

the budget they insist the President should capitulate to, they will actually solve the budget deficit by increasing the budget next year, not decreasing it.

And what happens later on, after 2002? Well, within 10 years, this budget deficit will explode because of their tax breaks for the privileged, costing a total of \$416 billion.

That is no way to balance the budget. Indeed, it is the same way they are handling this government shutdown. Waste a billion dollars of taxpayers' money to pay Federal employees not to work because they do not like the Government. Some logic, some approach to a budget that is not balanced for ordinary Americans.

#### PRESIDENT'S REASONS FOR VETOING OF SECURITIES LITIGATION REFORM BILL WERE WRONG

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

Mr. TAUZIN. Mr. Speaker, just a couple of weeks ago this House, by a vote of 320 Members in support, nearly 100 Democrats joining Republicans, voted for landmark securities litigation reform, a bill to stop frivolous lawsuits that are driving up the cost of doing business in America unnecessarily.

Yesterday, amazingly, the President vetoed that legislation. He did so in a veto message that is equally amazing. He did it with the following excuses:

One, that the pleading requirements were too strong. The pleading requirements are simply what one alleges in a lawsuit. That is all one has to do is allege a proper cause of action. Second, he did not like the statement of the managers. Not the bill, the statement of the managers included with the bill. And, third, he did not like the notion that rule XI, the provision that gives the court the right to assess costs on a frivolous lawsuit lawyer, the plaintiff's lawyer, he thought that was too hard on the plaintiff, not hard enough on the defendant.

Mr. President, it is plaintiffs who file frivolous lawsuits, not defendants. Those are not good reasons to veto this bill. Why did he do it? My conclusion. He wants this House and the Senate to take responsibility for making this good bill law. He wants us to override. We will have that chance today. Let us override the veto.

#### DEMOCRATS REFUSE TO GIVE IN TO REPUBLICANS' MEAN-SPIRITED APPROACH TO BALANCING THE BUDGET

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

Mr. WATT of North Carolina. Mr. Speaker, I have two questions for my Republican colleagues this morning.

How in the world does one justify giving a \$240 billion tax break to the richest people in the United States when they are cutting \$270 billion from Medicare and \$180 billion from Medicaid?

Second, how does one justify shutting down the Government when the President and the Democrats refuse to give in to that insane, mean-spirited approach to balancing the budget?

Imagine that, the rich get richer, the poor and the elderly get sicker, and GINGRICH does, in fact, steal Christmas.

#### DEMOCRATS' LEFT-WING EXTREMIST PROGRAMS STEAL FROM AMERICA'S CHILDREN

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

Mr. KINGSTON. Mr. Speaker, the Democratic party has truly confused their role with Santa Claus, but not with giving gifts of their own making, with money they have confiscated from the overworked, overtaxed, underappreciated, middle-income working families. But what is worse, realizing that Christmas is about children, the Democrats have stolen the majority of their money for their left-wing extremist programs from America's children.

Yes, that is true, today's children, taxpayers of tomorrow, will get a gift from President Clinton and his extreme liberal Democrat allies: a \$5 trillion debt. If a baby is born today, over the next 75 years he or she will owe \$187,000 as his or her portion of the debt above and beyond local State and Federal taxes.

Mr. Speaker, if that is compassion, if that is the Christmas spirit, I would just as soon be celebrating ground-hog day.

#### REPUBLICANS CHANGING OUR FAVORITE CHRISTMAS CAROLS

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

Mr. MENENDEZ. Mr. Speaker, we all know that the Republicans said things would change when they took over the Congress, but nobody thought they'd be changing some of our favorite Christmas carols.

Have you heard the new version of this old favorite carol about the latest Government shutdown?

The weather on the Hill is frightful, and the budget cutting so spiteful. But the Republican Scrooges, pose, let it close, let it close, let it close.

It's time for Republicans to understand that there are some things better left untouched, and that includes keeping government open so that veterans and seniors can get their claims processed, taxpayers don't lose out on the valuable services they pay for, and visitors to the Nation's capital from throughout the world don't find themselves shut out.

And finally, Federal workers don't find themselves with the Gingrich that stole Christmas.

We can balance the budget—but it must be balanced not only by the numbers—but in its affect on seniors, children, families & working Americans.

#### COMMUNICATION FROM THE CLERK OF THE HOUSE

The SPEAKER pro tempore laid before the House the following communication from the Clerk of the House of Representatives:

OFFICE OF THE CLERK,  
Washington, DC, December 20, 1995.

Hon. NEWT GINGRICH,  
Speaker, House of Representatives,  
Washington, DC.

DEAR MR. SPEAKER: Pursuant to the permission granted in Clause 5 of Rule III of the Rules of the U.S. House of Representatives, I have the honor to transmit a sealed envelope received from the White House on Tuesday, December 19, 1995 at 11:11 p.m. and said to contain a message from the President whereby he returns without his approval H.R. 1058 the "Private Securities Litigation Reform Act of 1995."

With warm regards,  
ROBIN H. CARLE,  
Clerk.

#### PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995—VETO MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 104-150)

The SPEAKER pro tempore laid before the House the following veto message from the President of the United States:

*To the House of Representatives:*

I am returning herewith without my approval H.R. 1058, the "Private Securities Litigation Reform Act of 1995." This legislation is designed to reform portions of the Federal securities laws to end frivolous lawsuits and to ensure that investors receive the best possible information by reducing the litigation risk to companies that make forward-looking statements.

I support those goals. Indeed, I made clear my willingness to support the bill passed by the Senate with appropriate "safe harbor" language, even though it did not include certain provisions that I favor—such as enhanced provisions with respect to joint and several liability, aider and abettor liability, and statute of limitations.

I am not, however, willing to sign legislation that will have the effect of closing the courthouse door on investors who have legitimate claims. Those who are the victims of fraud should have recourse in our courts. Unfortunately, changes made in this bill during conference could well prevent that.

This country is blessed by strong and vibrant markets and I believe that they function best when corporations can raise capital by providing investors with their best good-faith assessment of future prospects, without fear of costly, unwarranted litigation. But I

also know that our markets are as strong and effective as they are because they operate—and are seen to operate—with integrity. I believe that this bill, as modified in conference, could erode this crucial basis of our markets' strength.

Specifically, I object to the following elements of this bill. First, I believe that the pleading requirements of the Conference Report with regard to a defendant's state of mind impose an unacceptable procedural hurdle to meritorious claims being heard in Federal courts. I am prepared to support the high pleading standard of the U.S. Court of Appeals for the Second Circuit—the highest pleading standard of any Federal circuit court. But the conferees make crystal clear in the Statement of Managers their intent to raise the standard even beyond that level. I am not prepared to accept that.

The conferees deleted an amendment offered by Senator Specter and adopted by the Senate that specifically incorporated Second Circuit case law with respect to pleading a claim of fraud. Then they specifically indicated that they were not adopting Second Circuit case law but instead intended to "strengthen" the existing pleading requirements of the Second Circuit. All this shows that the conferees meant to erect a higher barrier to bringing suit than any now existing—one so high that even the most aggrieved investors with the most painful losses may get tossed out of court before they have a chance to prove their case.

Second, while I support the language of the Conference Report providing a "safe harbor" for companies that include meaningful cautionary statements in their projections of earnings, the Statement of Managers—which will be used by courts as a guide to the intent of the Congress with regard to the meaning of the bill—attempts to weaken the cautionary language that the bill itself requires. Once again, the end result may be that investors find their legitimate claims unfairly dismissed.

Third, the Conference Report's Rule 11 provision lacks balance, treating plaintiffs more harshly than defendants in a manner that comes too close to the "loser pays" standard I oppose.

I want to sign a good bill and I am prepared to do exactly that if the Congress will make the following changes to this legislation: first, adopt the Second Circuit pleading standards and reinsert the Specter amendment into the bill. I will support a bill that submits all plaintiffs to the tough pleading standards of the Second Circuit, but I am not prepared to go beyond that. Second, remove the language in the Statement of Managers that waters down the nature of the cautionary language that must be included to make the safe harbor safe. Third, restore the Rule 11 language to that of the Senate bill.

While it is true that innocent companies are hurt by frivolous lawsuits and that valuable information may be

withheld from investors when companies fear the risk of such suits, it is also true that there are innocent investors who are defrauded and who are able to recover their losses only because they can go to court. It is appropriate to change the law to ensure that companies can make reasonable statements and future projections without getting sued every time earnings turn out to be lower than expected or stock prices drop. But it is not appropriate to erect procedural barriers that will keep wrongly injured persons from having their day in court.

I ask the Congress to send me a bill promptly that will put an end to litigation abuses while still protecting the legitimate rights of ordinary investors. I will sign such a bill as soon as it reaches my desk.

WILLIAM J. CLINTON.

THE WHITE HOUSE, December 19, 1995.

□ 1045

The SPEAKER pro tempore (Mr. WICKER). The objections of the president will be spread at large upon the Journal, and the veto message and the bill will be printed as a House document.

The question is, Will the House, on reconsideration, pass the bill, the objections of the President to the contrary notwithstanding?

The gentleman from Virginia [Mr. BLILEY] is recognized for 1 hour.

