RECOMMENDATIONS TO REFORM FEDERAL REGULATION OF FINANCIAL SERVICES

I. REVISION OF BANK AND THRIFT REGULATORY AGENCIES

A. Recommended Agency Structure -- Separate bank and thrift supervisory agencies, with institutions divided according to their portfolio composition. (See Tab 1)

Recommendation 1.1

A new federal bank agency (herein called the "Federal Bank Agency" or "FBA") should be created to centralize most federal bank and bank holding company regulation. This would be an autonomous executive branch agency with a five-member board, as more fully described at Tab 2. The FBA would regulate (i) national banks and their holding companies and (ii) thrifts which have a bank portfolio and their holding companies. The FBA would also share oversight of state-chartered institutions and their holding companies with the FDIC.

Recommendation 1.2

The Federal Home Loan Bank Board should be retained and expanded to regulate all traditional thrifts, as well as banks with an equivalent thrift portfolio which desire thrift regulatory treatment. (This expanded thrift agency is herein called the "Federal Community Bank Board," or "FCBB".) The FCBB would continue to operate the FSLIC and the Federal Home Loan Banks.

Recommendation 1.3

A portfolio test (the "Portfolio Test") should be established to measure an institution's percentage of assets invested in residential real estate and related traditional thrift activities. The Portfolio Test should require a reasonably high percentage of assets (e.g., 60-70%) to be invested in specifically defined qualifying assets (including mortgage backed securities). Any institution which satisfies the Portfolio Test would be eligible to be regulated by the FCBB as a thrift institution (a thrift institution which satisfies the Portfolio Test will be referred to herein as a "True Thrift"). Conversely, any institution which does not satisfy the Portfolio Test would be required to be regulated as a bank (a thrift institution which does not satisfy the Portfolio Test will be referred to herein as a "Thrift-Bank").

Recommendation 1.4

Any Thrift-Bank which fails to satisfy the Portfolio Test for a prescribed averaging period should be required to convert to regulation by a commercial bank regulatory agency, obtain deposit insurance from the FDIC and comply with all bank holding company and other legislation. True Thrifts which satisfy the

Portfolio Test should continue to be regulated by the FCBB, insured by the FSLIC and subject to all thrift holding company and other legislation.

Recommendation 1.5

True Thrifts which satisfy the Portfolio Test should be permitted to be affiliated with any type of firm (except a securities underwriter as provided in Recommendation 4.3 , subject to prohibitions against tying of products or other transactions among affiliates unless authorized by rule by the FCBB. (See Tab 18.)

Alternative 1.5A

True Thrift institutions could be subjected to the prohibition of affiliations between commercial firms and depository institutions. The current concept of a "unitary" savings and loan holding company, representing approximately 95% of all savings and loan holding companies today, would therefore be eliminated, and all bank and savings and loan holding companies would be treated under identical restrictions. This provision is included in the Administration's proposed FIDA legislation.

Recommendation 1.6

Current charter conversion procedures should be streamlined to permit, but not require, all commercial banks which satisfy the thrift Portfolio Test to obtain thrift regulatory treatment through regulation by the FCBB. Banks which elected thrift treatment would be required to obtain deposit insurance from the FSLIC, and they would be governed by all thrift holding company and other legislation. (See Tab 3.)

Alternative 1.6A

Delete this provision to streamline charter conversion process for banks with identical thrift portfolios.

Recommendation 1.7

The smallest bank and thrift institutions (below $10 million assets) should be exempt from the Portfolio Test and thrift basket clause limitations in order to reduce paperwork burdens and artificial results due to the extremely small size of the overall portfolio. All firms below this level could select whether to be regulated by the FBA or FCBB. (See Tab 4.)

Recommendation 1.8

All bank and thrift regulatory agencies should be required to exempt small institutions (below $25 million) from paperwork, compliance exams and other regulatory burdens to the maximum possible degree.

Alternative 1.8A

Delete recommendations 1.7 and/or 1.8, with no special consideration for small firms.

