

MEMO# 21873

October 22, 2007

Remarks by Institute President and CEO at Equity, Fixed-Income & Derivatives Markets Conference

[21873]

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TO: BOARD OF GOVERNORS No. 25-07

EQUITY MARKETS ADVISORY COMMITTEE No. 60-07

FIXED-INCOME ADVISORY COMMITTEE No. 35-07

SEC RULES MEMBERS No. 139-07

SMALL FUNDS MEMBERS No. 99-07 RE: REMARKS BY INSTITUTE PRESIDENT AND CEO AT
EQUITY, FIXED-INCOME & DERIVATIVES MARKETS CONFERENCE

On October 12, Institute President and CEO Paul Schott Stevens spoke at the Institute's 2007 Equity, Fixed-Income & Derivatives Markets Conference. [\[1\]](#)

In his speech, Mr. Stevens began by noting the popularity of bond funds and acknowledging that regulators have acted to make the debt markets more transparent. For instance, investors now have access to FINRA's Trade Reporting and Compliance Engine, or TRACE, for corporate bonds, and to the MSRB's Transaction Reporting System for municipal bonds. Before these two systems went on-line, he noted that both the muni and corporate bond markets were all but invisible to mainstream investors. Mr. Stevens explained that these systems have made it "much easier to get up-to-date trade and price information about corporate and municipal bonds, moving the disclosure regime for those securities much closer to that for equities." He next explained that transparency has led, in turn, to better prices for bond investors. Mr. Stevens stated that ICI looks forward to working with the regulators and other market participants to continue to make improvements in the bond markets.

Mr. Stevens next remarked about the growth and popularity of money market funds, noting that these funds represent "an industry success story, and a regulatory success story." He explained that Rule 2a-7 under the Investment Company Act of 1940 imposes exacting standards on money market funds' portfolios and instruments, including credit quality,

maturity, and diversification. The rule, he noted, has worked as intended to help money funds weather the occasional storm, including the current subprime mortgage crisis. Mr. Stevens cautioned, however, that maintaining the record of money market fund success critically depends on the continued discipline and vigilance of fund advisers and boards operating within the framework of applicable regulations.

Similar discipline, he explained, is required in light of the increasing use by investment companies generally of derivatives and other complicated financial instruments. Like a fund's other investments, Mr. Stevens noted that derivative investments may entail various types and degrees of risk.

In conclusion, Mr. Stevens remarked about the pace of change in the capital markets since 1999, when this conference debuted. He predicted that the recent "fevered pace of international exchange mergers" will dramatically change global trading venues and linkages. Against this backdrop, he noted that many ICI members now have global operations and are highly active in international securities markets. These developments, he explained, are just the "early phases of a process that will, over time, transform the world's securities markets."

The conference also included remarks from Erik Sirri, Director, SEC's Division of Market Regulation, Theo Lubke, Senior Vice President, Federal Reserve Bank of New York, and John Thain, CEO, NYSE Euronext Inc.

Jane G. Heinrichs
Associate Counsel

endnotes

[\[1\]](http://www.ici.org/policy/markets/global/07_emc_stevens_spch) A copy of Mr. Stevens' remarks is available on the Institute's website at http://www.ici.org/policy/markets/global/07_emc_stevens_spch

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