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Remarks of

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COOPERATIVE INTERNATIONAL SECURITIES REGULATION

The views expressed herein are those of Chairman Ruder and do not necessarily reflect those of the Commission, other Commissioners, or the staff.

COOPERATIVE INTERNATIONAL SECURITIES REGULATION

It is a great pleasure for me to be here in Venice at the 14th Annual Conference of the International Organization of Securities Commissions ("IOSCO"). At last year's IOSCO meeting in Melbourne, Australia, I presented the U.S. Securities and Exchange Commission ("SEC") policy statement regarding the "Regulation of International Securities Markets." 1/ In its statement, the SEC urged cooperation between the world's securities regulators in seeking solutions to the problems posed by the internationalization of the world's securities markets. My purpose today is to revisit that policy statement, to review the progress made to date by international securities regulators in promoting a coordinated approach to international securities regulation, and to report on some recent SEC initiatives.

The SEC's policy statement suggested that an effective regulatory structure for an international securities market system would include:

-- Efficient structures for quotation, price and volume information dissemination, order routing, order execution, clearance, settlement, and payment, as well as strong capital adequacy standards;

-- Sound disclosure systems, including accounting principles, auditing standards, auditor independence standards,

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1/ Policy Statement of the U.S. Securities and Exchange Commission, "Regulation of the International Securities Markets," Securities Act Release No. 6807 (Nov. 21, 1988).

registration and prospectus provisions, and listing standards that provide investor protection yet balance costs and benefits for market participants; and

-- Fair and honest markets, achieved through regulation of abusive sales practices, prohibitions against fraudulent conduct, and high levels of enforcement cooperation.

Over the past year, securities regulators, acting both on a bilateral basis and through multilateral forums such as IOSCO, have taken great strides towards developing coordinated responses to these important issues. Major cooperative efforts are underway seeking to achieve greater comparability and uniformity among the world's securities market regulatory structures. Significant progress has been made in all of the major areas outlined in the SEC policy statement.

Market Structure Developments

With regard to market structure, important joint initiatives are underway involving capital adequacy standards for securities firms, information sharing and monitoring among securities regulators, and creation of an efficient and compatible worldwide clearance and settlement system. Advances in technology increasingly are leading the world toward the development of global trading systems.

Capital Adequacy

Adequate capital requirements for market professionals are basic to the safe functioning of all securities markets. Consistency among countries in their regulatory approach to

capital requirements will serve to promote stability and liquidity in the international marketplace, and also will assist regulators in exchanging information regarding the cross-border activities of domestic securities firms.

IOSCO has taken a lead role in promoting adequate capital requirements for securities market participants. Since 1987, a working group of IOSCO's Technical Committee has been studying issues related to capital adequacy for non-bank securities firms from a global perspective. The working group has surveyed the capital requirements of various countries and has considered in detail the risks faced by securities firms. This year's work culminated in a Report on Capital Adequacy Standards for Securities Firms 2/ that was adopted by the Technical Committee at its meeting in Montreal, Canada in June, 1989. The report will be presented this week for consideration by IOSCO members. It endorses the concept of international risk-based capital adequacy standards, and recommends that capital requirements be reinforced by adequate recordkeeping, reporting, and examination programs.

The report of the Technical Committee represents an important first step in increased harmonization of international capital adequacy standards. Continuing efforts will be required, however, in order to develop a more detailed

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2/ "Capital Adequacy Standards for Securities Firms," Report of the Technical Committee of the International Organization of Securities Commissions, August 10, 1989.

common framework. In particular, consultation with international banking regulators must be sought in order to reconcile the differences between the capital requirements of banks and non-bank securities firms.

Some effort in this area has begun already. The Committee on Banking Regulations and Supervisory Practices, formed under the auspices of the Bank for International Settlements ("BIS") located in Basel, Switzerland, is exploring various issues related to a risk-based capital approach for the securities positions of banks and has sought the assistance of securities regulators from several countries.

