

in the event that one of the parties involved becomes insolvent. This legislation would also harmonize the treatment of financial instruments under the bankruptcy code and the banking insolvency laws.

The legislation that I am introducing is based largely on the recommendations made in March of 1998 by the President's Working Group on Financial Markets. This same working group reiterated on April 29th of this year, in their report on hedge fund activity, that Congress should pass this legislation. However, in an effort to keep this legislation free and separate from the ongoing bankruptcy debate, I am only introducing those portions of the proposal which amend banking law. I will be chairing a hearing on this legislation on the Financial Institutions Subcommittee tomorrow morning.

Since the adoption of the Bankruptcy Code in 1978, Congress has recognized that certain financial market transactions qualify for different treatment in the event that one of the parties becomes insolvent. Specifically, many financial instruments are exempted from the automatic stay that is imposed on general commercial contracts during a bankruptcy proceeding. This is largely due to the fact that the Federal Deposit Insurance Corporation (FDIC), by law, becomes a trustee during any bankruptcy proceeding.

Mr. President, the ability to terminate, or close out and "net" financial products is an essential and vital part of our capital markets. Congress has recognized that participants in swap transactions should have the ability to terminate and "net" their swap agreements. Simply put, netting means that money payments or other obligations owed between parties with multiple contracts can be offset against each other, and one net amount can be paid by one party to the other in settlement. Cross-product netting means that parties can net out different kinds of financial contracts, such as swap agreements being offset with repurchase agreements. By eliminating the need for large fund transfers for each transaction in favor of a smaller net payment, netting allows parties to enter into multiple-transaction relationships with reduced credit and liquidity exposures to a counterparty's insolvency.

Many parties involved in financial transactions have entered into them for hedging purposes. My legislation encourages this type of behavior by clarifying that cross-product close-out netting should be permitted for positions in securities contracts, commodity contracts, forward contracts, repurchase agreements and swaps.

For example, in certain cases, the protections for financial contracts in the bank insolvency laws have not kept pace with market evolution. Assume, for example, that Party A and Party B

have two outstanding equity swaps in which the payments are calculated on the basis of an equity securities index. If Party A enter insolvency, it is not entirely clear whether Party B's contractual rights to close-out and net would be protected by the current "swap agreement" definition in the Federal Deposit Insurance Act. If both of the parties are "financial institutions" under the Federal Deposit Insurance Corporation Improvement Act or the Federal Reserve Board's Regulation EE and the swap agreements are "netting contracts," then Party B might (although it is not entirely clear) be able to exercise its close-out, netting and foreclosure rights.

However, if one of the parties is not a "financial institution" or the contract does not constitute a "netting contract" (for example, because it is governed by the laws of the United Kingdom), then Party B could be subject, among other things, to the risk of "cherry-picking"—the risk that Party A's receiver would assume responsibility only for the swap that currently favors Party A, leaving Party B with a potentially sizable claim against Party A (which would be undersecured because of the impairment of netting) and the risk that its foreclosure on any collateral would be blocked indefinitely. This could impair Party B's creditworthiness, which in turn could lead to its default to its counterparties. It is this sort of "chain reaction" that can exacerbate systemic risk in the financial markets.

Finally, Mr. President, it is important to recognize that the framework for the bill I am introducing was contained in S. 1301, the bankruptcy bill introduced by Senator GRASSLEY last year which passed the Senate by a vote of 97-1.

#### ADDITIONAL COSPONSORS

S. 341

At the request of Mr. CRAIG, the name of the Senator from New Hampshire [Mr. SMITH] was added as a cosponsor of S. 341, a bill to amend the Internal Revenue Code of 1986 to increase the amount allowable for qualified adoption expenses, to permanently extend the credit for adoption expenses, and to adjust the limitations on such credit for inflation, and for other purposes.

S. 376

At the request of Mr. BURNS, the name of the Senator from Maine [Ms. SNOWE] was added as a cosponsor of S. 376, a bill to amend the Communications Satellite Act of 1962 to promote competition and privatization in satellite communications, and for other purposes.

S. 385

At the request of Mr. ENZI, the names of the Senator from Tennessee [Mr.

FRIST] and the Senator from Kansas [Mr. BROWNBACK] were added as cosponsors of S. 385, a bill to amend the Occupational Safety and Health Act of 1970 to further improve the safety and health of working environments, and for other purposes.

S. 434

At the request of Mr. BREAU, the name of the Senator from Louisiana [Ms. LANDRIEU] was added as a cosponsor of S. 434, a bill to amend the Internal Revenue Code of 1986 to simplify the method of payment of taxes on distilled spirits.

