

90th year. To read what he has done is to wonder if anybody else did anything.

He has generously given of his considerable talents to virtually every worthy cause and individual. In 1943 he successfully fought the extradition of a young African American to North Carolina. He has been named an honorary Puerto Rican, by the Board of Directors of the Puerto Rican Day Parade, is a charter member and founder of the Bronx Urban League, and a life member of the Zionist Organization of America.

He has been honored by, among too many others to mention, the Bronx Council of churches, the National Conference of Christians and Jews, the Bronx Boys and Girls Club, the American Red Cross, the Bronx YMCA, and the Albert Einstein College of Medicine (which he helped to found).

He has organized fund raisers for many worthy organizations. He helped to found the South Bronx Board of Trade, aiding minority businesses in particular, and was four-time president of the Bronx Chamber of Commerce. If that wasn't enough, he is probably the only man to have a housing development, a gym and a swimming pool named after him.

Elias Karmon's accomplishments would scare lesser people. Even in his 90th year, he is not slowing down, for which we all give thanks. I want to thank him for the many outstanding and wonderful things he has done for the Bronx and its people and wish him many more years.

REAUTHORIZING AND REFORMING
THE COMMODITY EXCHANGE ACT

HON. CHARLES W. STENHOLM

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 25, 2000

Mr. STENHOLM. Mr. Speaker, today our colleague from Illinois, Mr. EWING, who chairs the Subcommittee on Risk Management, Research, and Specialty Crops of the Committee on Agriculture, is introducing a bill to begin the process of reauthorizing and reforming the Commodity Exchange Act (CEA).

Mr. Speaker, the CEA is the primary statute providing for the regulation of futures and futures options trading in the United States. While its provisions are founded in legislation adopted by Congress in the 1920s, the Act has been modified repeatedly over the years in response to changing market conditions. We have changed the Act to cover metals and energy products, to cover trading in foreign currencies, to cover bonds and stock indexes, and to permit trading in options on futures. Each innovation that the market has brought forward presented challenges to Congress and to regulators. Along with the increase in contracts traded, total volume of trading in derivatives has grown vigorously and consistently over recent decades.

In particular, over the last 15 years is the market in over-the-counter derivatives such as swaps and forward rate agreements has increased tremendously. Because these products have economic characteristics so similar to exchange-traded futures contracts, a legal debate has taken place over whether or not

they are in fact covered under the CEA. The Commodity Futures Trading Commission (CFTC) has generally found that these products are not appropriately regulated as futures contracts and has used powers at its disposal to settle that question to the extent possible.

In 1989, the Commission issued the "Swaps Policy Statement" laying out in essence a safe harbor for trading in over-the-counter derivatives. So that the agency would have more flexibility in addressing the swap situation and other situations, the Congress in 1992 granted the CFTC the authority to issue exemptions from the CEA to contracts that meet specified conditions. The CFTC has used that authority to exempt swaps (and other OTC derivatives), hybrid securities, and certain energy contracts from CEA regulation. In spite of these actions, an element of legal uncertainty remains regarding these products.

Mr. Speaker, this Congress has recognized that the financial services industry is changing rapidly. We face this reality very clearly in the derivatives world. During a recent speech before the International Organization of Securities Commissions, CFTC Chairman William J. Rainer pointed out that only two new exchanges sought CFTC approval between 1986 and 1997, while in the last six months the CFTC has become aware of numerous electronic exchanges that may soon seek the agency's approval. Technological advances are greatly complicating our task of keeping our regulatory systems up to date.

Mr. Speaker, financial capital flows across international boundaries today with an ease that was unimaginable only ten years ago. As our commercial world continues to shrink in this manner, we see ever more clearly how vulnerable our industries can be to outside competition if we hamper them with unreasonable or inappropriate regulation.

Mr. Speaker, these changes and trends challenge the Agriculture Committee—working together with the Banking and Commerce Committees—to again update the CEA. Chairman EWING has vigorously engaged all segments of this industry in an effort to discover what improvements need to be made. Thanks to his effort, the task has been clarified and we are poised to proceed ahead on legislation that meets these objectives:

Provides full legal certainty to the OTC derivatives industry so that the rules of commerce will be clear.

Modernizes our scheme for the regulation of trading that occurs on exchanges.

Eliminates statutory barriers to trading products that can be useful to the management of financial risk.

Mr. Speaker, I support Chairman EWING's effort and am committed to participating alongside with him. I share his goals and know that we can find common ground on how they can be achieved. Important components of the legislation he introduces today are the result of very productive industry discussions and I believe they will lay an excellent foundation for modernization of the CEA. Along with industry representatives, the several regulators involved are engaged in cooperative discussions—a condition that has often been lacking in past modernization efforts—and stand to be extremely helpful in resolving these tasks.

Mr. Speaker, while domestic modernization of financial contract regulation is an important

goal I will also work to develop provisions that promote the goal of international harmonization of regulatory standards. The Bank for International Settlements (BIS) has demonstrated in recent years that a great deal of coordination can be achieved. In particular, the BIS has devised uniform capital standards that have been widely adopted by bank regulators of the major industrialized nations.

Securities and futures regulators have also made great strides in recent years in creating formal lines of communication with their foreign counterparts to prepare for coordinated responses to cross-border crises. Already they serve as members of the International Organization of Securities Commissions, which has facilitated much of this progress and served as a tool for its member nations to become familiar with the regulatory systems that exist.

Our recent history has shown us that manufacturing capacity moves easily offshore. The manufacturing capacity of financial contracts—capital—moves across borders with much greater ease in search of the lowest cost investment environment. By encouraging continued international discussions regarding regulatory standards, we can encourage the elimination of artificial distortions that threaten the competitiveness of our futures exchanges and other financial institutions. As we develop CEA improvements, we should do all we can to facilitate international coordination and harmonization.

Mr. Speaker, in the weeks ahead I trust that all interested members of the public will take the opportunity to closely examine the bill Mr. EWING introduces today. I am particularly hopeful that the markets' end-users—including agricultural producers and merchants, energy producers, and investors—will pay close attention and provide detailed comments regarding their view of the challenge of achieving appropriate regulation of derivatives markets. I look forward to assimilating those views and to working closely with Chairman EWING, with the Subcommittee Ranking Member, Mr. CONDIT, and others on the Agriculture Committee and other committees in this effort.

HONORING KAY McMANUS

HON. JAY INSLEE

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 25, 2000

Mr. INSLEE. Mr. Speaker, today I recognize the outstanding achievement of Kay McManus, one of the many constituents who distinguishes my Congressional District.

Kay works tirelessly to ensure that the children in our schools receive the nutrition they need to pay attention in class, participate in after school activities and do all of the things that young adults need to do to grow into thoughtful adults. We know that when a child receives a good breakfast he or she performs at a higher level. Hungry children have more respiratory illnesses and are absent from school more often than children who are well fed. Many children receive two out of their three meals at school—and it is critical that nutritional choices are available to them. Kay's work is making that possible.