

COMMISSIONERS AND SENIOR STAFF RECEPTION
JUNE 16, 1987
FAREWELL ADDRESS
JOHN SHAD

SENATORS D'AMATO, GARN AND WIRTH,
CONGRESSMEN DINGELL AND RINALDO,
CHAIRMEN VOLCKER AND LIEBELER, DIRECTORS MILLER AND TUTTLE,
COMMISSIONERS COX, FLEISCHMAN AND GRUNDFEST,
JUDGES NEWMAN AND SPORKIN,
NYSE CHAIRMAN PHELAN, NASD PRESIDENT MACKLIN
FORMER COMMISSIONERS LONGSTRETH, MARINACCIO, SOMMER AND TREADWAY,
SENIOR SEC STAFF, DISTINGUISHED SEC ALUMNI AND FRIENDS:

I AM ALSO ESPECIALLY PLEASED

THAT MY 3 FORMER EXECUTIVE ASSISTANTS -

WHO REALLY RUN THE PLACE -

AND ALL BUT 2 OF MY 11 SPECIAL COUNSELS OVER THE YEARS -

ARE HERE TODAY -

SOME FROM FAR AWAY PLACES.

THERE IS NO WAY I CAN ADEQUATELY

EXPRESS MY APPRECIATION -

NOT JUST FOR TODAY -

BUT FOR THE PAST SIX YEARS.

THEY HAVE BEEN CHALLENGING

AND WORTHY OF THE EFFORT -

DUE TO THE FRIENDSHIP AND ENCOURAGEMENT,

SOUND COUNSEL AND HARD WORK OF MANY HERE TODAY.

THE FIRST FEW YEARS - WERE PRETTY ROCKY.

IN FACT, YESTERDAY - WASN'T TOO GREAT.

AT MY INITIAL LUNCHEON WITH JOHN DINGELL,

THERE WAS JUST THE TWO OF US - AND OUR FOOD TASTERS.

PARTISAN POLITICS ASIDE -

IN THE TRENCHES, I WANT "RAMBO" DINGELL ON MY SIDE.

I WAS FORTUNATE TO BE PRECEDED BY HAROLD WILLIAMS,

WHO WAS AN EXCEPTIONAL CHAIRMAN.

THE PAST SIX YEARS

ARE A TRIBUTE TO THE PAST AND PRESENT COMMISSIONERS

AND THE OUTSTANDING SEC STAFF -

TO WHOM I AM GOING TO HAVE

AN OPPORTUNITY TO EXPRESS

MY APPRECIATION TOMORROW.

IT HAS BEEN AN HONOR

TO SERVE WITH SO MANY BRILLIANT AND DEDICATED

MEN AND WOMEN OF INTEGRITY.

THE PRESENT COMMISSIONERS BRING AN EXCEPTIONAL BALANCE

OF BROAD LEGAL AND ECONOMIC, JUDGMENT AND EXPERIENCE

TO BEAR ON THE COMMISSION'S DECISIONS.

DR. CHARLES COX PROVIDES A SOUND ECONOMIC OVERVIEW

AND PRAGMATIC JUDGMENTS.

AULANA PETERS - VERY PRACTICAL LITIGATION EXPERIENCE.

JOE GRUNDFEST - EXCEPTIONALLY INNOVATIVE LEGAL AND ECONOMIC PERSPECTIVES.

AND ED FLEISCHMAN - AN INDEPTH KNOWLEDGE

OF THE SECURITIES LAWS AND PRACTICE.

THE STAFF PROPOSES -

AND THE COMMISSION DISPOSES.

AS A RESULT OF THIS TEAM EFFORT:

- O INVESTOR PROTECTIONS HAVE BEEN SIGNIFICANTLY INCREASED;
- O CORPORATE PAPERWORK AND OTHER EXPENSES REDUCED -
BY WELL OVER A BILLION DOLLARS PER ANNUM,
FOR THE BENEFIT OF INVESTORS;
- O AND OVER \$200 MILLION OF FEES AND FINES
IN EXCESS OF THE COMMISSION'S BUDGETS
HAVE BEEN CONTRIBUTED TO A REDUCTION
IN THE FEDERAL DEFICITS
FOR THE BENEFIT OF TAXPAYERS.