Financial Information Sharing and Monitoring

Financial information sharing and monitoring play an important role in worldwide securities regulation. Securities regulators share the goal of preventing defaults of overseas affiliates from jeopardizing the financial integrity of firms in their own countries. In this area, the SEC has begun to develop information-sharing relationships with foreign securities regulators on a bilateral basis in order to promote the exchange of financial information regarding the overseas operations of securities firms.

For example, the SEC recently entered into an agreement with regulators in the United Kingdom which provides that they will waive their capital adequacy requirements for U.S. broker-dealers that have branches in the United Kingdom, if the SEC provides them with certain information. The SEC has agreed to

notify U.K. regulators if it becomes aware that a particular broker-dealer's financial or operational condition is impaired, and U.K. regulators have agreed to notify the SEC if they become aware that a U.K. branch of a U.S. broker-dealer has a substantial problem. A similar agreement was entered into between the U.S. Commodity Futures Trading Commission and its counterpart in the U.K.

The U.S.-U.K. agreement, which involves sharing financial information relating to foreign branches of securities firms, is a necessary first step towards the exchange of information regarding securities affiliates operating abroad. While these affiliates may be separately capitalized, it is clear that the failure of a U.S. securities firm would have a significant impact on the ability of its affiliates to obtain the short-term financing necessary to meet their daily obligations. Early warning of financial problems in an affiliate doing business abroad may help regulators avoid the contagion of multiple failures around the globe. Accordingly, securities regulators should seek to extend financial information-sharing agreements to affiliated broker-dealers operating in our various jurisdictions.

The SEC also has begun to develop information sharing relationships with foreign regulators for the purpose of monitoring the activities of U.S. investment companies investing abroad. To accomplish this, over the past year the SEC has encouraged foreign regulators to enter into informal

information sharing arrangements regarding investment companies. Under such arrangements, information obtained by a foreign regulator through an inspection of investment company operations abroad would be shared with the SEC, and information obtained during an SEC inspection of an investment company's U.S. operations would be shared with the company's foreign regulator. The SEC also has entered into formal memoranda of understandings ("MOUs") with foreign regulators that provide for joint inspections of investment company operations. For instance, pursuant to the SEC's MOU with Brazil, a routine inspection of an American investment company's operations in Brazil and the U.S. was conducted in late 1988 in conjunction with the Brazilian Securities Commission. The SEC would welcome similar arrangements with other foreign regulators.

Clearance and Settlement

A truly international securities market will require efficient and comparable automated national and international clearance, settlement, and payments systems, achieved through the reduction of differences between various national systems and the development of clearing linkages among major national markets.

In 1989, several significant reports were published that

should help further this goal. 3/ The Report of the Group of Thirty, a private sector group that includes international entrepreneurs and bankers, made nine recommendations designed to achieve a minimum level of efficiency and safety in national securities clearance and settlement systems that will serve as the base for improved cross-border settlements. The Group of Thirty recommendations include speedier comparison and settlements, establishment of central securities depositories, delivery versus payment as the method for settling all trades, use of trade netting where market volume would make this beneficial, and use of same day funds for settlement payments. 4/ In June of this year, the IOSCO Technical Committee considered the Group of Thirty's recommendations and voted to recommend a resolution to the IOSCO membership encouraging IOSCO members to facilitate implementation of these recommendations in their markets.

3/ In addition to the two reports discussed in the text, the European Economic Community commissioned a study of the inter-depositary facilities required to settle cross-border trades within the Community (see Dr. Jorg-Ronald Kessler, Study on Improvements in the Settlement of Cross-Border Securities Transactions in the European Economic Community (July 1988)), and the International Society of Securities Administrators ("ISSA") published recommendations on the topic of "Global Securities Investments -- Processing Issues and Solutions" (see ISSA, 4th Symposium Report (May 1988)).

4/ The full Group of Thirty recommendations are set forth in the Group of Thirty "Clearance and Settlement Systems in the World's Securities Markets," at 3-19.