Mr. BLILEY. Mr. Speaker, for purposes of debate only, I yield 30 minutes to the gentleman from Massachusetts [Mr. MARKEY], pending which, I yield myself such time as I may consume.

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

Mr. BLILEY. Mr. Speaker, the conference report on securities litigation reform passed this House on December 6 by a vote of 320 to 102. It had previously cleared the Senate by a vote of 65 to 30. Strong bipartisan majorities have embraced this legislation as a way to end the scandalous state of securities strike suits. Testimony has revealed that these suits amount to legalized extortion by the plaintiffs bar.

The plaintiffs bar is not more important than the investors who lose their savings to these extortion artists.

In the floor debate we learned that every single one of the top 10 companies in Silicon Valley—world class multinational competitors like Hewlett-Packard, Intel, Sun Microsystems and Apple Computer—have been accused of violating the antifraud provisions of the securities laws. Not all of these companies are guilty of fraud, they are at least as worthy of protection as is the plaintiff bar.

We do know that the safe harbor in Securities Litigation Reform has been endorsed by the President's own SEC Chairman, Arthur Levitt. We do know that CHRIS DODD, the general chairman of the Democratic Party supports securities litigation reform I rise today to urge an override of this veto which

flies in the face of common sense and the hard work of bipartisan majorities in both Houses of Congress.

This is extremely important legislation for investors and for our economy. It is designed to curb frivolous and abusive securities litigation. This kind of litigation exacts a tax on this country's most productive and competitive companies and their shareholders.

Job creating, wealth producing companies that have done nothing wrong, too often find themselves subject to class action lawsuits whenever their stock price drops. They are forced to pay extortionate settlements, because the costs of defending these lawsuits are prohibitive. And, when companies are forced to settle, their shareholders, ultimately, pay the costs.

We have tolerated this scandalous situation long enough. Let's end these strike suits. Stand with investors, professionals, and jobs. Vote to override the veto.

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

Mr. MARKEY. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the President has determined that a veto is appropriate for this particular piece of legislation, and has sent back to this Congress a number of concerns which I think he has legitimately raised about the legislation in its present form.

I think that it is ill-advised for us to be debating a veto and its override at this particular time. I think that the more appropriate course for this House would have been for there to now have been conducted a conversation, a negotiation between the White House and the Members of Congress who have an interest in this bill to determine whether or not changes could have been made which would have dealt with the very legitimate concerns which were raised in the President's veto message.

That has not been the case. Instead, what we see is a rush here to the floor to override the President's veto without any real deliberation as to the substantive issues which were raised in his message. I think that is a big mistake, Mr. Speaker. I think that this House should have, in fact, engaged today at least in a discussion of the very important issues that have been raised.

Mr. Speaker, let us begin with a number of these concerns and try our best to lay out why the President did take the time to pour over this particular bill and to dissect it, as the good law professor which he used to be, in an attempt to come to some common sense resolution of a very troublesome set of issues.

Clearly, the President agrees with just about every Member out here that frivolous lawsuits have to be cut off. We cannot allow the courts to be used in a way that have frivolous lawsuits being brought by unscrupulous lawyers in an attempt to hold up legitimate businesspeople across this country.

But at the same time, the President does not want the law changed in a way

that prohibits meritorious lawsuits from being brought. He makes quite clear his concern that, in fact, that would be the necessary result of passage and ultimate implementation of the bill as it had originally been passed through the House and the Senate.

The pleading requirement, as it has been included in the legislation originally, must be modified so that it is tough, but that it is also reasonable.

The Second Circuit's existing standard for pleading, which passed the Senate, by the way, in June, should be included in the bill, in my opinion. This is the second highest priority, I think, overall in this legislation, along with a number of other concerns which I will raise a little bit later.

My colleagues should note that the ninth circuit, which includes California, rejected the second circuit standard in favor of a much more relaxed approach. So, the codification of the second circuit's standard is something which in my opinion is something that we should be debating out here on the floor.

The issue has been raised by Senator SPECTER who has taken the time to write to the White House and he strenuously objects to the bill in its present form. Leading legal scholars, including the dean of the NYU Law School, believes that this is one of the most harmful issues in the bill.

In addition, and something that is quite important in the overall deliberations, is the safe-harbor provision for forward-looking statements, which would give blanket immunity to those who would commit intentional fraud. A scienter requirement should be added to the safe-harbor so that intentional wrongdoers cannot cloak them in immunity that was intended only for those who make good-faith projections in estimates. That is, in fact, a contention which has to be debated throughout this entire proceeding.

Mr. Speaker, it is important to note that the statement of managers accompanying the conference report instructs courts to look only at the adequacy of the meaningful cautionary language to determine if the safe-harbor should apply. The state of mind of the company's executives, meaning whether not they intended to deceive or to mislead investors, is supposed to be irrelevant, even if the executive of the company, of the financial firm, intentionally lies to the investing public.

Now, that is wrong; simply wrong, and it must be addressed in this debate that we are having on such an important piece of legislation.

I also want to note that this revision would be consistent with a statement previously attributed to the President, which I think is now quite clear in his veto message, that he could not sign a bill that allowed someone to lie intentionally and to get away with it. That is the core of his message, and it is something that I think we are going to have to deal with today, and in the subsequent days ahead, as we with

what the ramifications of passage of this bill without inclusion of the very wise recommendations that have been made by the President to the Congress in his veto message.

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

Mr. BLILEY. Mr. Speaker, I yield 3 minutes to the gentleman from Texas [Mr. FIELDS], the chairman of the Subcommittee on Telecommunications and Finance.

(Mr. FIELDS of Texas asked and was given permission to revise and extend his remarks.)

Mr. FIELDS of Texas. Mr. Speaker, it is with a heavy heart that I rise today. The Congress crafted strong bipartisan legislation designed to curb securities litigation abuse. The legislation was approved by veto-proof majorities in both houses. The President obviously does not see the wisdom of the approach and vetoed the legislation.

Mr. Speaker, I call on all Members to override this veto on this very important piece of legislation. As was pointed out in the floor debate, American companies, particularly high-technology companies in California, have become the target of speculative, abusive securities litigation which enriches lawyers at the expense of shareholders and the economy.

These abusive securities lawsuits are brought by a relatively small number of lawyers specializing in initiating this type of litigation. In many cases, the plaintiffs are investors who own only a few shares of the defendant corporation and the corporations are frequently high-technology companies whose share price volatility precipitates that lawsuit.

The plaintiffs do not need to allege any specific fraud. Many of these suits are brought only because the market price on the securities has dropped. The plaintiff's attorneys name, as individual defendants, the officers and directors of the corporation and proceed to engulf management in a time-consuming and a costly fishing expedition for the alleged fraud.

Mr. Speaker, it has been pointed out that one of the most compelling statistics for reform, I believe, comes from Silicon Valley where one out of every two companies has been the subject of a 10(b)(5) securities class action.

Mr. Speaker, the current securities litigation system is seriously affecting the competitiveness and the productivity of America's high-technology companies, and it is also affecting our ability to create jobs.

In summary, Mr. Speaker, I believe we have demonstrated that the current securities litigation system promotes meritless litigation, shortchanges investors and it costs jobs. It is a show-case example of the legal system gone awry.

Mr. Speaker, I urge Members to override this veto to support wise and prudent litigation reform.

Mr. MARKEY. Mr. Speaker, I yield such time as he may consume to the

gentleman from Michigan [Mr. DINGELL].

Mr. DINGELL. Mr. Speaker, a bad bill, conceived with bad process, badly handled, leading to serious abuses in the marketplace, putting innocent and helpful investors at mercy of scoundrels and rogues, has been vetoed by the President.

□ 1100

The President said that he is prepared to sign a good bill, that he is prepared to work with the Congress to end the litigation abuses while at the same time protecting the legitimate rights of ordinary investors. He says that in his message.

I urge my colleagues to listen to the President of the United States and to read the veto message, to see why it is this iniquitous piece of legislation was vetoed. It is a poor piece of legislation. It favors rascals and rogues over the innocent and the honest. It creates a situation where a law-abiding citizen cannot get decent redress in the courts. It raises questions as to the integrity of the American process for offering securities, and it will raise questions about the integrity of our markets. It will ultimately hurt the process of developing capital in this country because it will threaten the thing which is absolutely essential to the workings of the capital markets of the United States, and that is public confidence.

A lot of people think that the public securities offerings and the industry in this country run on money. That is not true. The market runs on public confidence, and if it produces the public confidence it has been doing since the 1934 act was passed, the market produces a lot of money for everybody involved.

What is wrong with this bill? First, the process was unfair, and no careful attention was given to responsible amendments or to intelligent discussion of the abuses that were going to be unleashed upon the investing public.

But beyond that, the President points out why he has vetoed it. The pleading requirements require not a genius but a psychiatrist, and the discovery process is closed until such time as it is impossible to deal with the claims that an honest claimant would make who had been improperly treated and had been hurt by improper behavior of scoundrels in the securities industry.

Second, it has a most curious safe harbor provision, a safe harbor provision which permits active fraud, active fraud, deceit and serious misbehavior.

