

NEWS

SECURITIES AND EXCHANGE COMMISSION

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(202) 272-2650



THE SEC'S DEREGULATORY PROGRAM

JOHN S. R. SHAD*

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* John S.R. Shad is Chairman of the Securities and Exchange Commission. In accord with Commission policy, the views expressed are his own and not necessarily those of the Commission.

HE ALSO:

- ° PROPOSED DEREGULATION
OF THE TRUCKING AND RAILROAD INDUSTRIES;
- ° AND SUPPORTED REGULATORY REFORM
OF THE TELEPHONE,
RADIO, TELEVISION,
AND DATA TRANSMISSION INDUSTRIES.

PRESIDENT REAGAN

HAS ESCALATED REGULATORY REFORM
TO ONE OF THE FOUR PRINCIPAL OBJECTIVES
OF HIS ADMINISTRATION.

UPON TAKING OFFICE,

HE APPOINTED VICE PRESIDENT BUSH
TO HEAD THE PRESIDENTIAL TASK FORCE
ON REGULATORY RELIEF.

OVER THE PAST 10 YEARS

THE STAFFS OF THE 56 FEDERAL REGULATORY AGENCIES
HAVE TRIPLED.

THEIR EXPENDITURES

HAVE INCREASED 7 FOLD - TO \$6.5 BILLION IN 1980.*

THE CENTER FOR THE STUDY OF AMERICAN BUSINESS
AT WASHINGTON UNIVERSITY
HAS PROJECTED AN ADDITIONAL 20% INCREASE
BY THE END OF THIS YEAR.

IN FEBRUARY, PRESIDENT REAGAN SAID,

(QUOTE) "ADMINISTRATIVE OUTLAYS
OF THE REGULATORY AGENCIES . . .
ARE PASSED ON TO INDIVIDUALS
AND BUSINESSES
IN THE FORM OF HIGHER TAXES.

"MUCH LARGER . . .
ARE THE COSTS OF COMPLIANCE,
WHICH ADD \$100 BILLION PER YEAR
TO THE COSTS OF THE GOODS AND SERVICES WE BUY.
THE MOST IMPORTANT EFFECTS OF REGULATION, HOWEVER,
ARE THE ADVERSE IMPACTS
ON ECONOMIC GROWTH.

* PERSONNEL FROM 27,661 IN 1970 TO 88,175 IN 1980 (1981E: 89,450; 82E: 88,800). EXPENDITURES FROM \$866 MILLION IN 1970 TO \$6.5 BILLION IN 1980 (1981E: \$7.2; 82E: \$7.8). SOURCE: CENTER FOR THE STUDY OF AMERICAN BUSINESS, MAY 1981.

"THESE ARISE BECAUSE REGULATIONS MAY:

- O DISCOURAGE INNOVATIVE RESEARCH AND DEVELOPMENT,
- O REDUCE INVESTMENT IN NEW PLANT AND EQUIPMENT,
- O RAISE UNEMPLOYMENT
BY INCREASING LABOR COSTS,
- O AND REDUCE COMPETITION.

"TAKEN TOGETHER,

THESE LONGER RUN EFFECTS
CONTRIBUTE SIGNIFICANTLY
TO OUR CURRENT ECONOMIC DILEMMA
OF HIGH UNEMPLOYMENT AND INFLATION." (UNQUOTE)

EFFECTIVE ENFORCEMENT

THE COMMISSION'S RAISON D'ETRE
IS THE EFFECTIVE ENFORCEMENT
OF THE FEDERAL SECURITIES LAWS.

IN AN ERA OF DEREGULATION,
VIGOROUS ANTIFRAUD ENFORCEMENT
TAKES ON ADDED IMPORTANCE.

THE SEC'S ENFORCEMENT PRIORITIES INCLUDE
CORPORATE FRAUD,
MARKET MANIPULATION
AND INSIDER TRADING ABUSES -
EXPOSING AND PROSECUTING THOSE WHO,
OVERCOME BY GREED,
WOULD IMPUGN THE INTEGRITY
OF THE BEST SECURITIES MARKETS,
THE WORLD HAS EVER KNOWN -
THE BROADEST,
THE MOST ACTIVE AND EFFICIENT -
AND THE FAIREST.

EFFECTIVE CORPORATE DISCLOSURE
OF MATERIAL INFORMATION
CAN ONLY BE ACHIEVED
THROUGH VOLUNTARY COMPLIANCE.

