

MEMO# 22027

December 11, 2007

Institute Submission to Treasury Regarding Review of the Regulatory Structure Associated with Financial Institutions

[22027]

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TO: ACCOUNTING/TREASURERS MEMBERS No. 38-07
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TECHNOLOGY COMMITTEE No. 31-07
UNIT INVESTMENT TRUST MEMBERS No. 19-07 RE: INSTITUTE SUBMISSION TO TREASURY
REGARDING REVIEW OF THE REGULATORY STRUCTURE ASSOCIATED WITH FINANCIAL
INSTITUTIONS

The Institute has filed a submission with the Treasury Department in connection with its review of the regulatory structure associated with financial institutions. [*](#) The Treasury Department's review focuses on a number of topics, including overlapping state and federal regulation, ways to improve market discipline and consumer protection, "principles-based"

regulation vs. “rules-based” regulation, and the strengths and weaknesses of having multiple regulators.

The Institute’s recommendations, a copy of which is attached, follow from four basic principles that we believe should govern reforms of our regulatory structure to assure that the U.S. capital markets remain robustly competitive: first, products and services offered and sold in a national market demand a coherent scheme of national regulation; second, if U.S. financial institutions are to succeed against global competitors, U.S. regulators must encourage and permit innovation and adopt global standards; third, our traditional regulatory organization and approach, especially for purposes of securities regulation, must be reformed in light of changed market realities; and fourth, for a broad array of purposes, U.S. regulators should embrace the efficiencies offered by revolutionary information, communications, and other technologies.

Our most significant recommendations are summarized below.

- Products and services offered and sold in a national market demand a coherent scheme of national regulation
 - The Securities and Exchange Commission should assert its authority under the National Securities Markets Improvement Act of 1996 as the sole regulatory standard setter for registered investment companies, to implement the pre-emptive purpose of that statute and secure the regulatory efficiencies Congress intended.
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- If U.S. financial institutions are to succeed against global competitors, U.S. regulators must encourage and permit innovation and adopt global standards
 - The Administration and Congress, in consultation with the SEC and the investment company industry, should develop legislation to authorize a new form of U.S. registered investment company that would be a competitive, attractive investment option for both U.S. and non-U.S. investors.
 - There should be convergence of financial reporting and accounting principles.
- Our traditional regulatory organization and approach, especially for purposes of securities regulation, must be reformed in light of changed market realities
 - The SEC should adopt a more prudential model of regulation.
 - The SEC should realign its organizational structure to more accurately reflect the contours of the current capital markets.
 - Responsibility for the SEC’s inspection and examination functions should be returned to the SEC’s operating divisions.
 - The SEC and the self-regulatory organizations should ensure that they conduct a rigorous, timely and informed analysis of the costs and benefits of all regulatory proposals.
- U.S. regulators should embrace the efficiencies offered by revolutionary information, communications and other technologies
 - To more efficiently advance regulatory policy objectives and to conduct regulatory oversight, the SEC and other regulators should make more effective and thorough use of information, communications, and other technology.

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[Attachment](#)

endnotes

*See Review by the Treasury Department of the Regulatory Structure Associated with Financial Institutions, Department of the Treasury, 72 Fed. Reg. 58939 (Oct. 17, 2007).

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