I would urge my colleagues to not permit a safe harbor provision which allows such scandalous behavior to be inflicted upon the trusting and the innocent investor by slippery managers of corporations interested in maximizing stock prices or their particular earnings.

Last of all, it treats the plaintiffs in suits of this kind in a way which makes the loser pay, a situation which

will deny honest citizens who might not prevail in a lawsuit an opportunity to expect fair treatment from the courts of their country.

I would urge my colleagues to support the President. The veto is a good one. If the veto is sustained, we can come back and write a decent bill. We can write a bill which addresses the real problems which exist with regard to litigation abuses, and at the same time we can protect American investors and protect the confidence of the American people in their securities industry and their securities markets. That is the step which would be in the best interests of not only the country, the securities market, the securities industry, public confidence in the securities that are offered in this country, but also something which is best and fairest to those who do not have the means to protect themselves against malefactors of great wealth.

I urge my colleagues to vote to sustain the veto. I urge my colleagues on the committee who have the ability to do these things to then work with us to achieve a decent bill which protects the interests of all.

Mr. BLILEY. Mr. Speaker, I yield 2 minutes to the gentleman from California [Ms. ESHOO], a member of the committee.

(Ms. ESHOO asked and was given permission to revise and extend her remarks.)

Ms. ESHOO. Mr. Speaker, I rise in strong support this morning of this measure to override the President's veto of the securities litigation conference report. I think that it is highly regrettable that the President chose to send up a veto message to us. With all due respect to that veto message, I think that it is an excuse slip.

On every point that is mentioned in the veto, in a bipartisan effort all of this year we have worked to satisfy the concerns of the Securities and Exchange Commission, the administration, and the Senate in the key areas, certainly on pleadings and second circuit language, certainly on safe harbor, and that is also mentioned in the veto message, and certainly on statute of limitations. This bill is a strong bipartisan bill. It is good for investors, and it is good for our economy.

In my view, the price of not passing this conference report this year is simply too high. As the Representative from Silicon Valley, I know that businesses in my region cannot wait for an answer. The legislation provides companies with relief, but not a blank check. The right of investors to sue in cases of actual fraud is protected by this bill. In fact, the bill's safe harbor provision meets the demands set down by CALPERS, the Nation's largest pension fund, representing nearly 1 million shareholders.

Members who supported the conference report are now being asked to change their vote to satisfy its concerns about report language. I do not remember when report language was

reason for a veto, and that is why I call it an excuse slip and not a true veto message.

Mr. Speaker, I urge my colleagues to override the President's veto. I think it is regrettable, but I think that this bill needs to become law.

Mr. BLILEY. Mr. Speaker, I yield 3 minutes to the gentleman from Louisiana [Mr. TAUZIN].

Mr. TAUZIN. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, Members of the House, I, too, rise in support of this bill and for the motion to override the veto.

Let me point out what the President did not do. He did not say this was a bad bill. In fact, he complimented it. He said he supported goals of this bill. He did not say that he objected to the safe harbor provisions of this bill. In fact, he said he supported the language of the safe harbor provisions of this bill.

In fact, all he has said he objected to was the pleading requirements of this bill. Now, the pleading requirements are what the plaintiff lawyer does when he files a lawsuit, and what we have done is to make sure that the lawyer alleges a case, that you just do not go on a fishing expedition. Is that terrible?

I suggest if we are trying to deal with frivolous lawsuits, that is the very least we ought to do is require the plaintiff lawyer to plead a case, to have a decent and not a frivolous lawsuit before the court.

Second, he objected to the managers' language, not the language of the bill. I would remind the House that when a bill is sent to the President, the managers' language, the legislative history is not sent to the President. He does not veto the legislative history. He vetoes the language of the bill. He does not veto the language in the bill. He only objected to the language of the managers' report in that area. He supports, in fact, the safe harbor provisions that a previous speaker objected to this in this bill.

Finally, he objected to what is called the rule 11 section, where frivolous lawsuits are punished; that is, the plaintiff is required to put up the cost of the lawsuit. I want point out to you that he said in his veto message that we did something wrong here; we did not have a balance between plaintiffs and defendants.

First of all, it is plaintiffs who file frivolous lawsuits, not defendants. That is the problem. And rule 11 seeks to make sure when plaintiff lawyers file frivolous lawsuits that they have the obligation of paying the costs of the parties who are necessarily brought to court and required to hire attorneys.

Let me point out our language was very fair. It said that existing rules would apply to each party, plaintiffs and defendants, and that a violation by a party, plaintiff or defendant, would require mandatory sanctions by the court.

We have a balanced provision in here. What I concluded when I read this veto message is, one, the President likes the bill; two, he does not really want to sign it. He would rather we overrode his veto and we made it law. And, three, that we have huge bipartisan support for this bill, and we ought to, in fact, override the veto. Nearly 100 members of the Democratic side joined the Republican Party in this bill. It is a bill that has been in the works for well over 6, perhaps 8, years now. It is a bill in which a veto-proof majority in the House and Senate adopted the bill. It is a bill, in fact, that ought to become law. If the President will not sign it, then he is telling us to do it, and I suggest we do like Mikey, we just do it, override this veto.

Mr. MARKEY. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, at this point, the Members are presented with a very narrow issue: Will the House block meritorious suits, or will it allow meritorious suits to go forward in the courts of this country as they have throughout our history?

The President has asked for a very narrow set of changes. This is not about frivolous lawsuits any longer. The President agrees that frivolous lawsuits must be discontinued.

This is now a battle over whether or not we will support the President's veto, sustain him and, in fact, then begin the discussion over the narrow set of issues which he has raised to ensure that this bill does not go too far in cutting off the meritorious cases which citizens of our country have been allowed to bring throughout our history.

The President has said that he will sign just about anything in the bill except those provisions which block meritorious suits. The veto message makes very clear what changes he is seeking, and that those changes are meant to protect investors who have been defrauded.

Let me emphasize again that the President is not seeking to allow frivolous suits. The only issue raised by his veto message is whether or not, in fact, we will deal with the points in the legislation which have gone too far, which have raised pleadings standards too far, which have changed the safe harbor provisions to the point where actual lying is permitted, which put an unfair burden upon plaintiffs in terms of the risks which they must assume in terms of loser-pays. That is what we are talking about now. The rest of it the President says is acceptable to him.

Now, he is in good company. Let me read to you some of the people who side with the President. We begin with the Fraternal Order of Police, the Fraternal Order of Police, "I urge you to reject the bill which would make it less risky for white-collar criminals to steal from police pension funds while the police are risking their lives against violent criminals." That is the national president of the Fraternal Order of Police.

□ 1115

The International Association of Firefighters: "Firefighters put their lives at risk to save others. Should they also have to put their hard-earning savings at risk too?" That is the general president of the International Association of Firefighters.

The Consumer Federation of America: "The bill would immunize knowing and reckless violations of the securities laws, reduce compensation to victims of fraud, and undermine public confidence in the market. It represents special interest politics at its worst." That is the Consumer Federation of America.

Here are the Attorneys General of the United States, 11 attorneys general writing to the Congress: "We cannot countenance such a weakening of critical enforcement against white collar fraud. The bill goes too far beyond what is necessary. It would likely result in a dramatic increase in securities fraud."

Here is the U.S. Conference of Mayors and the National League of Cities commenting on this bill: "Over 1,000 letters from state and local officials from all regions of the country have been sent to Washington, representing an extraordinary bipartisan national consensus that this bill would imperil the ability of public officials to protect billions of dollars of taxpayers monies in short-term investments and pension funds."

The changes which the President recommends in his veto message will still guarantee that the frivolous lawsuits will be straight-armed out of court. But what it also does is ensure that we do not raise the bar so high that the meritorious cases, in instances where individuals across this country have been defrauded, are also knocked out of court.

If we ask people to put at risk their money in a loser-pay provision, after they have already lost half of their life savings to some financial scam, who in this Chamber expects that person to now take the double or nothing risk of knowing that under loser-pays they would be held responsible for the additional cost of trying to defend themselves against the fraud which had been perpetrated against them under these extremely high barriers that are being constructed in this bill?

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

Mr. MARKEY. I yield to the gentleman from Michigan.

Mr. CONYERS. That is, if they have any money left.

Mr. MARKEY. Exactly. I am saying they would have to put at risk the money they do have left after they have been defrauded.

Who in the world as an ordinary citizen would do that to their family, to take on a major financial or corporate entity, with the sure uncertain knowledge, not that they could lose, but that there is the risk? The risk itself it could happen, no matter how small,

would serve as an absolute bar to an ordinary citizen participating in these lawsuits. That is what this debate is about; not immunizing ordinary lawsuits, just the opposite.

Let us join together to ban frivolous lawsuits with the President, but let us not wall out the capacity to have the meritorious lawsuits which we all know, we all know in our souls, should be continued to be brought in court.

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

Mr. BLILEY. Mr. Speaker, I yield 1½ minutes to the gentleman from Virginia [Mr. MORAN].