B. Alternative Regulatory Structures (See Tab 5.)

Alternative I.B-1

Eliminate the FHLBB and create a single regulatory agency for all banks and thrifts. (originally proposed by FDIC)

Alternative I.B-2

Eliminate the FHLBB and NCUA and create a single agency for all banks, thrifts and credit unions. (originally proposed by OCC)

Alternative I.B-3

Create a single bank regulatory agency, but leave current regulation of thrifts and credit unions unchanged. Transfer all securities, antitrust, consumer and other responsibilities affecting thrifts to the FHLBB. (originally proposed by FHLBB)

Alternative I.B-4

Create two regulatory agencies, one for all banks and thrifts with assets above a certain level ($100-300 million) and the other for all smaller banks and thrifts.

II. REFORM OF DEPOSIT INSURANCE SYSTEM

Recommendation 2.1

A merger of the three deposit insurance funds maintained by the FDIC, FSLIC and NCUSIF should not occur at this time. Despite the merits of a merger, there are still significant variations in the financial condition and activities of banks, thrifts and credit unions which would make creation of a single insurance agency difficult at this time. (See Tab 6.)

Recommendation 2.2

Congress should require the FDIC and FSLIC to adopt, within a 24 month period, common minimum capital standards to maintain insurance coverage and common accounting rules to determine such minimum capital. (See Tab 7.)

Recommendation 2.3

If the agencies do not agree on common standards within the required period, a third party (such as the Secretary of the Treasury or the Chairman of the FRB) should meet with the two agencies to resolve remaining disputed issues.

Recommendation 2.4

The FDIC and FSLIC should be required to phase-in the common standards as soon as practicable in light of industry conditions, but in no event later than 7 years from the enactment date of legislation.

Alternative 2.4A

The FSLIC and FDIC should be merged into a single new agency (herein called the "Federal Savings Deposit Insurance Corporation" or "FSDIC").

a. The FSDIC would maintain separate FDIC and FSLIC trust funds for a period of 7 years.

b. During the period of separate trust funds, participants in each separate fund would be guaranteed that the experiences of the other fund would not affect their premiums, rebates or have any other adverse financial consequences.

c. The FSDIC would promulgate and phase-in common capital standards and accounting rules over the 7-year period.

d. Upon completion of the phase-in period, the FDIC and FSLIC trust funds would be merged.

Recommendation 2.5

The FDIC should have a board of directors consisting of 3 members, with two members appointed by the President (who would name a Chairman) and one member appointed by the Chairman of the FRB from among the Board of Governors. (See Tab 8.)

Recommendation 2.6

The FDIC should provide insurance for banks and Thrift-Banks required to be regulated as banks. The FDIC should have the power to deny insurance for any new national or state bank, based solely on financial or integrity grounds, as well as to revoke insurance or raise premiums for any insured institution engaging in unsafe or unsound practices as defined by the FDIC.

Recommendation 2.7

The FDIC should examine all troubled institutions insured by it, whether state or federally chartered. The FDIC should also have the authority to examine a limited sample of all other insured institutions, and to accompany the primary supervisor on any examination. The FDIC should also have the authority as it has today to examine any bank affiliate where necessary to evaluate the condition of an insured bank.

Recommendation 2.8

The FDIC should be limited to providing deposit insurance, with broader regulatory responsibilities unrelated to the solvency of insured institutions or operation of the deposit insurance system transferred to the primary supervisor of each insured institution. This would include all consumer compliance, civil rights, historic or environmental protection, trust powers, branching and similar functions. The FDIC would be barred by law from activities not related to the solvency of insured firms or the administration of a deposit insurance system. (See Tab 9.)

Recommendation 2.9

The FDIC should review Change in Bank Control Act filings, but authority for merger approvals should be centralized with the primary supervisor of the surviving institution. The FDIC should receive copies of all merger applications so that it would be able to consult with the primary supervisor as to objections it may have to any such transaction. However, its only direct authority for mergers should be to revoke insurance where appropriate, and to review any merger in which an FDIC-insured institution is the surviving entity and merges with a depository institution not alteady insured by the FDIC. (See Tab 9A)

Recommendation 2.10

The FDIC should be authorized to enter into agreements with state banking supervisors to provide oversight examinations for state-chartered institutions where the state authorities do not satisfy the requirements for FDIC deferral and prefer FDIC oversight to that of the FBA. (See Tab 10.)

