

Airborne veteran of World War II; Robert Bradley, Armored Division veteran of World War II, and James Bloss, Korean war veteran and Veterans Service Officer. The late Lon MacFarland, Chief of Staff of the 5th Armored Division, was also a member.

PITTSWON TO HONOR FRANK
LOSZYNSKI, RETIRING TOWN
JUSTICE

HON. GERALD B.H. SOLOMON

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Friday, February 3, 1995

Mr. SOLOMON. Mr. Speaker, earlier this year, one of the finest public servants I have ever known retired after more than 30 years of service. I'd like to say a few words about him.

Mr. Speaker, I'm not exactly famous for my kind remarks about Democrats, but when they are as outstanding as Frank Loszynski, former town justice of Pittstown, NY, I have no problems at all. Keep in mind that Republicans outnumber Democrats two to one in Pittstown, and you will have an idea of the man's effectiveness and popularity.

Actually, Frank Loszynski had a solid reputation for integrity even before his election. His personal and business conduct established him in the eyes of his neighbors as an excellent candidate for a justice seat, and they were right. Over the years he confirmed the confidence of the voters by conducting his office with fairness and understanding, earning the support of Democrats and Republicans alike.

Mr. Speaker, on March 25 there will be a banquet in his honor. I would ask you and all Members to join me today in paying our own tribute to Frank Loszynski, an outstanding judge and a great American.

SPECIAL TRIBUTE TO ALFRED
AND GENESSA BERTEL

HON. GARY L. ACKERMAN

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Friday, February 3, 1995

Mr. ACKERMAN. Mr. Speaker, I wish to pay special tribute to Alfred and Genessa Bertel of East Hills, NY, an absolutely remarkable and special couple, on the occasion of their 50th wedding anniversary. This auspicious occasion was joyously celebrated this past Sunday at a surprise party at Papagallo's in Glen Head, NY, with over 100 loving close friends and family. The party was, according to one account one of the funnest celebrations ever.

Al and Nessa have both touched the lives of many people indeed. The mark of a successful life is the positive influence on other people, and by that measure, the Bertels are a resounding success. In addition, they have achieved great successes in other areas of their lives. Al founded one of the first super-market chains in New York City, and to this day runs a very successful wholesale produce business in the Bronx. He served in the U.S. Army during World War II, and fought in the Pacific. His deep and sincere generosity and largeness of spirit have endeared him beyond description to family, friends, business associates, and employees.

Nessa, as past president of the Roslyn Chapter of Hadassah, and as a continuing active member of Hadassah, has long been devoted to the cause of Israel, and other worthy causes. She is, for good reason, a popular and very beloved figure in the community. Her love and devotion is a source of strength not only for her children, Sharon, Aaron, and Mindy, but for many other family and friends.

Al and Nessa, who are in remarkably good physical shape, and have somehow managed to barely change their appearance over the past 50 years, deserve the highest accolades and congratulations over this unique and happy milestone. I ask all my colleagues in the House of Representatives to join me now in congratulating Alfred and Genessa Bertel on their 50th wedding anniversary, in lauding them for their many years of good works to the community and to the Nation, and in wishing them many more years of health and happiness.

DEPOSITORY INSTITUTION
AFFILIATION ACT OF 1995

HON. RICHARD H. BAKER

OF LOUISIANA

IN THE HOUSE OF REPRESENTATIVES

Friday, February 3, 1995

Mr. BAKER of Louisiana. Mr. Speaker, the landmark legislation I am introducing this afternoon, the Depository Institution Affiliation Act of 1995, is designed to restore the competitiveness of our Nation's financial services sector and to set the stage for the financial markets in the 21st century. I am particularly pleased to introduce this legislation with Senate Banking Committee Chairman ALFONSO D'AMATO who introduced similar legislation yesterday in the Senate. In the 193d Congress, I had the distinguished honor to work with the Senator on another piece of legislation, the Small Business Loan Securitization Act of 1994, and it is certainly my hope that our efforts this year will be just as successful.

Mr. Speaker, I would like to digress a moment with a bit of history to illustrate the great importance of this legislation. In 1933, an American engineer perfected the FM radio. In 1956, color televisions were selling in the retail market. In 1969, Neil Armstrong took the historic first walk on the Moon. Today, while we are at the edge of the information super-highway, we take for granted home computers, fax machines, and pocket-sized cellular phones. If you were born some 50 years ago, you've seen remarkable advancements in technology and business opportunities that have revolutionized the way we live and the way we work. Unless, of course, you are a banker or a provider of financial services. I invite everyone in the House of Representatives to join me in rewriting the laws governing our Nation's financial services industry by supporting the Depository Institution Affiliation Act of 1995.

A few days ago, I had a conversation with one of our Federal bank regulators which had a lasting impression on me. While detailing the present condition of the banking industry, he suggested that it was in many ways analogous to the state of our Nation's railroad industry a decade ago. In making that comparison, he underscored that our banking industry, and more broadly the financial services industry, is at a crossroads. He suggested that the regu-

latory structure that presently governs our financial services marketplace—like that of our railroad industry a century ago—serves only to hinder competitiveness, to restrict rapidly developing markets, and to limit the availability of financial products and services to American consumers.