Mr. MORAN. Mr. Speaker, I think the gentleman from Massachusetts knows how much I respect and like him, and I would hope that the President would know as well, how much I respect him, even though I must urge my colleagues to vote to override this veto. I am surprised, frankly, that the President vetoed this, because I know that one of his favorite books is "The Death of Common Sense" by Phillip Howard. This is commonsense legislation. It is necessary legislation. If in faith it does get vetoed, we may not get another shot at it.

Frankly, when you read this message, much of his objection is of a nitpicking nature. It is legalistic. We know we are going to have the Second Circuit standard applied, and that in fact when legislation is at variance with legislative history or report language, that it is the bill itself that prevails.

But I do not want to speak as a lawyer, I want to speak as a stockbroker, which I was for 10 years. The fact is the most frustrating thing we encounter is the need for accurate, informative, relevant information. But I have to say, if I were the CEO of a high growth company, I would not provide that information, because of the number of people out there that will game the system. These people who exploit the deficiency of our legal system do not put any money into capital, they do not do anything for our economy. They find ways to make themselves wealthy by abusing the system. What this is is an antifraud and abuse bill that ought to be passed.

Mr. MARKEY. Mr. Speaker, I yield 5 minutes to the gentleman from Michigan [Mr. CONYERS].

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

Mr. CONYERS. Mr. Speaker, well, it is nice to find out stockbrokers would advise us to vote on this special interest legislation. Some believe the President perhaps overreacted last night with the veto. But could I suggest another route? What about making some common sense revisions he is recommending and then coming back and unanimously passing this bill?

Besides, I think there is another body that has something to say about the override. So let us not get too carried away on the vote here. Let us all settle down here for just a minute.

Now, the bill simply goes too far. We are not talking about simply limiting frivolous cases with this bill. So could all the rest of the speakers comport all of the passion that they have about frivolous cases just a little bit? We want to stop frivolous cases. What we do not want to do is stop meritorious cases. And, there are a few meritorious cases around.

This House was mistaken in trying to gauge the President's determination about these matters. The gentleman from Massachusetts told you repeatedly the President was going to veto the bill because you overreached, and now he did it today. So now we are faced with an extreme measure that requires a two-house override.

Why do we not do something more reasonable? Let us go back and look at what we can do to repair what provoked the veto, and then come back with a bill that we can all agree on. Is there something wrong with that? I do not think so.

Even the conservative Money Magazine told you the bill went too far, once, twice, three times, four times, and the local officials, 15 Attorneys General, told you the same. Thank you, Mr. President, for having the courage to do the right thing.

So, Mr. Speaker, I rise in strong opposition to this matter. The gentleman from Michigan [Mr. DINGELL] pointed out that this is classic special interest lobbying legislation.

So now we are at a point of where the American people are not going to get robbed. The Nation's seniors, whose life savings are tied up in investments, depend on honesty in investment transactions. They are being robbed with this bill.

Now, American investors know they may be robbed by swindlers, but they do not expect to be robbed from the House of Representatives. So let us get a little bit of reason in here. I think a few of our leaders on this measure, Mr. MARKEY for instance, have some suggestions that would make for a decent agreement, and that would meet White House objections, and we could go home feeling that we have not involved ourselves in this rather large rip-off that is occurring.

Now, does somebody not have something to explain about Money Magazine and the 15 Attorneys General and the thousands of local officials, the 150 outspoken editorials all who believe this bill is to extreme? Are we all nuts and you are all right?

Mr. Speaker, I thank the gentleman for allowing me to make a few comments on the floor.

Mr. BLILEY. Mr. Speaker, I yield 1½ minutes to the gentleman from Washington [Mr. WHITE], a member of the committee.

Mr. WHITE. Mr. Speaker, I thank the gentleman very much for yielding me this time.

Mr. Speaker, I would like to respond to a couple of things we heard this morning. As I told members of the

committee many times, it is only 11 months ago that I was a practicing lawyer, and I can tell you that anybody who is out there in the real world practicing law knows that this system is broken and badly needs to be fixed. It is just not something that most people who are objective about it can disagree about.

Mr. Speaker, I would have to express a little bit of concern at some of the arguments we have heard from the other side. We are hearing maybe if we just made a few changes, just took a little more time, we can come up with a better bill. The fact is we have been working on this bill for 6 or 7 years. For some people the time is just never right to make this fundamental change. The time is now; it is time to make sure we enact this.

We have also heard a lot of pious remarks about how we have to protect the investors, protect our grandmothers, all the people investing money in these companies. But the fact is, we have not really heard from the investors. It is not the investors who are concerned about this bill; it is their lawyers. It is the trial lawyers who are concerned about this bill, not the people who are supposed to be.

The great tragedy of the system we have right now is that it makes a mockery of our legal system. It sets up a system where you win not if you are right, but you win because you are able to game the system, and it is a system where even if you do win, you do not get the money. You may get a little bit of money, but most of the money goes to trial lawyers. Our system right now is a jackpot for trial lawyers. It needs to be fixed, and we need to override this veto.

Mr. BLILEY. Mr. Speaker, I yield 2½ minutes to the gentleman from California [Mr. FAZIO].

Mr. FAZIO of California. Mr. Speaker, I supported the conference agreement that passed the House because I believe it was a balanced bill and I believe it sought to solve a significant problem in the securities market while, I believe, protecting legitimately defrauded investors.

I and over 60 of my colleagues wrote to the President not long ago, since the conference committee completed its work, urging him to support the securities legislation compromise, which I think was the appropriate product of that deliberation, which did smooth some of the rough edges off the bill that passed the House.

Our letter outlined many of the changes that had been made to provide added protection to those with legitimate claims. No one wants to keep those people out of court. These improvements met all the goals that would benefit investors and companies alike. The compromise I believe would stimulate the economy, curb abuses, increase the flow of information to investors, reduce fraud, and strengthen our capital markets.

The man in charge of the Securities and Exchange Commission has written

a letter that reassures many of us to that extent. The most important element of the conference agreement is the fact that it reduces the need for lawsuits. The extreme litigious environment that currently exists certainly suggests that the ability to sue is readily protected.

Under present circumstances, a plaintiff can sue first and collect evidence of fraud later through discovery motions; as a result, a number of class action attorneys actively seek to put together lawsuits out of unforeseeable investor losses. High-tech companies in my State of California, are particularly susceptible to this kind of predatory action. It has helped dry up capital in our markets, and I believe made it harder to create jobs for Americans.

All we want to do is restore common sense to this process. We do not want to prevent legitimate actions from going forward. I understand the President has questions about the potential impact of this measure.

□ 1130

What he should not question is the impact the lack of protection is having on American businesses. Efforts to prevent frivolous actions should be supported. We need to restore the faith of the American public and the business community that when we see evidence of abuse we do something about it.

I urge the President to reconsider his position and accept this very well-crafted, well-thought-out, carefully negotiated compromise. The confidence in our markets, in our system of funding startup ventures requires it.

Mr. BLILEY. Mr. Speaker, I yield 1 minute to the gentleman from New York [Mr. PAXON], a member of the committee.

Mr. PAXON. Mr. Speaker, the President's decision to veto this legislation, I believe, is a serious blow to economic opportunity, job creation and entrepreneurship in our Nation. The goal of this bipartisan legislation is to provide some protection from frivolous securities lawsuits filed against businesses, often small cutting-edge technology companies.

More and more these companies are truly the engine of growth in our economy, creating new high-paying jobs, developing new and innovative technologies, and increasing America's exports. Unfortunately, this pro-growth reform legislation fell victim to some of the Nation's most powerful special interests. A win for these special interests is unfortunately a loss for the American economy.

The good news is we can turn this around today. I urge my colleagues to override the President's ill-advised veto of this vitally important securities lawsuit reform legislation.

Mr. BLILEY. Mr. Speaker, I yield 1 minute and 10 seconds to the gentleman from California [Ms. LOFGREN].

Ms. LOFGREN. Mr. Speaker, I have been reading through the veto message of the President. I think there is some

good news and some misplaced rhetoric here on the floor today.

The President supports the securities bill, I believe, that is before us. And what remains are sort of nerd-like lawyers issues on the technical details of the language.

The President says he supports the second circuit standard for pleading. So do I. That is what is included in this bill. The President says he supports the safe harbor language in the bill, but he is concerned about the legislative history.

I am mindful that years ago the President of the United States taught law school, and years ago so did I, and this is an issue that lawyers can argue about, but I think the sounder course is to override this veto and get this bill done.

I am not meaning to say that the President does not disagree on these technical issues, but in his veto message he does support it overall. I would like to say the overheated rhetoric about fraud is entirely misplaced. These are very technical issues, and I think the sounder course is to override this veto.

Mr. BLILEY. Mr. Speaker, I yield 1½ minutes to the gentleman from California [Mr. DREIER], a member of the Committee on Rules.

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

Mr. DREIER. Mr. Speaker, clearly, the vanguard of economic revitalization in this country has been the high-technology industry and the cutting edge biotechnology industry. Unfortunately, if we look at the State of California, where we have gained tremendous jobs from exports, this legislation is designed to expand that rather than jeopardize it.

We have seen very, very strong statements made by those industries from the Silicon Valley that have been victimized by this; Hewlett Packard, Sun Microsystems, Intel, Apple Computer. A wide range of companies have been impacted, and we need to realize that job creation is very important, but there is also the compassionate side to this.