Recommendation 2.11

Current law requiring uninsured deposits of failed banks to be assumed in full by any instituion with which a failed institution is merged should be amended to provide that such uninsured deposits would be assumed at 85% of face value, with depositors receiving the remainder in receiver's certificates. (See Tab 11.)

Recommendation 2.12

The FDIC and FSLIC should be authorized, but not required, to institute systems of risk-based insurance premiums, provided that any such system should include consideration of market-based indices of risk to the extent feasible. (See Tab 12.)

Alternative 2.12A

Delete recommendations 2.11 and/or 2.12, with further review of such issues by Administration staff-level cabinet council working group.

Recommendation 2.13

When an institution is required to convert from FCBB to FBA regulation, it should be required to obtain FDIC deposit insurance. The FDIC would be required to grant insurance coverage to a converting FSLIC insured institution, but after an appropriate transition period any such institution should be required to conform to all FDIC rules and regulations. In the event any such institution fails within a period of (4) years from the date it acquired FDIC insurance, the FSLIC would be required to indemnify the FDIC for all its expenses in connection with the failure. In any such case, the FSLIC should have the option to handle the merger or liquidation directly.

The same system should be applied to banks which elect FCBB supervision, with FSLIC insurance then required under similar indemnification arrangements. (See Tab 13.)

III. REGULATORY RESPONSIBILITIES OF FEDERAL RESERVE BOARD

Recommendation 3.1

The FRB should continue to exercise its responsibilities as central bank for monetary policy, the payments system, international financial systems and liquidity assistance (discount window).

Recommendation 3.2

Interest should be paid on required reserves, in a manner to be determined by a joint FRB/Treasury working team within 90 days. (See Tab 14.)

Alternative 3.2

Delete any recommendation concerning interest on required reserves, pending further study.

Recommendation 3.3

The FRB should not regulate or examine "member" banks. Examination of state-chartered member banks would be conducted solely by the state supervisor, if the conditions of Recommendation 4.4 are in effect, or with oversight by the FBA or FDIC, as appropriate.

Recommendation 3.4

The FRB should not regulate, examine or supervise bank holding companies. Regulation of holding companies should be transferred to the primary supervisor of the bank or Thrift-Bank with a preponderance of total holding company assets, as provided more fully in Recommendation 5.3 herein. (See Tab 15.)

Recommendation 3.5

The FRB should have joint oversight authority, in addition to the primary state or federal supervisor, to examine the 3 largest depository institutions in each Federal Reserve Bank District. Determination of size ranking would be made every three years. (See Tab 16.)

IV. FEDERAL DUPLICATION OF STATE REGULATORY ACTIVITIES

Recommendation 4.1

States should not be permitted to authorize institutions to engage in activities outside that state which are not permitted to be conducted within the state, and federal deposit insurance should not be available for institutions with any such purely extra-territorial powers. (See Tab 22.)

Alternative 4.1A

The Task Group should not make any recommendation regarding this issue.

Recommendation 4.2

While it is the prerogative of each sovereign state within our dual banking system to confer upon its chartered financial institutions such powers as the state shall deem appropriate, federal authorities should not be under any obligation to insure the deposits of institutions which engage in unsafe or unsound practices with deposit insurance funds contributed by institutions throughout the country. Consequently, the FDIC and FSLIC should continue to promulgate rules and regulations defining the types and manner of conducting activities which are deemed unsafe or unsound practices which will render institutions ineligible for deposit insurance coverage, whether or not such activities are expressly sanctioned by state law. (See Tab 23.)

Alternative 4.2A

The Task Group should not make any recommendation regarding this issue.