The SEC generally supports the Group of Thirty recommendations as a blueprint for important improvements in clearance and settlement systems, 5/ and is coordinating with the private sector efforts in the U.S. to implement these goals. United States equities markets have made substantial progress over the past two years in moving to next day trade comparison, and already satisfy most of the other Group of Thirty recommendations. The recommendations concerning trade settlement by the third day after trade date and use of same day funds may require more time to implement in the United States principally because of active individual investor participation in our markets. As a matter of logistics, the simplest means to facilitate earlier trade settlement may be to immobilize, in central depositories, physical securities certificates, if not eliminate physical certificates entirely. As a legal, political, and indeed emotional matter, however, this solution offers its own special set of complexities.

The Group of Thirty recommendations cover the basic ingredients of efficiency and safety that any national market should aspire to, particularly if it seeks to maintain and attract cross-border order flow in volume. In this area, the recent report of the Task Force of the Federation Internationale des Bourses de Valeur (FIBV) is complementary to

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5/ See Testimony of David S. Ruder, Chairman of the U.S. Securities and Exchange Commission, before the Subcommittee on Securities of the Senate Committee on Banking, Housing, and Urban Affairs, June 15, 1989.

the Group of Thirty Report. 6/ Starting from a general endorsement of the Group of Thirty recommendations, the FIBV Task Force recommends increased cross-border clearance and settlement linkages as a means to improve the settlement of cross-border transactions. The FIBV report correctly recognizes that, initially, linkages between national clearing and settlement systems likely will benefit medium- and smaller-sized firms that do not have the resources to create their own internal global clearance and settlement systems. The FIBV Report also correctly predicts, however, that in the long run such linkages may prove to be beneficial even to the largest firms that already are active in global securities markets. The FIBV Task Force's recommendations are broadly consistent with the position adopted by the SEC in its policy statement that securities regulators should encourage the development of a network of sound linkages between individual market clearance and settlement systems to facilitate cross-border settlements.

Global Trading Systems

Any discussion of market structure developments must take into account continuing developments in the area of automated trading systems. This year, the pace of internationalization of our trading markets continued to accelerate and several new proposals were introduced that bring the world closer to the development of automated global 24-hour trading systems.

6/ The FIBV is expected to adopt the Task Force's report in October, 1989.

In the futures markets, the two major U.S. markets, the Chicago Mercantile Exchange ("CME") and the Chicago Board of Trade ("CBT"), have made substantial strides towards the introduction of an after hours, global computer trading network called "Globex". The Globex system would permit the automated dissemination of buy and sell interests as well as providing the capability to automatically execute against that interest. The CME has had discussions with other futures exchanges regarding their participation in Globex and I understand that, thus far, the CME has reached an agreement in principle with the Paris Financial Futures Exchange-MATIF 7/ regarding its participation in this system. The CME also has had discussions with the New York Mercantile Exchange and the Sydney Futures Exchange regarding their participation in Globex.

On the securities side, the Instinet trading system and the Cincinnati Stock Exchange have operated automated trading systems during U.S. trading hours for a number of years. In addition, the Chicago Board Options Exchange ("CBOE") and Reuters recently announced plans to introduce an after hours, global computer trading network for options and stocks. The Midwest Stock Exchange also has proposed an after-hours trading system so that its members can execute portfolio trades which they now execute in London. 8/

7/ MATIF is an acronym for "Marche a Terme d'Instruments Financiers."

8/ Securities Exchange Act Release No. 26887 (June 2, 1989).

These existing and proposed trading systems represent exciting market developments that offer special regulatory challenges. The proper regulation of global trading systems will be one of the principal issues regulators will confront over the coming years.

Registration and Disclosure Issues

The second general area outlined in the SEC's policy statement relates to the development of sound disclosure systems. Inconsistent disclosure requirements, accounting principles, auditing standards, and auditor independence standards between countries are impediments to a truly global marketplace for securities. Over the past year, securities regulators have made substantial progress in seeking ways to resolve such regulatory impediments, without compromising investor protection.