Mr. Speaker, the legislation I introduce today is virtually identical to legislation that I have previously cosponsored in the past three Congresses. I introduce this bill today with broad bipartisan support, just as it has enjoyed bipartisan support in years past. I would like to personally thank my colleagues BILL MCCOLLUM, DAVID DREIER, MIKE CASTLE, PETER KING, JOHN LAFALCE, BARNEY FRANK, and FLOYD FLAKE for joining me as original cosponsors of this landmark legislation.

The bill this year differs only slightly to reflect the changes in the banking laws over the past few years. Most notably, for example, some changes were made as a consequence of the Federal Deposit Insurance Corporation Improvement Act of 1991—Public Law 102-242.

With this in mind, Mr. Speaker, the Depository Institution Affiliation Act of 1995 seeks: (1) To promote competition among bank and nonbank providers of financial services; (2) to encourage innovation in the design and delivery of financial services and products to individuals, consumers, large and small businesses, non-profit institutions, and States and municipalities; (3) to ensure that adequate regulation of financial intermediaries in order to protect depositors and investors; (4) to preserve the safety and soundness of the banking system and the overall financial system; and, (5) to protect the Nation's taxpayers by requiring that nonbanking activities are conducted in separately capitalized and functionally regulated affiliates.

It is important for all of us to remember that the antiquated structure of today's financial services industry is much the same as it was 62 years ago, except there are more rules and regulations to prohibit the development of new products and services. The banking rules of 1933 and 1956 are still the law of the land, despite the fact that the rest of the business world has changed dramatically.

In the last half of this century, the banking and financial services industry has undergone enormous change largely due to advances in technology and information processing—changes that were not contemplated when our present structure was conceived. Between 1933, with the Glass-Steagall Act, and 1956, with the Bank Holding Company Act, much of the current Federal legal structure governing providers of financial services was erected. Thus, our present structure is based on a bygone era of market segmentation of generally distinguished financial products, such as deposits, securities, whole life insurance, and other products. This form of market segmentation no longer corresponds to the realities of today's dynamic financial marketplace. In many ways the financial markets are progressing despite Congress. Interstate banking, for example, was practically obsolete by the time Congress got around to it last year. All too often, participants in the financial markets, like commercial banks and investment banks, work together within the confines of current law to improve the availability of products and services to the consumer. We can improve upon

the financial service industry's ability to deliver these services to their customers with this legislation I introduce today.

As a member of the House Banking Committee since 1989, I have noticed that we all to often respond to the problems of the past instead of trying to set the stage for a competitive marketplace in the 21st century. As with competition in any business, there will be winners and there will be losers. The real question is, who should decide the winners? Governmental rules that restrict the markets of hard work and competitiveness in the financial marketplace?

Recently, Bill Gates, the chairman of Microsoft Corp., referred to the banking industry as a "dinosaur" because of the banking industry's inability to keep pace with technological advances. Under today's artificial segmentation of the financial services industry, if a customer goes to a bank for financial planning they may be told to invest in a CD, a money market fund, and get a home equity loan—because that is all the bank has to offer. At the insurance company, they may be told to invest in an annuity and buy whole life insurance. And finally, at a securities firm, they may be told to invest in a mutual fund, stocks, or government bonds. All of these suggestions are based not necessarily on the best interests of the consumer, but simply on what the institution has to offer. I believe that if institutions were able to market a full array of financial products they could better serve the needs of all customers.

The legislation has been carefully designed to address the barriers to market entry contained in the Bank Holding Company Act, the Glass-Steagall Act and other laws designed to artificially restrict competition.

As the chairman of the Subcommittee on Capital Markets, Securities and GSE's, I hope that the introduction of this bill, with broad bipartisan support, will encourage further debate on the future of the entire financial services industry rather than merely focus on only one of its component parts. To this end, I intend to hold a series of hearings addressing the way our capital markets function and how the financial services industry operates under current law. Finally, it is my hope that we will advance legislation this spring to respond to our ever-changing financial marketplace.

Piecemeal reforms that merely address bank powers without taking into consideration competitive interests of the system as a whole does the consumer of financial products a disservice. Removing restrictions on bank affiliations, while at the same time ensuring safety and soundness within the depository institution affiliate, would ensure that the financial services industry could continue offering new products while protecting and enhancing the financial system as a whole.

Whatever reforms we undertake must recognize the reality of the marketplace, which is that the financial services industry has become one market. We must eliminate outmoded barriers to the conduct of financial businesses that deny this reality and thereby limit the profitability of all financial firms.

Mr. Speaker, I look forward to working with you and all Members of the House in order to bring real reforms to our Nation's financial marketplace. For the record, I also would like to include the enclosed article written by the Senate Banking Committee Chairman ALFONE D'AMATO that appeared in yesterday's Wall

Street Journal. I ask that you please join me today in supporting the Depository Institution Affiliate Act of 1995. Thank you.

