

What is more, the only viable domestic timber supply comes from the Federal Tongass forest. Please keep this history in mind the next time the Tongass issue comes before Congress.

CONGRESS' COMMITMENT TO
VETERANS

HON. J.D. HAYWORTH

OF ARIZONA

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 1, 1996

Mr. HAYWORTH. Mr. Speaker, on July 30, 1996, the House of Representatives passed two bills that are critically important to our Nation's veterans: H.R. 3586, the Veterans Employment Opportunity Act, and H.R. 3118, the Veterans' Health Care Eligibility Reform Act of 1996. These bills reaffirm Congress' commitment to veterans who came to the defense of our Nation in times of need.

H.R. 3586 responds to growing concerns that the viability of veterans' preference in the Federal work force is being threatened. When veterans leave the military to become civil servants, they should not be forced to start their careers over again. Rather, their military experience should carry over into their Government service. Unfortunately, Mr. Speaker, this is not always the case. That is why it is important for Congress to pass this legislation, and forward it to the President for his signature.

This bill rightly removes impediments veterans face during hiring, and strengthens their rights during agency downsizing. In addition, H.R. 3586 establishes, for the first time, a system for redress for veterans who believe their rights have been violated in the workplace. This legislation recognizes that veterans should have the same rights and privileges the rest of the work force enjoys. When veterans enter the workplace after serving their country, they will be no longer relegated to the status of second-class citizens. Rather, they will be rewarded with jobs that take into account their previous military experience.

While veterans need and deserve jobs, they also need adequate and expanded health care. For this reason, the House passed H.R. 3118, which will update and simplify rules governing VA medical care and substantially expand veterans' eligibility to receive treatment on an outpatient basis. As the VA moves from expensive inpatient care to more cost-effective primary and outpatient care, it is important that Congress recognizes the potential of serving more veterans at a lower cost in outpatient centers. H.R. 3118 moves toward this goal by helping the VA shift its focus to outpatient centers so that more veterans will be able to access these facilities.

Another key element of H.R. 3118 is expanded veterans' access to VA health care by eliminating statutory rules which for years have prohibited the VA from providing many veterans with routine outpatient treatment and preventive care. If this legislation becomes law, access will be expanded for veterans with service-incurred disabilities or low incomes by allowing them to receive their care at outpatient facilities, which has been prohibited by outdated rules. By shifting our focus to outpatient facilities, our Nation's veterans will be better served because these centers can pro-

vide care in less populated areas in a more cost-effective manner.

Mr. Speaker, let me conclude by saying this: Every one of our Nation's veterans is a hero. Without them, our country might not be able to enjoy the freedom and prosperity that we, as Americans, cherish today. Veterans have kept their promises to the Government. We must honor our commitment to them by providing veterans with the necessary tools for survival. These include work and health care. H.R. 3568 and H.R. 3118 provide veterans with more work opportunity and expanded health care, and these bills personify this Congress' deep commitment to the veterans who valiantly fought for our great country. I commend my colleagues for supporting this legislation, and will continue to work with them to pass important legislation that benefits veterans.

PERSONAL EXPLANATION

HON. WILLIAM M. THOMAS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 1, 1996

Mr. THOMAS. Mr. Speaker, On Wednesday, July 31, 1996, I missed vote No. 384, the Studds substitute to the International Dolphin Conservation Program Act. Had I been present I would have voted "no". I was detained as I was taking part in the public announcement with all of my colleagues who negotiated the final agreement on the health care reform bill.

FED MOVES TO KEEP U.S. BANKS
COMPETITIVE

HON. JOHN J. LaFALCE

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 1, 1996

Mr. LaFALCE. Mr. Speaker, I would like to commend the Federal Reserve Board for its proposal yesterday facilitating the ability of bank holding companies to compete with securities firms in underwriting debt and equity securities for their corporate customers.

In 1987, the Federal Reserve Board authorized the securities subsidiaries of bank holding companies—commonly referred to as section 20 subsidiaries—to underwrite and deal in corporate debt and equity securities to a limited degree. After 9 years of experience supervising the underwriting activities of section 20 subsidiaries, the Federal Reserve now believes it appropriate to make some modifications in the restrictions that currently apply to the underwriting activities of these section 20 securities subsidiaries. This is an appropriate and timely action by the Federal Reserve.

In 1987, when it first authorized section 20 subsidiaries, the Board established as revenue test to ensure compliance with section 20 of the Glass-Steagall Act, which prohibits a bank from affiliating with a firm "engaged principally" in securities underwriting and dealing. This revenue test limited the amount of revenue that section 20 subsidiaries could derive from underwriting and dealing in the types of securities that banks themselves were not allowed by the 1933 Glass-Steagall Act to underwrite—specifically, corporate debt and equity securities.

In order to gain experience with supervising the underwriting activities of section 20 subsidiaries, the Board initially limited the revenue derived from debt and equity securities to 5 percent of total revenue of the subsidiary. Then in 1989, the Board raised the limit to 10 percent.

Many observers of the financial services market have long believed that the 10 percent revenue limitation imposed by the Federal Reserve in 1989 was a very conservative interpretation of the "engaged principally" test in section 20 of the Glass-Steagall Act. And even if this limitation was justified in 1989, the Board has now benefited from many years of experience supervising the securities activities of section 20 subsidiaries and is confident that these subsidiaries have operated in a safe and sound manner.

Based on its substantial experience, the Board has now concluded that the current 10 percent revenue limitation is unduly restrictive of the underwriting and dealing activities of section 20 subsidiaries. Therefore, the Board is proposing to increase the revenue limit from 10 percent of total revenues to 25 percent.

This decision by the Federal Reserve to use its clear authority under existing law is absolutely essential. In the absence of congressional action, it is the only way to keep our banking system competitive. Despite lengthy debate, this Congress will not be able to pass a broader financial modernization bill repealing the relevant sections of the Glass-Steagall Act, in order to allow full affiliation between banks and securities firms, with appropriate prudential safeguards. Given this reality, it is essential that the Federal Reserve exercise its authority to interpret existing law in a manner that is responsive to developments in the financial marketplace.

It should be emphasized that the House Banking Committee did take appropriate action last year with respect to repealing and modifying various sections of the Glass-Steagall Act. Regrettably, the broader financial modernization legislation ultimately became entangled in disagreements among affected parties. It would certainly be preferable for Congress to be able to pass truly comprehensive financial modernization legislation, providing a level playing field for all participants. However, the reality is that such an outcome is not possible this year.

It should be acknowledged that for many years the financial market has been evolving in a way that clouds the distinction between banking and securities activities. This is particularly true with respect to the activities of financial institutions—both banks and securities firms—that conduct a wholesale business directed at meeting the financing needs of corporate clients. These corporations are looking for a financial institution able to serve all their financing needs—borrowing, issuing securities, arranging private placements, risk management, and so forth. Wholesale financial institutions need to be able to provide those financing services as efficiently as possible, without segmenting their business in ways that have little to do with safety and soundness.

Having been successful in winning substantial underwriting business from corporate customers, some of the section 20 subsidiaries affiliated with the largest money center banks—including those of J.P. Morgan & Co., Bankers Trust New York Corp., and Chase Manhattan Corp.—are very close to their revenue limit. Without an increase in the revenue