effectiveness of any law, regulation, provision, or action of any State which purports to regulate insurance producers, including any such law, regulation, provision, or action which purports to regulate unfair trade practices or establish consumer protections, including, but not limited to, countersignature laws.

SEC. 334. COORDINATION WITH OTHER REGULATORS.

(a) COORDINATION WITH STATE INSURANCE REGULATORS.—The Association shall have the authority to—

(1) issue uniform insurance producer applications and renewal applications that may be used to apply for the issuance or removal of State licenses, while preserving the ability of each State to impose such conditions on the issuance or renewal of a license as are consistent with section 333;

(2) establish a central clearinghouse through which members of the Association may apply for the issuance or renewal of licenses in multiple States; and

(3) establish or utilize a national database for the collection of regulatory information concerning the activities of insurance producers.

(b) COORDINATION WITH THE NATIONAL ASSOCIATION OF SECURITIES DEALERS.—The Association shall coordinate with the National Association of Securities Dealers in order to ease any administrative burdens that fall on persons that are members of both associations, consistent with the purposes of this subtitle and the Federal securities laws.

SEC. 335. JUDICIAL REVIEW.

(a) JURISDICTION.—The appropriate United States district court shall have exclusive jurisdiction over litigation involving the Association, including disputes between the Association and its members that arise under this subtitle. Suits brought in State court involving the Association shall be deemed to have arisen under Federal law and therefore be subject to jurisdiction in the appropriate United States district court.

(b) EXHAUSTION OF REMEDIES.—An aggrieved person must exhaust all available administrative remedies before the Association and the NAIC before it may seek judicial review of an Association decision.

(c) STANDARDS OF REVIEW.—The standards set forth in section 553 of title 5, United States Code, shall be applied whenever a rule or bylaw of the Association is under judicial review, and the standards set forth in section 554 of title 5, United States Code, shall be applied whenever a disciplinary action of the Association is judicially reviewed.

SEC. 336. DEFINITIONS.

For purposes of this subtitle, the following definitions shall apply:

(1) INSURANCE.—The term ''insurance'' means any product defined or regulated as insurance by the appropriate State insurance regulatory authority.

(2) INSURANCE PRODUCER.—The term ''insurance producer'' means any insurance agent or broker, surplus lines broker, insurance consultant, limited insurance representative, and any other person that solicits, negotiates, effects, procures, delivers, renews, continues or binds policies of insurance or offers advice, counsel, opinions or services related to insurance.

(3) STATE LAW.—The term ''State law'' includes all laws, decisions, rules, regulations, or other State action having the effect of law, of any State. A law of the United States applicable only to the District of Columbia shall be treated as a State law rather than a law of the United States.

(4) STATE.—The term ''State'' includes any State, the District of Columbia, American Samoa, Guam, Puerto Rico, and the United States Virgin Islands.

(5) HOME STATE.—The term ''home State'' means the State in which the insurance producer maintains its principal place of residence and is licensed to act as an insurance producer.

TITLE IV—MERGER OF BANK AND THRIFT HOLDING COMPANIES REGULATORS, AND BANK AND THRIFT INSURANCE FUNDS

SEC. 401. SHORT TITLE; DEFINITIONS.

(a) SHORT TITLE.—This title may be cited as the ''Thrift Charter Transition Act of 1998''.

(b) DEFINITIONS.—Unless otherwise defined in this Act, the terms ''bank holding company'', ''depository institution'', ''Federal savings association'', ''insured depository institution'', ''savings association'', ''State bank'', and ''State savings association'' (as used in the uncodified provisions of this Act) have the same meanings as in section 3 of the Federal Deposit Insurance Act, as in effect on the day before the date of enactment of this Act.

Subtitle A—Facilitating Conversion of Savings Associations to Banks

SEC. 411. BRANCHES OF FORMER SAVINGS ASSOCIATIONS.

(a) BRANCHES.—

(1) EXISTING BRANCHES RETAINED.—Notwithstanding any other provision of law, any depository institution that qualifies under paragraph (2), and any successor to such an institution, may continue to operate any branch or agency that the institution operated as a branch or agency, or was in the process of establishing as a branch or agency, respectively, as of the date of enactment of the Thrift Charter Transition Act of 1998.

(2) DEPOSITORY INSTITUTION DEFINED.—A depository institution qualifies under this paragraph for purposes of paragraph (1) if the institution—

(A) is a savings association on the date of enactment of the Thrift Charter Transition Act of 1998; or

(B) has filed an application to become a savings association by the date of enactment of the Thrift Charter Transition Act of 1998.

(b) BRANCHING RIGHTS OBTAINED IN ASSISTED ACQUISITIONS.—Notwithstanding any other provision of law, if a depository institution has branching rights under a contract entered into with the Federal Home Loan Bank Board or the Federal Savings and Loan Insurance Corporation or pursuant to a resolution of the Federal Home Loan Bank Board or action of the Office of Thrift Supervision or Resolution Trust Corporation as part of a transaction in which the depository institution acquired or merged with a failed or failing savings association (prior to 1992), the depository institution may continue to branch in a manner consistent with that contract, resolution, or action.

(c) INTRASTATE BRANCHES.—Any branch operated under subsection (a)(1) in a State other than the depository institution's home State may acquire, establish or operate additional branches in the host State to the same extent as permitted for a national bank with its main office located in the host State.

SEC. 412. SAVINGS AND LOAN HOLDING COMPANIES.

Section 3 of the Bank Holding Company Act of 1956 (12 U.S.C. 1842) is amended by inserting after subsection (f) (as so redesignated by section 102(b)(2) of this Act) the following new subsection:

''(g) SAVINGS AND LOAN HOLDING COMPANY POWERS GRANDFATHERED.—

''(1) IN GENERAL.—A company that qualifies under paragraph (2) may—

''(A) maintain or enter into any nonbank affiliation that the company was permitted pursuant to section 10 of the Home Owners' Loan Act to maintain or enter into prior to becoming a bank holding company pursuant to paragraph (2)(C); and

''(B) engage in any activity, including holding any asset, in which the company or any affiliate described in subparagraph (A) was permitted pursuant to section 10 of the Home Owners' Loan Act to engage prior to becoming a bank holding company pursuant to paragraph (2)(C).

''(2) QUALIFIED GRANDFATHERED COMPANIES.—

''(A) GRANDFATHERED COMPANIES DEFINED.—A company qualifies under this paragraph for purposes of paragraph (1) if—

''(i) as of September 16, 1997, the company (or any affiliate of such company)—

''(I) was a savings and loan holding company (as defined in section 10 of the Home Owners' Loan Act, as in effect on that date); or

''(II) had filed an application to become a savings and loan holding company; and

''(ii) the company—

''(I) becomes a bank holding company by operation of law; or

''(II) was exempt from section 4 (as in effect on the date of enactment of the Thrift Charter Transition Act of 1998) under an order issued by the Board under section 4(d) (as in effect on the date of enactment of the Thrift Charter Transition Act of 1998).

''(B) HOLDING COMPANIES WITH IDENTICAL SHAREHOLDERS.—A company also qualifies under this paragraph for purposes of paragraph (1) if the company—

''(i) is formed by a company qualified under subparagraph (A); and

''(ii) the shareholders of such company are identical to the shareholders of the company referred to in (i).

''(C) OPERATION OF LAW DEFINED.—For purposes of this subsection, a company becomes a bank holding company by operation of law if the company becomes a bank holding company because a savings association controlled by the company is treated as a bank under an amendment made by the Thrift Charter Transition Act of 1998.

''(3) REQUIREMENTS TO RETAIN GRANDFATHERED POWERS.—

''(A) IN GENERAL.—Paragraph (1) shall cease to apply to a company if the company does not comply with this paragraph.

''(B) ACQUISITION OF BANKS .—

''(i) IN GENERAL.—The company may not acquire (by any form of business combination) control of a bank after the date of enactment of the Thrift Charter Transition Act of 1998.