[From the Wall Street Journal, Feb. 2, 1995]

MY PLAN FOR A STRONGER FINANCIAL INDUSTRY

(By Alfonse D'Amato)

It's time to bring financial regulation out of the 1930s and into the 21st century. To achieve that goal, I am introducing legislation today that would break the Chinese wall between different sectors of the financial industry built by the Depression-era Glass-Steagall Act and other laws.

My Depository Institution Affiliation Act would level the playing field for banking, securities and insurance companies by authorizing the creation of "financial services holding companies" to engage in everything from banking to securities underwriting to manufacturing.

This diversification—which would reduce the risk that taxpayers would have to pick up the tab for a future banking crisis—is long overdue. The past 20 years have seen growing competition among financial providers that has undermined the strict limits in federal law on permissible activities for bankers, stock brokers and insurance underwriters. The banking industry's share of U.S. financial assets has fallen to less than 30% from 66% in just 20 years. Borrowers are relying on securities, finance and insurance firms to raise funds. Since 1980, mutual funds assets have grown at a compounded rate of 22% and today total \$2 trillion—not much less than the \$2.4 trillion of domestic deposits in U.S. banks.

The walls between different financial sectors have been crumbling—but slowly. Banks have had to jump through all sorts of regulatory hoops to move into new areas such as securities and insurance. Major retailers, auto makers and appliance manufacturers, meanwhile, have established finance arms to provide customers with credit to purchase their goods. But they haven't been able to open their own banks.

Many of these developments have come about through a patchwork of deregulation by bank regulators and the courts. Recently, for example, the Supreme Court approved the Comptroller of the Currency's ruling that banks may broker annuities.

Last year Congress got into the picture by authorizing interstate banking. But Congress has so far been unable to enact a sweeping reform that would simplify the regulatory picture and make the U.S. financial services industry more competitive globally.

My bill would accomplish that goal. Under this legislation, regulation of banks and nonbank affiliates would be divided along functional lines. The FDIC-insured-bank affiliates would be regulated by federal and state bank regulators; the securities affiliates by the Securities and Exchange Commission; and the insurance affiliates by state insurance commissioners.

Strong firewalls, costly penalties and expedited enforcement procedures would prevent bank holding companies from jeopardizing taxpayer-insured deposits. Provisions against "tying"—requiring a bank customer to use a bank's new services in conjunction with its old ones—would protect customers against anti-competitive conduct.

A National Financial Services Oversight Committee consisting of representatives of the leading financial regulatory agencies (Treasury, the Federal Reserve, FDIC, SEC, CFTC, and so on) would help to ensure that regulations for the entire financial industry are streamlined and uniform.

As long as the insured-bank affiliates are protected, there is little to fear, and much to gain, from allowing industry and commercial

businesses into banking. Commercial firms will infuse new capital and expertise into the banking system.

What makes me think this ambitious bill can pass now after similar efforts were defeated in the recent past? For one thing, there is now a Republican Congress. In the House, legislation was often blocked in the past by splits between the Banking and Commerce committees; now that authority over financial services has been consolidated in the Banking Committee, that shouldn't be a problem. And House Banking Chairman Jim Leach has moved in our direction by introducing legislation that would remove barriers on commercial banks affiliating with securities firms.

The Clinton administration is now studying our plan. I've urged Treasury Secretary Robert Rubin to support the principles outlined in the Depository Institution Affiliation Act, and endorsed by the Bush Treasury Department in 1991. By working together with the administration, the Republican Congress can overcome the companies of vested interests and reform our outdated financial services laws. We should not miss this opportunity for bipartisan cooperation.

WHY WE SHOULD NOT LIFT THE ARMS EMBARGO UNILATERALLY

HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Friday, February 3, 1995

Mr. HAMILTON. Mr. Speaker, on January 11, 1995 three high-level administration officials briefed the Congress on the situation in Bosnia. Attention was focussed on the impact that unilaterally lifting the arms embargo would have on the ground in Bosnia and on our relations with our NATO allies, as well as the implications of such action for United States military involvement in the conflict.

Lt. Gen. Wesley Clark, director for strategic plans and policy, Joint Chiefs of Staff, on this occasion provided a detailed and forceful analysis of the probable sequence of events and the dangerous consequences for Bosnia and the United States that would result from lifting the arms embargo unilaterally: the war will intensify; U.N. peacekeepers will leave; United States Armed Forces will be drawn directly into the ground war and a deep rift will develop with our NATO allies.

General Clark's remarks at this closed briefing have just been declassified. I am inserting them into the RECORD at this time so my colleagues who did not have the opportunity to hear General Clark will now have an authoritative analysis of the why the United States should not lift the arms embargo unilaterally.

CONGRESSIONAL TESTIMONY LTG CLARK'S REMARKS, 11 JANUARY 1995

Mr. Chairman, let me say at the outset that we welcome the opportunity to update you on the current situation on the ground in Bosnia, current operations, options for alleviation of the situation, the status of ongoing planning for UNPROFOR withdrawal, and efforts to strengthen UNPROFOR.

The situation on the ground has stabilized since the signing of the cease fire on 31 December. The heavy fighting has subsided and the skirmish lines have remained steady since the agreement went into force. Sporadic small arms fire remains a threat, however there is an overall improvement in the conditions in Bosnia-Herzegovina.