

MEDIA RELEASE

Investor Task Force urges reform, further study of financial regulation

July 16, 2009 – Bold reforms are necessary to restore investor confidence in U.S. financial markets, said a [report](#) (PDF) issued today by the [Investors' Working Group \(IWG\)](#). The IWG is a blue-ribbon panel of experts chaired by two former U.S. SEC chairs, William Donaldson, CFA and Arthur Levitt Jr.

The group, sponsored by the [CFA Institute Centre for Financial Market Integrity](#) and the [Council of Institutional Investors](#), advocated a series of immediate fixes for the financial regulatory system and careful consideration of long-term solutions for systemic risk oversight and other fundamental steps to modernise financial regulation.

In "[Report on Financial Regulatory Reform: The Investor's Perspective](#)" (PDF), the IWG urges policymakers to adopt reforms that make the U.S. financial regulatory system more comprehensive, effective, and in tune with the needs of investors. This collaborative effort offers a unique investor-centric perspective and notes that financial institutions and players are regularly the primary beneficiary of U.S. regulation, at the expense of investors. The IWG report also cautions that some changes will take time, thoughtful analysis, and political will.

"Too often politics and special interests get in the way of doing what's right for investors," said Levitt, who chaired the SEC from 1993–2001. "The IWG's inclusive, pragmatic, and balanced approach to understanding other proposals and what investors truly need has resulted in a series of actionable recommendations with a longer-term view toward more comprehensive regulatory structure, stronger oversight, and better-governed companies."

The [IWG](#), a diverse, non-partisan group of investors, former regulators, and others representing investor and consumer interests, today hosted a press briefing ([listen to the archive](#)) where it released recommendations for U.S. financial market reform. The IWG is an independent panel, that believes investors' views must be heard as policymakers and financial market participants debate how to modernise the U.S. system of financial regulation.

"The task before policymakers is challenging, but it presents an opportunity to create a more stable, transparent, and adaptable U.S. financial market," said Donaldson, who chaired the SEC from 2003–2005. "The IWG strongly seeks more investor protections and a system of checks and balances for managing systemic risk. We look forward to advising members of Congress and the Obama Administration on what steps are needed to ensure regulation serves the needs of investors, consumers, and the broader financial system."

The IWG's proposals for reform include:

- Strengthening and reinvigorating existing federal agencies responsible for policing financial institutions and markets and protecting investors and consumers. Regulatory will must be restored.

- Filling in the gaps in the regulatory architecture and in authority over certain financial institutions, investment firms, and products. For example, all standardised (and standardisable) OTC derivative contracts should move to regulated exchanges.
- Improving corporate governance. Investors need better tools to hold directors accountable so they will be motivated to challenge executives who pursue risky strategies.
- Creating an independent systemic risk oversight board unaffiliated with existing regulators to gather information and make recommendations to functional regulators.

Co-Chairs:

- William H. Donaldson, CFA, chair, Donaldson Enterprises and former chair, U.S. Securities and Exchange Commission
- Arthur Levitt Jr., senior advisor, The Carlyle Group and former chair, U.S. Securities and Exchange Commission

Members:

- Mark Anson, CFA, president and executive director of Investment Services, Nuveen Investments
- Brooksley Born, retired partner, Arnold & Porter and former chair, U.S. Commodity Futures Trading Commission
- Joe Dear, chief investment officer, CalPERS and chair, Council of Institutional Investors
- David Fisher, chair, The Capital Group International
- Harvey J. Goldschmid, Dwight Professor of Law, Columbia Law School and former Commissioner, U.S. Securities and Exchange Commission
- Jeremy Grantham, co-founder and chair, GMO, LLC
- William R. Hambrecht, founder, chair and CEO, WR Hambrecht + Company
- John D. Markese, president, American Association of Individual Investors
- Bill Miller, CFA, chair and chief investment officer, Legg Mason Capital Management, Inc.
- Ira Millstein, senior partner, Weil, Gotshal & Manges LLP and senior associate dean for Corporate Governance, Yale School of Management
- Nell Minow, editor and co-founder, The Corporate Library
- Peter Montagnon, chair, International Corporate Governance Network and director of investment affairs, Association of British Insurers
- Jane Bryant Quinn, director and personal finance columnist, Bloomberg LP
- Barbara Roper, director of investor protection, Consumer Federation of America
- Kurt Schacht, CFA, managing director, CFA Institute Centre for Financial Market Integrity
- Ellen Seidman, senior fellow, New America Foundation, executive vice president, ShoreBank Corporation, and former director, Office of Thrift Supervision

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About the CFA Institute Centre for Financial Market Integrity

The [CFA Institute Centre](#) develops timely, practical solutions to global capital market issues, while advancing investors' interests by promoting the highest standards of ethics and professionalism within the investment community worldwide. It builds upon the CFA Institute's 40-year history of standards and advocacy work, especially its *Code of Ethics* and *Standards of Professional Conduct* for the investment profession, which were first established in the 1960s. In 2007, the CFA Institute Centre published [Self-Regulation in Today's Securities Markets: Outdated System or Work in Progress?](#), a report that explored the failure of the current system of self-regulation to keep pace with the dramatic evolution of the global economy.

About the Council of Institutional Investors

The Council of Institutional Investors (CII) is a nonprofit association of public, union and corporate pension funds with combined assets that exceed \$3 trillion. Member funds are major long-term shareowners with a duty to protect the retirement assets of millions of American workers. The Council strives to educate its members, policymakers and the public about good corporate governance, shareowner rights and related investment issues, and to advocate on our members' behalf. Corporate governance involves the structure of relationships between shareowners, directors and managers of a company. Good corporate governance is a system of checks and balances that fosters transparency, responsibility, accountability and market integrity.