THROUGH AUTOMATION, PAPERWORK REDUCTION,
IMPROVED SYSTEMS, TECHNIQUES -
AND MANY OTHER STAFF INITIATIVES -
EACH SEC DIVISION HAS INCREASED THE VOLUME AND EFFICACY
OF ITS EFFORTS - MORE THAN THE RECORD GROWTH OF THE MARKETPLACE.

IMPROVED SCREENING, TARGETING AND STAFF SPECIALIZATION
HAVE ALSO INCREASED THE QUALITY

- O OF FILING REVIEWS,
- O BROKER-DEALER EXAMINATIONS,
- O SELF-REGULATORY ORGANIZATION,
INVESTMENT COMPANY AND ADVISER INSPECTIONS,
- O AND ENFORCEMENT ACTIONS.

OTHER NOTEWORTHY RESULTS INCLUDE:

- O THE RECORD NUMBERS OF INSIDER TRADING AND OTHER CASES
BROUGHT BY THE ENFORCEMENT DIVISION -
INITIALLY UNDER JOHN FEDDERS,
AND FOR THE PAST 2 YEARS, UNDER GARY LYNCH.

- O THE CORPORATION FINANCE DIVISION'S
1982 INTEGRATION OF CORPORATIONS'
REGISTRATION AND REPORTING REQUIREMENTS
AND THE SHELF REGISTRATION OF PUBLIC OFFERINGS -
UNDER ED GREENE AND LEE SPENCER.

INTEGRATION AND SHELF REGISTRATION

ARE TWO OF THE MOST IMPORTANT IMPROVEMENTS
IN THE SECURITIES LAWS,
SINCE THEY WERE ENACTED IN 1933 AND '34.

THEY ARE SAVING ISSUERS WELL OVER A BILLION DOLLARS PER ANNUM
FOR THE BENEFIT OF THEIR SHAREHOLDERS,
WITHOUT COMPROMISING FULL DISCLOSURES.

- O THE HISTORIC 1982 ACCORD WITH SWITZERLAND -
NEGOTIATED BY THEN DIRECTOR OF ENFORCEMENT, JOHN FEDDERS,
AND GENERAL COUNSEL, ED GREENE -
WHICH REMOVED THE HAVEN
OF THE SWISS BANK SECRECY LAWS FROM INSIDE TRADERS -
AND SET THE STAGE FOR THE SUBSEQUENT
CANADIAN, JAPANESE AND UK COOPERATION AGREEMENTS,
NEGOTIATED BY RICK KETCHUM AND GARY LYNCH,
THE PRESENT DIRECTORS OF MARKET REGULATION
AND ENFORCEMENT.

- O THE INSIDER TRADING SANCTIONS ACT,
STRUCTURED BY THE OFFICE OF THE GENERAL COUNSEL,
PROPOSED BY THE COMMISSION IN 1982,
SPONSORED BY SENATORS AND CONGRESSMEN HERE TODAY,
PASSED BY CONGRESS AND SIGNED BY THE PRESIDENT IN 1984.

- O THE ELECTRONIC MARKET SURVEILLANCE SYSTEMS
AND TRANSACTION AUDIT TRAILS -
LONG CHAMPIONED BY THE MARKET REGULATION DIVISION -
AND IMPLEMENTED BY THE EXCHANGES AND THE NASD.

- O AND THE 1982 SEC/CFTC ACCORD - ENACTED IN 1984 -
WHICH RESOLVED THE 7-YEAR TURF BATTLE
BETWEEN THE SEC AND THE CFTC
AND PERMITTED THE AUTHORIZATION
OF NEW OPTIONS AND FUTURES,
THAT PERMIT THE HEDGING OF STOCK MARKET AND OTHER RISKS,
AT A FRACTION OF THE PRIOR COSTS
AND IN MULTI-MILLION DOLLAR AMOUNTS
THAT WERE NOT PREVIOUSLY POSSIBLE.

THE NEW OPTIONS AND FUTURES
HAVE ALSO INCREASED THE BREADTH AND LIQUIDITY
OF THE SECURITIES MARKETS.

AS FOR THE FUTURE,

IN ADDITION TO IMPORTANT PENDING INSIDER TRADING,
TAKEOVER AND CORPORATE GOVERNANCE LEGISLATION AND REGULATIONS
THAT WARRANT VERY CAREFUL REVIEW -

FOUR AREAS THAT OFFER ENORMOUS POTENTIAL BENEFITS
AND POSE MAJOR CHALLENGES ARE:

0 FIRST, THE SIMPLIFICATION AND RATIONALIZATION
OF THE REGULATORY STRUCTURES
OF THE FINANCIAL SERVICE INDUSTRIES.

REGULATION BY FUNCTIONAL ACTIVITIES,
INSTEAD OF BY OUTMODED INDUSTRY CLASSIFICATIONS
AND ELIMINATION OF REGULATORY CONFLICTS,
OVERLAPS AND DUPLICATION.