Recommendation 4.3

The prohibition against affiliations between firms engaged in underwriting long-term corporate debt or equity securities and member banks should be extended to apply equally to (i) state chartered banks which accept federally insured deposits, irrespective of membership in the Federal Reserve System, and their subsidiaries, and (ii) insured thrift institutions and their subsidiaries, irrespective of charter type.

Alternative 4.3A

Securities firms and member banks should continue to be barred from affiliations, whether directly or through a holding company structure, but thrifts and state-chartered non-member banks and their subsidiaries should remain free of any comparable restriction.

Alternative 4.3B

The Task Group should not make any recommendation concerning uniform application of the regulatory prohibition against affiliations between securities underwriters and institutions which accept federally insured deposits.

Recommendation 4.4

The FDIC (and FSLIC) should accept examination reports from state banking authorities where it determines that state examination reports are equivalently reliable to those prepared by federal supervisory authorities. The FDIC should establish by rule, after public notice and comment, objective criteria by which it will determine this issue. In developing any such criteria prior to solicitation of public comments, the FDIC should consult with state banking authorities. In states where the FDIC "certifies" the equivalence of state examination reports, there would not be any federal examination of healthy state-chartered institutions (other than limited FDIC sampling and Federal Reserve examination of the largest banks). (See Tab 24.)

Recommendation 4.5

For states where the FDIC does not find that state examinations are equivalently reliable to those of the federal agencies, state-chartered institutions would continue to be examined by the appropriate federal supervisory agencies as at present, including alternative year examination programs. Such federal oversight should be provided by the FBA or FCBB, depending on whether the insured institution satisfies the Portfolio Test. However, in accordance with Recommendation 2.10, any state banking department should have the option of contracting with the FDIC instead of the FBA to provide any such federal oversight on mutually agreeable terms and conditions. (See Tab 25.)

Recommendation 4.6

The FDIC should be authorized to provide training and technical assistance to states desiring to enter into a multi-year program designed to lead to FDIC certification of state examination programs.

Recommendation 4.7

The Congress should authorize creation of an Interstate Examination Corporation ("IEC"), with the FDIC as its initial shareholder. Each state would be entitled to subscribe to IEC stock, and would have a seat on the IEC Board. The IEC would maintain a nationwide set of field offices and provide examinations under contract for any state shareholder of IEC to the extent requested. The FDIC would give technical assistance and training to the IEC examiners to make certain that IEC examination procedures would satisfy FDIC criteria. (See Tab 26.)

V. REGULATION OF BANK HOLDING COMPANIES

Recommendation 5.1

As recommended by the Administration's FIDA legislation, the banking business should continue to be separated from firms engaged in general commerce. To that end the non-bank bank "loophole" should be eliminated by prohibiting "commercial" (i.e., non-financial) firms from owning or controlling, directly or indirectly, any bank or Thrift-Bank regulated by the FBA which (i) accepts federally insured deposits, (ii) accepts deposits which are eligible for federal insurance, or (iii) accepts demand deposits and makes commercial loans. Conversely, any bank or Thrift-Bank described above should be prohibited from owning or controlling, directly or indirectly, firms engaged in non-financial activities. (See Tab 17.)

Recommendation 5.2

Financial firms which are not affiliated with securities underwriters (e.g. insurance companies, mutual fund advisors, etc.) should be prohibited from owning or controlling any institution which accepts federally insured or insurable deposits unless the primary financial activities of any such company are permissible activities for bank holding companies.

Alternative 5.2A

The Task Group should not make any recommendation regarding this issue.

Recommendation 5.3

Administration and enforcement of the Bank Holding Company Act ("BHCA") should be transferred from the Federal Reserve Board to the principal supervisor of the bank or Thrift-Bank which has the preponderance of total assets of any bank holding company. Supervisory authority over the holding company and its affiliates would, therefore, be combined with supervisory authority over the subsidiary bank(s) of the holding company. This would permit each regulated holding company to be subject to a single bank regulatory agency, rather than separate agencies for the bank and its related holding company activities. (See Tab 15.)