''(ii) EXCEPTIONS TO PROHIBITION.—Clause (i) shall not apply to the acquisition of—

''(I) a bank, during the period ending on the date 2 years after the date of enactment of the Thrift Charter Transition Act of 1998, if the acquisition results from the treatment of a savings association as a bank under amendments made by the Thrift Charter Transition Act of 1998;

''(II) a bank, if the assets of such bank are merged with an insured depository institution which was controlled by such company before the date of enactment of the Thrift Charter Transition Act of 1998, and if the resulting institution complies with the requirements of Section 10(m) of the Home Owners' Loan Act;

''(III) shares held as a bona fide fiduciary (whether with or without the sole discretion to vote such shares);

''(IV) shares held by any person as a bona fide fiduciary solely for the benefit of employees of either the company or any subsidiary of the company and the beneficiaries of those employees;

''(V) an entity described in section 2(c)(2);

''(VI) shares held temporarily pursuant to an underwriting commitment in the normal course of an underwriting business;

''(VII) shares held in an account solely for trading purposes;

''(VIII) shares over which no control is held other than control of voting rights acquired in the normal course of a proxy solicitation;

''(IX) shares or assets acquired in securing or collecting a debt previously contracted in good faith, during the 2-year period beginning on the date of such acquisition or for such additional time (not exceeding 3 years) as the Board may permit if the Board determines that such an extension will not be detrimental to the public interest;

''(X) a bank from the Federal Deposit Insurance Corporation, in any capacity; and

''(XI) a bank in an acquisition in which the bank has been found to be in danger of default by the appropriate Federal or State authority.

''(C) ENFORCEMENT OF CERTAIN ASSET LIMITATIONS.—The company may not control a savings association if such savings association, or any successor to such association, fails to comply with the requirements of section 5(c)(2) and section 10(m) of the Home Owners' Loan Act as in effect on the day before the date of the enactment of the Thrift Charter Transition Act of 1998.

''(4) GRANDFATHERED POWERS NONTRANSFERABLE.—

''(A) IN GENERAL.—Paragraph (1) shall not apply with respect to any company if after the date of the enactment of the Thrift Charter Transition Act of 1998—

''(i) any company (other than a company qualified under paragraph (2)) not under common control with such company as of that date acquires, directly, or indirectly, control of the company; or

''(ii) the company is the subject of any merger, consolidation, or other type of business combination as a result of which a company (other than a company qualified under paragraph (2)) not under common control with such company acquires, directly or indirectly, control of such company.

''(B) ANTI-EVASION.—The appropriate Federal banking agency may issue interpretations, regulations, or orders that it deems necessary to administer and carry out the purpose, and prevent evasions, of this paragraph, including determining that (notwithstanding the form of a transaction) the transaction would in substance effect a change in control.

''(5) SAVINGS AND LOAN HOLDING COMPANIES THAT BECOME BANK HOLDING COMPANIES.—

''(A) EXCLUSION FROM APPLICATION REQUIREMENT.—A company that qualifies under subparagraph (B) shall not be required to obtain the approval of the Board under subsection (a) to become a bank holding company if such company becomes a bank holding company after the date of enactment of the Thrift Charter Transition Act of 1998 as a result of the conversion of a savings association subsidiary to a bank or by virtue of the treatment of a savings association subsidiary as a bank under an amendment made by the Thrift Charter Transition Act of 1998.

''(B) COMPANIES EXCLUDED FROM APPLICATION REQUIREMENT.—A company qualifies for purposes of subparagraph (A) if the company, as of the date of the enactment of the Thrift Charter Transition Act of 1998, was a savings and loan holding company (as defined in section 10(a) of the Home Owners' Loan Act as in effect on that date) or has filed an application to become a savings and loan holding company.

''(C) SUPERVISION AND REGULATION OF COMPANIES THAT WERE PREVIOUSLY SAVINGS AND LOAN HOLDING COMPANIES.—

''(i) IN GENERAL.—Any company that qualifies under paragraph (2) and complies with paragraph (3) and was registered and regulated under section 10 of the Home Owners' Loan Act on the day before becoming a bank holding company described in paragraphs (2) and (3) shall continue to be regulated, for a period of 3 years after becoming such holding company, under the terms of section 10 of the Home Owners' Loan Act in the same manner and to the same extent and subject to the same requirements as by the Office of Thrift Supervision before the date of the enactment of the Thrift Charter Transition Act of 1998.

''(ii) HOLDING COMPANY CAPITAL EXCEPTION.—With regard to holding company capital, any company that qualifies under paragraph (2) and complies with paragraph (3) and was registered and regulated under section 10 of the Home Owners' Loan Act before June 19, 1997, or had an application pending to do so on such date, shall continue to be regulated under the terms of section 10 of the Home Owners' Loan Act in the same manner and to the same extent and subject to the same requirements as by the Office of Thrift Supervision before the date of the enactment of the Thrift Charter Transition Act of 1998.

''(iii) SUBMISSIONS TO REGULATORS.—A company shall provide for a period of 3 years after becoming a bank holding company described in paragraphs (2) and (3) the appropriate Federal banking agency with—

''(I) notice of acquisition of any company not controlled or affiliated on the date of enactment of the Thrift Charter Transition Act of 1998 that is engaged in nonbanking activities within 15 days after completion of any such transaction; and

''(II) copies of such quarterly and annual reports as it is otherwise required to file with any other governmental agency.

''(iv) REPORTING REQUIREMENTS.—The appropriate Federal banking agency may adopt, for a period of 3 years after a company becomes a bank holding company described in paragraphs (2) and (3), reporting requirements substantially similar to and no more burdensome than required by the Office of Thrift Supervision as of January 1, 1997.

''(v) REGULATORY AUTHORITY.—The appropriate Federal banking agency shall, for a period of 3 years after a company becomes a bank holding company described in paragraphs (2) and (3)—

''(I) have the same authority to examine a company or any subsidiary or affiliate thereof only to the same extent as the Office of Thrift Supervision had as of January 1, 1997; and

''(II) conduct only the same type of examination and with the same frequency as the Office of Thrift Supervision prior to January 1, 1997, unless required to prevent an unsafe or unsound activity or course of conduct of the savings institution treated as a bank pursuant to the Thrift Charter Transition Act of 1998.''.

SEC. 413. TREATMENT OF REFERENCES IN ADJUSTABLE RATE MORTGAGES.

(a) TREATMENT OF REFERENCES IN ADJUSTABLE RATE MORTGAGES ISSUED BEFORE FIRREA.—For purposes of section 402(e) of Financial Institutions Reform, Recovery, and Enactment Act of 1989 (12 U.S.C. 1437 note), any reference in such section to—

(1) the Director of the Office of Thrift Supervision shall be deemed to be a reference to the Secretary of the Treasury; and

(2) a Savings Association Insurance Fund member shall be deemed to be a reference to an insured depository institution (as defined in section 3 of the Federal Deposit Insurance Act).

(b) TREATMENT OF REFERENCES IN ADJUSTABLE RATE MORTGAGES INSTRUMENTS ISSUED AFTER FIRREA.—

(1) IN GENERAL.—For purposes of adjustable rate mortgage instruments that are in effect as of the date of enactment of this Act, any reference in the instrument to the Director of the Office of Thrift Supervision or Savings Association Insurance Fund members shall be treated as a reference to the Secretary of the Treasury or insured depository institutions (as defined in section 3 of the Federal Deposit Insurance Act), as appropriate.

(2) SUBSTITUTION FOR INDEXES.—If any index used to calculate the applicable interest rate on any adjustable rate mortgage instrument is no longer calculated and made available as a direct or indirect result of the enactment of this title, any index—

(A) made available by the Secretary of the Treasury; or

(B) determined by the Secretary of the Treasury, pursuant to paragraph (4), to be substantially similar to the index which is no longer calculated or made available,

may be substituted by the holder of any such adjustable rate mortgage instrument upon notice to the borrower.

(3) AGENCY ACTION REQUIRED TO PROVIDE CONTINUED AVAILABILITY OF INDEXES.—Promptly after the enactment of this subsection, the Secretary of the Treasury, the Chairperson of the Federal Deposit Insurance Corporation, and the Comptroller of the Currency shall take such action as may be necessary to assure that the indexes prepared by the Director of the Office of Thrift Supervision immediately before the enactment of this subsection and used to calculate the interest rate on adjustable rate mortgage instruments continue to be available.

(4) REQUIREMENTS RELATING TO SUBSTITUTE INDEXES.—If any agency can no longer make available an index pursuant to paragraph (3), an index that is substantially similar to such index may be substituted for such index for purposes of paragraph (2) if the Secretary of the Treasury determines, after notice and opportunity for comment, that—

(A) the new index is based upon data substantially similar to that of the original index; and

(B) the substitution of the new index will result in an interest rate substantially similar to the rate in effect at the time the original index became unavailable.

