

Advance Text  
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NASD LUNCHEON

CLUB "21"  
NEW YORK, N.Y.  
JULY 9, 1984

REMARKS  
JOHN SHAD

TODAY IS AN HISTORIC EVENT.

THE ADDITION OF THE 1,000TH COMPANY  
TO THE NASDAQ  
CONTINUOUS LAST-SALE AND VOLUME REPORTING SYSTEM  
IS AN ACHIEVEMENT  
FAR BEYOND THE HOPES AND ASPIRATIONS  
OF THE NASD AND THE SEC  
EVEN THREE YEARS AGO.

IN THE SHORT SPAN OF 2-1/4 YEARS  
THE SYSTEM HAS MOVED  
FROM THE 19TH TO 21ST CENTURY.

BASED ON SHARE VOLUME,  
IT HAS BECOME THE WORLD'S THIRD LARGEST  
CONTINUANCE TRANSACTION REPORTING SECURITIES MARKET.

A CENTURY'S GROWTH

HAS BEEN TELESCOPED  
INTO 2-1/4 YEARS.

ALOT OF PEOPLE

DESERVE ALOT OF CREDIT -  
PARTICULARLY GORDON MACKLIN, THE NASD STAFF,  
AND THE MARKET REGULATION DIVISION OF THE SEC.

IT IS ALSO NOTABLE - AND ESPECIALLY FITTING -

THAT THE 1,000TH COMPANY  
IS ONE OF THE WORLD-WIDE STATURE  
OF OGILVY AND MATHER INTERNATIONAL -  
THE WORLD'S 4TH LARGEST ADVERTISING AGENCY -  
SERVING 1,800 CLIENTS IN 39 COUNTRIES.

THEIR 1984 BILLINGS

ARE EXPECTED TO EXCEED \$2.5 BILLION -  
A 5-FOLD INCREASE  
WITHIN 10 YEARS.

HIGH SPEED, LOW COST TELECOMMUNICATIONS  
AND INNOVATIVE FINANCIAL PRODUCTS AND SERVICES  
ARE AFFORDING INVESTORS  
WORLDWIDE INVESTMENT OPPORTUNITIES  
AND ISSUERS ACCESS TO GLOBAL CAPITAL MARKETS.

IN THE U.S.,  
FOREIGN INVESTORS ACCOUNT FOR A RISING PERCENTAGE  
OF MARKET ACTIVITY AND STOCK OWNERSHIP;  
AND FOREIGN COMPANIES  
ARE RAISING MORE CAPITAL IN U.S. MARKETS  
THAN EVER BEFORE.

NET FOREIGN PURCHASERS OF U.S. EQUITIES  
HAVE INCREASED OVER 8 FOLD  
SINCE 1970 TO \$5.3 BILLION IN 1983.

OVERALL FOREIGN TRADING  
IN U.S. EQUITIES LAST YEAR  
EXCEEDED \$130 BILLION,  
AS COMPARED WITH \$75 BILLION IN 1981.

THE SECURITIES INDUSTRY

HAS ESTIMATED THAT FOREIGN INVESTORS  
NOW HOLD AS MUCH AS 10%  
OF NEW YORK STOCK EXCHANGE LISTED STOCKS.

FOREIGN TRADING IN U.S. SECURITIES

IS INCREASING THE FOREIGN DEMAND  
FOR MARKET INFORMATION AND RESEARCH REPORTS  
ON U.S. SECURITIES.

NASDAQ TERMINALS OUTSIDE THE U.S.

INCREASED ALMOST 30% LAST YEAR -  
TO OVER 8,300 IN 33 COUNTRIES.

IN 1983,

FOREIGN ISSUERS REGISTERED  
NEARLY \$6 BILLION OF SECURITIES  
FOR SALE IN THE U.S.

47 FOREIGN COMPANIES,

RAISED \$2.8 BILLION OF EQUITY CAPITAL -  
WHICH IS MORE THAN THE TOTAL EQUITY RAISED  
IN THE 5 PRIOR YEARS.

THE LARGEST

WAS L.M. ERICSSON'S \$250 MILLION EQUITY OFFERING.

REUTERS HOLDINGS RECENTLY CONSUMMATED

A \$310 MILLION INITIAL PUBLIC OFFERING,  
CONCURRENTLY IN THE U.S. AND GREAT BRITAIN.

THE U.S. HAS BECOME

A MAJOR MARKET IN FOREIGN SECURITIES -  
AND THE DOMINANT MARKET  
IN MANY ISSUES -  
DUE IN PART  
TO THE GREATER LIQUIDITY  
AND LOWER EXECUTION COSTS HERE.

EVEN FOREIGN INVESTORS

EXECUTE TRANSACTIONS IN FOREIGN SECURITIES  
IN THE U.S.

THERE ARE NOW OVER 580 ADRs

TRADING IN THE U.S.,  
AS COMPARED TO LESS THAN 400 FIVE YEARS AGO.

288 FOREIGN ISSUES

ARE TRADING ON NASDAQ  
(UP FROM 206 IN 1980)  
AND 96 ON THE NEW YORK AND AMERICAN STOCK EXCHANGES.

