

MICHAEL G. OXLEY, OH, CHAIRMAN

JAMES A. LEACH, IA
RICHARD H. BAKER, LA
SPENCER BACHUS, AL
MICHAEL N. CASTLE, DE
PETER T. KING, NY
EDWARD R. ROYCE, CA
FRANK D. LUCAS, OK
ROBERT W. NEY, OH
SUE W. KELLY, NY
Vice Chair
RON PAUL, TX
PAUL E. GILLMOR, OH
JIM RYUN, KS
STEVEN C. LATOURETTE, OH
DONALD A. MANZULLO, IL
WALTER B. JONES, JR., NC
DOUG OSE, CA
JUDY BIGGERT, IL
MARK GREEN, WI

PATRICK J. TOOMEY, PA
CHRISTOPHER SHAYS, CT
JOHN B. SHADEGG, AZ
VITO FOSSELLA, NY
GARY G. MILLER, CA
MELISSA A. HART, PA
SHELLEY MOORE CAPITO, WV
PATRICK J. TIBERI, OH
MARK R. KENNEDY, MN
TOM FEENEY, FL
JEB HENSARLING, TX
SCOTT GARRETT, NJ
TIM MURPHY, PA
GINNY BROWN-WAITE, FL
J. GRESHAM BARRETT, SC
KATHERINE HARRIS, FL
RICK RENZI, AZ
JIM GERLACH, PA

U.S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

BARNEY FRANK, MA, RANKING MEMBER

PAUL E. KANJORSKI, PA
MAXINE WATERS, CA
CAROLYN B. MALONEY, NY
LUIS V. GUTIERREZ, IL
NYDIA M. VELAZQUEZ, NY
MELVIN L. WATT, NC
GARY L. ACKERMAN, NY
DARLENE HOOLEY, OR
JULIA CARSON, IN
BRAD SHERMAN, CA
GREGORY W. MEEKS, NY
BARBARA LEE, CA
JAY INSLEE, WA
DENNIS MOORE, KS
MICHAEL E. CAPUANO, MA
HAROLD E. FORD, JR., TN
RUBÉN HINOJOSA, TX
KEN LUCAS, KY
JOSEPH CROWLEY, NY
WILLIAM LACY CLAY, MO
STEVE ISRAEL, NY
MIKE ROSS, AR
CAROLYN MCCARTHY, NY
JOE BACA, CA
JIM MATHESON, UT
STEPHEN F. LYNCH, MA
BRAD MILLER, NC
RAHM EMANUEL, IL
DAVID SCOTT, GA
ARTUR DAVIS, AL
CHRIS BELL, TX
BERNARD SANDERS, VT

ROBERT U. FOSTER III
STAFF DIRECTOR

October 14, 2004

Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street NW
Washington, DC 20549-0609

Re: Regulation B, Release No. 34-49879, File No. S7-26-04, 69

Dear Mr. Katz:

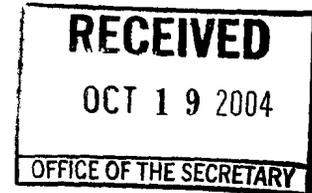
The House Committee on Financial Services would like to take this opportunity to comment on Regulation B recently proposed by the Securities and Exchange Commission (SEC). We are greatly concerned that the SEC's proposal interpreting Title II of the Gramm-Leach-Bliley Act (GLBA) fails to implement the Congressional intent in adopting Title II.

We want to commend the SEC for its hard work on this complex issue; however, after our review of Regulation B, we do not believe that the SEC has taken into consideration the unnecessarily negative impact that Regulation B will have on the ability of banks and savings associations to continue to provide the traditional banking services that Title II permitted to remain in such institutions. In seeking to establish a new regulatory scheme for traditional banking activities, the SEC has disregarded Congressional intent as reflected in the language of the statute, the Congressional Record and reaffirmed by this committee in comment letters, hearings, and numerous meetings with your staff over the last three years.

The SEC's latest proposal revises the Interim Final Rules issued by the SEC in 2001. The consensus following that rulemaking was that the interim final rule did not conform to the meaning of the GLBA, nor was it in line with legislative history or Congressional intent. The SEC wisely suspended implementation of the interim final rule and sought input from the federal banking agencies, the industry and other interested parties. We are troubled by reports that, in consultations with governmental agencies, the SEC refused to discuss Congressional intent as understood by those parties and sought to have the industry invest tremendous resources to document and demonstrate the burden the proposal would have on the industry.