SEC. 414. COST OF FUNDS INDEXES.

(a) COST OF FUNDS INDEX DEFINED.—The term ''cost of funds indexed'' means any index that is published by a Federal home loan bank and is based, in whole or in part, upon the cost of funds of such bank's members.

(b) CALCULATIONS BASED ON TYPE OF CHARTER AND INSURANCE FUND MEMBERSHIP OF MEMBERS.— If any cost of funds index includes data based on charter type, insurance fund membership, or other similar characteristics of members of a Federal home loan ban, such index shall be calculated after the date of the enactment of this Act using data only from insured depository institutions which were bank members and whose data was included in such index on or before such date of enactment.

(c) ACQUISITION OF DATA.—

(1) IN GENERAL.—Each insured depository institution the data from which is required to compile a cost of funds index in accordance with subsection (b) shall provide to the Federal home loan bank which maintains the index such information as may be necessary, and in such form as may be appropriate, for the bank to calculate and publish the index.

(2) ENFORCEMENT BY BANKING AGENCIES.—Each appropriate Federal banking agency shall take such action as may be necessary to ensure that insured depository institutions which are required to provide information to any Federal home loan bank under paragraph (1) furnish such information on a timely basis and in the form required by the bank.

(3) TREATMENT OF INSTITUTIONS.—Notwithstanding any other provision of law, an insured depository institution which furnishes information to a Federal home loan bank pursuant to this section for use in compiling a cost of funds index shall not be deemed to control, directly, or indirectly, such index.

(d) CERTAIN DATA EXCLUDED.—Notwithstanding subsections (b) and (c), no cost of funds index shall include any data from any insured depository institution which results from the merger, consolidation, or other combination of a member of a Federal home loan bank with a nonmember of any such bank if—

(1) the total assets of the nonmember exceed the total assets of the bank member at the time of such merger, consolidation, or other combination; or

(2) in the case of a merger, consolidation, or other merger in which a member of a Federal home loan bank is the resulting insured depository institution, combined ration of the average amount of single-family loan balances to average total assets of all insured depository institutions involved in such merger, consolidation, or other combination for the 12-months period ending on the date of such transaction is less than 70 percent.

(e) OTHER DEFINITIONS.—For purposes of this section, the terms ''appropriate Federal banking agency'' and ''insured depository institution'' shall have the same meanings as in section 3 of the Federal Deposit Insurance Act.

Subtitle B—Ending Separate Federal Regulation of Savings Associations Branching Rights and Savings and Loan Holding Companies

SEC. 421. STATE SAVINGS ASSOCIATIONS TREATED AS STATE BANKS UNDER FEDERAL BANKING LAW.

(a) AMENDMENTS TO THE FEDERAL DEPOSIT INSURANCE ACT.—

(1) SECTION 44.—Section 44(f) of the Federal Deposit Insurance Act (12 U.S.C. 1831u(f)) is amended by adding at the end the following new paragraph:

''(12) BANK.—For purposes of this section, the term 'bank' includes any savings association.''.

(2) SECTION 3.—Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. 1813(q)) is amended—

(A) by inserting ''and'' after the semicolon at the end of paragraph (2);

(B) by striking ''; and'' at the end of paragraph (3) and inserting a period; and

(C) by striking paragraph (4).

(b) AMENDMENTS TO THE BANK HOLDING COMPANY ACT OF 1956.—

(1) Section 2(a)(5) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(a)(5)) is amended by striking subparagraph (E).

(2) Section 2(c)(1) of the Bank Holding Company Act is amended by inserting after subparagraph (C) (as added by section 133(a)(2) of this Act) the following new subparagraph:

''(D) A savings association.''.

(3) Section 2(c)(2)(B) of the Bank Holding Company Act is amended to read as follows:

''(B) [Repealed].''.

(4) Section 4(i) of the Bank Holding Company Act is amended to read as follows:

''(i) [Repealed].''.

(c) AMENDMENTS TO THE HOME OWNERS' LOAN ACT.—Section 5(r) of the Home Owners' Loan Act is amended to read as follows:

''(r) IN-STATE BRANCHES.—Subject to section 411 of the Thrift Charter Transition Act of 1998, a Federal savings association may only retain, establish, or operate branches within a State to the same extent a national bank can.''.

(d) EFFECTIVE DATE.—The amendments made by subsections (a)(2) and (b) shall take effect on January 1, 2000.

SEC. 422. AMENDMENTS TO THE HOME OWNERS' LOAN ACT.

(a) SECTIONS 1, 2, AND 3.—Sections 1, 2, and 3 of the Home Owners' Loan Act (12 U.S.C. 1461 et seq.) are amended to read as follows:

''SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

''This Act may be cited as the 'Home Owners' Loan Act'.

''TABLE OF CONTENTS

''Sec. 1. Short title and table of contents.
''Sec. 2. Definitions.
''Sec. 3. Director of the Division of Thrift Supervision.
''Sec. 4. Supervision of savings associations.
''Sec. 5. Federal savings associations.
''Sec. 6. Liquid asset requirements.
''Sec. 7. Applicability.
''Sec. 8. District associations.
''Sec. 9. Examination fees.
''Sec. 10. Qualified thrift lending and mutual holding companies.
''Sec. 11. Transactions with affiliates; extensions of credit to executive officers, directors, and principal shareholders.
''Sec. 12. Advertising.
''Sec. 13. Powers of examiners.
''Sec. 14. Separability provision.

''SEC. 2. DEFINITIONS.

''For purposes of this Act—

''(1) DIRECTOR.—The term 'Director' means the Director of the Division of Thrift Supervision.

''(2) CORPORATION.—The term 'Corporation' means the Federal Deposit Insurance Corporation.

''(3) OFFICE.—The term 'Office' means the Division of Thrift Supervision established under section 3(a).

''(4) SAVINGS ASSOCIATION.—The term 'savings association' means a savings association, as defined in section 3 of the Federal Deposit Insurance Act, the deposits of which are insured by the Corporation.

''(5) FEDERAL SAVINGS ASSOCIATION.—The term 'Federal savings association' means a Federal savings association or a Federal savings bank chartered under section 5 of this Act.

''(6) NATIONAL BANK.—The term 'national bank' has the same meaning as in section 3 of the Federal Deposit Insurance Act.

''(7) FEDERAL BANKING AGENCIES.—The term 'Federal banking agencies' means the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation.

''(8) STATE.—The term 'State' has the same meaning as in section 3 of the Federal Deposit Insurance Act.

''(9) AFFILIATE.—The term 'affiliate' means any person that controls, is controlled by, or is under common control with, a savings association, except as provided in section 10.

''SEC. 3. DIRECTOR OF THE DIVISION OF THRIFT SUPERVISION.

''(a) ESTABLISHMENT OF DIVISION.—There is established the Division of Thrift Supervision, which shall be a division of the Office of the Comptroller of the Currency.

''(b) ESTABLISHMENT OF POSITION OF DIRECTOR.—

''(1) IN GENERAL.—There is established the position of the Director of the Division of Thrift Supervision, who shall be the head of the Division of Thrift Supervision and shall be subject to the general oversight of the Comptroller of the Currency.

''(2) AUTHORITY TO PRESCRIBE REGULATIONS.—The Comptroller of the Currency, acting through the Director, may prescribe such regulations and issue such orders as the Comptroller of the Currency, acting through the Director, may determine to be necessary for carrying out this Act and all other laws within the jurisdiction of this Act.

''(3) BANKING AGENCY RULEMAKING.—The Secretary of the Treasury may not delay or prevent the issuance of any rule or the promulgation of any regulation by the Comptroller of the Currency, acting through the Director.

''(c) APPOINTMENT.—The Director shall be appointed by and serve at the pleasure of the Comptroller of the Currency.

''(d) PROHIBITION ON FINANCIAL INTERESTS.—The Director shall not have a direct or indirect financial interest in any insured depository institution, as defined in section 3 of the Federal Deposit Insurance Act.