Alternative 5.3A

Regulation of bank holding companies should continue to be the responsibility of the FRB.

Recommendation 5.4

Reporting requirements applicable to bank holding companies should be streamlined. All publicly held bank holding companies should provide the bank regulator and the FDIC with SEC disclosure reports, and bank regulatory agencies should not be permitted to impose different regular reporting requirements. However, the bank regulator and the FDIC should each have the power to require further information on any specific issue or problem which such agency believes might affect the soundness of any individual insured depository institution subject to its authority. The bank regulatory agency would be authorized to conduct audits or investigations and take enforcement actions where appropriate with respect to any holding company or its affiliates within its jurisdiction. For non-public holding companies, the bank regulator would be authorized to prescribe periodic reports which should also be furnished to the FDIC.

Alternative 5.4A

The Task Group should not make any recommendation regarding reporting requirements or examination of bank holding companies.

Recommendation 5.5

The Federal Bank Agency should be empowered to prescribe, by rule, the "laundry list" of activities which are deemed to be within the permissible activities of bank or Thrift-Bank holding companies, irrespective of whether the lead bank in any holding company is a state or federally-chartered institution.

Alternative 5.5A

Promulgation of the "laundry list" of permissible activities under the BHCA could be left with the Federal Reserve, although all administration of this statute would be transferred to the FBA. In the event recommendation 4.2 is rejected and "True Thrifts" are required to comply with all restrictions of the BHCA, the FRB could be authorized to promulgate the "laundry list" of permissible activities for all banks and thrift institutions.

Alternative 5.5B

There should not be any administratively-determined list of powers, with interpretation of the BHCA left to the courts.

Recommendation 5.6

The procedures under the BHCA should be streamlined to reduce discretionary approval requirements for individual transactions. (See Tab 27.)

A. Any holding company should be entitled to engage de novo in any activity which is on the permitted "laundry list" without prior notice or application to the appropriate bank regulatory agency, unless the specific holding company had been previously restricted by its regulator from new activities for supervisory reasons.

B. Similarly, acquisitions by bank holding companies of companies engaged in activities on the "laundry list" should not require prior notice or approval so long as (i) the company has not been restricted by its regulator as provided for de novo activities, and (ii) the transaction does not cause the holding company to violate capital standards established by the appropriate regulatory agency for the consolidated

holding company or for any sub-unit thereof.

C. If an acquisition does not satisfy the conditions in paragraphs A or B, then prior notice of any new activities should be required, subject to veto by the bank regulator within a specified period. In any such case, however, the standard of review should be limited exclusively to soundness considerations.

D. Addition of new types of activities to the permitted "laundry list" should continue to be subject to rulemaking procedures.

Alternative 5.6A

The Task Group should not make any recommendations to streamline the procedures to be applied by the regulatory agency for holding companies.

Recommendation 5.7

Formation of a holding company under the BHCA should be unrestricted unless it involves the acquisition or recapitalization of a bank, Thrift-Bank or holding company. Similarly, requirements of the Securities Act of 1933 should also be streamlined in any such case.

Alternative 5.7A

The Task Group should not make any recommendation regarding this issue.

Recommendation 5.8

There should be no limitation on opening of new offices, relocations or other matters of corporate housekeeping affecting bank holding companies or their affiliates.

Alternative 5.8A

The Task Group should not make any recommendation regarding this issue.

VI. TRANSFERS OF AUTHORITY

A. Merger Review

Recommendation 6.1

The Bank Merger Act should be repealed, with all anti-competitive analysis performed by DOJ, utilizing normal antitrust standards (including Hart-Scott size cutoffs). The FBA and FCBB should review merger/acquisition notifications for safety/

soundness considerations. Notwithstanding the application of normal antitrust standards, supervisory mergers should be exempt from DOJ review, and DOJ should have a limited time to sue as under current law. (See Tab 28.)

Alternative 6.1A

Review of antitrust issues should continue to be performed by the bank and thrift agencies, with DOJ review eliminated.

Alternative 6.1B

DOJ should review all antitrust issues under normal law, but it should not be under any time limit to file suit.

