

MEMO# 6153

August 22, 1994

FINANCIAL SERVICES ISSUES GROUP BANK LEGISLATIVE ISSUES GROUP

August 22, 1994 TO: BOARD OF GOVERNORS NO. 86-94 FEDERAL LEGISLATION COMMITTEE
NO. 28-94 FEDERAL LEGISLATION MEMBERS NO. 25-94 RE: "FINANCIAL SERVICES
COMPETITIVENESS ACT" INTRODUCED

House Financial Institutions
Subcommittee Chairman Steve Neal (D-NC) has introduced H.R. 4956, the "Financial Services Competitiveness Act." This legislation, which is similar to legislation proposed in the last Congress by the Bush Administration, would establish a new financial services regulatory structure based upon a diversified financial services holding company concept. Under this structure, depository and non-depository institutions could exist as separately-capitalized subsidiaries within the same holding company. This legislation would create a "two-way street" by allowing the combination of banking with commercial operations within the same corporate structure. The legislation also would exempt the diversified holding company from the restrictions of the Glass-Steagall Act, and would allow organizations owning banks to conduct a full range of securities activities (including the sponsorship and underwriting of mutual funds), through a separately-capitalized securities subsidiary. Chairman Neal is retiring at the end of Congress. In his introductory remarks, he stated that he does not expect to finalize this bill, but rather has introduced it to "facilitate a debate addressing the basic structure [sic] problems that are the result of outdated affiliation and activities restrictions contained in the Bank Holding Company Act, the Glass-Steagall Act, and various other laws." In order to provide a forum for such debate, the Neal Subcommittee may hold hearings on the legislation sometime this fall. The Institute is expected to testify. A copy of the legislation, a section-by-section summary, and Chairman Neal's introductory remarks are attached for your review. We will keep you informed as this matter develops. If -2- you wish additional information, please contact the Legislative Affairs Department at 202/326-5890. This memo can also be found on FUNDS, the Institute's Fund User Network and Delivery System, under "Legislative Affairs; Washington Update." Matthew P. Fink Attachments