''(e) POWERS OF THE COMPTROLLER OF THE CURRENCY WITH RESPECT TO THE SUPERVISION OF SAVINGS ASSOCIATIONS.—

''(1) IN GENERAL.—The Comptroller of the Currency shall have—

''(A) all powers which—

''(i) were vested in the Federal Home Loan Bank Board (in the Board's capacity as such) or the Chairman of such Board on the day before the date of the enactment of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989; and

''(ii) were not—

''(I) transferred to the Federal Deposit Insurance Corporation, the Federal Housing Finance Board, the Resolution Trust Corporation, or the Federal Home Loan Mortgage Corporation pursuant to any amendment made by such Act; or

''(II) established under any provision of law repealed by such Act; and

''(B) all other powers which were vested in the Director of the Office of Thrift Supervision as of the day before the date of the enactment of the Thrift Charter Transition Act of 1998.

''(2) DELEGATION.—The Comptroller of the Currency may delegate such authority to the Director as may be necessary or appropriate for purposes of carrying out this Act.

''(f) FUNDING THROUGH ASSESSMENTS.—The compensation of the Director and other employees of the Office and all other expenses thereof may be paid from assessments levied under this Act.

''(g) GAO AUDIT.—The Comptroller of the Currency, acting through the Director, shall make available to the Comptroller General of the United States all books and records necessary to audit all of the activities of the Office of Thrift Supervision.''.

(b) SECTION 10.—Section 10 of the Home Owners' Loan Act (12 U.S.C. 1467a) is amended to read as follows:

''SEC. 10. QUALIFIED THRIFT LENDING AND MUTUAL HOLDING COMPANIES.

''(a) DEFINITIONS.—

''(1) IN GENERAL.—As used in this section, unless the context otherwise requires—

''(A) SAVINGS ASSOCIATION.—The term 'savings association' includes a savings bank or cooperative bank which is deemed by the Comptroller of the Currency, acting through the Director, to be a savings association under subsection (l).

''(B) UNINSURED INSTITUTION.—The term 'uninsured institution' means any depository institution the deposits of which are not insured by the Federal Deposit Insurance Corporation.

''(C) COMPANY.—The term 'company' means any corporation, partnership, trust, joint-stock company, or similar organization, but does not include the Federal Deposit Insurance Corporation, the Resolution Trust Corporation, any Federal home loan bank, or any company the majority of the shares of which is owned by the United States or any State, or by an instrumentality of the United States or any State.

''(D) SUBSIDIARY.—The term 'subsidiary' has the same meaning as in section 3 of the Federal Deposit Insurance Act.

''(E) AFFILIATE.—The term 'affiliate' of a savings association means any person which controls, is controlled by, or is under common control with, such savings association.

''(F) BANK HOLDING COMPANY.—The terms 'bank holding company' and 'bank' have the meanings given to such terms in section 2 of the Bank Holding Company Act of 1956.

''(G) ACQUIRE.—The term 'acquire' has the meaning given to such term in section 13(f)(8) of the Federal Deposit Insurance Act.

''(2) CONTROL.—For purposes of this section, a person shall be deemed to have control of—

''(A) a savings association if the person directly or indirectly or acting in concert with one or more other persons, or through one or more subsidiaries, owns, controls, or holds with power to vote, or holds proxies representing, more than 25 percent of the voting shares of such savings association, or controls in any manner the election of a majority of the directors of such association;

''(B) any other company if the person directly or indirectly or acting in concert with one or more other persons, or through one or more subsidiaries, owns, controls, or holds with power to vote, or holds proxies representing, more than 25 percent of the voting shares or rights of such other company, or controls in any manner the election or appointment of a majority of the directors or trustees of such other company, or is a general partner in or has contributed more than 25 percent of the capital of such other company;

''(C) a trust if the person is a trustee thereof; or

''(D) a savings association or any other company if the Comptroller of the Currency, acting through the Director, determines, after reasonable notice and opportunity for hearing, that such person directly or indirectly exercises a controlling influence over the management or policies of such association or other company.

''(b) ADMINISTRATION AND ENFORCEMENT.—

''(1) IN GENERAL.—The Comptroller of the Currency may issue such regulations and orders as the Comptroller of the Currency deems necessary or appropriate to enable the Comptroller of the Currency, acting through the Director, to administer and carry out the purposes of this section, and to require compliance therewith and prevent evasions thereof.

''(2) INVESTIGATIONS.—The Comptroller of the Currency, acting through the Director, may make such investigations as the Comptroller of the Currency deems necessary or appropriate to determine whether the provisions of this section, and regulations and orders thereunder, are being and have been complied with by savings associations and mutual holding companies and subsidiaries and affiliates thereof. For the purpose of any investigation under this section, the Comptroller of the Currency, acting through the Director, may administer oaths and affirmations, issue subpoenas, take evidence, and require the production of any books, papers, correspondence, memorandums, or other records which may be relevant or material to the inquiry. The attendance of witnesses and the production of any such records may be required from any place in any State. The Comptroller of the Currency may apply to the United States district court for the judicial district (or the United States court in any territory) in which any witness or company subpoenaed resides or carries on business, for enforcement of any subpoena issued pursuant to this paragraph, and such courts shall have jurisdiction and power to order and require compliance.

''(3) PROCEEDINGS.—

''(A) IN GENERAL.—In any proceeding under subsection (a)(2)(D) or under paragraph (5) of this subsection, the Comptroller of the Currency, acting through the Director, may administer oaths and affirmations, take or cause to be taken depositions, and issue subpoenas. The Comptroller of the Currency may make regulations with respect to any

such proceedings. The attendance of witnesses and the production of documents provided for in this paragraph may be required from any place in any State or in any territory at any designated place where such proceeding is being conducted. Any party to such proceedings may apply to the United States District Court for the District of Columbia, or the United States district court for the judicial district or the United States court in any territory in which such proceeding is being conducted, or where the witness resides or carries on business, for enforcement of any subpoena issued pursuant to this paragraph, and such courts shall have jurisdiction and power to order and require compliance therewith. Witnesses subpoenaed under this section shall be paid the same fees and mileage that are paid witnesses in the district courts of the United States.

''(B) Any hearing provided for in subsection (a)(2)(D) or under paragraph (5) of this subsection shall be held in the Federal judicial district or in the territory in which the principal office of the association or other company is located unless the party afforded the hearing consents to another place, and shall be conducted in accordance with the provisions of chapter 5 of title 5, United States Code.

''(4) INJUNCTIONS.—Whenever it appears to the Comptroller of the Currency, acting through the Director, that any person is engaged or has engaged or is about to engage in any acts or practices which constitute or will constitute a violation of the provisions of this section or of any regulation or order thereunder, the Comptroller of the Currency, acting through the Director, may bring an action in the proper United States district court, or the United States court of any territory or other place subject to the jurisdiction of the United States, to enjoin such acts or practices, to enforce compliance with this section or any regulation or order, or to require the divestiture of any acquisition in violation of this section, or for any combination of the foregoing, and such courts shall have jurisdiction of such actions. Upon a proper showing an injunction, decree, restraining order, order of divestiture, or other appropriate order shall be granted without bond.

''(c) PENALTIES.—

''(1) CRIMINAL PENALTY.—

''(A) VIOLATION OF SECTION.—Whoever knowingly violates any provision of this section or being a company, violates any regulation or order issued by the Comptroller of the Currency, acting through the Director, under this section, shall be imprisoned not more than 1 year, fined not more than $100,000 per day for each day during which the violation continues, or both.

''(B) VIOLATION OF SECTION WITH INTENT TO DECEIVE, DEFRAUD, OR PROFIT SIGNIFICANTLY.—Whoever, with the intent to deceive, defraud, or profit significantly, knowingly violates any provision of this section shall be fined not more than $1,000,000 per day for each day during which the violation continues, imprisoned not more than 5 years, or both.

''(2) CIVIL MONEY PENALTY.—

''(A) PENALTY.—Any company which violates, and any person who participates in a violation of, any provision of this section, or any regulation or order issued pursuant thereto, shall forfeit and pay a civil penalty of not more than $25,000 for each day during which such violation continues.

''(B) ASSESSMENT.—Any penalty imposed under subparagraph (A) may be assessed and collected by the Comptroller of the Currency, acting through the Director, in the manner provided in subparagraphs (E), (F), (G), and (I) of section 8(i)(2) of the Federal Deposit Insurance Act for penalties imposed (under such section) and any such assessment shall be subject to the provisions of such section.