Multijurisdictional Disclosure System

If a truly international securities market is to develop, differing disclosure and reporting requirements need to be reconciled and an integrated disclosure system must be established. Under a multijurisdictional disclosure system, issuers would be able to use their own jurisdiction's disclosure documents for offerings in other countries. This past summer, Canada and the United States proposed a multijurisdictional registration experiment, 9/ an event which

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9/ Securities Act Release No. 6841 (July 24, 1989).

hopefully marks an initial step towards the establishment of a multijurisdictional disclosure system on a multi-nation basis.

Under the proposal, public offers of securities by Canadian issuers could be made in the United States on the basis of disclosure documents prepared in accordance with Canadian law. The system would cover multijurisdictional and Canadian cross-border offerings that meet specified size tests, certain rights offerings, certain exchange offers, and some cash tender offers. Concurrently with the publication of the SEC's release on this subject, the Ontario Securities Commission and the Commission des valeurs mobilieres du Quebec have issued for comment counterpart proposals 10/ that would provide for the implementation of a similar disclosure system for U.S. offerings in Canada. Their proposals would permit U.S. issuers to make public offerings and tender offers in Canada using disclosure documents prepared in accordance with SEC requirements.

In developing the proposed multijurisdictional system, it was necessary to reexamine the basic premises of each home country's registration and disclosure system in order to assess the comparability of foreign disclosure documents. This has been a critical (and time-consuming) part of the process. Canada is the first partner for the United States in this

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10/ See 12 Ontario Securities Commission Bulletin 2919 (July 28, 1989) and Quebec Weekly Bulletin Volume 20, Issue 20, p.1 (July 21, 1989).

effort because of the similarities between the U.S. and Canada, both in terms of their securities laws and regulatory structures, and because of the sophistication of both markets. Also of importance is the existence of an extensive MOU between the U.S. and Canada concerning cooperation in enforcement matters. I would publicly like to thank our good friends at the Ontario Securities Commission and the Commission des valeurs mobilieres du Quebec who have joined the SEC in this experiment for their demonstrated cooperation, hard work, and goodwill as we have moved forward in this joint endeavor.

The regulations and forms developed in the U.S.-Canadian experimental project have been designed in a manner which may provide a foundation for a multijurisdictional disclosure system that could encompass a wider class of issuers and additional jurisdictions. The SEC would like to discuss with other countries the possibility of participation in the proposed multijurisdictional system. Because of the importance of financial information in U.S. disclosure documents, a key element in such discussions will be consideration of the similarity of accounting principles and auditing standards.

International Equity Offers

Other efforts also are underway to coordinate registration and reporting systems in different countries. Last June, the Technical Committee approved the report of an IOSCO working group on multinational offerings of equity securities. This

report, entitled "International Equity Offers," 11/ is being circulated at this 14th Annual IOSCO Conference. It makes a number of thoughtful recommendations designed to promote analysis of current practices and issues that have arisen in the context of international offerings of equity securities.

One of the report's key recommendations is that an issuer desiring to sell securities would be benefitted if it could prepare one disclosure document which could be used in all jurisdictions in which the issuer chose to sell securities. The report encourages regulators, where consistent with their legal mandate and the goal of investor protection, to facilitate the use of such single disclosure documents, whether by harmonization of standards, reciprocity, or otherwise. The report also has made a number of other recommendations and conclusions regarding:

(1) the need to develop adequate internationally-acceptable accounting, auditing, and independence standards in order to facilitate the development of the use of a single disclosure document;

(2) the importance of providing information to investors (including all existing shareholders) on a continuing basis;

(3) the need to coordinate timetables for listing, registration, and other clearance procedures in order to

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11/ "International Equity Offers," International Organization of Securities Commissions, September, 1989.

minimize the delay in sales of securities, where this is consistent with regulatory goals;

(4) the need for further study of securities market stabilization practices in order to determine whether such practices can be more closely aligned, and to eliminate uncertainties wherever possible;

(5) the need for further study of restrictions on resale applicable to privately placed securities in order to assess the potential for a greater degree of standardization; and

(6) the preparation of an annual report regarding the regulatory changes which have been made in each jurisdiction that could affect multinational offers.

