Who's Spending to Get Pols in the Air, on the Air

■ BY LEAH GLINIEWICZ

WASHINGTON — Call them junkets or working trips, all-expenses-paid travel for lawmakers is a low-cost way for banks and other businesses to get an in with politicos and attract less attention than campaign donations often bring.

An analysis of congressional travel disclosure records by Medill News Service in partnership with American Public Media's "Marketplace" radio program found that private interests spent about $14.4 million from Jan.1, 2000, to June 30, 2004, to send lawmakers on more than 4,800 trips.

Among financial services trade groups or companies, the American Bankers Association paid the most to send House and Senate members on trips in the past four years — $34,011. The Securities Industry Association spent the next-largest amount, $26,940.

House Financial Services Committee members generally traveled more than their Senate Banking Committee counterparts.

Massachusetts Rep. Barney Frank, the top Democrat on the House Financial Services Committee, was the third-most-traveled congressman. But the cost of his 45 trips totaled only $59,677. Committee Chairman Michael Oxley, R-Ohio, was right behind Rep. Frank in total expenses, with $59,394, but took only seven trips.

Rep. Richard Baker, R-La., the chairman of the capital markets subcommittee, took the most trips paid for by a financial services entity. His seven trips totaled $19,605 and were among 10 outings paid for by private groups that totaled nearly $27,000. The seven trips were underwritten by the SIA, Fannie Mae, the Mortgage Insurance Companies of America, the Federal Home Loan Bank of Seattle, Merrill Lynch, and the New York Stock Exchange. Rep. Baker's most expensive trip was in April — $9,312 to Kona, Hawaii, for a Federal Home Loan Bank of Seattle conference paid for by the bank.

Rep. Frank was second in number of trips paid for by financial services trade groups. His three trips totaled $3,502 and were courtesy of the American Bankers Association, the Securities Industry Association, and the National Association of Personal Financial Advisors.

Reps. Robert Ney, R-Ohio, and Joseph Crowley, D-N.Y., each had two trips paid for by financial services groups or companies. Rep. Ney's trips sponsored by the SIA and the National Association of Mortgage Brokers totaled $6,538. Rep. Crowley's came to $1,898, paid for by the New York Stock Exchange, Merrill Lynch, and the Financial Services Roundtable.

Records show that Reps. Rick Renzi, R-Ariz., Luis Gutierrez, D-Ill., Steven LaTourette, R-Ohio, Patrick Tiberi, R-Ohio, and Ron Paul, R-Tex., did not take any trips.

Sen. Michael Enzi, R-Wyo., took the most expensive trip in the Senate paid for a financial services entity, $5,935 to Coral Gables, Fla., to speak at a convention paid for by the ABA. Sen. Enzi is a member of Senate Banking.

However, Sen. Enzi is more the exception than the rule among lawmakers on congressional banking committees. Most took no trips underwritten by the financial services industry — but that doesn't mean they stayed in Washington.

Sen. Evan Bayh, D-Ind., had the third-highest number of trips in the Senate with 41, totaling $142,885. He also took the most trips of any member of the Senate Banking, but none were paid for by the financial services industry.

Committee member Chuck Hagel, R-Neb., was seventh over all in the Senate in number of trips, 26, totaling $34,404. Maryland's Paul Sarbanes, the top Democrat on the committee, was ninth in the Senate with 21 trips but had the fourth-highest total cost, $93,045. (Both are high-ranking members of the Senate Foreign Relations Committee, too.)

Travel disclosure records show that Senate committee members Elizabeth Dole, R-N.C., and Jon Corzine, D-N.J., did not take any trips in the period analyzed. However, Sen. Dole reported one trip — a one-day jaunt from West Virginia to Raleigh, and back, to meet with tobacco groups — on her annual financial disclosure form, which does not require that costs be listed.

Though House and Senate members are not allowed to take trips paid for by lobbying groups, some did take time for TV appearances, which are permitted by the rules.

Sen. Rick Santorum, R-Pa., a Senate Banking member, appeared on "The Montel Williams Show," which paid $217 to get him there, on Oct. 18, 2000. On Nov. 7, 2003, CNBC's "Louis Ruckeyser's Wall Street" paid Sen. Sarbanes $383 for travel. "Meet the Press" paid $1,540 in July1, 2001, for travel for Sen. Charles Schumer, D-N.Y.

On the House side, Rep. Frank's expenses totaled $2,900 for an April 1, 2002, appearance on the TV show "Politically Incorrect."

Another committee member, Rep. Walter Jones, R-N.C., took a $369 trip on Sept. 5, 2001, to appear on Trinity Broadcasting Network's "Praise the Lord" show.

On Oct. 27, 2002, *Glamour* paid $9,912 for Rep. Barbara Lee, D-Calif., a Financial Services Committee member, and her mother to attend the magazine's Woman-of-the-Year awards presentation. One of Rep. Lee's constituents was honored at the event.