''(C) HEARING.—The company or other person against whom any civil penalty is assessed under this paragraph shall be afforded a hearing if such company or person submits a request for such hearing within 20 days after the issuance of the notice of assessment. Section 8(h) of the Federal Deposit Insurance Act shall apply to any proceeding under this paragraph.

''(D) DISBURSEMENT.—All penalties collected under authority of this paragraph shall be deposited into the Treasury.

''(E) VIOLATE DEFINED.—For purposes of this section, the term 'violate' includes any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, or aiding or abetting a violation.

''(F) REGULATIONS.—The Comptroller of the Currency, acting through the Director, shall prescribe regulations establishing such procedures as may be necessary to carry out this paragraph.

''(3) NOTICE UNDER THIS SECTION AFTER SEPARATION FROM SERVICE.—The resignation, termination of employment or participation, or separation of an institution-affiliated party (within the meaning of section 3(u) of the Federal Deposit Insurance Act) with respect to a savings and loan holding company or subsidiary thereof (including a separation caused by the deregistration of such a company or such a subsidiary) shall not affect the jurisdiction and authority of the Comptroller of the Currency, acting through the Director, to issue any notice and proceed under this section against any such party, if such notice is served before the end of the 6-year period beginning on the date such party ceased to be such a party with respect to such holding company or its subsidiary (whether such date occurs before, on, or after the date of the enactment of this paragraph).

''(d) JUDICIAL REVIEW.—Any party aggrieved by an order of the Comptroller of the Currency, acting through the Director, under this section may obtain a review of such order by filing in the court of appeals of the United States for the circuit in which the principal office of such party is located, or in the United States Court of Appeals for the District of Columbia Circuit, within 30 days after the date of service of such order, a written petition praying that the order of the Comptroller of the Currency be modified, terminated, or set aside. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Comptroller of the Currency, and thereupon the Comptroller of the Currency, acting through the Director, shall file in the court the record in the proceeding, as provided in section 2112 of title 28, United States Code. Upon the filing of such petition, such court shall have jurisdiction, which upon the filing of the record shall be exclusive, to affirm, modify, terminate, or set aside, in whole or in part, the order of the Comptroller of the Currency. Review of such proceedings shall be had as provided in chapter 7 of title 5, United States Code. The judgment and decree of the court shall be final, except that the same shall be subject to review by the Supreme Court upon certiorari as provided in section 1254 of title 28, United States Code.

''(e) TREATMENT OF FDIC INSURED STATE SAVINGS BANKS AND COOPERATIVE BANKS AS SAVINGS ASSOCIATIONS.—

''(1) IN GENERAL.—Notwithstanding any other provision of law, a savings bank (as defined in section 3(g) of the Federal Deposit Insurance Act) and a cooperative bank that is an insured bank (as defined in section 3(h) of the Federal Deposit Insurance Act) upon application shall be deemed to be a savings association for the purpose of this section, if the Comptroller of the Currency, acting through the Director, determines that such bank is a qualified thrift lender (as determined under subsection (f)).

(2) FAILURE TO MAINTAIN QUALIFIED THRIFT LENDER STATUS.—If any savings bank which is deemed to be a savings association under paragraph (1) subsequently fails to maintain its status as a qualified thrift lender, as determined by the Comptroller of the Currency (acting through the Director), such bank may not thereafter be a qualified thrift lender for a period of 5 years.

''(f) QUALIFIED THRIFT LENDER TEST.—

''(1) IN GENERAL.—Except as provided in paragraphs (2) and (7), any savings association is a qualified thrift lender if—

''(A) either—

''(i) the savings association qualifies as a domestic building and loan association, as such term is defined in section 7701(a)(19) of the Internal Revenue Code of 1986; or

''(ii)(I) the savings association's qualified thrift investments equal or exceed 65 percent of the savings association's portfolio assets; and

''(II) the savings association's qualified thrift investments continue to equal or exceed 65 percent of the savings association's portfolio assets on a monthly average basis in 9 out of every 12 months; and

''(B) at least 10 percent of the portfolio assets of the savings association consists of mortgages secured by domestic residential housing or manufactured homes or securities backed by or representing an interest in mortgages which were originated by the savings association and sold within 90 days of origination and are backed by domestic residential housing or manufactured homes.

''(2) EXCEPTIONS GRANTED BY COMPTROLLER OF THE CURRENCY, ACTING THROUGH THE DIRECTOR.—Notwithstanding paragraph (1), the Comptroller of the Currency, acting through the Director, may grant such temporary and limited exceptions from the minimum actual thrift investment percentage requirement contained in such paragraph as the Comptroller of the Currency, acting through the Director, deems necessary if—

''(A) the Comptroller of the Currency, acting through the Director, determines that extraordinary circumstances exist, such as when the effects of high interest rates reduce mortgage demand to such a degree that an insufficient opportunity exists for a savings association to meet such investment requirements; or

''(B) the Comptroller of the Currency, acting through the Director, determines that—

''(i) the grant of any such exception will significantly facilitate an acquisition under section 13(c) or 13(k) of the Federal Deposit Insurance Act;

''(ii) the acquired association will comply with the transition requirements of paragraph (7)(B), as if the date of the exemption were the starting date for the transition period described in that paragraph; and

''(iii) the Comptroller of the Currency, acting through the Director, determines that the exemption will not have an undue adverse effect on competing savings associations in the relevant market and will further the purposes of this subsection.

''(3) FAILURE TO BECOME AND REMAIN A QUALIFIED THRIFT LENDER.—

''(A) IN GENERAL.—A savings association that fails to become or remain a qualified thrift lender shall either become one or more banks (other than a savings bank) or be subject to subparagraph (B), except as provided in subparagraph (D).

''(B) RESTRICTIONS APPLICABLE TO SAVINGS ASSOCIATIONS THAT ARE NOT QUALIFIED THRIFT LENDERS.—

''(i) RESTRICTIONS EFFECTIVE IMMEDIATELY.—The following restrictions shall apply to a savings association beginning on the date on which the savings association should have become or ceases to be a qualified thrift lender:

''(I) ACTIVITIES.—The savings association shall not make any new investment (including an investment in a subsidiary) or engage, directly or indirectly, in any other new activity unless that investment or activity would be permissible for the savings association if it were a national bank, and is also permissible for the savings association as a savings association.

''(II) ADVANCES.—The savings association shall not be eligible to obtain new advances from any Federal home loan bank.

''(III) DIVIDENDS.—The savings association shall be subject to all statutes and regulations governing the payment of dividends by a national bank in the same manner and to the same extent as if the savings association were a national bank.

''(ii) ADDITIONAL RESTRICTIONS EFFECTIVE AFTER THREE YEARS.—The following additional restrictions shall apply to a savings association beginning 3 years after the date on which the savings association should have become or ceases to be a qualified thrift lender:

''(I) ACTIVITIES.—The savings association shall not retain any investment (including an investment in any subsidiary) or engage, directly or indirectly, in any activity unless that investment or activity would be permissible for the savings association if it were a national bank, and is also permissible for the savings association as a savings association.

''(II) ADVANCES.—The savings association shall repay any outstanding advances from any Federal home loan bank as promptly as can be prudently done consistent with the safe and sound operation of the savings association.

''(C) REQUALIFICATION.—A savings association that should have become or ceases to be a qualified thrift lender shall not be subject to subparagraph (B) if the savings association becomes a qualified thrift lender by meeting the qualified thrift lender requirement in paragraph (1) on a monthly average basis in 9 out of the preceding 12 months and remains a qualified thrift lender. If the savings association (or any savings association that acquired all or substantially all of its assets from that savings association) at any time thereafter ceases to be a qualified thrift lender, it shall immediately be subject to all provisions of subparagraphs (B) as if all the periods described in subparagraph (B)(ii) had expired.

''(D) DEPOSIT INSURANCE ASSESSMENTS.—Any bank chartered as a result of the requirements of this section shall be obligated until December 31, 1993, to pay to the Savings Association Insurance Fund the assessments assessed on savings associations under the Federal Deposit Insurance Act. Such association shall also be assessed, on the date of its change of status from a Savings Association Insurance Fund member, the exit fee and entrance fee provided in section 5(d) of the Federal Deposit Insurance Act. Such institution shall not be obligated to pay the assessments assessed on banks under the Federal Deposit Insurance Act until—

''(i) December 31, 1993, or

''(ii) the institution's change of status from a Savings Association Insurance Fund member to a Bank Insurance Fund member, whichever is later.