WHILE IT CANNOT BE
A SELF-IMMUNIZATION PROCESS,
CONSIDERATION WILL BE SHOWN
TO COMPANIES THAT PROMPTLY CORRECT
INADEQUATE OR ERRONEOUS FILINGS
AND TAKE APPROPRIATE REMEDIAL ACTION.

THE DIVISION OF ENFORCEMENT

IS CONDUCTING

A COMPREHENSIVE EXAMINATION

OF THE COMMISSION'S ENFORCEMENT POLICIES AND PRACTICES -

THE FAIRNESS AND EFFECTIVENESS

OF THE PROGRAM

AND WHETHER OF THE COMMISSION'S SANCTIONS AND REMEDIES

SHOULD INCLUDE

CEASE AND DESIST ORDERS

AND COURT IMPOSED CIVIL FINES.

SEC DEREGULATORY OBJECTIVES

UNDER THE CHAIRMANSHIPS

OF WILLIAM CASEY, RAY GARRETT,

ROD HILLS AND HAROLD WILLIAMS -

RESPONSIBLE DEREGULATORY INITIATIVES

HAVE BEEN TAKEN -

SOME OF WHICH

ARE JUST NOW COMING TO FRUITION.

THE PRESENT MEMBERS OF THE COMMISSION

AND THE STAFF

HAVE MADE MAJOR SUBSTANTIVE CONTRIBUTIONS

TO THE COMMISSION'S

PRESENT DEREGULATORY EFFORTS.

THE FIVE OBJECTIVES OF THE PROGRAM ARE TO:

- O WITHDRAW OUTMODED
AND REDUNDANT REGULATIONS;
- O IMPROVE THE CLARITY
AND REDUCE THE BURDEN
OF PUBLIC DISCLOSURES
BY SIMPLIFYING THE REGULATIONS;
- O PLACE GREATER RELIANCE
ON THE SELF-REGULATORY ORGANIZATIONS -
THE STOCK EXCHANGES,
THE NASD, FASB, AICPA,
AND OTHERS;
- O COORDINATE - AND ELIMINATE CONFLICTS -
BETWEEN REGULATORY AUTHORITIES;
- O AND ASSIST CONGRESS
IN LEGISLATIVE REFORM -
WHICH IS THE MOST IMPORTANT
OF THESE EFFORTS.

I WILL BRIEFLY DISCUSS
EACH OF THEM.

SIMPLIFICATION OF SEC RULES AND REGULATIONS

INTEGRATION PACKAGE

THE SIMPLIFICATION
OF CORPORATE REGISTRATION
AND REPORTING REQUIREMENTS
IS A PRIMARY OBJECTIVE.

AS YOU KNOW,

THE INTEGRATION PACKAGE,
RELEASED FOR COMMENT IN SEPTEMBER,
INTEGRATES THE REPORTING
AND REGISTRATION REQUIREMENTS
OF THE 1933 AND 1934 ACTS -
AND VOLUMINOUS REGULATIONS
UNDER THESE ACTS.

AS IN THE CASE OF THE S-16,

PRIOR CORPORATE FILINGS
WILL BE INCORPORATED BY REFERENCE.

THE NEW SHORT FORM REGULATIONS

WILL TELESCOPE CORPORATIONS'
PAPERWORK, TIME AND EXPENSES,
AND AFFORD GREATER FLEXIBILITY
IN STRUCTURING AND TIMING
FUTURE PUBLIC FINANCINGS.

AND - MOST IMPORTANT -

THESE BENEFITS WILL BE ACHIEVED
WITHOUT COMPROMISING
INVESTOR PROTECTION.

THE RESPONSE

TO THE INTEGRATION PACKAGE
HAS BEEN ENTHUSIASTIC.

IT IS THE PRODUCT

OF AN IMPRESSIVE
TWO-YEAR EFFORT
BY THE DIVISION OF CORPORATION FINANCE.

IT WILL BE SUBMITTED

TO THE COMMISSION
FOR FINAL REVIEW AND APPROVAL
IN FEBRUARY.

THE FORMAT OF 10-Ks

HAS ALSO BEEN SIMPLIFIED.

REGULATION D

PROPOSED REGULATION D

WILL EXEMPT FROM REGISTRATION
CERTAIN LIMITED SECURITIES OFFERINGS -
UP TO \$5 MILLION.

