

**MEMO# 4814**

May 21, 1993

## **MEMBER OF THE BOARD OF GOVERNORS TESTIFIES ON MAJOR SECURITIES ISSUES**

May 21, 1993 TO: BOARD OF GOVERNORS NO. 48-93 RE: MEMBER OF THE BOARD OF GOVERNORS TESTIFIES ON MAJOR SECURITIES ISSUES

On May 20, James S. Riepe, Managing Director of T. Rowe Price Associates, former Chairman of the Institute's Board of Governors and a member of the Board, testified before the Securities Subcommittee of the Senate Committee on Banking, Housing and Urban Affairs at a hearing on the major issues facing Congress, the new Administration and the Securities and Exchange Committee on the securities markets and financial services industry. The hearing was held, in part, in anticipation of the Committee's consideration of Arthur Levitt as Chairman of the SEC and the SEC's reauthorization for fiscal years 1994-1995. In his testimony, Mr. Riepe stated that the growth of mutual funds can be attributed, among other things, to the public confidence in the industry due to the strict regulatory scheme to which it is subject. In this regard, he stated that, "While the regulatory scheme to which mutual funds are subject is working well, there are steps that should be taken to ensure that the high level of investor protection continues." The steps suggested by Mr. Riepe include: (1) ensuring that the SEC's funding keeps pace with the growth of the industry, (2) repealing the exemptions in the securities laws for bank and insurance company funds sold to participants in defined contribution plans, and (3) modernizing the federal securities laws to take into account the entry of commercial banks into the mutual fund business. Mr. Riepe also suggested that the SEC adopt (1) its proposal to permit the purchase of mutual fund shares from a summary prospectus and (2) amendments to the regulation of tax-exempt money market funds. With respect to the internationalization of the mutual fund industry, Mr. Riepe testified that U.S. regulators should negotiate to secure better access for U.S. mutual fund managers seeking to enter foreign markets. He also cautioned against enacting legislation that would permit foreign funds to be distributed in the U.S. without complying with the basic investor protection standards applicable to U.S. funds. A copy of Mr. Riepe's written testimony is attached. Matthew P. Fink President Attachment