Opening Statement

Chairman Michael G. Oxley

Committee on Financial Services

Subcommittee on Capital Markets,
Insurance, and Government Sponsored Enterprises and
Subcommittee on Financial Institutions and Consumer Credit

"Pushing Back the Push-Outs:
the Securities and Exchange Commission's Broker-Dealer Rules"
August 2, 2001

Chairman Bachus and Chairman Baker, thank you both very much for calling this hearing on the SEC's interim final rules. One of the important duties of the Financial Services Committee is not only to make law, but also to ensure that the laws are correctly understood and implemented by agencies under our jurisdiction. Today's hearing provides us an opportunity to demonstrate why this second role is so important.

When the Gramm-Leach-Bliley Act became law in November of 1999, the regulatory landscape for the American financial services industry was fundamentally changed. The Gramm-Leach-Bliley Act replaced Depression-era laws with a comprehensive framework for banking, securities and insurance geared for the 21st century. The old financial services laws were not designed for a world where technology would give consumers almost limitless investment options. But in order for consumers to exercise that freedom, artificial barriers to providing banking, insurance and securities services needed to be removed. The Gramm-Leach-Bliley Act removed those barriers.

Functional regulation has taken the place of the inflexible, one-size-fits all approach that existed before the Gramm-Leach-Bliley Act. The push-out provisions were designed to allow banks to continue to perform such traditional activities as providing investment advice and acting as trustees without having to register under the securities laws. At the same time, banks would not be given limitless authority to engage in the securities business. Functional regulation means that banking activities will be regulated by the banking authorities, and securities activities will be regulated by the SEC.

The SEC's interim final rules raise troubling questions as to whether that agency has upheld the letter and the spirit of the law. The Gramm-Leach-Bliley Act was never meant to make banks disrupt their customer relationships, and force traditional banking activities into broker-dealer affiliates. But the SEC's rules, were they to become final as written, would do just that. I am encouraged that the SEC has extended both the comment

period and the effective date of its rules, and I hope this hearing will provide the SEC with an opportunity to receive valuable input on how the law was meant to be implemented.

Chairmen Bachus and Baker, I look forward to hearing from all of our witnesses today and exploring this topic further. The great strides made by the Gramm-Leach-Bliley Act are too important to be undone by misguided attempts to implement the law, no matter how well-intentioned. I want to emphasize that Gramm-Leach-Bliley, in particular the functional regulation provisions of title II, was negotiated over a very long period of time, and the Congress gave consideration to concerns raised by not only every witness represented here today, but every other affected party and the public. I am proud of our work on that historic piece of legislation, and have no intention of reopening debates that were so carefully, and fairly, resolved.

The SEC's interim final rules, however, clearly need substantial revision to accurately reflect Congress's intent in that statute, and this hearing is an important step in that process.

Let me say a word of appreciation to Laura Unger, acting Chairman of the Commission, on her final appearance before the Committee as acting Chairman. Thank you for your work, as you prepare to resume your position as Commissioner.

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