REG D WILL ALSO BE UP FOR
FINAL REVIEW AND APPROVAL
IN FEBRUARY.

CORP FIN HAS DEVELOPED REG D
IN CONSULTATION WITH
STATE SECURITIES COMMISSIONERS.

MOST STATES ARE EXPECTED
TO ENACT COMPARABLE EXEMPTIONS -
WHICH WILL BE THE FIRST,
UNIFORM, STATE AND FEDERAL
REGISTRATION EXEMPTIONS.

CORP FIN IS ALSO WORKING
WITH STATE SECURITIES COMMISSIONERS
ON THE SIMPLIFICATION AND IMPROVEMENT
OF REAL ESTATE PARTNERSHIP FILINGS.

HOPEFULLY,
THESE FIRST SMALL STEPS
WILL LEAD TO BIGGER AND BETTER,
UNIFORM, STATE AND FEDERAL
DEREGULATORY INITIATIVES.

ACCOUNTING RULES

IN THE ACCOUNTING AREA,

14 OUTDATED AND REDUNDANT
ACCOUNTING SERIES RELEASES
HAVE RECENTLY BEEN WITHDRAWN.

THE OFFICE OF THE CHIEF ACCOUNTANT

IS PRUNING THE REMAINING 245 ASRS
WITH A VIEW TO WITHDRAWING
THOSE THAT ARE NO LONGER RELEVANT,
AND CODIFYING THE BALANCE.

A SIMILAR REVIEW

OF REGULATION S-X
IS IN PROCESS.

THE BULK OF THESE REVISIONS

WILL BE COMPLETED
WITHIN 90 DAYS.

INVESTMENT COMPANIES

IN THE INVESTMENT COMPANY AREA,

BASED UPON STUDIES
AND RECOMMENDATIONS
BY THE DIVISION OF INVESTMENT MANAGEMENT,
THE COMMISSION HAS RECENTLY:

- O ELIMINATED REPORTS
ON PORTFOLIO CHANGES;
- O ADOPTED STANDARDIZED
FINANCIAL STATEMENTS;
- O PERMITTED THE USE OF PROSPECTUSES
AS SHAREHOLDER REPORTS;
- O AND PROPOSED AUTOMATIC EFFECTIVENESS
OF UNIT INVESTMENT TRUST
REGISTRATION STATEMENTS.

SELF-EXECUTING RULES

IN ADDITION, PRIOR COMMISSION APPROVAL
OF CERTAIN TRANSACTIONS
WILL NO LONGER BE REQUIRED.

CODIFICATION

OF RULE 10B-6 EXEMPTIONS
IS IN PROCESS.

THE PROPOSED SHELF REGISTRATION RULE,
WILL PERMIT QUALIFIED ISSUERS
TO SELL IN THE OPEN MARKET
OR THROUGH UNDERWRITERS,
FROM TIME TO TIME WITHIN 2 YEARS,
ALL OR ANY PART
OF THE SHARES REGISTERED.

RULE 180 REDUCES THE NEED
TO OBTAIN KEOGH AND SIMILAR PLAN
REGISTRATION EXEMPTIONS.

STAFF INTERPRETATIONS HAVE RECENTLY
BEEN PUBLISHED ON

- o RULE 144;
- o EMPLOYEE BENEFIT PLANS;
- o AND THE SHORT-SWING TRADING RULES.

PROXY REVIEW

IN FEBRUARY,
CORP FIN WILL ALSO COMMENCE
A COMPREHENSIVE REVIEW
OF THE PROXY REGULATIONS.

THE OBJECTIVE IS TO SIMPLIFY
AND IMPROVE THE CLARITY OF PROXIES
IN ORDER TO BETTER SERVE INVESTORS.

AREAS THAT WILL RECEIVE
PARTICULAR ATTENTION INCLUDE:

- o SHAREHOLDER PROPOSALS;
- o MANAGEMENT REMUNERATION;
- o DIRECTOR RELATIONSHIPS;
- o MERGER PROXIES;
- o AND THE PROXY CONTEST
AND SOLICITATION RULES.

THE ADVISORY COMMITTEE
ON SHAREHOLDER COMMUNICATIONS
AND OTHERS WILL ASSIST
IN SOME OF THESE EFFORTS.

EFFECTIVE DISCLOSURES

THUS, PROGRESS IS BEING MADE
IN THE SIMPLIFICATION AND IMPROVEMENT
OF THE RULES AND REGULATIONS.

