



SECURITIES AND EXCHANGE COMMISSION

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FEDDERS OUTLINES NEW SEC APPROACH TO POLICING WORLD-WIDE CAPITAL MARKETS TO INTERNATIONAL BAR

"The SEC is committed to sending a message to all who participate in the U.S. securities markets," said John M. Fedders, Director of the Commission's Division of Enforcement in remarks before the International Bar Association's Twentieth Biennial Conference, "We welcome your participation, but you cannot expect preferential treatment. If you want to trade in our markets, you must agree to play by the rules that apply to all participants in the market."

Mr. Fedders' address, delivered in Vienna, Austria, September 4, focused on the need for new concepts to police the international capital markets. He cited the Securities and Exchange Commission's "waiver by conduct" approach as an idea that deserves a closer look. "If a 'waiver by conduct' law were enacted in the U.S.," he said, "the purchase or sale of securities in the U.S. would serve as a waiver of the applicability of foreign secrecy laws." The SEC issued a release on July 30, 1984, requesting comments concerning a concept to improve the Commission's ability to investigate and prosecute persons who purchase or sell securities in the U.S. markets from other countries.

The "waiver by conduct" approach would provide an important deterrent to violations in the United States marketplace, create new avenues for voluntary production of information that the SEC needs to

complete an investigation, improve the position of the United States in nation-to-nation consultations, provide important advantages in those cases where the SEC seeks a court order compelling the production of evidence and reduce resource intensive and time consuming transnational investigations and litigation.

Mr. Fedders indicated that the SEC encounters no insurmountable difficulties when investigating conduct originated and completed in the United States, but because the securities markets are internationalized, the Commission encounters considerable difficulty when investigating conduct in the U.S. marketplace which originated in foreign countries.

"No category of international transactions demonstrates the possibility for transborder fraud -- and consequently the need for nation-to-nation law enforcement corporation -- better than the world securities markets," said Mr. Fedders. "The U.S. capital markets dominate the world's stock and bond transactions. The securities markets in six other countries are increasing in their liquidity and trading volume. There also are about 35 developing countries that have equity exchanges. Those countries hope that their markets will grow, prosper and compete for capital with the major trading markets."

Mr. Fedders pointed out that no nation should permit foreign investors to violate its laws with impunity while holding its own citizens accountable for violations of the same laws. He said the terms of a "waiver by conduct" law would not infringe upon the sovereignty of other nations or impose any substantive regulation of conduct upon persons or institutions located in another nation.

"The protections of secrecy laws would be waived only with respect to evidence relevant to a securities transaction executed in the United States," said Mr. Fedders. "Accordingly, a 'waiver by conduct' law could reduce the potential for conflict between the United States and nations with secrecy laws because it would apply in a strictly limited manner that would preserve secrecy of other matters."

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