

MEMO# 2773

May 17, 1991

INSTITUTE TESTIMONY ON FINANCIAL SERVICES REFORM

May 17, 1991 TO: BOARD OF GOVERNORS NO. 34-91 RE: INSTITUTE TESTIMONY ON FINANCIAL SERVICES REFORM _____ On May 16, the Institute testified before the Senate Banking Committee on legislation to modernize the financial services industry. The testimony primarily covered the legislative proposal of the Bush Administration, the "Financial Institutions Safety and Consumer Choice Act of 1991". (The Institute also testified on this proposed legislation last month before the Financial Institutions Subcommittee of the House Banking Committee. See Memorandum to Board of Governors No. 26- 91, dated April 24, 1991.) The Institute's testimony stressed the need to avoid repealing the Glass-Steagall Act without simultaneously removing the restrictions on ownership of banks by commercial firms, so that all securities firms would be able to engage in banking. The Institute stated that the Administration's bill, which would permit commercial firms to acquire banks, represents the preferable approach. The Institute's testimony noted that the Administration's bill also contains other important provisions, including allowing nationwide banking, subjecting most securities activities, including mutual fund activities, to SEC regulation and substantially closing the loophole for bank common trust funds. However, the Institute stated that the bill lacks needed amendments to the Investment Company Act to guard against potential abuses arising from bank sponsorship of mutual funds. Copies of the Institute's written and oral testimony are attached. Craig S. Tyle Associate General Counsel Attachments

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