

MEMO# 2766

May 17, 1991

INSTITUTE TESTIMONY ON FINANCIAL SERVICES RESTRUCTURING

May 17, 1991 TO: FEDERAL LEGISLATION MEMBERS NO. 5-91 RE: INSTITUTE TESTIMONY ON FINANCIAL SERVICES RESTRUCTURING

Today, the Institute testified before the Senate Banking Committee on the Administration's comprehensive bill to restructure the financial services industry. The Institute urged the committee to avoid the temptation to enact legislation that simply repeals Glass-Steagall and instead stressed the need for comprehensive reform which would also allow commercial firms to affiliate with banks. The Institute expressed its general support of the Administration's comprehensive approach to restructuring and endorsed provisions in the bill which would establish a two-way competitive street for banks and securities firms, require SEC regulation of bank mutual funds and other securities activities and close the loophole for bank common trust funds. The Institute took the opportunity to offer additional suggestions to strengthen and expand the bill's investor protection and firewall provisions. Specifically, the Institute recommended that prohibitions be added to certain types of conflict of interest transactions that can arise when a bank affiliate acts as sponsor or adviser to a fund; it also pointed out that protections should be added to prevent investor confusion and other problems that can result from the marketing of funds to the public by affiliates of insured depository institutions. The Institute also expressed support for subjecting all bank pooled investment funds to SEC regulation. These hearings represented the twentieth day of Senate Banking hearings in 1991. They are expected to end as the Committee prepares to mark-up financial services legislation beginning in mid-June. - 2 - A copy of the Institute's oral and written testimony is attached. Please call if you wish further information. We will keep you informed of further developments. This memo can also be found on FUNDS, the Institute's Fund User Network and Delivery Systems, under Legislative Affairs, Washington Update. Julie Domenick Doerr Vice President-Legislative Affairs Attachment