BUT YOUR HELP
IS ALSO NEEDED -
IF THE FULL BENEFITS
OF THESE EFFORTS
ARE TO BE REALIZED.

OVER THE YEARS,
PROSPECTUSES, PROXIES AND 10Ks
OF LEGITIMATE CORPORATE ENTERPRISES
HAVE BECOME PONDEROUS DOCUMENTS,
NOT ONLY BECAUSE OF THE COMMISSION'S
COMPLEX REGULATIONS,
BUT ALSO BECAUSE SOME L -
VIEW THEM
PURELY AS NEGATIVE DISCLOSURE DOCUMENTS -
AS "INSURANCE POLICIES" -
FOR USE AGAINST SHAREHOLDERS IN LITIGATION.

MORE THAN ONE --

CHIEF EXECUTIVE OFFICER
HAS NOT BEEN ABLE
TO RECOGNIZE HIS OWN COMPANY
FROM THE INFORMATION SET FORTH
IN HIS 10K.

IF HE QUESTIONS

THE PONDEROUS, NEGATIVE,
OVERKILL COMPLIANCE LANGUAGE,
HE IS OFTEN TOLD,
"DON'T WORRY ABOUT IT, NO ONE READS THEM ANYWAY".

IT IS TRUE THAT FEW

INDIVIDUAL SHAREHOLDERS READ THEM.

INDEED, THEY ARE SOMETIMES

UNINTELLIGIBLE TO PROFESSIONAL ANALYSTS.

BUT THEY ARE NOT ONLY READ,

THEY ARE CAREFULLY STUDIED
BY INVESTMENT BANKERS, ANALYSTS AND ADVISERS;
LONG AND SHORT TERM LENDERS;
THE BOND RATING AGENCIES;
AND - MOST IMPORTANT -
BY INSTITUTIONAL INVESTORS -
WHO ACCOUNT FOR 70% OF THE MARKET IN LISTED STOCKS
AND HALF OF THE OVER-THE-COUNTER MARKET.

AND THEY ARE REVIEWED

BY ISSUERS' KEY PERSONNEL
AND MAJOR CUSTOMERS AND SUPPLIERS -
AS WELL AS BY ACQUISITION PROSPECTS
AND THE FINANCIAL PRESS.

SUCH DOCUMENTS

SHOULD MAKE FULL DISCLOSURE
OF MATERIAL AFFIRMATIVE -
AS WELL AS ALL MATERIAL NEGATIVE INFORMATION
AND RISK FACTORS -
NOT ONLY TO AVOID SUITS
FROM SHAREHOLDERS
WHO WOULD NOT HAVE SOLD
IF THEY HAD BEEN PROPERLY INFORMED;
BUT ALSO BECAUSE
INTELLIGENT INVESTMENT DECISIONS
CANNOT BE MADE
ON DISTORTED, ONE-SIDED PRESENTATIONS.

CLEAR, CONCISE, FULL DISCLOSURE

OF MATERIAL NEGATIVE AND AFFIRMATIVE FACTS
SERVE THE INTENT OF THE SECURITIES LAWS -
AS WELL AS THE BEST INTERESTS
OF SHAREHOLDERS -
AND THE CORPORATIONS THEY OWN.

COORDINATION WITH OTHER REGULATORY AUTHORITIES

THE COORDINATION -

AND ELIMINATION OF CONFLICTS -
WITH OTHER REGULATORY AUTHORITIES
IS ANOTHER IMPORTANT OBJECTIVE.

STATE COORDINATION

SUCH EFFORTS WITH THE STATES, INCLUDE:

- o THE UNIFORM REGISTRATION EXEMPTIONS,
PREVIOUSLY MENTIONED;
- o STANDARDIZATION
OF BROKER-DEALER REGISTRATION FORMS;
- o CENTRAL COMPUTER REGISTRATION
OF SECURITIES SALESMEN,
BROKER-DEALERS AND INVESTMENT ADVISORS;
- o AND COORDINATED BROKER-DEALER INSPECTIONS.

THERE HAS BEEN

A LONG HISTORY

OF CLOSE STATE AND FEDERAL COOPERATION

ON ENFORCEMENT MATTERS.

