NEWS

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(202) 272-2650

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SHAD URGES SECURITIES INDUSTRY TO
SUPPORT MAJOR REGULATORY REFORM

BOCA RATON, Fla. — Chairman John S.R. Shad urged the securities industry today to actively support efforts to eliminate excessive regulatory barriers to competition in financial products and services.

In remarks prepared for delivery at the Annual Convention of the Securities Industry Association in Boca Raton, he said that the prospect of greater competition between securities firms and other financial institutions, particularly banks, provides an opportunity as well as a challenge.

"Given a level playing field, the securities industry need not fear competition," Mr. Shad said. "It is probably the most entrepeneurial industry in America. It has repeatedly demonstrated the ingenuity, foresight and acuity to anticipate and effectively fulfill the Nation's financial needs.

"You have in place the brilliant, highly motivated professional staff and marketing organizations; the innovative, new product development capabilities; and the massive, high speed communications and data processing facilities — the clockwork mechanism — not only to discharge your existing functions with precision, but also to move fully integrated financial services into the 21st Century.

"It is a golden opportunity, but you must address the issues with emphasis and conviction — now. You must shape the future — or be a victim of it. You must accept Secretary Regan's invitation to join the national debate,

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not only over the revenue bond and mutual fund issues, but also over the much broader issue of major regulatory reform. The time — the opportunity — is now."

Chairman Shad pointed out that because regulatory structures have been outrun by marketplace developments, there has been a multiplication of "regulatory conflicts and overlaps" in the financial services area.

He said that today, over 100 government agencies regulate various aspects of the public capital markets.

"Our financial institutions have outgrown their suits of regulatory armor. They are bursting at the seams. The time has come to simplify and rationalize the system."

Chairman Shad called on the industry to support a comprehensive review of such regulations by a nonpartisian task force of recognized authorities. He said, "In the absence of broad and effective demands by industry, Congress cannot be expected to initiate such a comprehensive review."

Both the SEC and the SIA have endorsed Treasury Secretary Donald Regan's proposal that banks be permitted to engage in securities activities through separate affiliates, subject to the same rules, regulations and tax treatment as all other securities firms. Similarly, qualified securities firms would be permitted to engage in banking activities through separate affiliates, subject to the same rules, regulations and tax treatment as all other banks.

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