

NEWS

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COMMISSION MOVES TO REDUCE DUPLICATION IN SECURITIES INDUSTRY SELF-REGULATION

The Commission announced today initiation of a program aimed at reducing duplication and overlap of regulatory requirements by self-regulatory organizations in the securities industry.

The Commission adopted Rule 17d-2, which will allow the self-regulatory organizations until March 15, 1977, to submit plans for reducing duplication of both their efforts and the burdens imposed upon regulated broker-dealers. In addition, in order to provide a forum for exploring the issues involved, the Commission announced it will conduct public hearings, beginning on November 30. Depending upon the information presented at the hearings, the Commission may extend the deadline for submission of plans.

"We are very hopeful that this program will result in significant reduction in unnecessary and costly duplication of regulatory effort, and regulatory burden, throughout the securities industry," Chairman Roderick M. Hills commented.

"It is the Commission's firm intention to take the steps necessary to achieve that goal. Rule 17d-2 will give the self-regulatory organizations an opportunity to propose ways of going about it."

The new rule is designed to encourage self-regulators to assess their regulatory capabilities, to analyze how they interact under the current regulatory system, and to propose ways in which regulatory responsibilities can be allocated to reduce unnecessary duplication. Currently, there are at least 13 self-regulatory organizations which, pursuant to statute and to Commission regulations, receive reports from their

members or participants, conduct examinations of them, and enforce their compliance with the securities laws as well as their own rules. Many brokers and dealers are members of more than one self-regulatory organization.

"This overlapping of regulations substantially increases the cost of regulation to both the regulated brokers and dealers, and to the self-regulatory organizations," the Chairman said. "All of that cost is ultimately borne by the investing public. It has long been the judgment of the Commission that expensive duplication of effort does not result in a higher level of investor protection commensurate with its cost, and should therefore be eliminated. This program will provide a significant impetus toward reaching that objective."

It is contemplated that either by agreement of self-regulators or Commission allocation responsibilities will be distributed among the self-regulators or to one self-regulator either according to specific functions, or classes of regulatees, in order to reduce duplication.

Chairman Hills noted that earlier this year, the Commission adopted its FOCUS report program, and the new Form U4, both of which are designed to reduce regulatory costs by combining into one report the information which brokers and dealers previously had to report separately to the SEC, state securities agencies, and the self-regulatory organizations.