Unfortunately, this latest proposal still fails to address many of the shortcomings of the interim rule and in many respects is worse than the interim rule. For specific examples of these shortcomings we direct you to the comment letters filed by the banking agencies

115

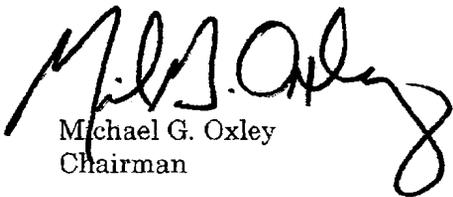


and the financial services industry. The SEC, along with the federal banking regulators, should voluntarily enter into a joint rulemaking in order to provide any interpretative guidance needed, while ensuring that all perspectives and implications are considered. We are troubled that, while this rulemaking process has taken over three years, the SEC has yet to recognize that the need for statutory interpretation does not justify the creation of a new regulatory regime for banking institutions that are already subject to strict supervision by the federal financial regulators and state fiduciary laws.

The Financial Services Committee plans to monitor this process closely and will pursue our oversight prerogatives until this regulation is drafted in a manner that is equitable to all parties and continues to provide the consumer choice permitted under GLBA. The Financial Services Committee is especially concerned that the onerous provisions of Regulation B will make it impossible for financial institutions to continue to provide products which they have offered for many years under the supervision of the banking agencies and the states. Many of these products and services cannot be offered by broker-dealers. While we appreciate the consideration the SEC has given to extending portions of the statutory exemptions to credit unions, we fear that, overall, this proposal will discourage depository institutions from engaging in activities that promote financial modernization and encourage economic growth.

This proposal needs more work. We strongly urge you not to finalize this regulation while Congress is out of session. This Committee must ensure that no financial institutions are put at a disadvantage in the marketplace and that consumers are not denied beneficial products because of the SEC's lack of understanding of the federal banking laws and state fiduciary law. We appreciate your consideration of our comments and we look forward to your reply.

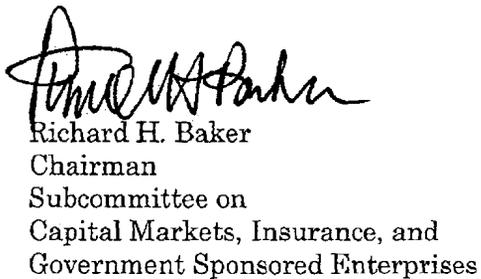
Yours truly,



Michael G. Oxley
Chairman



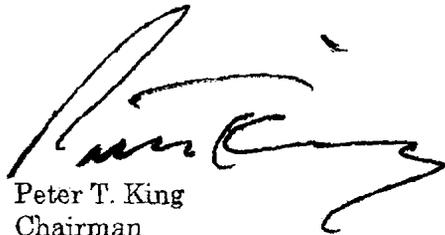
Barney Frank
Ranking Member



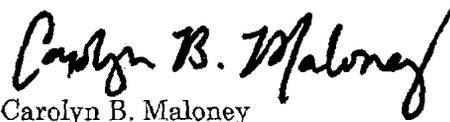
Richard H. Baker
Chairman
Subcommittee on
Capital Markets, Insurance, and
Government Sponsored Enterprises



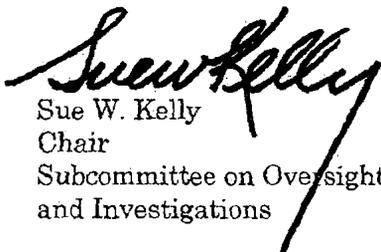
Paul Kanjorski
Ranking Member
Subcommittee on
Capital Markets, Insurance, and
Government Sponsored Enterprises



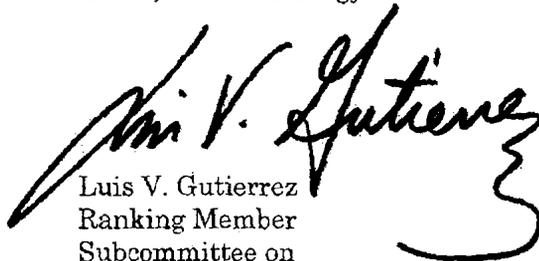
Peter T. King
Chairman
Subcommittee on Domestic and
International Monetary Policy
Trade, and Technology



Carolyn B. Maloney
Ranking Member
Subcommittee on Domestic and
International Monetary Policy
Trade, and Technology



Sue W. Kelly
Chair
Subcommittee on Oversight
and Investigations



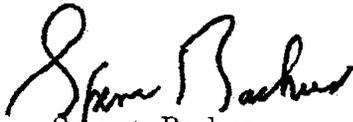
Luis V. Gutierrez
Ranking Member
Subcommittee on
Oversight and Investigations



Bob Ney
Chairman
Subcommittee on Housing and
Community Opportunity



Maxine Waters
Ranking Member
Subcommittee on Housing and
Community Opportunity



Spencer Bachus
Chairman
Subcommittee on Financial
Institutions and Consumer
Credit

cc:
William H. Donaldson
Chairman
United States Securities and Exchange Commission