This report on International Equity Offers will serve as a useful blueprint for future discussions among securities regulators worldwide.

Accounting

Among the issues discussed in the SEC's 1988 policy statement was the problem caused by different accounting and auditing standards existing in various foreign countries. The development of mutually agreeable international accounting principles and auditing guidelines would reduce unnecessary regulatory burdens currently resulting from disparities among the various national standards. Over the last year, securities regulators and members of the accounting profession throughout the world have been engaged in efforts to revise and adjust

international accounting and auditing standards in order to increase comparability and reduce costs. While this is a difficult area and progress is necessarily slow, the existence of international meetings on this subject and certain newly-instituted projects appear to be a harbinger of future progress.

In this area, another IOSCO working group is working to harmonize accounting standards in conjunction with the International Accounting Standards Committee ("IASC"), a private organization supported by approximately 100 accounting bodies from approximately 70 countries. IASC is addressing international accounting standards that are incomplete or lack sufficient specificity, and it seeks to reduce the number of accounting options permitted under some of the standards. Where options cannot be eliminated, IASC has indicated plans to specify one method as the benchmark (or "preferred") method for international filings.

At its November 1988 meeting in Copenhagen, IASC approved publication of an Exposure Draft of proposed amendments to the international accounting standards for public comment. 12/ This proposal represents the first phase of IASC's project to address the question of accounting options. The Exposure Draft addresses several issues, including revenue recognition,

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12/ International Accounting Standards Committee, "Comparability of Financial Statements, Proposed Amendments to International Accounting Standards 2, 5, 8, 9, 11, 16, 17, 18, 19, 21, 22, 23, and 25" (Jan. 1, 1989).

business combinations, investments, retirement benefits, and foreign currency. The Exposure Draft was released for comment on January 1, 1989, with replies expected by the end of this month (September 30, 1989).

In an effort to provide guidance and establish disclosure requirements currently lacking in existing international standards, IASC recently formed an Improvements Steering Committee. IOSCO members have been providing input to the Steering Committee on this project, and IOSCO members will be participating in the meetings of this group, the first of which will be held in London in January, 1990. IASC also has taken steps to address the development of standards in areas where no principles exist in international literature. It has added new projects on financial instruments, cash flows, and intangible assets.

In addition to the IASC initiative, the International Federation of Accountants ("IFAC") is working to revise international auditing guidelines. Auditors in different countries are subject to different independence standards, perform different procedures, gather varying amounts of evidence to support their conclusions, and report the results of their work differently. The IOSCO accounting working group is participating in a project by IFAC to revise international auditing guidelines and to narrow these differences. The joint IOSCO/IFAC working group held its first meeting in May, 1988 to begin to deal with these issues.

With the increased internationalization of the securities markets, there will be a need to minimize the differences in accounting principles and auditing guidelines. As I have noted, the process will necessarily be complex and slow and much remains to be done. Securities regulators around the world should continue to devote substantial attention to international accounting and auditing issues.

European Community Initiatives

One cannot discuss cooperative efforts to facilitate transnational capital formation without mentioning developments in the European Community ("EC"). While the United States is not directly involved in the negotiations currently taking place with respect to the plans to develop a single internal market for the EC's goods, services and capital by the end of 1992, the joint efforts of the European securities regulators engaged in this herculean task certainly must be acknowledged and applauded.

