

MEMO# 2868

July 11, 1991

INSTITUTE TESTIMONY ON SEC REGULATION OF BANK SECURITIES ACTIVITIES

July 11, 1991 TO: FEDERAL LEGISLATION MEMBERS NO. 8-91 FEDERAL LEGISLATION COMMITTEE NO. 9-91 RE: INSTITUTE TESTIMONY ON SEC REGULATION OF BANK SECURITIES ACTIVITIES _____ Last month, the Institute testified before the Telecommunications and Finance Subcommittee of the House Energy and Commerce Committee on H.R. 797, the "Securities Regulatory Equality Act of 1991," and related portions of H.R. 1505, the Administration's bill to restructure the financial services industry. H.R. 797 has been introduced by the bipartisan leadership of the Energy and Commerce Committee: John Dingell (D- MI), Norm Lent (R-NY), Edward Markey (D-MA) and Matthew Rinaldo (R-NJ). In its testimony, the Institute expressed strong support for H.R. 797 and the bill's emphasis on "functional regulation," calling it "an important step towards modernizing our securities laws to reflect existing and proposed bank securities activities." The Institute identified the following steps necessary to implement functional regulation of securities activities: 1. The exemptions for banks under the federal securities laws should be repealed; 2. Bank securities activities should be conducted through separate affiliates, which would be fully subject to SEC regulation; and 3. The federal securities laws should be amended to address investor protection problems raised by bank entry into the securities business, such as providing "firewalls" to protect mutual funds and their shareholders from conflicts on the part of any affiliated bank. The Institute noted that the approach of H.R. 797 in the areas of functional regulation is preferable to the approach in the Administration's bill. - 2 - The Institute also suggested additional investor protection provisions for H.R. 797 and related provisions of H.R. 1505. With respect to the Administration' bill, the Institute stated the importance of giving ample time to the Energy and Commerce Committee and its Subcommittees to consider financial services restructuring legislation. A copy of the Institute's 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 Vice President-Legislative Affairs

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