INVESTMENT COMPANY INSTITUTE

The Asset Management Industry
SERVING INDIVIDUAL INVESTORS

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FINAL ACTION ON FINANCIAL SERVICES MODERNIZATION DID NOT CLEAR CONGRESS; CHAIRMAN LEACH INTRODUCES BENCHMARK FOR NEXT YEAR

1 See Memorandum to Board of Governors No. 60-98, Federal Legislation Members No. 23-98, Primary Contacts Member Complex No. 80-98 and Public Information Committee No. 41-98, dated September 24, 1998. H.R. 4870 differs from the version of H.R. 10 approved by the Senate Banking Committee in that it incorporates provisions of a proposed manager's amendment that would have been introduced on the Senate floor. [10435] October 30, 1998 TO: BOARD OF GOVERNORS No. 75-98 FEDERAL LEGISLATION MEMBERS No. 30-98 PRIMARY CONTACTS - MEMBER COMPLEX No. 105-98 PUBLIC INFORMATION COMMITTEE No. 52-98 RE: FINAL ACTION ON FINANCIAL SERVICES MODERNIZATION DID NOT CLEAR CONGRESS; CHAIRMAN LEACH INTRODUCES BENCHMARK FOR NEXT YEAR ____ As you know, financial services modernization legislation died in the final days of the 105th Congress, despite the strong support of the financial services industry. Although the bill, H.R. 10, progressed through the legislative process further than any predecessor, it was not ultimately brought to a full Senate vote due to continued opposition by key Senators and the Treasury Department, which threatened a presidential veto. With little time and a crowded legislative calendar, Senate leaders chose to concentrate on other legislative priorities. While the progress made on H.R. 10 may be difficult to duplicate next Congress, ongoing changes in the financial services marketplace are likely to spur continued efforts to legislate reforms. In one of the final actions before Congress adjourned, House Banking Committee Chairman James Leach (R-IA) introduced legislation (H.R. 4870) similar to H.R. 10 as approved by the Senate Banking Committee in September.1 H.R. 4870 is intended as a benchmark for consideration when modernization discussions begin afresh in January. "Our purpose in re- introducing this legislation," Chairman Leach said, "is to indicate a commitment to bring up financial services modernization at the earliest possible moment in the next Congress, hopefully by early spring." Several senior House Banking Committee members co-sponsored the bill. Throughout this Congress, the Institute worked to improve the bank holding company regulatory structure incorporated in the financial services modernization bill. In particular, the Institute advocated that the new regulatory structure provides for functional regulation that recognizes the differences between bank and mutual fund regulation, and eliminates unnecessary and duplicative oversight of the day-to-day activities of registered investment companies. The Institute will continue its efforts when

the new Congress convenes in January. Matthew P. Fink President