

MEMO# 6730

March 8, 1995

INSTITUTE TESTIFIES ON FINANCIAL SERVICES REFORM

March 8, 1995 TO: BOARD OF GOVERNORS No. 36-95 BANK INVESTMENT MANAGEMENT MEMBERS No. 11-95 FEDERAL LEGISLATION COMMITTEE No. 13-95 FEDERAL LEGISLATION MEMBERS No. 13-95 RE: INSTITUTE TESTIFIES ON FINANCIAL SERVICES REFORM

On March 2, before the House Subcommittee on Capital Markets, Securities and Government Sponsored Enterprises, chaired by Richard Baker (R-LA) and on March 7, before the full Committee on Banking and Financial Services, chaired by Jim Leach (R-IA), Institute President Matthew P. Fink testified on Financial Services Reform. The Institute reiterated its long standing support for comprehensive financial services reform and expressed its view that a successful legislative outcome is contingent on four guiding principles: Glass-Steagall reform is necessary to grant banks full securities powers. The Banking Holding Company Act should be amended to achieve a full two-way street and to permit securities firms to enter the banking business. Federal securities laws should be modernized to achieve functional regulation so that bank securities activities are subject to the full and primary jurisdiction of the SEC. The Investment Company Act of 1940 should be amended to provide uniform treatment for all mutual fund shareholders, regardless of whether the fund is sold or managed by a securities firm or a bank. Mr. Fink noted that legislation "will not succeed if it is viewed as simply a bank-powers bill. The issues of competitive equality, functional regulation of bank mutual fund activities, and comprehensive investor protection under the Investment Company Act are critical to the debate, and will help to determine the outcome." Additional hearings are anticipated and "markup" action on financial services reform legislation (H.R. 814 and H.R. 1062) is expected in May/June. Senate hearings are also expected. - 2 - Copies of the testimony are attached. We will keep you informed as these matters develop. For additional information, please contact the Legislative Affairs Department at (202) 326-5890. This memo can be found on FUNDS, the Institute's Fund User Network and Delivery System, under "Legislative Affairs; Washington Update." Julie Domenick Senior Vice President Legislative Affairs Attachments

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