

STATEMENT OF CHAIRMAN HENRY J. HYDE  
BEFORE THE COMMITTEE ON THE JUDICIARY  
AT THE OVERSIGHT HEARING ON “THE  
EFFECTS OF CONSOLIDATION ON THE  
STATE OF COMPETITION IN THE  
FINANCIAL SERVICES INDUSTRY”

JUNE 3, 1998

1:00 P.M. 2141 RAYBURN

Today the Committee conducts the second in a series of oversight hearings on recent mergers. Our focus today will be on the effects of consolidation on the state of competition in the financial services industry. We began this series with a hearing on airline alliance agreements on May 19.

I want to begin by saying almost exactly the same thing that I said about the airline alliances. Not all financial services mergers are created equal. Each one has different characteristics, and each one should be judged on its own merits. Having said that, I will also say that each one deserves a careful review by the agencies that are before us. I do not have a preconceived opinion as to whether any of these mergers is procompetitive or anticompetitive, but I have called this hearing to learn what both the proponents and the critics have to say. These mergers are large, and they have a big effect on the economy. For that reason, it is important that we have a public debate about their pros and cons, and I am hopeful that today’s hearing will add to that debate.

I am also interested to learn what the witnesses have to say about the antitrust provisions of H.R. 10, the financial services modernization legislation which passed the House a few weeks ago. Although these provisions were a relatively small part of the overall bill, they are of great importance given this recent wave of mergers. I expect that there will be more mergers in this industry, and so I have invited the witnesses to comment on these provisions if they want to do so.

In that connection, I would just note that under current law, bank mergers are not subject to the Hart-Scott-Rodino Act that covers most other large mergers in the economy. Rather, they are subject to special bank merger statutes. The language that we included in H.R. 10 would apply the following principle to the new conglomerate mergers involving banks and non-bank financial institutions like insurance companies and securities brokerages: the bank part of the merger should be treated under the current bank merger statutes and the non-bank part should be treated under the Hart-Scott-Rodino Act. I believe that is the right policy, but I want to hear what the witnesses have to say.

Another important part of this language clarified the Federal Trade Commission's authority towards non-bank financial institutions. The Federal Trade Commission Act currently prohibits the FTC from enforcing the Act against banks because they are so heavily regulated by the banking agencies. The language in H.R. 10 makes it clear that this prohibition does not extend to other non-bank companies that may be owned by banks if H.R. 10 becomes law. In other words, a non-bank cannot escape the requirements of the Act simply by being owned by a bank.

I believe these are important parts of the bill, and until today they have not been considered in this Committee. So I hope this hearing will contribute to that debate as well. I look forward to hearing from our witnesses today on both the current mergers and the legislation. I appreciate all of you coming.

With that, I will turn to Mr. Conyers for an opening statement.