I wonder how much research is not being done in the area of AIDS and cancer because of the threat of these kinds of lawsuits. When Speaker GINGRICH established his task force on California, passage of the legislation authored by the gentleman from California, [Mr. COX] was among our very top priorities, and we hope very much that in a bipartisan way, in a bipartisan way, we will be able to come together and successfully override this veto so that we, as a Congress, can send the very important signal to the largest State in the Union that we are committed to job creation, economic growth and the very important research to meet some of our most important societal needs.

Mr. BLILEY. Mr. Speaker, I yield such time as he may consume to the gentleman from Illinois [Mr. HASTERT].

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

Mr. HASTERT. Mr. Speaker, I rise in favor of the legislation.

Mr. Speaker, I rise in support of the motion to override the President's veto.

Clearly, securities litigation reform is needed. It is good for investors and good for America's economy.

SEC rules were designed to protect investors. Investors need accurate and timely information from companies in which they invest their money. However, spectators are misusing the law to virtually extort money from honest companies when no fraud has taken place.

Frivolous class action suits are being filed—sometimes multiple suits with the same typing errors—often forcing innocent companies to settle out of court rather than face massive court fees—again, after no fraud has taken place.

Investors still have solid protection against fraud under this bill. However, this unwarranted litigation is harming U.S. companies and the economy. Business capital that could be used for technical innovation, capital investment, job creation, and investor dividends are diverted to lawsuits. In a sense, these suits represent a tax on capital.

Lest we forget that frivolous lawsuits really exist, it is interesting to note that during the last 3 years, one out of every 12 companies listed on the New York Stock Exchange was sued for securities fraud. As the author of this survey remarked, "Either you have to believe there's rampant fraud on the New York Stock Exchange, or there are a lot of people getting sued who shouldn't be."

Some may claim to be in support of getting rid of these meritless suits, but unless they are in support of this legislation, they are doing nothing to change the current problem. Suits with merit should be brought before the proper authorities and will continue to be brought and won under this legislation.

Mr. Speaker, investors need better information. The changes to prospectuses contained in this bill encourage companies to give more and better information to investors. That is why numerous citizen investor groups have been running advertisements in favor of this bill.

They know their dividends are going to be higher if the companies they invest in are not fighting off frivolous lawsuits.

I urge my colleagues to support this bill, which serves investors, small business and the American economy well.

Mr. BLILEY. Mr. Speaker, I yield such time as he may consume to the gentleman from Iowa [Mr. GANSKE].

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

Mr. GANSKE. Mr. Speaker, I rise in favor of this legislation.

Mr. Speaker, last night the President vetoed the securities litigation reform measure placed on his desk. This legislation is needed for two main reasons. First, so proper plaintiffs will have a place to redress valid grievances in a system ensuring fraud victims recover their losses and not merely the estimated pennies on the dollar. Second, the securities industry must be allowed to get back to its intended functions. A veto-proof majority in both Houses of Congress supported this legislation.

The President gave three major reasons for vetoing the legislation. First, he objects to the mandatory sanctions imposed if the court finds a rule 11 violation. Sanctions are mandatory against any party violating the rule. He claims that the provision is unreasonably harsh on plaintiffs' lawyers found in violation of the rule and that this will have a chilling effect on a plaintiff's right to sue.

The only thing chilled by this provision is meritless lawsuits that shouldn't have been brought in the first place. Plaintiffs should be forced to more carefully weigh the merits of their case before filing suit. With less meritless suits clogging up the court system, valid plaintiffs will more quickly be able to redress their grievances.

Second, the President claims the safe harbor provision will allow wrongdoers to get off scot-free. This could not be further from the truth. The provision protects companies and executives when they have done their job from meritless suits being brought against them. Companies are protected only if they have adequately informed the investor of risks associated with the investment, and if they have not made a knowing misinformation. It does not prevent plaintiffs from bringing meritless suits.

Third, tougher pleading standards ensure that the plaintiff's lawyer actually has a case before bringing a frivolous suit. Frivolous suits serve no purpose. They waste everyone's time and money. Nobody benefits—not plaintiffs and defendants involved in litigation that will go nowhere despite countless amounts of time and money expended, not the court system which gets clogged, and future plaintiffs who can't get in the courthouse door because it is so jammed.

This bill has broad bipartisan support and is endorsed by the SEC Chairman, Arthur Levitt. So why did the President veto this bill?

Does he want to put the Silicon Valley out of business as it continues to spend time defending frivolous suits rather than advancing the technological future of our country?

Does he want to keep valid plaintiffs out of court?

According to some newspaper reports, the President's decision may have been influenced by a leading member of the trial bar. We must ask whether the President's veto was designed to protect the American people or a special interest that has funneled millions of dollars to the Democratic Party.

Mr. BLILEY. Mr. Speaker, I yield 2 minutes to the gentleman from Florida [Mr. DEUTSCH], a member of the committee.

Mr. DEUTSCH. Mr. Speaker, I rise today in support of an override of the veto on this legislation, and I do that as a member of the Democratic Caucus and a member of the committee.

I would, once again, point out to my colleagues that this is a bipartisan bill. A majority of Democrats in this Chamber voted for this bill, both as it originally passed the House as well as the conference report. The President's veto message highlights several specific things, and I want to discuss those in the short time that I have.

The first is the issue of pleadings. Let me be very clear about that. That particular issue was in the bill at the request of the judicial conference, not

at the request of any particular industry group, but by a group of judges that deal with pleading requirements. That is why that particular issue was in the bill.

The other issue that the President raises is the issue of report language. And let me focus on that for my colleagues. What courts in this country have determined in terms of our legislative intent is that report language is not considered. It is the language that we pass in the bill. So the President's focus actually might have been accurate when he was a professor of law several decades ago in Arkansas, but by the latest court decisions that is just not accurate. Report language has no effect on the bill.

But let me talk about what the President did agree with. He agreed with the safe-harbor provisions. He had no objections to the aiding-and-abetting provisions or for the issue of fraud, because the facts of this bill are that this bill is an antifraud bill. It creates an affirmative duty by accountants to report fraud, which does not exist under existing law. So, if anything, this bill truly is an antifraud bill.

Finally, I would close just on the substance of the bill itself. This bill is really at the heart of what we are as Democrats as well. This is a jobs bill. Because the reality is the existing law stops access to capital, stops job creation in this country today. I urge support of the override of the President's veto.

Mr. BLILEY. Mr. Speaker, I yield 1 minute to the gentleman from Ohio [Mr. OXLEY], vice chairman of the subcommittee.

Mr. OXLEY. Mr. Speaker, I rise in support of securities litigation reform and the veto override attempt.

As Members know, and the White House must know, legislation to curb abusive securities-fraud lawsuits was approved by veto-proof margins by both Houses of Congress earlier in the year.

I think this is a case where the Congress needs to act to save the President from himself.

The legislation before us takes a moderate approach to the problem of frivolous securities class-action lawsuits.

There is a collection of class-action lawyers out there who are filing meritless fraud suits against publicly traded companies, especially high-technology firms, whenever their stock prices fall. They have used the securities laws to win billions from corporations and their accountants.

Meanwhile, defrauded mom-and-pop investors recover only 7 cents for every dollar lost in the market.

This legislation will return the focus of securities laws to their original purpose—protecting investors and helping actual victims of fraud.

This legislation has been described as a boon for securities firms, accounting firms, and public companies. I might add that it is a boon for employees of those companies, as well as

anyone who invests in them in the hope that their stock will go up, not down.

These reforms are long overdue, the President's veto message notwithstanding. They're good for American business, they're good for American competitiveness, and they're good for American investors.

Mr. MARKEY. Mr. Speaker, I yield 2 minutes to the gentleman from Pennsylvania [Mr. KLINK].

Mr. KLINK. Mr. Speaker, I thank the gentleman for yielding me this time. First of all, I want to make a few points and that is that there really is not a difference of opinion between the two sides that are arguing this case about what to do concerning frivolous assembly-line lawsuits. We all agree. There are some suits where we have anecdotal evidence that this occurs, but when we look at the numbers, when we look at statistics on those studies that have been done when stock prices fluctuate, the evidence is not there that there is this avalanche of frivolous suits. It exists, it does inhibit capital, and we should take some action, but indeed the President is correct when he says this legislation goes too far.

Now, there are two ways we can deal with this problem. No. 1, we can expand the bureaucracy, which I do not think that there is anyone on the other side of the aisle who would like to see that happen. We can expand the bureaucracy and allow some bureaucrats to be able to police whether or not securities are being misrepresented to the plaintiffs; or we can do what SEC Chairman Levitt said in front of the committee, and that is identify ways to make the system more efficient while preserving the essential role that many private actions play in supporting the integrity of our markets. That is where we have gone too far.

We can have self-policing of the markets by allowing a private right of action when an individual has been hurt, and this legislation simply goes too far.

The conference report's rule XI, the President states, this provision lacks balance. It treats the plaintiffs more harshly than the defendants in a manner that comes so close to loser pay. Now, I ask my colleagues, when we start getting close to loser pay, how many people, and the gentleman from Michigan [Mr. CONYERS] brought this up a few moments ago, how many people are going to take the action after they have lost so much of their resources to lose more of it by bringing a meritorious case? We must allow room for meritorious lawsuits.