CFTC ACCORD

AT THE FEDERAL LEVEL,

THE RECENTLY ANNOUNCED ACCORD

CONCERNING THE LONG-STANDING

JURISDICTIONAL DISPUTES

WITH THE COMMODITY FUTURES TRADING COMMISSION

WILL SOON PERMIT

CORPORATIONS, INVESTMENT AND MORTGAGE BANKERS,

PORTFOLIO MANAGERS AND OTHERS

TO HEDGE FLUCTUATING INTEREST RATES,

SECURITIES MARKETS AND OTHER RISKS.

FHLBB COORDINATION

ALSO, RECENT CLOSE COORDINATION

WITH THE FEDERAL HOME LOAN BANK BOARD

FACILITATED THE ORDERLY RESOLUTION

OF A MAJOR THRIFT INSTITUTION'S PROBLEMS.

ACCOUNTING SELF-REGULATION

ALSO, BY THE END OF THIS YEAR,
THE AICPA'S PEER REVIEW PROGRAM
WILL BE ON A FULL SCALE,
THREE-YEAR INSPECTION CYCLE.

PEER REVIEWS -

- WHICH TEST
ACCOUNTING FIRMS' QUALITY CONTROLS -
HAVE INCREASED FROM 50 IN 1980
TO THE 200 SCHEDULED FOR THIS YEAR.

BROKER-DEALER SROs

LAST WEEK'S

- . REDUCTION IN BROKER-DEALERS'
NET CAPITAL REQUIREMENTS
IS THE CULMINATION
OF AN INTENSIVE
THREE-YEAR STUDY
BY THE DIVISION OF MARKET REGULATION.

IT IS PREDICATED ON

MAJOR IMPROVEMENTS
OVER THE PAST SIX YEARS
WITHIN THE SECURITIES INDUSTRY -
AND ITS SELF-REGULATORY ORGANIZATIONS.

THE SROs' ARE ASSUMING

GREATER RESPONSIBILITY

FOR THE EARLY WARNING SURVEILLANCE

OF FIRMS THAT ARE APPROACHING OPERATIONAL

OR FINANCIAL DIFFICULTIES.

INVESTMENT COMPANY SRO

THE COMMISSION IS ALSO EXPLORING

THE FEASIBILITY AN INVESTMENT COMPANY

SELF-REGULATORY ORGANIZATION.

SUCH AN SRO

WOULD HELP IMPROVE COMPLIANCE,

UNDER COMMISSION OVERSIGHT.

NATIONAL MARKET SYSTEM

WITH REFERENCE TO THE NATIONAL MARKET SYSTEM,

THIS MARCH

INTEGRATED TRADING -

ON AND OFF THE BOARD -

WILL COMMENCE

IN THE 30 MOST ACTIVE 19c-3 STOCKS.

THE COMMISSION HAS
SUPPORTED INDUSTRY EFFORTS
TO RESOLVE CONCERNS
OVER THE INTERNALIZATION
OF ORDER EXECUTIONS
BY MAJOR FIRMS.

THE LINKAGE EXPERIMENT
WILL BE CLOSELY
MONITORED BY MARKET REG
AND THE DIRECTORATE OF ECONOMIC
AND POLICY ANALYSIS.

LEGISLATIVE REFORM

THE FINAL - AND MOST IMPORTANT -
AREA OF THE COMMISSION'S
DEREGULATORY EFFORTS
IS LEGISLATIVE REFORM.

THE GENERAL COUNSEL'S OFFICE
IS VERY ABLY COORDINATING
SEVERAL LEGISLATIVE INITIATIVES.

PUBLIC UTILITY HOLDING COMPANY ACT REPEAL

IN DECEMBER,
THE COMMISSION PROPOSED REPEAL
OF THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935.

UNDER THAT ACT,

12 MAJOR UTILITY SYSTEMS -

WHICH GENERATE 20%

OF THE NATION'S ELECTRICITY

AND DISTRIBUTE 8%

OF ITS NATURAL GAS -

ARE REQUIRED TO OBTAIN

PRIOR SEC APPROVAL

OF THEIR MERGER, ACQUISITION AND FINANCING PLANS

AND THEIR INTRA-SYSTEM TRANSACTIONS.

THE ACT ALSO INHIBITS

THE ACTIVITIES OF SOME 80

NONREGULATED UTILITY SYSTEMS,

WHICH ARE HESITANT

TO EFFECT MERGERS,

ACQUISITIONS OR GEOGRAPHICAL EXPANSION,

FOR FEAR OF BECOMING

SUBJECT TO THE ACT.