Of particular interest in the securities regulatory area is the EC's effort to create a common market for investment company products through its directive for certain "undertakings for collective investment in transferable securities" ("UCITS"). This directive attempts to establish a minimum regulatory standard for investment company products and to require mutual treatment of these products. The twelve member nations of the EC have been asked to conform their laws to the UCITS Directive by October 1989 and I understand some

progress has been made already by EC member states aiming to meet this ambitious deadline. Once the laws implementing the UCITS Directive are in place, securities regulators around the world may well wish to negotiate bilateral agreements with the EC along similar lines. The SEC is currently studying the UCITS Directive and its implementation by the EC member states to determine whether the directive can be used as a basis for mutual recognition of U.S. and EC investment company products. We look forward to continuing our dialogue with the EC member states on this and other matters in the near future.

Enforcement Cooperation

As access to international markets by brokers, issuers, and securities traders from all countries has increased, the need for access to information about foreign trading activity has expanded. Pertinent information and evidence regarding serious securities law violations frequently are located outside of a particular regulator's jurisdiction. Over the past year, securities regulators have worked both on a bilateral basis and within international organizations to develop a systematic approach for coordinating enforcement procedures and for sharing foreign-based information.

Memoranda of Understandings

In order to improve coordination of international enforcement efforts and to exchange information, the SEC has negotiated bilateral memoranda of understandings with a number of foreign countries, including Switzerland, Japan, Brazil, the

United Kingdom, and the Canadian provinces of British Columbia, Ontario and Quebec. Building on the experience gained from the negotiation and operation of these understandings, the SEC has sought over the last year to institute a consultative process with our MOU partners so that we may jointly consider any necessary changes to, or improvements in, existing MOUs. One result of this review process has been the formation of a working group composed of representatives of the Securities Bureau of the Japanese Ministry of Finance and representatives of the SEC. This working group, which met for the first time in May, 1989, will seek to develop further arrangements between the two countries for mutual assistance in enforcement matters, as well as procedures for sharing transaction, clearance, and customer information.

The SEC also has sought recently to strengthen its own authority to enter into MOUs. In 1988, it obtained from the U.S. Congress legislation 13/ which would authorize the SEC to use its compulsory process powers for the purpose of obtaining information on behalf of foreign securities authorities. This legislation is being used by the SEC as a basis for negotiations seeking assurance of similar cooperation from other regulators.

13/ Section 6 of the Insider Trading and Securities Fraud Enforcement Act of 1988, Pub. L. No. 100-704, 102 Stat. 4677 (1988).

The SEC has been pleased with the extensive cooperation it has obtained from other foreign securities regulators within the context of its MOUs and hopes to continue to negotiate additional MOUs on a bilateral basis in the future. In addition, in order to attempt to develop similar cooperative efforts in a multilateral setting, the SEC recently has supported an IOSCO Technical Committee resolution on this subject. The resolution calls for IOSCO members to enter into negotiations for bilateral and multilateral understandings to facilitate mutual cooperation and assistance in securities law enforcement, and for improved sharing of information and documents between countries. This resolution has been endorsed by the Technical Committee and is being submitted to IOSCO members for consideration at this meeting.

Other Cooperative Enforcement Efforts

Practical experience often may provide the foundation for cooperation among securities regulators. Unfortunately, the advent of cross-border fraud and the need for cooperation among regulators has outpaced our ability to negotiate and implement agreements. However, our common need to investigate potential securities law violators who operate from a number of different jurisdictions has served to provide regulators with the opportunity to develop, on an informal basis, new lines for communication.

For instance, international securities regulators have organized and participated in a number of international

meetings designed to foster cooperative efforts to combat international fraud. One example is the Wilton Park Group, an informal discussion group convened by the U.K. Department of Trade and Industry. This group consists of representatives from ten countries who meet periodically to discuss methods for improving the exchange of enforcement information among securities regulators.

Enforcement training sessions also provide opportunities for cooperative enforcement efforts. In June 1989, the SEC sponsored a training program for both U.S. and foreign regulators and prosecutors at which strategies for investigating and prosecuting penny stock fraud and manipulation cases were discussed. Twenty-eight individuals representing eight foreign countries were among the participants in this program.

International Meetings

In addition to the substantive work we have all accomplished over the past year, securities regulators from many countries have consulted actively with one another on a range of issues. Regulators from more established securities markets have assisted regulators from developing securities markets by providing technical advice and assistance.