IN 1983

THE DOLLAR VOLUME OF TRADING  
IN FOREIGN ISSUES ON NASDAQ DOUBLED.

IT EXCEEDED \$11 BILLION -

WHICH WAS GREATER THAN  
THE TOTAL VOLUME OF MANY FOREIGN EXCHANGES.

THIS REFLECTS THE GROWING INTEREST  
IN FOREIGN SECURITIES.

OVER THE PAST SEVEN YEARS,

THE CUMULATIVE RETURN ON THE S&P 500  
HAS BEEN SIGNIFICANTLY LESS THAN  
THAT ON LEADING FOREIGN INDICES.

IN THE 12 MONTHS ENDING MARCH 30TH,

THE LEADING DOLLAR DENOMINATED FOREIGN STOCK INDEX  
ROSE 36% -

AS COMPARED TO LESS THAN 9%  
FOR THE S&P 500.

U.S. PENSION FUNDS

ARE BECOMING INCREASINGLY ACTIVE  
IN FOREIGN SECURITIES.

FIVE YEARS AGO,

ONLY 8% OF THE 1,600 LARGEST U.S. PENSION FUNDS  
HELD FOREIGN SECURITIES.

IT IS NOW ABOUT 25%.

IT HAS BEEN ESTIMATED

THAT WITHIN TWO YEARS,  
\$20-25 BILLION OF U.S. PENSION FUNDS  
WILL BE MANAGED OVERSEAS -

A THREE-FOLD INCREASE SINCE 1982.

THE WORLD'S SECURITIES MARKETS

ARE BECOMING INCREASINGLY COMPETITIVE.

THE LONDON STOCK EXCHANGE

IS IN THE PROCESS OF ABOLISHING  
FIXED COMMISSIONS AND LIMITATIONS  
ON FOREIGN OWNERSHIP OF ITS MEMBER FIRMS.

U.S. FIRMS AND BANKS ARE ACQUIRING

INTEREST IN BRITISH BROKERS,  
IN ANTICIPATION OF SUCH MEASURES.

BRITISH FIRMS AND MERCHANT BANKS ARE MERGING  
TO BECOME MORE COMPETITIVE IN SIZE AND CAPITAL  
AND ARE EXPANDING THEIR OPERATIONS  
IN THE U.S. AND ABROAD.

THE LONDON AND AMSTERDAM STOCK EXCHANGES  
PLAN A PILOT LINKAGE IN SEPTEMBER  
OF THEIR MARKET INFORMATION SYSTEMS,  
WHICH MAY BE EXTENDED TO THE BRUSSELS AND PARIS EXCHANGES.

IN ORDER TO INCREASE THE ABILITY  
OF THE U.S. GOVERNMENT AND CORPORATIONS  
TO COMPETE FOR FOREIGN CAPITAL,  
CONGRESS HAS RECENTLY APPROVED REPEAL  
OF THE 30% WITHHOLDING TAX  
ON INTEREST PAID TO FOREIGN INVESTORS.



THE NEW YORK STOCK EXCHANGE

ANNOUNCED FRIDAY THAT IT WILL REMAIN OPEN  
ON ELECTION DAY - NOVEMBER 11TH -  
IN RECOGNITION OF THE INCREASINGLY  
INTERNATIONAL NATURE OF OUR SECURITIES MARKETS.

THE CHICAGO MERCANTILE EXCHANGE

AND THE SINGAPORE INTERNATIONAL MONETARY EXCHANGE  
HAVE PROPOSED A COMPUTER LINKAGE  
TO FACILITATE TRADING.

SUCH LINKAGES OF EXCHANGES

AND 24 HOUR GLOBAL MARKETS  
WILL REDUCE OVERNIGHT POSITION RISKS  
AND INCREASE THE MOBILITY  
AND EFFICIENT EMPLOYMENT OF CAPITAL.

WITH THE TRAFFIC MOVING IN ALL DIRECTIONS

AT INCREASING SPEED,  
IT IS ALSO NECESSARY TO HAVE TRAFFIC LIGHTS,  
COPS ON THE BEAT  
AND SENSIBLE LAWS AND REGULATIONS,  
THAT FACILITATE FAIR AND ORDERLY MARKETS  
AND PROTECT THE PARTICIPANTS AND THE PUBLIC  
FROM FRAUD AND ABUSE.

WE HAVE TODAY

BY FAR THE BEST SECURITIES MARKETS  
THE WORLD HAS EVER KNOWN -  
THE BROADEST, THE MOST ACTIVE AND EFFICIENT  
AND THE FAIREST.

THE SEC'S JOB

IS TO HELP KEEP THEM THAT WAY.

PROGRESS IS BEING MADE

IN THE ACCOMMODATING FOREIGN ISSUERS,  
WITHOUT COMPROMISING INVESTOR PROTECTIONS.

THE SEC HAS DEVELOPED

REGISTRATION AND DISCLOSURE REQUIREMENTS  
FOR SUCH ISSUERS  
THAT TAKE INTO ACCOUNT THEIR UNIQUE NEEDS AND INTERESTS,  
AND PROVIDE THE BASIC DISCLOSURES  
ESSENTIAL TO INFORMED INVESTMENT DECISIONS.

