

**Opening Statement of Hon. John J. LaFalce
Ranking Member, Committee on Financial Services
Hearing on the SEC's Broker-Dealer Rules
August 2, 2001**

I'd like to thank Chairman Baker and Chairman Bachus for holding this hearing today. Passage of the Gramm-Leach Bliley Act of 1999 represented a tremendous step forward in the modernization of our financial system, freeing banking and securities firms to affiliate to an extent not possible for over 60 years. Title II was an important component of that legislation, ensuring that the bulk of securities activities in a banking organization would be carried out in a registered broker-dealer subject to SEC oversight.

At the same time, Congress recognized that there were long-standing traditional banking activities involving securities that banks were uniquely qualified to provide and that were already subject to an appropriate regulatory framework. In writing the statutory language, a great deal of attention was given to determining which activities were most appropriately housed in a registered broker-dealer and which should be permitted to remain in the bank. Given the significant implications of Title II for banks and their customers, I believe that the implementation of these provisions must be undertaken with deliberation and care.

I am very concerned that the interim final rules adopted by the Securities and Exchange Commission (SEC) to implement Title II have taken a one-sided approach that is not reflective of either the statutory language or Congress's intentions. In many cases, the rules adopted by the SEC will not allow banks to continue to conduct trust, custody, safekeeping, and other activities that Congress determined were appropriately conducted in a bank. The rules appear to add restrictions that are not part of the statute and impose a far greater administrative burden than is necessary or appropriate to implement the statute, creating significant added expense for both banks and their customers. As is clear from some of the concerns raised by the banks and bank regulators, in some cases the rules effectively negate the exemptions created by Congress.

I believe that the SEC has taken a significant step forward in addressing these issues by providing the time needed to work with the banking regulators, industry representatives, and other commenters to gain a better understanding of their concerns. I urge the SEC to use this additional time to work closely with the banks and bank regulatory agencies to develop final rules that fairly reflect Congressional intent and minimize unnecessary burdens on banking institutions and their customers.