THE BASIC OBJECTIVE OF THE ACT -
THE DISMANTLEMENT
OF MULTI-TIERED HOLDING COMPANIES -
WAS ACCOMPLISHED 20 YEARS AGO.

IF THE ACT IS REPEALED,
THE 12 UTILITY SYSTEMS
WILL CONTINUE TO BE SUBJECT
TO THE 1933 AND 1934 SECURITIES ACTS,
AS WELL AS STATE REGULATION.

FOREIGN CORRUPT PRACTICES ACT AMENDMENTS

MAJOR AMENDMENTS

TO THE FOREIGN CORRUPT PRACTICES ACT
ARE ALSO PENDING BEFORE CONGRESS.

THE COMMISSION HAS PROPOSED CHANGES
IN THE BOOKS AND RECORDS
AND INTERNAL ACCOUNTING CONTROL SECTIONS,
WHICH WOULD CLARIFY AMBIGUITIES
AND RELIEVE BURDENS ON INDUSTRY.

THE COMMISSION ALSO SUPPORTED
CONSOLIDATION WITHIN THE JUSTICE DEPARTMENT
OF ALL ANTIBRIBERY ENFORCEMENT RESPONSIBILITIES.

GLASS-STEAGALL ACT AMENDMENTS

ON A BROADER THEME,

LAST SEPTEMBER

SECRETARY OF THE TREASURY DONALD REGAN

CALLED FOR A NATIONAL DEBATE

ON THE LAWS THAT GOVERN

OUR FINANCIAL INSTITUTIONS

AND MARKETS.

IN 1933 THE GLASS-STEAGALL ACT

SEPARATED COMMERCIAL AND INVESTMENT BANKING.

SINCE ENACTMENT OF GLASS-STEAGALL -

AND OTHER DEPRESSION INITIATIVES

NEARLY HALF A CENTURY AGO -

WEBS OF EXCESSIVE AND CONFLICTING,

REGULATORY, TAX AND PUBLIC POLICIES,

HAVE BEEN SPUN.

NEW FINANCIAL PRODUCTS

AT THE SAME TIME,

IN RESPONSE TO CHANGING ECONOMIC CONDITIONS,
PARTICULARLY DURING THE PAST 5 YEARS,
NEW AND INNOVATIVE
FINANCIAL PRODUCTS AND SERVICES
HAVE BRIDGED THE TRADITIONAL GAPS
BETWEEN THE SECURITIES,
COMMERCIAL BANKING, SAVINGS AND LOAN
AND INSURANCE INDUSTRIES.

THESE NEW PRODUCTS INCLUDE:

- o THE MONEY MARKET FUNDS;
 - o CASH MANAGEMENT ACCOUNTS;
 - o GUARANTEED INVESTMENT CONTRACTS;
 - o VARIABLE ANNUITIES AND LIFE INSURANCE POLICIES;
- AND MANY OTHERS.

LEGISLATION HAS BEEN SUGGESTED

TO LIMIT THE COMPETITIVE IMPACT
OF SOME OF THESE NEW PRODUCTS AND SERVICES.

FOR EXAMPLE,

IT HAS BEEN SUGGESTED
THAT MONEY MARKET FUNDS
BE REQUIRED TO HOLD
A PORTION OF THEIR ASSETS
AS RESERVES - IN CASH.

THE SEC,

WHICH PERIODICALLY INSPECTS THESE FUNDS,
HAS TESTIFIED
THAT SUCH RESERVES
ARE NOT WARRANTED
BY INVESTOR PROTECTION REQUIREMENTS.

WHILE ALL INVESTMENTS INVOLVE RISKS,
THE MONEY MARKET FUNDS
HOLD HIGHLY LIQUID,
SHORT TERM,
PRIME CREDIT OBLIGATIONS,
WITH AN AVERAGE MATURITY
OF LESS THAN 35 DAYS.

THESE ARE THE TYPES OF OBLIGATIONS
THAT OTHERS HOLD AS RESERVES.

NEW AND INNOVATIVE PRODUCTS AND SERVICES
SHOULD BE ENCOURAGED -
NOT INHIBITED
BY BURDENSOME REGULATIONS.

MAJOR MERGERS AND ACQUISITIONS

THE SECURITIES, COMMERCIAL BANKING,
SAVINGS AND LOAN, AND INSURANCE INDUSTRIES,
HAVE ALSO MOVED INTO EACH OTHER'S BACKYARDS
THROUGH MAJOR ACQUISITIONS AND MERGERS.