S. 440

At the request of Mr. DURBIN, his name was added as a cosponsor of S. 440, a bill to provide support for certain institutes and schools.

S. 505

At the request of Mr. GRASSLEY, the names of the Senator from South Dakota [Mr. DASCHLE] and the Senator from Montana [Mr. BAUCUS] were added as cosponsors of S. 505, a bill to give gifted and talented students the opportunity to develop their capabilities.

S. 512

At the request of Mr. GORTON, the name of the Senator from Connecticut [Mr. DODD] was added as a cosponsor of S. 512, a bill to amend the Public Health Service Act to provide for the expansion, intensification, and coordination of the activities of the Department of Health and Human Services with respect to research on autism.

S. 514

At the request of Mr. COCHRAN, the name of the Senator from Montana [Mr. BAUCUS] was added as a cosponsor of S. 514, a bill to improve the National Writing Project.

S. 625

At the request of Mr. GRASSLEY, the name of the Senator from Virginia [Mr. ROBB] was added as a cosponsor of S. 625, a bill to amend title 11, United States Code, and for other purposes.

S. 710

At the request of Mr. LOTT, the name of the Senator from Louisiana [Ms. LANDRIEU] was added as a cosponsor of S. 710, a bill to authorize the feasibility study on the preservation of certain Civil War battlefields along the Vicksburg Campaign Trail.

S. 774

At the request of Mr. BREAU, the name of the Senator from Colorado [Mr. CAMPBELL] was added as a cosponsor of S. 774, a bill to amend the Internal Revenue Code of 1986 to increase the deduction for meal and entertainment expenses of small businesses.

S. 784

At the request of Mr. ROCKEFELLER, the name of the Senator from Virginia [Mr. ROBB] was added as a cosponsor of S. 784, a bill to establish a demonstration project to study and provide coverage of routine patient care costs for

medicare beneficiaries with cancer who are enrolled in an approved clinical trial program.

S. 882

At the request of Mr. MURKOWSKI, the name of the Senator from Indiana [Mr. LUGAR] was added as a cosponsor of S. 882, a bill to strengthen provisions in the Energy Policy Act of 1992 and the Federal Nonnuclear Energy Research and Development Act of 1974 with respect to potential Climate Change.

S. 918

At the request of Mr. KERRY, the name of the Senator from Pennsylvania [Mr. SANTORUM] was added as a cosponsor of S. 918, A bill to authorize the Small Business Administration to provide financial and business development assistance to military reservists' small business, and for other purposes.

SENATE CONCURRENT RESOLUTION 22

At the request of Mr. DODD, the name of the Senator from North Dakota [Mr. DORGAN] was added as a cosponsor of Senate Concurrent Resolution 22, a concurrent resolution expressing the sense of the Congress with respect to promoting coverage of individuals under long-term care insurance.

SENATE RESOLUTION 34

At the request of Mr. TORRICELLI, the name of the Senator from Idaho [Mr. CRAPO] was added as a cosponsor of Senate Resolution 34, a resolution designating the week beginning April 30, 1999, as "National Youth Fitness Week."

SENATE RESOLUTION 59

At the request of Mr. LAUTENBERG, the name of the Senator from Connecticut [Mr. DODD] was added as a cosponsor of Senate Resolution 59, a resolution designating both July 2, 1999, and July 2, 2000, as "National Literacy Day."

SENATE RESOLUTION 71

At the request of Mr. ABRAMHAM, the name of the Senator from Louisiana [Mr. BREAUX] was added as a cosponsor of Senate Resolution 71, a resolution expressing the sense of the Senate rejecting a tax increase on investment income of certain associations.

SENATE RESOLUTION 93—TO RECOGNIZE LINCOLN PARK HIGH SCHOOL FOR ITS EDUCATIONAL EXCELLENCE, CONGRATULATING THE FACULTY AND STAFF OF LINCOLN PARK HIGH SCHOOL FOR THEIR EFFORTS, AND ENCOURAGING THE FACULTY, STAFF, AND STUDENTS OF LINCOLN PARK HIGH SCHOOL TO CONTINUE THEIR GOOD WORK INTO THE NEXT MILLENNIUM

Mr. DURBIN (for himself and Mr. FITZGERALD) submitted the following resolution; which was referred to the Committee on Health, Education, Labor, and Pensions:

S. RES. 93

Whereas 1999 marks the centennial anniversary of the establishment of Lincoln Park High School;