SEC representatives have met with foreign regulators in a number of group settings. For example, in January, 1989, representatives from the Securities Bureau of the Japanese Ministry of Finance travelled to the United States to meet with representatives of the SEC. The discussions covered a wide

range of topics and culminated in the issuance of a Joint Press Release on Cooperation. Representatives from both countries agreed to maintain and continue to strengthen further the close cooperative relationship between Japan and the U.S.

Similarly, in the fall of 1988, a delegation from the SEC travelled to Frankfurt, Germany to meet with securities regulators from the Federal Republic of Germany under the auspices of an internationalization program co-sponsored by the University of Pennsylvania Law School and the Johann Wolfgang Goethe-Universitat Frankfurt am Main. Regulators from both countries participated in panel discussions on a wide range of securities topics. These discussions have served to lay the groundwork for future cooperation between the SEC and the relevant authorities in the Federal Republic of Germany.

Other U.S. Initiatives

In addition to the cooperative international efforts already mentioned, the SEC has embarked on a number of major initiatives that attempt to accommodate its regulations to foreign law and practices. These include: (i) a reproposal of Regulation S, 14/ which is intended to clarify the extraterritorial application of the registration requirements of the Securities Act of 1933; (ii) a reproposed Rule 144A, 15/ intended to enhance the ability of foreign issuers to access

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14/ Securities Act Release No. 6838 (July 11, 1989).

15/ Securities Act Release No. 6839 (July 11, 1989).

the U.S. capital markets through private placements with institutional investors; (iii) newly-adopted Rule 15a-6, 16/ which provides conditional exemptions from U.S. broker-dealer registration for foreign entities engaged in certain activities involving the U.S. investors and securities markets; and (iv) a concept release that solicits comment on the recognition of comparable foreign regulation as a substitute for U.S. broker-dealer regulation. 17/ Also in the U.S., the North American Securities Administrators Association, Inc. ("NASAA") adopted its own Statement on Internationalization of the Securities Markets in April, 1989 18/. In its international policy statement, NASAA urges securities regulators to "encourage legitimate capital raising activities across national borders," subject to "minimum rules to ensure investor protection." Recognizing the interdependence of the world's securities markets, the SEC will continue to consider ways to adjust its regulations to accommodate foreign law and practice, without giving foreign persons and entities an undue advantage over U.S. persons, and without sacrificing our primary goal of investor protection.

16/ Securities Exchange Act Release No. 27017 (July 11, 1989).

17/ Securities Exchange Act Release No. 27018 (July 11, 1989).

18/ See "Resolution of the North American Securities Administrators Association, Inc., on the Internationalization of the Securities Markets," April 29, 1989.

Conclusion

Looking to the future, world securities regulators must continue to work together in order to meet the problems posed by the growing internationalization of the world's securities markets. In particular, we must work hard to achieve some agreement among our various jurisdictions regarding appropriate standards of conduct for participants in internationalized securities markets, including prohibitions against insider trading and market manipulation. Special questions are raised by the onset of automated, 24-hour trading systems in equity, debt and futures markets. At a minimum, regulators must consider how to apply their registration, financial responsibility and sales practice requirements to such systems.

IOSCO is in a position to play a pivotal role in assisting securities regulators to meet the challenges posed by the internationalization of our markets. Not only does IOSCO provide regulators with the opportunity to meet their international counterparts, but its working group structure encourages foreign securities regulators to work towards achieving consensus in areas of particular concern. It may be that additional IOSCO working groups should be formed to consider more of the difficult regulatory questions we face.

While there are many challenges that remain before us, tremendous progress has been made in cooperative international securities regulation during the last year. The SEC is committed to continuing to work with regulators from around the

world to create a global market system that is efficient and honest. With this goal in mind, we look forward to seeing you all in 1991 when the SEC will host the 16th Annual Meeting of IOSCO in Washington, D.C.