''(E) EXEMPTION FOR SPECIALIZED SAVINGS ASSOCIATIONS SERVING CERTAIN MILITARY PERSONNEL.—Subparagraph (A) shall not apply to a savings association subsidiary of a holding company if at least 90 percent of the customers of the holding company and its subsidiaries and affiliates are active or former members in the United States military services or the widows, widowers, divorced spouses, or current or former dependents of such members.

''(G) EXEMPTION FOR CERTAIN FEDERAL SAVINGS ASSOCIATIONS.—This paragraph shall not apply to any Federal savings association in existence as a Federal savings association on the date of enactment of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989—

''(i) that was chartered before October 15, 1982, as a savings bank or a cooperative bank under State law; or

''(ii) that acquired its principal assets from an association that was chartered before October 15, 1982, as a savings bank or a cooperative bank under State law.

''(H) NO CIRCUMVENTION OF EXIT MORATORIUM.—Subparagraph (A) of this paragraph shall not be construed as permitting any insured depository institution to engage in any conversion transaction prohibited under section 5(d) of the Federal Deposit Insurance Act.

''(4) DEFINITIONS.—For purposes of this subsection, the following definitions shall apply:

''(A) ACTUAL THRIFT INVESTMENT PERCENTAGE.—The term 'actual thrift investment percentage' means the percentage determined by dividing—

''(i) the amount of a savings association's qualified thrift investments, by

''(ii) the amount of the savings association's portfolio assets.

''(B) PORTFOLIO ASSETS.—The term 'portfolio assets' means, with respect to any savings association, the total assets of the savings association, minus the sum of—

''(i) goodwill and other intangible assets;

''(ii) the value of property used by the savings association to conduct its business; and

''(iii) liquid assets of the type required to be maintained under section 6 of the Home Owners' Loan Act, in an amount not exceeding the amount equal to 20 percent of the savings association's total assets.

''(C) QUALIFIED THRIFT INVESTMENTS.—

''(i) IN GENERAL.—The term 'qualified thrift investments' means, with respect to any savings association, the assets of the savings association that are described in clauses (ii) and (iii).

''(ii) ASSETS INCLUDIBLE WITHOUT LIMIT.—The following assets are described in this clause for purposes of clause (i):

''(I) The aggregate amount of loans held by the savings association that were made to purchase, refinance, construct, improve, or repair domestic residential housing or manufactured housing.

''(II) Home-equity loans.

''(III) Securities backed by or representing an interest in mortgages on domestic residential housing or manufactured housing.

''(IV) EXISTING OBLIGATIONS OF DEPOSIT INSURANCE AGENCIES.—Direct or indirect obligations of the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation issued in accordance with the terms of agreements entered into prior to July 1, 1989, for the 10-year period beginning on the date of issuance of such obligations.

''(V) NEW OBLIGATIONS OF DEPOSIT INSURANCE AGENCIES.—Obligations of the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, the FSLIC Resolution Fund, and the Resolution Trust Corporation issued in accordance with the terms of agreements entered into on or after July 1, 1989, for the 5-year period beginning on the date of issuance of such obligations.

''(VI) Shares of stock issued by any Federal home loan bank.

''(VII) Loans for educational purposes, loans to small businesses, and loans made through credit cards or credit card accounts.

''(iii) ASSETS INCLUDIBLE SUBJECT TO PERCENTAGE RESTRICTION.—The following assets are described in this clause for purposes of clause (i):

''(I) 50 percent of the dollar amount of the residential mortgage loans originated by such savings association and sold within 90 days of origination.

''(II) Investments in the capital stock or obligations of, and any other security issued by, any service corporation if such service corporation derives at least 80 percent of its annual gross revenues from activities directly related to purchasing, refinancing, constructing, improving, or repairing domestic residential real estate or manufactured housing.

''(III) 200 percent of the dollar amount of loans and investments made to acquire, develop, and construct 1- to 4-family residences the purchase price of which is or is guaranteed to be not greater than 60 percent of the median value of comparable newly constructed 1- to 4-family residences within the local community in which such real estate is located, except that not more than 25 percent of the amount included under this subclause may consist of commercial properties related to the development if those properties are directly related to providing services to residents of the development.

''(IV) 200 percent of the dollar amount of loans for the acquisition or improvement of residential real property, churches, schools, and nursing homes located within, and loans for any other purpose to any small businesses located within any area which has been identified by the Comptroller of the Currency, acting through the Director, in connection with any review or examination of community reinvestment practices, as a geographic area or neighborhood in which the credit needs of the low- and moderate-income residents of such area or neighborhood are not being adequately met.

''(V) Loans for the purchase or construction of churches, schools, nursing homes, and hospitals, other than those qualifying under clause (IV), and loans for the improvement and upkeep of such properties.

''(VI) Loans for personal, family, or household purposes (other than loans for personal, family, or household purposes described in clause (ii)(VII)).

''(VII) Shares of stock issued by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association.

''(iv) PERCENTAGE RESTRICTION APPLICABLE TO CERTAIN ASSETS.—The aggregate amount of the assets described in clause (iii) which may be taken into account in determining the amount of the qualified thrift investments of any savings association shall not exceed the amount which is equal to 20 percent of a savings association's portfolio assets.

''(v) EXCLUSIONS FROM DEFINITION OF QUALIFIED THRIFT INVESTMENTS.—The term 'qualified thrift investments' excludes—

''(I) except for home equity loans, that portion of any loan or investment that is used for any purpose other than those expressly qualifying under any subparagraph of clause (ii) or (iii); or

''(II) goodwill or any other intangible asset.

''(D) CREDIT CARD.—The Comptroller of the Currency, acting through the Director, shall issue such regulations as may be necessary to define the term 'credit card'.

''(E) SMALL BUSINESS.—The Comptroller of the Currency, acting through the Director, shall issue such regulations as may be necessary to define the term 'small business'.

''(5) CONSISTENT ACCOUNTING REQUIRED.—

''(A) In determining the amount of a savings association's portfolio assets, the assets of any subsidiary of the savings association shall be consolidated with the assets of the savings association if—

''(i) Assets of the subsidiary are consolidated with the assets of the savings association in determining the savings association's qualified thrift investments; or

''(ii) Residential mortgage loans originated by the subsidiary are included pursuant to paragraph (4)(C)(iii)(I) in determining the savings association's qualified thrift investments.

''(B) In determining the amount of a savings association's portfolio assets and qualified thrift investments, consistent accounting principles shall be applied.

''(6) SPECIAL RULES FOR PUERTO RICO AND VIRGIN ISLANDS SAVINGS ASSOCIATIONS.—

''(A) PUERTO RICO SAVINGS ASSOCIATIONS.—With respect to any savings association headquartered and operating primarily in Puerto Rico—

''(i) the term 'qualified thrift investments' includes, in addition to the items specified in paragraph (4)—

''(I) the aggregate amount of loans for personal, family, educational, or household purposes made to persons residing or domiciled in the Commonwealth of Puerto Rico; and

''(II) the aggregate amount of loans for the acquisition or improvement of churches, schools, or nursing homes, and of loans to small businesses, located within the Commonwealth of Puerto Rico; and

''(ii) the aggregate amount of loans related to the purchase, acquisition, development and construction of 1- to 4-family residential real estate—

''(I) which is located within the Commonwealth of Puerto Rico; and

''(II) the value of which (at the time of acquisition or upon completion of the development and construction) is below the median value of newly constructed 1- to 4-family residences in the Commonwealth of Puerto Rico, which may be taken into account in determining the amount of the qualified thrift investments and of such savings association shall be doubled.

''(B) VIRGIN ISLANDS SAVINGS ASSOCIATIONS.—With respect to any savings association headquartered and operating primarily in the Virgin Islands—

''(i) the term 'qualified thrift investments' includes, in addition to the items specified in paragraph (4)—

''(I) the aggregate amount of loans for personal, family, educational, or household purposes made to persons residing or domiciled in the Virgin Islands; and

''(II) the aggregate amount of loans for the acquisition or improvement of churches, schools, or nursing homes, and of loans to small businesses, located within the Virgin Islands; and

''(ii) the aggregate amount of loans related to the purchase, acquisition, development and construction of 1- to 4-family residential real estate—

''(I) which is located within the Virgin Islands; and

''(II) the value of which (at the time of acquisition or upon completion of the development and construction) is below the median value of newly constructed 1- to 4-family residences in the Virgin Islands, which may be taken into account in determining the amount of the qualified thrift investments and of such savings association shall be doubled.

