

CRITIQUE OF THE COMMISSION ON ITS 50TH ANNIVERSARY

Summary of Opening Remarks by
Commissioner Charles C. Cox

For the 50 years of the SEC's existence it has enjoyed the reputation of being the best government regulatory agency. The Commission and the securities laws that it administers and enforces were the public policy response to the crisis of the stock market crash in 1929. Its cornerstone has been the policy of full disclosure -- the idea of telling the truth and the whole truth. To accomplish this goal, the Commission has consistently had the benefit of an excellent staff and workable securities laws that are clear in their purpose. However, there must be something more than this that explains the continuing good reputation. The Commission has not come to be dominated by the groups that it regulates nor has it become a bureaucracy that concentrates on expanding its staff and other resources. Instead, the Commission has been continually evolving and has been faced with and met new challenges. This has been important in providing an environment that brings out the best in the agency.

I like to characterize the business of the Commission as the information business. Although this concept does not reflect all the Commission's work, the role of information is central to the full disclosure program and plays an important role in market regulation and investment management. Indeed, in many ways the Commission's evolution has paralleled the development of information technology during the existence of the Commission. Moreover, the technology of information management promises to evolve at an accelerating rate in the future. The importance of information for market efficiency is generally accepted, and because of the peculiar nature of information as a good it has long been recognized that government regulation has a role in the provision of information. Hence, I conclude that good people using good laws regarding the regulation of information in the securities markets have responded to rapidly advancing information technology and evolving problems in the securities industry to produce the finest agency in Washington.

A useful example of the Commission's evolving regulation is in the area of full disclosure. The mandatory disclosure system has changed over time, recently putting integrated disclosure and shelf registration into place. Now the Commission is on the verge of a major development in the dissemination of the information that is disclosed. The system for Electronic Data Gathering, Analysis and Retrieval (EDGAR) will permit virtually instantaneous access to filings with the Commission.

Another example of the influence of information technology is the development of the nation's securities markets and the accompanying regulatory problems. The over-the-counter market has become a major competitive force as a result of enhancements in information technology. This competitive pressure has resulted in the modernization of the organized exchanges and arguably contributed to the demise of fixed commissions.

By contrast, the Commission seeks to discard, not to preserve, an area that has stopped evolving. The Commission considers the Public Utility Holding Company Act -- under which the Commission did some of its most dramatic work -- to be outdated. Hence, the Commission whose work was once dominated by the dismantling of the vast holding companies has recommended repeal of that Act.

In the immediate future, a primary regulatory concern for the Commission will be the increasing homogenization of the financial services industry. What role will banks play in the securities industry? What role will securities firms play in the banking industry? While this is a new problem for the present regulators of the financial services industry, it is really a recurrence of a problem addressed by Congress 50 years ago through the Glass-Steagall Act.