Mr. BLILEY. Mr. Speaker, I yield 1 minute to the gentleman from Ohio [Mr. BROWN], a member of the committee.

Mr. BROWN of Ohio. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, I rise in support of H.R. 1058. Many of us on this side of the aisle have opposed extreme tort reform because we want consumers and work-

ers protected through sensible regulation and through the specter of potential lawsuits. H.R. 1058, however, does provide that investor protection.

H.R. 1058 is a jobs protection bill. I represent an area in northeast Ohio which is a hotbed of innovation and entrepreneurial spirit. Exporting is important, small business is important, high-tech companies are important. H.R. 1058 is a mechanism, as a bipartisan effort, to create jobs in my district and throughout this country. I urge a "yes" vote.

Mr. MARKEY. Mr. Speaker, I yield such time as she may consume to the gentlewoman from Illinois [Mrs. COLLINS].

(Mrs. COLLINS of Illinois asked and was given permission to revise and extend her remarks.)

Mrs. COLLINS of Illinois. Mr. Speaker, I am in opposition to the motion to override the President's veto.

Mr. Speaker, I rise in opposition to the motion to override the President's veto of the conference report to accompany H.R. 1058, the Securities Litigation Reform Act. This so-called agreement would slam the doors of justice on hard-working Americans who unwittingly fall victim to corporate misconduct and fraud. It is shamelessly anticonsumer, anti-small investor, and anti-taxpayer.

Every Member of this body recognizes that there continue to be some cases in which meritless securities class action lawsuits are brought and we must take steps to deter such behavior. But the GOP's approach on this issue, as with many other issues throughout this Congress, has been to blow a minor problem way out of proportion for short-term political gain. This is simply irresponsible Mr. Speaker.

The facts are these: Of the 225,000 suits filed in Federal courts annually, only about 300 or so are securities fraud class action suits, and the courts currently have the full authority to dismiss those suits they deem to be without just cause.

Private securities lawsuits have provided a very powerful deterrent to fraud and have been invaluable in supplementing and enhancing Securities and Exchange Commission [SEC] enforcement of Federal securities laws. The Lincoln S&L/Charles Keating debacle and the Drexel Burnham/Michael Milken disaster were just two high-profile cases that were initiated as a result of private investor action.

In these two cases alone, \$262 million in hard-earned taxpayer dollars, mostly the dollars of senior citizens, was recovered. Under the conference report for H.R. 1058, a mere \$16 million of this money would have been retrievable.

It is not justifiable to throw the baby out with the bath water in the name of so-called reform. However, that is what the conference report does.

It offers a great number of incentives for corporate misconduct. Most distressing to me is the fact that the bill imposes "loser pays" requirements forcing a losing small investor in a securities fraud suit to shoulder the legal fees of the investment banking houses, accounting firms, megacorporations, etc. I don't want to tell my constituents who lose their life savings that they had invested in mutual funds, IRAs, or pension plans because of a

fraudulent action that they must then risk their homes and whatever else they may have left to have even a chance of recovering a small portion of what they lost. Do you think these investors will pursue any suit, regardless of its merits?

In addition, the measure's "safe harbor" liability exemption for "forward-looking" statements excuses unethical corporate wolves from prosecution. With these provisions, any statements made by a defendant in a securities fraud case would be exempt from liability—even if the statement is deliberately false—as long as it is accompanied by vaguely defined "cautionary" language.

I urge my colleagues to vote no on this motion, support the President, and help prevent a grave injustice to our Nation's consumers and small investors from occurring.

Mr. MARKEY. Mr. Speaker, I yield 2½ minutes to the gentleman from New Jersey [Mr. TORRICELLI].

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

Mr. Speaker, when securities litigation reform legislation came to this House earlier this year, I voted for it. The Clinton administration supported it. Democrats and Republicans in this body overwhelmingly gave their assent.

□ 1145

This is not that bill.

Mr. Speaker, this is a good example of what happens when this institution does not function according to its own rules and procedures.

The bill the President vetoed is not the result of a conference committee. The conference committee did not meet. It is not the result of a bipartisan effort. Democrats were never consulted. We started with Democrats, Republicans, both bodies of the Congress, and the administration toward a common language, largely with common language, with a good purpose, and because we could not work together in good faith, we came up with a product that forced the President to issue a veto and many of us to oppose the legislation.

Mr. Speaker, that is why 15 attorneys general have stated their concerns, and leaders of the business community themselves. Look how far we went wrong, and be careful that you want to be identified with this legislation if you do not vote to sustain the veto.

The conference report drops language exempting from the safe-harbor provisions "statements knowingly made with the purpose and actual intent of misleading investors." That was dropped.

Mr. Speaker, I know we all want to do right by the business community. How about your retirees? Small business people? Pension fund managers? Ultimately, the strength of this economy rests on the confidence of our people to invest. This is not a small Latin American nation where a few large families carry the raising of capital. Our people must feel confident. We cannot pass this bill and have people

believe that they can go and make an investment and have recourse. The President will sign a bill with modest changes. It is the bill many of you voted for originally.

Mr. Speaker, I urge the Members of this body, sustain this veto. Let us get a bill worth voting for.

Mr. BLILEY. Mr. Speaker, I yield 1 minute to the gentleman from California from [Mr. BILBRAY].

Mr. BILBRAY. Mr. Speaker, I rise in support of H.R. 1058, and I rise in support for many reasons, but one of them being the fact that I think the American people have a chance today to see a bipartisan effort to protect the most critical resource of our country; that is, the ability of people to venture into agreements to invest their capital.

Mr. Speaker, I think that one of the things we see again and again, contrary to what some speakers would like to say, is that this is a bipartisan effort. You see the Representatives from California especially, from both sides of the aisle, do what we do not do enough, cross the aisle and work together for the benefit of the public.

Mr. Speaker, I wish to point out this is not just an issue of jobs. This is not just an issue of investing money. This is an issue of life and death because the companies that are being attacked are not those that are big companies, but these are the small dynamic companies that are working on issues that are absolutely essential for our citizens, such as cures for cancer, looking for a cure for AIDS, looking for those items that will save lives.

So, Mr. Speaker, I ask Members to support the override not just for the jobs, not just for the bipartisan effort, but for the citizens' lives too.

Mr. BLILEY. Mr. Speaker, I yield 1 minute to the gentlewoman from California [Ms. HARMAN].

(Ms. HARMAN asked and was given permission to revise and extend her remarks.)

Ms. HARMAN. Mr. Speaker, I represent a district in California that I consider the aerospace center of the universe, and its future depends on two things. One is a right-sized defense, but the second is diversification, so that the industrial base can prosper in industries like medical research, communications, biotechnology, green technologies, and so forth.

Mr. Speaker, that diversification will be hampered if we do not have securities law reform. I am very sorry that the White House has chosen to veto this bill, as it chose or will choose to veto our Defense authorization bill. I think in both cases the growth of California, its export potential, and its cutting-edge technology in the twenty-first century depend on policies opposite those the White House has chosen to take.

Mr. Speaker, I would make this point in closing. As a corporate lawyer, I know that there are investors on both sides of securities litigation and victims on both sides. These reforms will

protect those who invest and are subsequently defrauded as well as those who invest in companies that are unfairly targeted by strike suits.

These reforms are critical to all investors, to our Nation's future economic growth, and to the leading-edge advances that high-technology companies make to improve the quality of our lives.

Mr. BLILEY. Mr. Speaker, I yield 1 minute to the gentleman from Ohio [Mr. BOEHNER].

Mr. BOEHNER. Mr. Speaker, there is nothing wrong with this bill. It went through the House and the Senate in a bipartisan way. And during the whole process, we worked with the SEC, we worked with the administration, and we had an agreed-upon bill.

All the sudden, at the eleventh hour, the President decides to veto it. Everybody in this Chamber knows what this is. This is nothing more than raw politics. The President, having a few of his friends over for dinner and deciding, "Well, I really do not want to tell those trial lawyers, no. I really do not want to stand up and do the right thing for the American people."

Mr. Speaker, it is very simple. It is time to send the President a message that we are not going to negotiate this way. This is the same thing we have been going through with the budget for the last several months. All we get is idle talk, idle talk, but we never get serious negotiations.

Mr. Speaker, we had serious negotiations on this bill. We came to an agreement, and the fact is we ought to override it and we ought to do it today.

Mr. BLILEY. Mr. Speaker, I yield 30 seconds to the gentleman from California [Mr. FARR].

Mr. FARR. Mr. Speaker, I voted for this bill because it addressed things that were broken and needed fixing. We had a bipartisan effort to fix those things, and we did. We need to keep America competitive. Technology development depends on risk-taking. This bill allows risks to be taken and rights to be protected.

Mr. Speaker, I was shocked by this veto. It is the first time I have ever not agreed with the President on a veto, and I am going to vote to override it. I urge my colleagues who supported it in the first instance to do so in the latter.

Mr. MARKEY. Mr. Speaker, I yield 2 minutes to the gentleman from California [Mr. BERMAN].

