

MEMO# 2902

July 3, 1991

HOUSE BANKING COMMITTEE REPORTS ADMINISTRATIONS FINANCIAL SERVICES RESTRUCTURING BILL

July 3, 1991 TO: BOARD OF GOVERNORS NO. 50-91 EXECUTIVE COMMITTEE NO. 14-91 RE: HOUSE BANKING COMMITTEE REPORTS ADMINISTRATION'S FINANCIAL SERVICES RESTRUCTURING BILL _____

On June 28, the House Banking Committee reported the Administration's bill on financial services restructuring by a vote of 31-20. As reported, the bill contains several provisions endorsed by the Institute, including (1) establishing a full "two-way street" by allowing all types of business enterprises to become affiliated with banks (2) permitting full interstate banking and (3) requiring new bank securities activities, including the sponsorship of mutual funds, to be carried out in separate affiliates, subject to full SEC regulation. However, in a procedural move intended to minimize the jurisdictional scope of the House Energy and Commerce Committee, all references in the Administration's bill to the federal securities laws were dropped. In sponsoring the amendment, Chairman Gonzalez characterized a vote for his amendment as a vote of confidence in his leadership and for the "primacy and future of the Banking Committee." He did not speak against the substance of the stricken amendments. The effect of the Chairman's amendment was to strike those provisions which granted the SEC authority to adopt "mutual fund firewalls," repealed the exemption for banks that advise mutual funds under the Investment Advisers Act, narrowed the exemption for bank common trust funds, and directed the SEC to study the regulation of bank collective funds for retirement plans. Senior Treasury officials have informed me that they continue to believe that these provisions are essential to the bill and will seek their reinstatement. In fact, H.R. 797, the "Securities Regulatory Equality Act of 1991," which is pending in the Energy and Commerce Committee and which has been endorsed by the Institute and the SEC, would impose a more comprehensive set of "firewall" provisions than those eliminated by the Banking Committee. The Energy and Commerce Committee will consider H.R. 797 and the bill reported by the Banking Committee concurrently. The Administration's bill is expected to be considered by the House Energy and Commerce Committee soon. The amount of time accorded the Committee for consideration of the bill will turn on a decision by the Speaker of the House. In addition, the Senate Banking Committee is beginning its work on financial services restructuring legislation. The Institute will continue its efforts to ensure that any legislation contains a "two way street," as well as necessary investor protection provisions. We will keep you informed as this matter proceeds. David Silver

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