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Outlines Vision of Consolidated Capital Markets Regulator

Washington, DC, March 10, 2009 - Investment Company Institute President and CEO Paul Schott Stevens, in testimony before the U.S. Senate Banking Committee, outlined ICI's detailed proposal on how to reform the U.S. financial regulatory system, including specific recommendations to provide greater protections for investors and the marketplace.

"The current financial crisis provides a public mandate for Congress and regulators to take bold steps to strengthen and modernize regulatory oversight," said ICI President and CEO Paul Schott Stevens. "ICI recommends changes to create a regulatory framework that provides strong consumer and investor protection, while also enhancing regulatory efficiency, limiting duplication, closing regulatory gaps, and emphasizing the national character of the financial services industry."

Stevens outlined ICI's white paper, Financial Services Regulatory Reform: Discussion and Recommendations, including proposals to create or designate a Systemic Risk Regulator and to establish a new Capital Markets Regulator.

The Systemic Risk Regulator would be charged with monitoring and mitigating risks across the financial system. This agency (or inter-agency body) would broadly monitor the financial markets; evaluate the risks of practices as they evolve; identify practices that implicate the health of the financial system at large; and act to mitigate such risks in coordination with the Capital Markets Regulator and primary regulators for other financial services sectors.

The Capital Markets Regulator would encompass the combined functions of the Securities and Exchange Commission and the Commodity Futures Trading Commission and would set regulatory standards for registered investment companies, including money market funds.

In his testimony, Stevens outlined several ways to optimize the effectiveness of the proposed financial regulatory system, including:

- Encouraging the Capital Markets Regulator to devote high-level focus to agency management and to establish mechanisms to stay abreast of market and industry developments, such as creating through legislation a Capital Markets Advisory Committee representing all major sectors of the markets and by hiring more agency staff with significant prior industry experience,
- Empowering the Capital Markets Regulator to address gaps in regulation relating to hedge funds, derivatives, and municipal securities, as well as to harmonize the legal standards applicable to investment advisers and broker-dealers, and
- Explicitly defining the Systemic Risk Regulator's relationship with the other, primary financial regulators to avoid duplication, overlapping regulation, or bureaucratic inefficiencies, and ensuring effective coordination and information sharing among regulators.

Finally, Stevens provided an update on money market funds and reviewed the critical role they play in the U.S. economy, with about $3.9 trillion in assets currently. Stevens indicated that by the end of March, ICI's Money Market Working Group, formed last November, "will issue a strong and comprehensive set of recommendations to enhance the way money market funds operate."