THE PRUDENTIAL INSURANCE COMPANY, SEARS AND AMERICAN EXPRESS
HAVE EACH RECENTLY ACQUIRED
MAJOR SECURITIES FIRMS.

THE BANK OF AMERICAN AND SECURITY PACIFIC
HAVE EACH ANNOUNCED INTENTIONS
TO ENTER THE SECURITIES BROKERAGE BUSINESS.

MERRILL LYNCH AND E. F. HUTTON
HAVE ACQUIRED INSURANCE COMPANIES.

SHEARSON HAS ACQUIRED A TRUST COMPANY.

AND THE LIST GOES ON.

REGULATORY CONFLICTS

REGULATORY CONFLICTS AND OVERLAPS

HAVE ALSO MULTIPLIED.

TODAY, AT LEAST TEN FEDERAL AGENCIES*

PLUS, THE STATE SECURITIES, BANKING,

SAVINGS AND LOAN, AND INSURANCE COMMISSIONS -

EXERCISE JURISDICTION

OVER ASPECTS

OF OUR CAPITAL MARKETS.

DO OUR CAPITAL MARKETS REQUIRE

REGULATION BY

OVER 100 GOVERNMENT AGENCIES?

THE TIME HAS COME

TO SIMPLIFY AND RATIONALIZE THE SYSTEM.

EMERGENCY RELIEF

IS NEEDED IN CERTAIN QUARTERS,

BUT OTHERS REQUIRE MORE DELIBERATE -

LONG-TERM SOLUTIONS.

* THE SEC; COMMODITY FUTURES TRADING COMMISSION; FEDERAL RESERVE BOARD; FEDERAL HOME LOAN BANK BOARD; COMPTROLLER OF THE CURRENCY; FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION; FEDERAL DEPOSIT INSURANCE CORPORATION; SECURITY INVESTOR PROTECTION CORPORATION; PENSION BENEFIT GUARANTEE BOARD; AND THE DEPARTMENT OF THE TREASURY.

IN RECENT TESTIMONY

ON PROPOSED AMENDMENTS
TO GLASS-STEAGALL,
THE COMMISSION SUPPORTED
SECRETARY REGAN'S PROPOSAL
THAT BANKS AND SECURITIES FIRMS
BE PERMITTED GREATER ACCESS
TO EACH OTHERS' FIELDS -
THROUGH CORPORATE AFFILIATES.

COMPREHENSIVE REVIEW

THE COMMISSION ALSO RECOMMENDED
A COMPREHENSIVE REVIEW
OF THE EXCESSIVE, DUPLICATIVE AND CONFLICTING LAWS
THAT GOVERN OUR FINANCIAL INSTITUTIONS AND MARKETS.

SIMILAR SUGGESTIONS WERE MADE BY
THE CHAIRMEN
OF THE FEDERAL RESERVE BOARD
THE FDIC,
THE FEDERAL HOME LOAN BANK BOARD
THE COMPTROLLER OF THE CURRENCY
AND OTHERS.

SENATOR PROXMIRE,
A RANKING MEMBER
OF THE SENATE BANKING COMMITTEE, SAID,

(QUOTE) "IT SEEMS THAT THE BANKING INDUSTRY
IS SUBJECT TO MORE COMPLICATED,
DUPLICATIVE AND INEQUITABLE REGULATION
THAN ANY OTHER INDUSTRY -
ONLY BECAUSE THERE ARE THREE REGULATORS.

"YOU HAVE THE FDIC,
YOU HAVE THE COMPTROLLER [OF THE CURRENCY],
YOU HAVE THE FEDERAL RESERVE BOARD,
WHICH ALL REGULATE BANKS -
REGULATE DIFFERENT BANKS
UNDER DIFFERENT CIRCUMSTANCES.