''(7) TRANSITIONAL RULE FOR CERTAIN SAVINGS ASSOCIATIONS.—

''(A) IN GENERAL.—If any Federal savings association in existence as a Federal savings association on the date of enactment of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989—

''(i) that was chartered as a savings bank or a cooperative bank under State law before October 15, 1982; or

''(ii) that acquired its principal assets from an association that was chartered before October 15, 1982, as a savings bank or a cooperative bank under State law,

meets the requirements of subparagraph (B), such savings association shall be treated as a qualified thrift lender during the period ending on September 30, 1995.

''(B) SUBPARAGRAPH (B) REQUIREMENTS.—A savings association meets the requirements of this subparagraph if, in the determination of the Comptroller of the Currency, acting through the Director—

''(i) the actual thrift investment percentage of such association does not, after the date of enactment of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, decrease below the actual thrift investment percentage of such association on July 15, 1989; and

''(ii) the amount by which—

''(I) the actual thrift investment percentage of such association at the end of each period described in the following table, exceeds

''(II) the actual thrift investment percentage of such association on July 15, 1989,

is equal to or greater than the applicable percentage (as determined under the following table) of the amount by which 70 percent exceeds the actual thrift investment percentage of such association on such date of enactment:

For the following period:	The applicable percentage is:
July 1, 1991–September 30, 1992	25 percent
October 1, 1992–March 31, 1994	50 percent
April 1, 1994–September 30, 1995	75 percent
Thereafter	100 percent

''(C) For purposes of this paragraph, the actual thrift investment percentage of an association on July 15, 1989, shall be determined by applying the definition of 'actual thrift investment percentage' that takes effect on July 1, 1991.

''(g) MUTUAL HOLDING COMPANIES.—

''(1) IN GENERAL.—A savings association operating in mutual form may reorganize so as to become a holding company by—

''(A) chartering an interim savings association, the stock of which is to be wholly owned, except as otherwise provided in this section, by the mutual association; and

''(B) transferring the substantial part of its assets and liabilities, including all of its insured liabilities, to the interim savings association.

''(2) DIRECTORS AND CERTAIN ACCOUNT HOLDERS' APPROVAL OF PLAN REQUIRED.—A reorganization is not authorized under this subsection unless—

''(A) a plan providing for such reorganization has been approved by a majority of the board of directors of the mutual savings association; and

''(B) in the case of an association in which holders of accounts and obligors exercise voting rights, such plan has been submitted to and approved by a majority of such individuals at a meeting held at the call of the directors in accordance with the procedures prescribed by the association's charter and bylaws.

''(3) NOTICE TO THE DIRECTOR; DISAPPROVAL PERIOD.—

''(A) NOTICE REQUIRED.—At least 60 days prior to taking any action described in paragraph (1), a savings association seeking to establish a mutual holding company shall provide written notice to the Comptroller of the Currency. The notice shall contain such relevant information as the Comptroller of the Currency, acting through the Director, shall require by regulation or by specific request in connection with any particular notice.

''(B) TRANSACTION ALLOWED IF NOT DISAPPROVED.—Unless the Comptroller of the Currency, acting through the Director, within such 60-day notice period disapproves the proposed holding company formation, or extends for another 30 days the period during which such disapproval may be issued, the savings association providing such notice may proceed with the transaction, if the requirements of paragraph (2) have been met.

''(C) GROUNDS FOR DISAPPROVAL.—The Comptroller of the Currency, acting through the Director, may disapprove any proposed holding company formation only if—

''(i) such disapproval is necessary to prevent unsafe or unsound practices;

''(ii) the financial or management resources of the savings association involved warrant disapproval;

''(iii) the savings association fails to furnish the information required under subparagraph (A); or

''(iv) the savings association fails to comply with the requirement of paragraph (2).

''(D) RETENTION OF CAPITAL ASSETS.—In connection with the transaction described in paragraph (1), a savings association may, subject to the approval of the Comptroller of the Currency (acting through the Director), retain capital assets at the holding company level to the extent that such capital exceeds the association's capital requirement established by the Comptroller of the Currency, acting through the Director, pursuant to subsections (s) and (t) of section 5.

''(4) OWNERSHIP.—

''(A) IN GENERAL.—Persons having ownership rights in the mutual association pursuant to section 5(b)(1)(B) of this Act or State law shall have the same ownership rights with respect to the mutual holding company.

''(B) HOLDERS OF CERTAIN ACCOUNTS.—Holders of savings, demand or other accounts of—

''(i) a savings association chartered as part of a transaction described in paragraph (1); or

''(ii) a mutual savings association acquired pursuant to paragraph (5)(B),

shall have the same ownership rights with respect to the mutual holding company as persons described in subparagraph (A) of this paragraph.

''(5) PERMITTED ACTIVITIES.—A mutual holding company may engage only in the following activities:

''(A) Investing in the stock of a savings association.

''(B) Acquiring a mutual association through the merger of such association into a savings association subsidiary of such holding company or an interim savings association subsidiary of such holding company.

''(C) Subject to paragraph (6), merging with or acquiring another holding company, one of whose subsidiaries is a savings association.

''(D) Investing in a corporation the capital stock of which is available for purchase by a savings association under Federal law or under the law of any State where the subsidiary savings association or associations have their home offices.

''(6) LIMITATIONS ON CERTAIN ACTIVITIES OF ACQUIRED HOLDING COMPANIES.—

''(A) NEW ACTIVITIES.—If a mutual holding company acquires or merges with another holding company under paragraph (5)(C), the holding company acquired or the holding

company resulting from such merger or acquisition may only invest in assets and engage in activities which are authorized under paragraph (5).

''(B) GRACE PERIOD FOR DIVESTING PROHIBITED ASSETS OR DISCONTINUING PROHIBITED ACTIVITIES.—Not later than 2 years following a merger or acquisition described in paragraph (5)(C), the acquired holding company or the holding company resulting from such merger or acquisition shall—

''(i) dispose of any asset which is an asset in which a mutual holding company may not invest under paragraph (5); and

''(ii) cease any activity which is an activity in which a mutual holding company may not engage under paragraph (5).

''(7) REGULATION.—A mutual holding company shall be chartered by the Comptroller of the Currency, acting through the Director, and shall be subject to such regulations as the Comptroller of the Currency, acting through the Director, may prescribe. A mutual holding company shall be subject to the other requirements of the Bank Holding Company Act of 1956 regarding regulation of holding companies.

''(8) CAPITAL IMPROVEMENT.—

''(A) PLEDGE OF STOCK OF SAVINGS ASSOCIATION SUBSIDIARY.—This section shall not prohibit a mutual holding company from pledging all or a portion of the stock of a savings association chartered as part of a transaction described in paragraph (1) to raise capital for such savings association.

''(B) ISSUANCE OF NONVOTING SHARES.—This section shall not prohibit a savings association chartered as part of a transaction described in paragraph (1) from issuing any nonvoting shares or less than 50 percent of the voting shares of such association to any person other than the mutual holding company.

''(9) INSOLVENCY AND LIQUIDATION.—

''(A) IN GENERAL.—Notwithstanding any provision of law, upon—

''(i) the default of any savings association—

''(I) the stock of which is owned by any mutual holding company; and

''(II) which was chartered in a transaction described in paragraph (1);

''(ii) the default of a mutual holding company; or

''(iii) a foreclosure on a pledge by a mutual holding company described in paragraph (8)(A),

a trustee shall be appointed receiver of such mutual holding company and such trustee shall have the authority to liquidate the assets of, and satisfy the liabilities of, such mutual holding company pursuant to title 11, United States Code.

''(B) DISTRIBUTION OF NET PROCEEDS.—Except as provided in subparagraph (C), the net proceeds of any liquidation of any mutual holding company pursuant to subparagraph (A) shall be transferred to persons who hold ownership interests in such mutual holding company.

''(C) RECOVERY BY CORPORATION.—If the Corporation incurs a loss as a result of the default of any savings association subsidiary of a mutual holding company which is liquidated pursuant to subparagraph (A), the Corporation shall succeed to the ownership interests of the depositors of such savings association in the mutual holding company, to the extent of the Corporation's loss.

