Statement of the Shadow Financial Regulatory Committee on

The Moratorium on Bank Securities Activities

February 8, 1988

The moratorium on expansion of the securities activities of banks and bank affiliates, imposed by the Competitive Equality Banking Act of 1987 (CEBA), is due to expire on March 1, 1988. Meanwhile, a number of applications by banking institutions to engage in new securities activities, approved by the Federal Reserve Board early in 1987, have been challenged in court and today were upheld by the United States Court of Appeals for the Second Circuit.

The Committee has previously noted that the public will benefit from enhanced competition between commercial banks and securities firms. Court decisions as to the extent to which that may be permitted under the present Glass-Steagall Act should be allowed to proceed to final decision, and the Act amended when Congress does reach the merits of this issue.
The moratorium was enacted on the representation that it would not be extended if Congress did not address or alter the current law in the interim. Moratoria are not adequate substitutes for Congressional decisions on policy issues, and should not be used to escape the burdens of taking a position. The Shadow Financial Regulatory Committee believes that the CEBA moratorium should not be extended, either explicitly by legislation or indirectly by efforts on the part of Congressional committee chairmen to pressure the independent banking regulatory agencies into a continuation of inaction.

It is the Committee's policy that members abstain from voting on policy statements in instances in which they have a direct personal or professional involvement in the matter that is the subject of the statement. Accordingly, Messrs. Aspinwall, Connell, Hawke and Scott abstained from participating in or voting on this statement.