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

Mr. BERMAN. Mr. Speaker, I hear a lot of talk, general talk, about climate for investors and climate for new ventures, and trial lawyers, and bipartisan efforts. No one seems to want to address the specific points of the veto, I suggest, because there is no good answers to those specific points.

Mr. Speaker, if I heard it once, I heard it ten times from the gentleman from California when this bill passed: We want a pleading standard that

matches the Second Circuit, not the lose pleading requirement of the Ninth Circuit.

Why do they come back? The Second Circuit standard is not enough. We want to make it even tougher to file a suit based on fraud and defrauding investors.

The question of sanctions; I think there should be tough sanctions on frivolous lawsuits. I think there should be tough sanctions on frivolous defenses. Here we presume a frivolous plaintiff pays all the legal costs and we specifically prohibit a presumption of all the costs of the plaintiff by frivolous defenses by the defendant.

Finally, on the safe-harbor provisions, they allow an individual to lie to potential investors, make some cautionary statements, and state specifically they cannot make any general allegation with respect to the state of mind of the person who is lying, and then allows omission of major, major kinds of cautionary statement.

Mr. Speaker, a new drug company could represent future earnings, make forward-looking statements, talk about the problem of floods and talk about the problem of earthquakes and the problem of labor disputes, and never mention that the company that their drug is based on has not yet had FDA approval.

All we are asking is to clean this bill up so that my colleagues can achieve the purposes they say they want, without undermining the ability of fraudulent actors to pay the penalties they should be paying to the investors they have defrauded.

Mr. BLILEY. Mr. Speaker, I yield 30 seconds to the gentleman from New York [Mr. FRISA], a member of the committee.

Mr. FRISA. Mr. Speaker, the President, as is his right, chose to use his pen to veto legislation that I feel is very important for our high-tech companies to encourage growth, to encourage innovation, to encourage the creation of more jobs, to protect our accounting profession and other professions that deal with especially new, emerging companies that create growth.

So, Mr. Speaker, I would urge all of the Members of the House to exercise their right to override the ill-advised veto of the President so that we can accomplish these objectives.

Mr. BLILEY. Mr. Speaker, I yield 30 seconds to the gentleman from Wisconsin [Mr. ROTH], a member of the Committee on Banking and Financial Services.

Mr. ROTH. Mr. Speaker, as chairman of the Subcommittee on Economic Policy and Trade, I, along with the gentleman from Connecticut [Mr. GEJDENSON], have looked at this issue of jobs. The reason this bill is so important, this securities legislation, is because it really revolving around jobs.

Many of our companies are moving overseas. Why? Because of frivolous lawsuits. Many of our companies are

not bringing in the innovation that we need today. Why? Because they are afraid of frivolous lawsuits.

Mr. Speaker, in his opening remarks, the gentleman from Virginia [Mr. BLILEY] pointed to a "T" to the central nub of the problem, and that is what we want to focus on. I know if the President had a chance to reconsider, he would sign this legislation.

Mr. BLILEY. Mr. Speaker, I yield 30 seconds to the gentleman from California [Mr. HUNTER].

Mr. HUNTER. Mr. Speaker, just to follow my colleague's remarks, 53 percent of our high-technology companies in Silicon Valley have been hit with the type of fraudulent lawsuits that this legislation would prohibit. If my colleagues want to bring back the California economy—and it is still struggling—and if the President wants to bring back the California economy and get a little credit for it, let us get this legislation passed. Please support this override.

The SPEAKER pro tempore. The gentleman from Virginia [Mr. BLILEY] has 2½ minutes remaining, and the gentleman from Massachusetts [Mr. MARKEY] has 2 minutes remaining.

Mr. BLILEY. Mr. Speaker, we have one speaker left to close, and I reserve the balance of my time.

Mr. MARKEY. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, when a hurricane or a tornado causes a billion dollars' worth of damage to homes and families, the Nation races to their aid. But when investors are defrauded of \$1 billion, such as the Prudential Securities case, it is a silent hurricane that ravages the life savings of families across this country.

The President wants to protect growing companies and growing families. We must help him to fix this bill. We must have a "no" vote on this override. It is absolutely critical for us to block all frivolous cases. The President, and those of us who are supporting the President's position, want to block all frivolous lawsuits, and we will do so. But we do not want to block meritorious cases.

Mr. Speaker, what a sad state of affairs in this country if, in the name of job creation, we block meritorious cases brought by defrauded investors against financial scam artists who have lied and deceived investors in this country.

Mr. Speaker, a "no" vote is the only correct vote here to defend against the defrauding of investors in this country; to ensure that meritorious cases can be brought; to ensure that the pleadings are not too high; to ensure that, in fact, loser-pays does not become an absolute block to ordinary individuals in bringing cases; to ensure that companies and financial experts cannot lie, deliberately lie, deliberately defraud individuals across this country.

Support the President. Vote "no". Vote "no" here to protect average investors in this country. Mr. Speaker, I tell my colleagues, we will come back

and we will give them a bill which will block all frivolous lawsuits that will be brought in this country. Vote "no."

□ 1200

Mr. BLILEY. Mr. Speaker, I yield the remainder of our time to the gentleman from California [Mr. COX], a member of the committee who has done more work on this bill perhaps than almost anyone else on our side.

Mr. COX of California. Mr. Speaker, I thank the gentleman for yielding me this time.

Christmas Day is approaching. We are still hard at work because we are in the midst of a historic effort to pass the first balanced budget in 30 years. It is a difficult time. There is some partisan rhetoric on the floor.

But in the midst of this we have managed to produce one of the most bipartisan, carefully crafted pieces of legislation in congressional history. It is no accident that this bill passed the House of Representatives and the Senate by overwhelming, more than two-thirds, more than veto-proof margins.

Fraudulent litigation, everyone has accepted, is a serious problem in America. The manipulation and abuse of our securities laws by unethical multimillionaire bandits is a serious problem in need of a remedy. This bill comes after long and hard work, not just between the House and the Senate, not just Democrats, a majority of whom have voted to support this legislation, and Republicans, but with the administration and with the Securities and Exchange Commission.

We wanted to craft a careful balance because this is such a serious issue that affects all of us. In California, it affects us at least as much as anywhere else. That is why the Governor of California has asked for your support. That is why you have seen so many California Democrats and Republicans on the floor today asking for an override of this ill-considered veto.

The President made three points. First, he believes that people who bring cases in violation of existing Federal rule 11 should not be subject to sanctions. Let me read you what rule 11 says: Only those cases that are brought for the purpose of harassment are subject to these sanctions; cases brought for an improper purpose, to intentionally delay; frivolous cases. That is what rule 11 says. Those cases have no place in our system.

And, yes, at the end of a lawsuit after the judge has heard all of the evidence, he should, or she should, be able to impose sanctions in those cases.

Second, the President said the pleadings standards, which are changed in our bill to prevent fishing expeditions, should be weakened. But we do not wish to see fishing expedition lawsuits. That is why the President's own Securities and Exchange Commission did not level this objection to this part of the bill. \* \* \* complaint about the safe harbor. The SEC chairman approved it. The Administration's own SEC approved this part of the bill.

It took 12 months to craft this legislation. It took 12 seconds for the President to set these efforts back. Let us put ourselves back on track and vote now to override the President's veto and support this most bipartisan and most important legislation.

The SPEAKER pro tempore (Mr. WICKER). Without objection, the previous question is ordered.

There was no objection.

The SPEAKER pro tempore. The question is, Will the House, on reconsideration, pass the bill, the objections of the President to the contrary notwithstanding?

Under the Constitution, this vote must be by the yeas and nays.

The vote was taken by electronic device, and there were—yeas 319, nays 100, answered "present" 1, not voting 14, as follows:

[Roll No. 870]  
YEAS—319

Ackerman	Davis	Hilleary
Allard	Deal	Hobson
Andrews	DeLauro	Hoekstra
Archer	DeLay	Hoke
Armey	Deutsch	Holden
Bachus	Diaz-Balart	Horn
Baesler	Dickey	Hostettler
Baker (CA)	Doolittle	Houghton
Baker (LA)	Doyle	Hoyer
Ballenger	Dreier	Hunter
Barcia	Duncan	Hutchinson
Barr	Dunn	Hyde
Barrett (NE)	Ehlers	Inglis
Barrett (WI)	Ehrlich	Istook
Bartlett	English	Jackson (IL)
Barton	Ensign	Jackson-Lee
Bass	Eshoo	(TX)
Bateman	Everett	Jefferson
Bentsen	Ewing	Johnson (CT)
Bereuter	Farr	Johnson, Sam
Bevill	Fawell	Jones
Bilbray	Fazio	Kasich
Bilirakis	Fields (LA)	Kelly
Bishop	Fields (TX)	Kennedy (MA)
Bliley	Flake	Kennedy (RI)
Blute	Flanagan	Kennelly
Boehlert	Foley	Kim
Boehner	Forbes	King
Bonilla	Fowler	Kingston
Bono	Fox	Klecza
Boucher	Frank (MA)	Klug
Brewster	Franks (CT)	Knollenberg
Browder	Franks (NJ)	Kolbe
Brown (OH)	Frelinghuysen	LaFalce
Brownback	Frisa	LaHood
Bryant (TN)	Frost	Largent
Bunn	Funderburk	Latham
Bunning	Furse	LaTourette
Burr	Galleghy	Laughlin
Burton	Ganske	Lazio
Buyer	Gejdenson	Leach
Callahan	Gekas	Lewis (CA)
Calvert	Geren	Lewis (KY)
Camp	Gilchrest	Lightfoot
Campbell	Gillmor	Lincoln
Canady	Gilman	Linder
Cardin	Gingrich	Lipinski
Castle	Goodlatte	Livingston
Chabot	Goodling	LoBiondo
Chambliss	Gordon	Lofgren
Chenoweth	Goss	Longley
Christensen	Graham	Lucas
Chrysler	Green	Luther
Clement	Greenwood	Maloney
Clinger	Gunderson	Manton
Coble	Gutknecht	Manzullo
Coburn	Hall (TX)	Martini
Collins (GA)	Hamilton	McCarthy
Combest	Hancock	McCollum
Condit	Hansen	McCrery
Cooley	Harman	McDade
Cox	Hastert	McHale
Cramer	Hastings (WA)	McHugh
Crapo	Hayes	McInnis
Creameans	Hayworth	McIntosh
Cubin	Hefley	McKeon
Cunningham	Heineman	McNulty
Danner	Herger	Meehan

