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U.S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
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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.

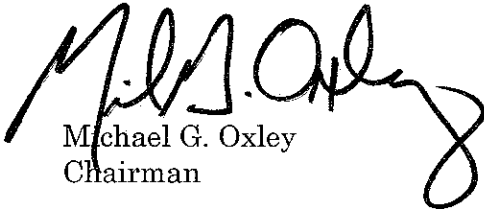
Unfortunately, this latest proposal still fails to address many of the shortcomings of the interim rule and in many respects is worse than the interim rule. For specific examples of these shortcomings we direct you to the comment letters filed by the banking agencies

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.

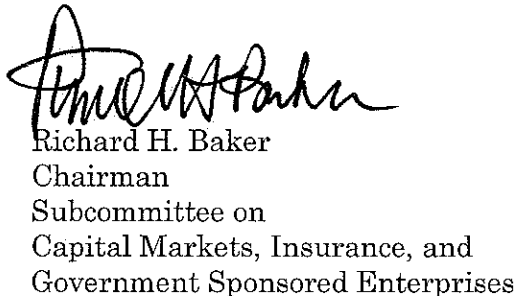
Yours truly,



Michael G. Oxley
Chairman



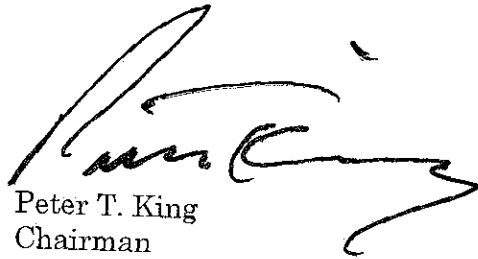
Barney Frank
Ranking Member



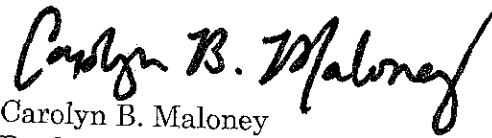
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Subcommittee on
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Government Sponsored Enterprises



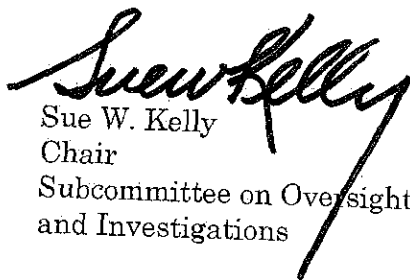
Paul Kanjorski
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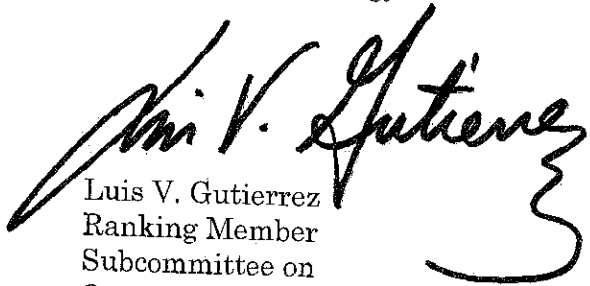
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Chairman
Subcommittee on Domestic and
International Monetary Policy
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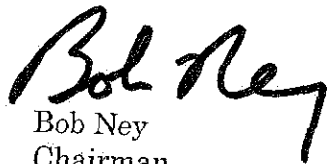
Carolyn B. Maloney
Ranking Member
Subcommittee on Domestic and
International Monetary Policy
Trade, and Technology



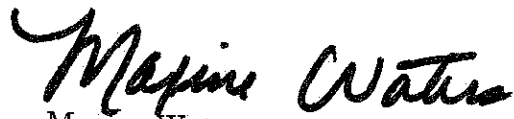
Sue W. Kelly
Chair
Subcommittee on Oversight
and Investigations



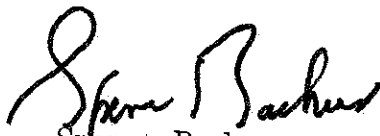
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Maxine Waters
Ranking Member
Subcommittee on Housing and
Community Opportunity



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