Members of Congress may accept free trips from private organizations so long as they follow rules set by the House and Senate ethics committees. Watchdog groups say enforcement is rare, leaving the system prey to error and abuse.

Rules require members to disclose where they go, when they took the trip, who sponsored it, and costs for transportation, lodging meals, and other expenses.

Because of public perception that special-interest groups held too much influence over Congress, both chambers tightened the gift and travel rules in 1995.

Most significantly, the stricter rules require prompt public disclosure of privately sponsored trips, including a monetary breakdown of the expenses paid. Previously lawmakers had only listed these trips on their annual financial disclosure statements; now they have to file disclosure forms within 30 days. However, in the Senate members have the option of filing the 30-day forms or listing trips on their annual disclosure statements; most choose the 30-day forms.

The four-month investigation of congressional travel disclosure forms indicated rules rarely are enforced. Forms are often incomplete, and rules are violated.

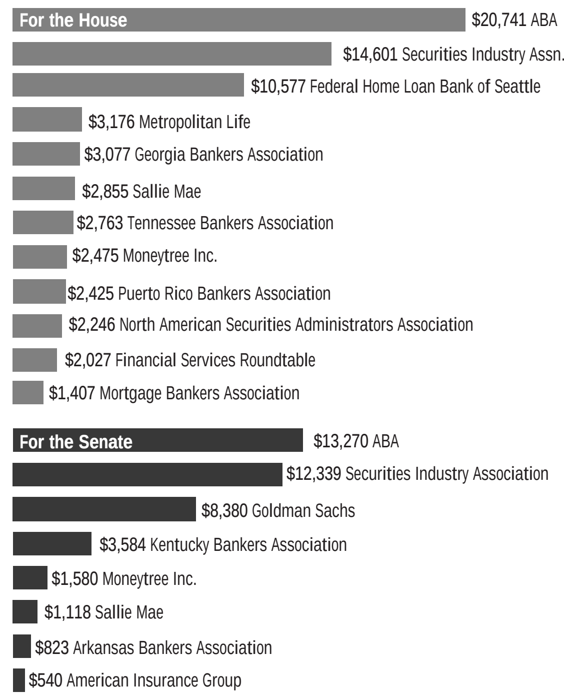
Reporters from Medill and American Public Media used records kept by the House and Senate to create a database of all travel disclosure forms for privately funded trips filed by members of Congress from Jan. 1, 2000, through June 30, 2004. Because senators are allowed to report trips on their annual financial disclosure forms rather than the trip reports, trips from Senate financial disclosure forms, which do not include cost totals for the trips, were included in the database.

The database is scheduled to be posted Monday on www.medillnewsdc.com.

Camille Gerwin contributed to this report.

It's on Us

Top financial industry spenders for trips by U.S. lawmakers from Jan. 1, 2000, to June 30, 2004



Excludes events with more than one sponsor. Sources: House and Senate travel disclosures

Rate Trade Revenue Down 31.5%

■ BY DAMIAN PALETTA

WASHINGTON — The financial services industry's trading revenue from cash and derivative instruments fell 31.5% in the second quarter, to $2.6 billion, the Office of the Comptroller of the Currency said Friday.

Kathryn Dick, the OCC's deputy comptroller for risk evaluation, attributed the lackluster results to rising interest rates. "It was not a good quarter for revenues from interest rate trading, some of which may be related to rebalancing portfolios and other risk management adjustments," she said.

Revenue from interest rate positions plummeted 91.8% in the second quarter, to $124 million. Revenue from equity trading positions fell 41.5%, to $497 million.

Those declines were offset by increases in revenue from foreign-exchange positions, which rose 14.2%, to $1.6 billion, and from commodity and other trading positions, which more than tripled, to $405 million.

Derivatives held for purposes other than trading added $286 million to revenue, down from $1.6 billion in the first quarter.

The OCC's quarterly *Bank Derivatives Report* showed that the seven largest banks accounted for 86% of overall trading revenue, versus 80% in the first quarter.

The notional value of all derivatives climbed 5.9%, to a record $81 trillion.

Interest rate uncertainty drove demand. "When the amount of uncertainty in the market is higher, we expect to see higher notionals," Ms. Dick said. Interest rate contracts made up 87% of the total, with foreign exchange accounting for 10% of that.

The number of commercial banks using derivatives rose 6%, to 637, though 96% of notional derivatives were held by the top seven banks. J.P. Morgan Chase & Co. held $41.6 trillion, slightly more than half of all notional derivatives. Bank of America Corp. held $16.1 trillion, and Citigroup Inc. $14.3 trillion.

The industry's credit exposure fell 3.5%, to $752 billion.

"Selfishly, as a supervisor, credit exposure coming down is a good thing," Ms. Dick said. "I also recognize and highlight that that is very much a function of a change in interest rates." ■