Metcalf	Regula	Stearns
Meyers	Riggs	Stenholm
Mica	Roberts	Stoneman
Miller (FL)	Roemer	Stump
Minge	Rogers	Talent
Molinari	Rohrabacher	Tanner
Montgomery	Ros-Lehtinen	Tate
Moorhead	Rose	Tauzin
Moran	Roth	Taylor (NC)
Morella	Roukema	Tejeda
Murtha	Royce	Thomas
Myers	Rush	Thornberry
Myrick	Sabo	Thornton
Neal	Salmon	Tiaht
Nethercutt	Sanford	Torkildsen
Neumann	Sawyer	Towns
Ney	Saxton	Trafficant
Norwood	Scarborough	Upton
Nussle	Schaefer	Vento
Ortiz	Schiff	Visclosky
Orton	Schumer	Vucanovich
Oxley	Seastrand	Waldholtz
Packard	Sensenbrenner	Walker
Pallone	Shadegg	Walsh
Parker	Shaw	Wamp
Paxon	Shays	Ward
Payne (VA)	Shuster	Weldon (FL)
Pelosi	Sisisky	Weldon (PA)
Peterson (FL)	Skeen	Weller
Petri	Skelton	White
Pickett	Slaughter	Whitfield
Pombo	Smith (MI)	Wicker
Porter	Smith (NJ)	Wolf
Portman	Smith (TX)	Wyden
Quillen	Smith (WA)	Wynn
Quinn	Solomon	Young (FL)
Radanovich	Souder	Zeliff
Ramstad	Spence	Zimmer
Reed	Spratt	

NAYS—100

Baldacci	Hall (OH)	Payne (NJ)
Becerra	Hastings (FL)	Pomeroy
Beilenson	Hefner	Poshard
Berman	Hilliard	Rahall
Bonior	Hinchev	Rangel
Borski	Jacobs	Richardson
Brown (CA)	Johnson (SD)	Rivers
Brown (FL)	Johnson, E. B.	Roybal-Allard
Bryant (TX)	Johnston	Sanders
Clay	Kanjorski	Schroeder
Clayton	Kaptur	Scott
Clyburn	Kildee	Serrano
Coleman	Klink	Skaggs
Collins (IL)	Levin	Stark
Collins (MI)	Lewis (GA)	Stokes
Conyers	Markey	Studds
Costello	Martinez	Stupak
Coyne	Mascara	Taylor (MS)
DeFazio	Matsui	Thompson
Dellums	McDermott	Thurman
Dicks	McKinney	Torres
Dingell	Meek	Torricelli
Dixon	Menendez	Velazquez
Doggett	Mfume	Volkmer
Durbin	Miller (CA)	Waters
Engel	Mink	Watt (NC)
Evans	Moakley	Waxman
Fattah	Mollohan	Williams
Foglietta	Nadler	Wilson
Ford	Oberstar	Wise
Gephardt	Obey	Woolsey
Gibbons	Olver	Yates
Gonzalez	Owens	
Gutierrez	Pastor	

ANSWERED "PRESENT"—1

Lowey

NOT VOTING—14

Abercrombie	Dornan	Peterson (MN)
Chapman	Edwards	Pryce
Crane	Emerson	Watts (OK)
de la Garza	Filner	Young (AK)
Dooley	Lantos	

□ 1220

The Clerk announced the following pair:

On this vote:

Mr. Edwards for, with Mr. Filner against.

Mr. ROSE changed his vote from "nay" to "yea."

So, two-thirds having voted in favor thereof, the bill was passed, the objec-

tions of the President to the contrary notwithstanding.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore. The clerk will notify the Senate of the action of the House.

PERSONAL EXPLANATION

Mr. ABERCROMBIE. Mr. Speaker, on the last vote, rollcall 870, I was unavoidably detained. Had I been here, I would have voted "nay."

PERSONAL EXPLANATION

Mr. WATTS of Oklahoma. Mr. Speaker, on rollcall No. 870, I was inadvertently detained with constituents. Had I been present, I would have voted "yea."

GENERAL LEAVE

Mr. BLILEY. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on H.R. 1058.

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

There was no objection.

CONFERENCE REPORT ON H.R. 1655, INTELLIGENCE AUTHORIZATION ACT FOR FISCAL YEAR 1996

Mr. COMBEST submitted the following conference report and statement on the bill (H.R. 1655) to authorize appropriations for fiscal year 1996 for intelligence and intelligence-related activities of the United States Government, the Community Management Account, and the Central Intelligence Agency Retirement and Disability System, and for other purposes:

CONFERENCE REPORT (H. REPT. 104-427)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 1655), to authorize appropriations for fiscal year 1996 for intelligence and intelligence-related activities of the United States Government, the Community Management Account, and the Central Intelligence Agency Retirement and Disability System, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Intelligence Authorization Act for Fiscal Year 1996".

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—INTELLIGENCE ACTIVITIES

Sec. 101. Authorization of appropriations.

Sec. 102. Classified schedule of authorizations.

Sec. 103. Personnel ceiling adjustments.

Sec. 104. Community Management Account.

TITLE II—CENTRAL INTELLIGENCE AGENCY RETIREMENT AND DISABILITY SYSTEM

Sec. 201. Authorization of appropriations.

TITLE III—GENERAL PROVISIONS

Sec. 301. Increase in employee compensation and benefits authorized by law.

Sec. 302. Restriction on conduct of intelligence activities.

Sec. 303. Application of sanctions laws to intelligence activities.

Sec. 304. Thrift savings plan forfeiture.

Sec. 305. Authority to restore spousal pension benefits to spouses who cooperate in criminal investigations and prosecutions for national security offenses.

Sec. 306. Secrecy agreements used in intelligence activities.

Sec. 307. Limitation on availability of funds for automatic declassification of records over 25 years old.

Sec. 308. Amendment to the Hatch Act Reform Amendments of 1993.

Sec. 309. Report on personnel policies.

Sec. 310. Assistance to foreign countries.

Sec. 311. Financial management of the National Reconnaissance Office.

TITLE IV—CENTRAL INTELLIGENCE AGENCY

Sec. 401. Extension of the CIA Voluntary Separation Pay Act.

Sec. 402. Volunteer service program.

Sec. 403. Authorities of the Inspector General of the Central Intelligence Agency.

TITLE V—DEPARTMENT OF DEFENSE INTELLIGENCE ACTIVITIES

Sec. 501. Defense intelligence senior level positions.

Sec. 502. Comparable benefits and allowances for civilian and military personnel assigned to defense intelligence functions overseas.

Sec. 503. Extension of authority to conduct intelligence commercial activities.

Sec. 504. Availability of funds for Tier II UAV.

Sec. 505. Military Department Civilian Intelligence Personnel Management System.

Sec. 506. Enhancement of capabilities of certain army facilities.

TITLE VI—FEDERAL BUREAU OF INVESTIGATION

Sec. 601. Disclosure of information and consumer reports to FBI for counterintelligence purposes.

TITLE VII—TECHNICAL AMENDMENTS

Sec. 701. Clarification with respect to pay for Director or Deputy Director of Central Intelligence appointed from commissioned officers of the Armed Forces.

Sec. 702. Change of designation of CIA Office of Security.

TITLE I—INTELLIGENCE ACTIVITIES

SEC. 101. AUTHORIZATION OF APPROPRIATIONS.

Funds are hereby authorized to be appropriated for fiscal year 1996 for the conduct of the intelligence and intelligence-related activities of the following elements of the United States Government:

- (1) The Central Intelligence Agency.
- (2) The Department of Defense.
- (3) The Defense Intelligence Agency.
- (4) The National Security Agency.
- (5) The Department of the Army, the Department of the Navy, and the Department of the Air Force.
- (6) The Department of State.
- (7) The Department of Treasury.
- (8) The Department of Energy.