IN 1982,

FOREIGN CORPORATIONS' REGISTRATION  
AND REPORTING REQUIREMENTS,  
WERE INTEGRATED AND SHORT FORMS  
WERE MADE AVAILABLE TO WORLD CLASS ISSUERS.

IN 1983 THE COMMISSION

PLACED FOREIGN CORPORATIONS -  
TRADED ON NASDAQ -  
ON THE SAME REGULATORY FOOTING  
AS THOSE LISTED ON EXCHANGES.

IN MAY OF THIS YEAR,

THE COMMISSION PUBLISHED FOR COMMENT  
A SHORT FORM FOR THE REGISTRATION  
OF MERGERS AND ACQUISITIONS  
BY FOREIGN CORPORATIONS.

THE COMMISSION ALLOWS

RECONCILIATION OF FOREIGN FINANCIAL STATEMENTS  
TO U.S. GAAP IN FOOTNOTES  
RATHER THAN FULL RESTATEMENT,  
AND THE USE OF CURRENCY TRANSLATIONS  
FOR SELECTED TIME PERIODS AND DATA.

THESE EFFORTS ARE FACILITATING

THE INTERNATIONALIZATION OF OUR CAPITAL MARKETS  
AND ALSO MAINTAINING INVESTOR PROTECTIONS.

TWO IMPORTANT AREAS NEED TO BE ADDRESSED  
BEFORE FULLY INTEGRATED GLOBAL MARKETS  
CAN BE ACHIEVED -  
INTERNATIONAL ACCOUNTING STANDARDS  
AND EFFECTIVE LAW ENFORCEMENT SYSTEMS.

SOME PROGRESS IS BEING MADE  
IN THE DEVELOPMENT  
OF INTERNATIONAL ACCOUNTING STANDARDS,  
BUT THE EFFORT IS FALLING FAR BEHIND  
THE ACCELERATING EVOLUTION  
OF INTERNATIONAL MARKETS.

UNTIL THERE IS INTERNATIONAL AGREEMENT  
ON FUNDAMENTAL FINANCIAL REPORTING REQUIREMENTS,  
DIFFERENCES IN NATIONAL LAWS AND REGULATIONS  
WILL IMPEDE INTERNATIONALIZATION OF THE MARKETS,  
EVEN FOR WORLD CLASS ISSUERS.

IN THE INTERNATIONAL ENFORCEMENT AREA,  
THE 1983 ACCORD WITH SWITZERLAND  
REMOVED THE HAVEN OF THE SWISS SECRECY LAWS  
FROM THOSE WHO WOULD TRADE  
IN U.S. MARKETS ON INSIDE INFORMATION.

THE SWISS SUPREME COURT  
RECENTLY UPHELD ENFORCEMENT OF THE ACCORD.

AND U.S. COURTS HAVE HELD  
THAT FOREIGN INVESTORS IN U.S. MARKETS  
CANNOT TAKE REFUGE  
BEHIND FOREIGN SECRECY AND BLOCKING LAWS.

THE SWISS ACCORD  
IS AN IMPORTANT PRECEDENT  
IN BI-LATERAL COOPERATION,  
BUT MORE NEEDS TO BE DONE.

THE OBJECTIVE IS TO MAINTAIN THE INTEGRITY  
OF SUCH MARKETS,  
BUT NOT IMPOSE HEAVY COMPLIANCE COSTS  
OR INHIBIT LEGITIMATE TRANSACTIONS.

ONE APPROACH IS A CONCEPT  
PUT FORTH BY JOHN FEDDERS,  
DIRECTOR OF THE SEC DIVISION OF ENFORCEMENT.

IT IS CALLED "WAIVER BY CONDUCT".

THE THEORY IS THAT WHEN  
A SECURITIES TRANSACTION  
IS EXECUTED IN THE U.S. FROM ABROAD,  
IT CONSTITUTES A WAIVER  
OF FOREIGN SECRECY LAWS.

UPON A PROPER SHOWING  
THAT INSIDER TRADING OR OTHER SECURITIES LAWS  
MAY HAVE BEEN VIOLATED,  
A U.S. COURT COULD FREEZE  
THE ACCOUNT IN QUESTION  
UNTIL THE MATTER HAD BEEN  
SETTLED OR ADJUDICATED.

THE COMMISSION PLANS TO RELEASE THE CONCEPT  
FOR PUBLIC COMMENT SHORTLY.

THE BUSINESS AND FINANCIAL COMMUNITY  
AND THE INVESTING PUBLIC  
WILL BE REQUESTED TO ASSESS  
THE BENEFITS AND LIMITATIONS  
OF SUCH AN APPROACH.

IN CONCLUSION,  
THE NEXT DECADE WILL WITNESS  
A DRAMATIC EXPANSION  
OF THE INTERNATIONAL SECURITIES MARKETS.

THE U.S. SECURITIES INDUSTRY,  
INVESTORS AND ECONOMY  
WILL BE PRIMARY BENEFICIARIES  
OF THESE DEVELOPMENTS.

THANK YOU.