"OF COURSE,

THE VARIOUS BANK REGULATORS
TEND TO WANT TO PRESERVE THEIR TURF -
THAT'S UNDERSTANDABLE AND NATURAL -
BUT I WOULD HOPE THE TREASURY
WOULD TAKE A LOOK AT THIS
AND RECOGNIZE
THAT IF YOU CONCENTRATED
REGULATION IN A SINGLE AGENCY -
THE FEDERAL RESERVE,
THE FDIC, OR WHATEVER -
YOU WOULD HAVE A MUCH MORE EFFICIENT,
EQUITABLE OPERATION -
AND YOU WOULD AVOID
A LOT OF DUPLICATION." (UNQUOTE)

NON-PARTISAN TASK FORCE

WHEN PRESIDENT REAGAN

WAS THE GOVERNOR OF CALIFORNIA,
HE EFFECTIVELY UTILIZED
NON-PARTISAN TASK FORCES
OF PRACTICAL BUSINESSMEN
AND RECOGNIZED AUTHORITIES
TO ASSESS AND RESOLVE
MAJOR PROBLEMS ON A TIMELY BASIS.

AT THE FEDERAL LEVEL,
IT TAKES A BIT LONGER,
BUT THE APPROACH IS SOUND.

REGULATION BY FUNCTION, INSTEAD OF BY INDUSTRY

TODAY,
THE SECURITIES FIRMS, COMMERCIAL BANKS,
SAVINGS AND LOANS, AND INSURANCE COMPANIES
ARE REGULATED BY INDUSTRY CATEGORIES.

HOWEVER, THE DEMARCATIONS
BETWEEN THESE INDUSTRIES
HAVE BLURRED.

TOO OFTEN,
CRITICAL ECONOMIC AND COMPETITIVE FACTORS
DEPEND UPON REGULATORY PIGEON HOLES,
RATHER THAN THE NEEDS AND DEMANDS
OF THE MARKETPLACE.

REGULATION BY FUNCTION,
RATHER THAN BY OUTMODED INDUSTRY CLASSIFICATIONS,
WOULD RESOLVE SOME OF THESE DISPARITIES.

CONSOLIDATE RELATED ACTIVITIES

CONSOLIDATION OF RELATED ACTIVITIES

WOULD REDUCE ADMINISTRATIVE COSTS
AND INCREASE OPERATIONAL EFFICIENCY
AND FINANCIAL FLEXIBILITY.

LEGISLATION HAS BEEN PROPOSED

TO CONSOLIDATE THE INSURANCE FUNDS
OF THE FDIC, THE FEDERAL SAVING AND LOAN INSURANCE CORPORATION
AND THE NATIONAL CREDIT UNION ADMINISTRATION.

MANY OTHER REGULATORY FUNCTIONS

WARRANT SIMILAR CONSIDERATION.

REGULATORY SIMPLIFICATION

EVEN MORE IMPORTANT

THAN CONSOLIDATIONS
AND REGULATION BY FUNCTION,
IS THE NECESSITY
TO ELIMINATE
EXCESSIVE, DUPLICATIVE AND CONFLICTING
REGULATIONS WITHIN AND BETWEEN
FUNCTIONAL ACTIVITIES.

THE PROTECTIONS ACCORDED

INVESTORS AND DEPOSITORS
SHOULD BE IMPROVED
IN THE PROCESS.

SIGHT IS SOMETIMES LOST
OF THE FACT
THAT THE PURPOSE OF REGULATION
IS THEIR PROTECTION.

AND THAT IN THE FINAL ANALYSIS,
THEY BEAR THE COSTS
AND SUFFER THE CONSEQUENCES
OF THE PRESENT BURDENSOME STRUCTURE.

THESE ARE MAJOR CONSIDERATIONS
THAT SHOULD BE ADDRESSED
BY A NON-PARTISAN TASK FORCE -
WITH A ONE-YEAR MANDATE -
AND A VIEW TO LEGISLATION IN 1983.

SUMMATION

IN SUMMATION,
THE EXISTING REGULATORY STRUCTURES
WERE SPAWNED HALF A CENTURY AGO -
IN THE DEPTHS OF THE DEPRESSION.

THEY WERE RESPONSIVE
TO A DIFFERENT ERA
AND DIFFERENT PROBLEMS.

GIVEN THE REAGAN ADMINISTRATION'S PRIORITIES
AND THE SUPPORT
FOR REGULATORY REFORM -
ON BOTH SIDES OF THE AISLE -
IN BOTH HOUSES OF CONGRESS -
NOW IS THE TIME
TO ADDRESS THE NEEDS OF THE FUTURE -
AND SHED THE BURDENS OF THE PAST.

THE ULTIMATE RESOLUTION OF THESE ISSUES -
OR OUR FAILURE TO RESOLVE THEM -
WILL HAVE A PROFOUND EFFECT
UPON EACH OF US,
OUR CHILDREN AND THE NATION.

THANK YOU.