''(10) DEFINITIONS.—For purposes of this subsection—

''(A) MUTUAL HOLDING COMPANY.—The term 'mutual holding company' means a corporation organized as a holding company under this subsection.

''(B) MUTUAL ASSOCIATION.—The term 'mutual association' means a savings association which is operating in mutual form.

''(C) DEFAULT.—The term 'default' means an adjudication or other official determination of a court of competent jurisdiction or other public authority pursuant to which a conservator, receiver, or other legal custodian is appointed.

''(h) MERGERS, CONSOLIDATIONS, AND OTHER ACQUISITIONS AUTHORIZED.—

''(1) IN GENERAL.—Subject to sections 5(d)(3) and 18(c) of the Federal Deposit Insurance Act and all other applicable laws, any Federal savings association may acquire or be acquired by any insured depository institution.

''(2) EXPEDITED APPROVAL OF ACQUISITIONS.—

''(A) IN GENERAL.—Any application by a savings association to acquire or be acquired by another insured depository institution which is required to be filed with the Comptroller of the Currency under any applicable law or regulation shall be approved or disapproved in writing by the Comptroller of the Currency, acting through the Director, before the end of the 60-day period beginning on the date such application is filed with the agency.

''(B) EXTENSION OF PERIOD.—The period for approval or disapproval referred to in subparagraph (A) may be extended for an additional 30-day period if the Comptroller of the Currency, acting through the Director, determines that—

''(i) an applicant has not furnished all of the information required to be submitted; or

''(ii) in the judgment of the Comptroller of the Currency, acting through the Director, any material information submitted is substantially inaccurate or incomplete.

''(3) ACQUIRE DEFINED.—For purposes of this subsection, the term 'acquire' means to acquire, directly or indirectly, ownership or control through a merger or consolidation or an acquisition of assets or assumption of liabilities, provided that following such merger, consolidation, or acquisition, an acquiring insured depository institution may not own the shares of the acquired insured depository institution.

''(4) REGULATIONS.—

''(A) REQUIRED.—The Comptroller of the Currency, acting through the Director, shall prescribe such regulations as may be necessary to carry out paragraph (1).

''(B) EFFECTIVE DATE.—The regulations required under subparagraph (A) shall—

''(i) be prescribed in final form before the end of the 90-day period beginning on the date of the enactment of this subsection; and

''(ii) take effect before the end of the 120-day period beginning on such date.

''(5) LIMITATION.—No provision of this section shall be construed to authorize a national bank or any subsidiary thereof to engage in any activity not otherwise authorized under the National Bank Act or any other law governing the powers of a national bank.''.

SEC. 423. CONFORMING AMENDMENT RELATING TO MERGER OF DEPOSIT INSURANCE FUNDS.

Section 2704(c) of the Economic Growth and Regulatory Paperwork Reduction Act of 1996 is amended to read as follows:

''(c) EFFECTIVE DATE.—This section and the amendments made by this section shall take effect on January 1, 2000.''.

SEC. 424. CONFORMING AMENDMENTS TO THE FEDERAL HOME LOAN BANK ACT.

(a) AMENDMENT TO SECTION 18.—Section 18(c) of the Federal Home Loan Bank Act (12 U.S.C. 1438(c)) is repealed.

(b) AMENDMENT TO SECTION 22.—Section 22(a) of the Federal Home Loan Bank Act (12 U.S.C. 1442(a)) is amended by striking '', and the Director of the Office of Thrift Supervision'' each place such appears and inserting ''and'' before ''the Chairperson of the National Credit Union Administration''.

(c) EFFECTIVE DATE.—This section shall become effective 2 years after the date of enactment of this Act.

Subtitle C—Combining OTS and OCC

SEC. 431. PROHIBITION OF MERGER OR CONSOLIDATION REPEALED.

Section 321 of title 31, United States Code, is amended by striking subsection (e).

SEC. 432. SECRETARY OF THE TREASURY REQUIRED TO FORMULATE PLANS FOR COMBINING OFFICE OF THRIFT SUPERVISION WITH OFFICE OF THE COMPTROLLER OF THE CURRENCY.

(a) IN GENERAL.—Not later than 9 months after the date of the enactment of this Act, the Secretary of the Treasury, in consultation with the Director of the Office of Thrift Supervision and the Comptroller of the Currency, shall formulate a plan for consolidating the Office of Thrift Supervision with the Office of the Comptroller of the Currency by January 1, 2000.

(b) CONSULTATION.—In formulating the plan pursuant to subsection (a), the Secretary of the Treasury shall consult with the Board of Governors of the Federal Reserve System with regard to the transfer of the regulation of savings and loan holding companies from the Director of the Office of Thrift Supervision to the Board.

(c) IMPLEMENTATION.—The Director of the Office of Thrift Supervision and the Comptroller of the Currency shall implement that plan, notwithstanding any other provision of Federal banking laws.

SEC. 433. OFFICE OF THRIFT SUPERVISION AND POSITION OF DIRECTOR OF THE OFFICE OF THRIFT SUPERVISION ABOLISHED.

Effective January 1, 2000, the Office of Thrift Supervision and the position of Director of the Office of Thrift Supervision are abolished.

SEC. 434. RECONFIGURATION OF BOARD OF DIRECTORS OF FDIC AS A RESULT OF REMOVAL OF DIRECTOR OF THE OFFICE OF THRIFT SUPERVISION.

(a) IN GENERAL.—Section 2(a)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1812(a)(1)) is amended to read as follows:

''(1) IN GENERAL.—The management of the Corporation shall be vested in a Board of Directors consisting of 5 members—

''(A) 1 of whom shall be the Comptroller of the Currency; and

''(B) 4 of whom shall be appointed by the President, and with the advice and consent of the Senate, from among individuals who are citizens of the United States, 1 of whom shall have State bank supervisory experience.''.

(b) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 2(d)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1812(d)(2)) is amended—

(A) by striking ''or the office of Director of the Office of Thrift Supervision'';

(B) by striking ''or such Director'';

(C) by striking ''or the acting Director of the Office of Thrift Supervision, as the case may be''; and

(D) by striking ''or Director''.

(2) Section 2(f)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1812(f)(2)) is amended by striking ''or of the Office of Thrift Supervision''.

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall take effect on January 1, 2000.

SEC. 435. CONTINUATION PROVISIONS.

(a) CONTINUATION OF ORDERS, RESOLUTIONS, DETERMINATIONS AND REGULATIONS.—All orders, resolutions, determinations and regulations of the Office of Thrift Supervision that have been issued, made, prescribed or allowed to become effective by the Office of

Thrift Supervision (including orders, resolutions, determinations and regulations that relate to the conduct of conservatorship and receiverships), or by a court of competent jurisdiction, and are in effect on the day before the date of enactment, shall continue in effect according to the terms of such orders, resolutions, determinations, and regulations and shall be enforceable by or against the appropriate successor agency until modified, terminated, set aside or superseded in accordance with applicable law by the appropriate successor agency or by a court of competent jurisdiction or by operation of law.

(b) CONTINUATION OF SUITS.—No action or other proceeding commenced by or against the Office of Thrift Supervision shall abate because of the enactment of this Act, except that the appropriate successor agency to the Office of Thrift Supervision shall be substituted for the Office of Thrift Supervision as a party to any such action or proceeding.

(c) CONTINUATION OF AGENCY SERVICES.—Any agency, department, or other instrumentality of the United States, and any successor to such agency, department, or instrumentality, that was providing supporting services to the Office of Thrift Supervision shall—

(1) continue to provide such services, on a reimbursable basis or as otherwise agreed before the date of enactment, to the Office of Thrift Supervision; and

(2) consult with the Office of Thrift Supervision to coordinate and facilitate a prompt and reasonable completion or termination of such services.

(d) TRANSFER OF PROPERTY.—Not later than two years of the date of enactment, all property of the Office of Thrift Supervision shall be transferred to the Office of the Comptroller of the Currency, or another appropriate successor agency, in accordance with the division of responsibilities and activities effected by this Act. For purposes of this subsection, the term ''property'' includes, but is not limited to, all interests in real property and all personal property, including financial assets, computer hardware and software, furniture, fixtures, books, accounts, records, reports of examination, work papers and correspondence related to such reports of examination, and any information, materials, property, and assets not specifically listed. The Secretary of the Treasury shall resolve any disagreement between successor agencies.