SINCE 1981,

FUNCTIONAL REGULATION CONCEPTS HAVE BEEN INCORPORATED
IN EVERY BILL TO AMEND THE GLASS-STEAGALL ACT,
SPONSORED BY BOTH DEMOCRATS AND REPUBLICANS.

FUNCTIONAL REGULATION WILL REDUCE THE COST
AND INCREASE THE UNIFORMITY, EFFICACY AND FAIRNESS
OF THE REGULATORY STRUCTURES.

THE OFFICE OF THE GENERAL COUNSEL, UNDER DAN GOELZER,
HAS DONE AN OUTSTANDING JOB
OF DEVELOPING AND ADVANCING
THIS AND RELATED CONCEPTS.

- O SECOND, THE INCREASING INTERNATIONALIZATION
OF THE SECURITIES MARKETS,
WHICH IS PERMITTING INVESTORS AND ISSUERS
TO SHOP WORLDWIDE -
FOR THE MOST ATTRACTIVE INVESTMENT OPPORTUNITIES
AND SOURCES OF CAPITAL - AT ANY MOMENT IN TIME.

THE GROWING INTERNATIONAL MOBILITY OF CAPITAL
IS CONTRIBUTING TO THE PROSPECT OF GREATER OPPORTUNITIES,
PEACE AND PROSPERITY FOR MANKIND.

THE CHALLENGES ARE TO ACCELERATE:

- O INTERNATIONAL COOPERATION ON ENFORCEMENT MATTERS,
- O AUTOMATION OF CLEARANCE AND SETTLEMENT SYSTEMS,
- O EFFECTIVE DISCLOSURES,
- O AND GREATER ACCESS TO EACH OTHER'S MARKETS.

THESE ARE ONGOING, MULTI-DIVISIONAL EFFORTS.

- O THIRD, ACCELERATION OF THE IMMOBILIZATION
OF SECURITIES CERTIFICATES,
THROUGH GREATER USE OF CENTRAL DEPOSITORIES
AND ELECTRONIC BOOK-ENTRY SYSTEMS,
TO SAVE INVESTORS HUNDREDS OF MILLIONS OF DOLLARS PER ANNUM
AND AVOID FUTURE PAPERWORK AND OTHER PROBLEMS.

MARKET REGS, UNDER RICK KETCHUM,
IS THE DRIVING FORCE BEHIND THIS INITIATIVE.

O AND FOURTH, THE APPLICATION OF TELECOMMUNICATIONS
TO THE HIGH-SPEED PUBLIC DISSEMINATION
OF TIME-SENSITIVE CORPORATE INFORMATION,
WHICH WILL INCREASE THE EFFICIENCY AND FAIRNESS
OF THE SECURITIES MARKETS
FOR THE BENEFIT OF INVESTORS, CORPORATIONS AND THE ECONOMY.

THE CREATION OF THE EDGAR SYSTEM
HAS BEEN A MULTI-DIVISIONAL EFFORT,
UNDER EXECUTIVE DIRECTOR GEORGE KUNDAHL.

CORPORATE FINANCE, UNDER LINDA QUINN,
AND INVESTMENT MANAGEMENT, UNDER KATHIE McGRATH,
ARE THE PRINCIPAL INTERNAL BENEFICIARIES
AND THE DRIVING FORCES BEHIND THIS IMPORTANT EFFORT.

NONE OF THE FOREGOING IS WITHIN THE SINGULAR CAPACITY OF THE SEC.

EACH REQUIRES THE SUPPORT
OF CONGRESS, THE ADMINISTRATION
AND THE BUSINESS AND FINANCIAL COMMUNITIES,
BUT THEY ARE CLEARLY WORTHY
OF THE CONCERTED EFFORTS OF ALL CONCERNED.

MY ONLY REGRET
IS THAT I WILL BE A DISTANT OBSERVER
OF THE EXCITING EVENTS
THAT ARE UNFOLDING BEFORE THIS GREAT INSTITUTION.

THANK YOU AND GOD BLESS YOU.