Whereas Lincoln Park High School is the oldest continually operated high school building in the Chicago Public School System;

Whereas Lincoln Park High School has been a cornerstone of the community and an educational leader in Chicago for 100 years;

Whereas over 100,000 students have graduated from Lincoln Park High School, with 85 percent of those students pursuing higher education;

Whereas throughout its existence, Lincoln Park High School has created an environment of academic excellence and has produced many Illinois State Scholars and National Merit Scholars;

Whereas Lincoln Park High School has been a leader in education, being the first school in Illinois to offer the International Baccalaureate program;

Whereas Lincoln Park High School has been a racially integrated institution throughout its 100-year history;

Whereas Lincoln Park High School has provided stability to the community in times of need, through World War I, the Great Depression, World War II, the Korean conflict, the civil rights struggle, and the Vietnam era; and

Whereas Lincoln Park High School is consistently among the top public high schools in both test scores and other measures of academic achievement: Now, therefore, be it Resolved, That the Senate—

(1) recognizes Lincoln Park High School for its educational excellence;

(2) congratulates the faculty and staff of Lincoln Park High School for their efforts; and

(3) encourages the faculty, staff, and students of Lincoln Park High School to continue their good work into the next millennium.

SEC. 2. The Secretary of the Senate shall transmit a copy of this resolution to the principal of Lincoln Park High School.

• Mr. DURBIN. Mr. President, I rise today to submit a resolution honoring the academic achievements and excellence of Lincoln Park High School in Chicago, Illinois, which is celebrating its 100th anniversary this year.

Educating America's youth is a difficult and often overlooked task. For the students of today to become the leaders of tomorrow, education is critical. It is the foundation on which a student builds his or her future. With our ever changing world, education is the key that unlocks the door of opportunity. Therefore, it is an honor to acknowledge this institution for its great service over the last century.

Since 1899, Lincoln Park High School has been an educational leader in Chicago, maintaining a standard of excellence that should be looked upon as a model. Furthermore, Lincoln Park High School has been consistently among the top public high schools in test scores and other measures of achievement, and has been racially integrated throughout its history.

I am pleased to be joined today by my colleague from Illinois, Senator PETER FITZGERALD, in presenting this

resolution recognizing Lincoln Park High School as a model for educational institutions throughout the United States.●

• Mr. FITZGERALD. Mr. President, It is my pleasure to recognize an outstanding public high school in my home state of Illinois. I, along with Senator DICK DURBIN, want to congratulate Lincoln Park High School, a public high school in Chicago, Illinois, on its 100th anniversary this year.

Throughout its history, Lincoln Park High School has been a model for other public schools in its single minded pursuit of excellence. I'd like to share with you some of the history of this terrific school. Lincoln Park is the oldest continually-used public high school in the Chicago Public School system. Since its opening in 1899, more than 100,000 students have passed through the doors of Lincoln Park High and benefited from the classes and extracurricular activities offered. Additionally, Lincoln Park High has created an atmosphere of academic excellence and produced many Illinois State Scholars and National Merit Scholars. It is ranked consistently among the top high schools in test scores and other measures of academic achievement. The school's strive to excel is readily apparent with the establishment of rigorous academic programs such as the "Access to Excellence" magnet program and the International Baccalaureate Program, a program available only in selected schools. The outstanding academic success of Lincoln Park High School prompted President Ronald Reagan to praise the school publicly in 1984.

Mr. President, I am pleased to submit this resolution with my colleague, Senator DURBIN, and congratulate the faculty, staff and students who attend Lincoln Park High School on their 100th anniversary. They should be very proud of this tremendous accomplishment.●

SENATE RESOLUTION 94—COMMENDING THE EFFORTS OF THE REVEREND JESSE JACKSON TO SECURE THE RELEASE OF THE SOLDIERS HELD BY THE FEDERAL REPUBLIC OF YUGOSLAVIA

Mr. BYRD (for himself and Mr. GRAMM) submitted the following resolution; which was ordered held at the desk until the close of business on May 4, 1999:

S. RES. 94

Whereas on March 31, 1999, Staff Sergeant Andrew A. Ramirez, Staff Sergeant Christopher J. Stone, and Specialist Steven M. Gonzales were taken prisoner by the armed forces of the Federal Republic of Yugoslavia while on patrol along the Macedonia-Yugoslav border;

Whereas Sergeant Ramirez, Sergeant Stone, and Specialist Gonzales conducted themselves throughout their ordeal with dignity, patriotism, and faith;