

MEMO# 1698

February 2, 1990

S. 2028, THE "FAIR TRADE IN FINANCIAL SERVICES ACT"

February 2, 1990 TO: BOARD OF GOVERNORS NO. 9-90 FEDERAL LEGISLATION MEMBERS NO. 3-90 RE: S. 2028, THE "FAIR TRADE IN FINANCIAL SERVICES ACT"

Early this week, Senate Banking Committee Chairman Don Riegle (D-MI) and Ranking Committee Member Jake Garn (R-UT) led a majority of Senate Banking Committee members in introducing S. 2028, the "Fair Trade in Financial Services Act". The bill amends the International Banking Act of 1978 and the Securities Exchange Act of 1934 "to provide for fair trade in financial services." The bill would give the US government the power to restrict access to US markets by foreign banks and securities firms whose home countries discriminated against US companies. S. 2028 represents a strong Congressional response to the growing concern about the international competitive position of US financial firms. In the face of increased foreign presence in this country, the bill is also an attempt to gain "competitive" access to foreign banking and securities markets. "It is designed to be a market opening mechanism", according to Chairman Riegle. The Senate Committee thus joins its House counterpart in exploring the "competitiveness" issue. As you may recall, the House Banking Committee announced the formation of a "Task Force on the International Competitiveness of U.S. Financial Institutions." (See Institute Memo to Federal Legislation Members No. 1-90 and Federal Legislation Committee No. 1-90, dated January 16, 1990). The Task Force's final report is due in July. - 2 - Both Committees can be expected to consider whether laws and regulations in the US or abroad act to the competitive disadvantage of US financial institutions. It is in this context that the debate on legislation to restructure the financial services industry will continue. Hearings on the bill are expected in the near future. We will keep you informed as the matter progresses. Julie Domenick Doerr Vice President-Legislative Affairs Attachment