B. Securities Law

Recommendation 6.3

Current enforcement of the registration requirements of the Securities Act of 1933 for bank and thrift securities should be transferred to the SEC, as is currently the case for securities of all other types of companies (including bank and thrift holding companies). (See Tab 29.)

Recommendation 6.4

Enforcement of disclosure and other requirements under the Securities Exchange Act of 1934 for banks and thrifts should be transferred from bank and thrift agencies to the SEC, which already administers the '34 Act for bank and thrift holding companies.

Alternative 6.4A

Securities law enforcement for bank and thrift holding companies should be transferred from the SEC to bank and thrift regulators.

C. Margin Regulation

Recommendation 6.5

All NASDAQ nationally listed stock should be automatically margin-eligible as are listed securities, unless removed from

eligibility by action of SEC. This would eliminate the current system under which the FRB publishes a quarterly list of approved securities. (See Tab 30.)

Alternative 6.5A

The Task Group should not make any recommendation regarding this issue.

Recommendation 6.6

Margin requirements for options on financial instruments should be established by appropriate securities exchanges instead of the FRB, with the SEC to have veto authority over such margins. (See Tab 31.)

Alternative 6.6A

The Task Group should not make any recommendation regarding this issue.

Alternative 6.6B

Margins on all options and futures contracts relating to financial instruments should be established by the relevant exchanges or boards of trade, subject to veto authority by a committee composed of the Chairmen of the SEC, CFTC and FRB.

Alternative 6.6C

All securities margin responsibilities should be transferred to the SEC (unless FRB study demonstrates significant negative impact of any such transfer).

VII. STREAMLINING OF UNNECESSARY OR OVERBROAD REGULATORY RESTRICTIONS

Recommendation 7.1

Unless otherwise required in an individual case for supervisory reasons, advance approval or notification should not be required from the FBA, FCBB, FDIC or FSLIC for any federally-chartered or insured institution to establish branches or install automatic teller machines where, in the case of banks and Thrift-Banks, permissible pursuant to state law. (See Tab 32.)

Recommendation 7.2

National banks should have the same authority to branch interstate as state-chartered banks from the same state. While the basic intent of the McFadden Act was to give national banks in a particular state the benefit of branching rules for state-chartered banks in that state, the statute is written in a way to suggest that national banks have branching parity only within the state. Consequently, national banks may be denied the benefits in states which adopt reciprocal interstate branching unless the law is so amended. (See Tab 33.)

Alternative 7.2A

The Task Group should not make any recommendation regarding this issue.

Recommendation 7.3

ATM machines installed by national banks should be treated as branches only to the extent of ATM machines of state-chartered banks, rather than the current requirement that such machines must be treated as branches even if not so defined by state law. (See Tab 34.)

Alternative 7.3A

ATM machines installed by national banks could be defined as not a branch, irrespective of state law. This would effectively permit immediate interstate use of proprietary ATM facilities.

Alternative 7.3B

The Task Group should not make any recommendation regarding electronic facilities.

Recommendation 7.4

The current requirement that national banks maintain a minimum "statutory" capital for each branch is obsolete and should be repealed. (See Tab 35.)

Recommendation 7.5

The Community Reinvestment Act ("CRA") and Home Mortgage Disclosure Act ("HMDA") should be amended to exempt all institutions with less than $100 million in assets. (See Tab 36.)

Alternative 7.5A

CRA and HMDA could be repealed entirely, as other types of finacial or industrial firms are under no comparable restrictions.

Alternative 7.5B

CRA should be amended to eliminate the right to protest regulatory approval of unrelated transactions. A direct right of action against an institution for willful violation of CRA should be created instead of the protest mechanism for unrelated actions.

Alternative 7.5C

The Task Group should not make any recommendation regarding this issue.

Recommendation 7.6

Various obsolete and outdated requirements of current law should be repealed, as enumerated and described at Tab 37.

