Presidential Event Proposal

Event: Signing ceremony for major securities legislation

Proposed Location: Rose Garden

Date: TBD

Explanation: Congress has passed the Securities Law Enforcement Remedies Act of 1990 ("Enforcement Remedies") and the Market Reform Act of 1990 ("Market Reform"). These are two separate pieces of legislation, each of which was introduced in Congress at the request of the Securities and Exchange Commission.

Enforcement Remedies will significantly expand the range of remedies available to the SEC in cases of fraud against customers of securities firms. For the first time, the Commission will have the authority to fine individuals or firms that engage in penny stock fraud, churning of customer accounts, market manipulation or other abusive practices. To date, the Commission has only had the authority to fine persons who engage in insider trading. By creating more realistic enforcement sanctions, the new legislation will greatly enhance the ability of the SEC to deter fraud on the 60 million Americans who participate in the nation's securities markets. The bill also gives the SEC "cease and desist" authority over inadequate capital and other violations of the securities laws by regulated firms. It will also allow the Commission to seek other penalties, such as disgorgement of improper profits, in administrative as well as judicial actions. This is a major and highly significant piece of legislation.

The Market Reform Act was introduced initially as part of a response to the market crash in October of 1987. The bill contains three highly significant titles. The most important of these gives the SEC the authority to require monitoring of the financial condition of the parent organizations of securities firms. This will respond to the type of problem that occurred in the failure of Drexel Burnham Lambert, where the parent firm was actually the entity that had become insolvent, yet was not under any form of oversight as to its solvency. Market Reform will also increase the SEC's ability to monitor trading to detect manipulation by very large traders, and will encourage improvements to the nation's clearance and settlement system. This is also historic legislation that will significantly improve the effectiveness of the existing regulatory system and our ability to protect the public.

Together these two bills represent the most significant additions to the securities laws since 1975, or, in the view of many, since the Investment Company Act of 1940. The Market Reform legislation is also designed to be a far less intrusive form of oversight, rather than the costly overregulation of bank holding companies. As such it may serve as a model for future financial services reform. Both bills were significantly altered and enhanced under the Bush Administration from their original proposals.

Attendance: Approximately 100-150 members of Congress, representatives of investor groups, securities industry officials and others.

Remarks: The President would make brief remarks at the time of signing the legislation. A draft of such remarks would be provided by the SEC.

Participants: The President, SEC Chairman Richard Breeden, and appropriate members of Congress.

Congressional Participation: The most active members in developing this legislation were Senators Christopher Dodd and John Heinz, the Chairman and Ranking Member of the Securities Subcommittee of the Banking, Housing and Urban Affairs Committee. For the House of Representatives, Chairman Edward Markey and Congressman Matthew Rinaldo, the Chairman and Ranking Member of the Securities Subcommittee of the Energy and Commerce Committee. Chairman John Dingell of the Energy and Commerce Committee also played a major role in passage of this legislation. Senator Riegle and Senator Garn, and Congressman Norman Lent, the respective Chairmen and ranking members of the parent committees, have also been involved with the passage of this legislation. All would be interested and appropriate members to participate in the signing ceremony.