

THE WHITE HOUSE

Office of the Press Secretary
(Chicago, Illinois)

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STATEMENT BY THE PRESIDENT

I am today signing H.R. 3657, the "Market Reform Act of 1990." This bill addresses concerns with regard to the stability of U.S. securities markets as a result of many factors, including the extraordinary volatility that transpired in the market break in 1987 and the less severe break in 1989. The bill provides a number of worthwhile measures to enhance financial market stability that have been strongly recommended by the Securities and Exchange Commission (SEC). Many of these measures were also suggested in the 1988 report of President Reagan's Task Force on Market Mechanisms.

Overall, H.R. 3657 is consistent with recommendations the Administration has made to the Congress over the last 2 years. In particular, I welcome the following features of the bill:

- o the authorization for increased monitoring of risks that are posed to SEC-regulated firms by their holding company and other affiliates;
- o the provision for the institution of a large trader reporting system by the SEC that could facilitate analysis of market developments; and
- o the authorization for the SEC to facilitate the establishment of a coordinated national system for safe and accurate clearance and settlement.

One provision of this legislation to enhance market stability was of significant concern in its original formulation, and is still troubling. Under certain limited circumstances, the bill permits the SEC during "periods of extraordinary volatility" to "prohibit or constrain" certain trading practices. The final language of the bill gives the SEC only carefully limited and narrow authority to control trading practices and is an improvement over earlier versions of the legislation. However, it is still important that this authority be carefully and judiciously exercised to prevent any interference with technological innovations in financial markets that can enhance market liquidity. We must be careful not to damage the vitality of America's markets at the same time that we protect market stability.

I have one more observation to make regarding the financial markets. Earlier this year the Administration transmitted to the Congress the "Capital Markets Competition, Stability, and Fairness Act of 1990." This important legislation would mandate badly needed reform of the stock index futures market by clarifying the jurisdictions of the Commodity Futures Trading Commission and the SEC. I strongly support this legislation and urge the Congress to complete the job of market reform by passing the Administration's bill.

I am particularly pleased to sign H.R. 3657 into law and thereby to improve the stability of America's vital securities markets and the protection of tens of millions of investors.

GEORGE BUSH

THE WHITE HOUSE,
October 16, 1990.

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