Recommendation 7.7

The FFIEC should be abolished as an ineffective additional layer of bureaucracy. Meaningful agency consultation and cooperation can only be achieved on a voluntary basis, and the FFIEC has not increased the level of such cooperation. (See Tab 38.)

Alternative 7.7A

The authority of the FFIEC should be increased to enable it to compel the regulatory agencies to comply with all its decisions where such compliance is now optional.

Alternative 7.7B

The Task Group should not make any recommendation regarding this issue.

VIII. STREAMLINING OF SECURITIES LAW

A. Investment Company Act (the "ICA")

Recommendation 8.1

Section 36(b) of the ICA which provides for shareholder litigation against "excessive" advisory fees, has produced extensive and burdensome litigation against mutual fund advisors, apparently irrespective of the fees charged. Under recent decisions it has become clear that courts will substitute their judgment concerning fee levels for that of the independent directors of funds. Section 36(b) should be amended to authorize the independent directors of a fund to approve advisory fees without subsequent litigation. (See Tab 39.)

Alternative 8.1A

Section 36(b) could be amended to establish specific standards to guide the case-by-case decision-making of the courts.

Alternative 8.1B

The Task Group should not make any recommendation regarding this issue.

Recommendation 8.2

Current arbitrary restrictions in the ICA against purchases by mutual funds of shares of insurance companies, broker-dealers or the parent firms thereof (e.g., Sears, Prudential Insurance, American Express) should be repealed. (See Tab 40.)

Alternative 8.2A

The Task Group should not make any recommendation regarding this issue.

Recommendation 8.3

The process of granting exemptions under the ICA should be streamlined to remove the requirement for public notice and comment in every case. (See Tab 41.)

Recommendation 8.4

The ICA should be amended to permit "families" of mutual funds to adopt common plans of share distribution and cost sharing, compared with the current requirement for separate distribution plans and specific expense allocation between each fund. (See Tab 42.)

Recommendation 8.5

A Presidential or Congressional advisory committee should be established to review differences in regulatory treatment of pooled investment media (bank trust funds, mutual funds, commodity pools, etc.) and to recommend any changes which may be desirable to create equivalent levels of investor protection and competitive equality. (See Tab 43.)

B. Investment Advisers Act

Recommendation 8.6

Under current law, broker/dealers registered with the SEC must frequently also register a second time with the SEC as investment advisers. This duplication and double coverage should be eliminated for SEC-registered broker/dealers. (See Tab 44.)

Recommendation 8.7

Under current law financial planners that render generic portfolio composition advice (e.g., X% bank deposits, X% insurance, X% securities) but do not give advice regarding, or receive compensation from the sale of, specific products or have discretionary control over client funds must nonetheless register as investment advisers. Such individuals should be exempted from the scope of the Advisers Act. (See Tab 45.)

C. Trust Indenture Act

Recommendation 8.8

All statutory requirements of this statute should be automatically incorporated into trust indentures, without the need to print them in each individual case. (See Tab 46.)

Recommendation 8.9

The annual report now required of a Trustee to security holders and the SEC that the Trustee remains qualified to act as a Trustee should be eliminated in favor of reports only when a Trustee becomes unqualified.

D. General

Recommendation 8.10

The Public Utility Holding Company Act should be repealed. This is the subject of Administration-backed legislation from last year. (See Tab 47.)

Recommendation 8.11

The dual coverage of broker-dealers by the SEC and futures commission merchants by the CFTC as to such matters as registration, fingerprinting, background investigations, etc. should be eliminated. Congress should require the two agencies to develop and share common information and registration procedures. (See Tab 48.)

Recommendation 8.12

The Racketeer Influenced and Corrupt Organization Act ("RICO") passed in 1970 as part of omnibus organized crime legislation authorizes civil suits for violation of RICO with treble damage awards. Because "securities fraud" is one of the many offenses which can trigger RICO, it has been used increasingly in litigation concerning normal disputes between broker-dealers and their customers and as part of defensive litigation involving take-over

bids. The statute should be amended to limit its coverage of securities law violations not involving organized crime activities. (See Tab 49.)