

SIA 25th Annual Meeting
NASD Panel: Opening Comments
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Thanks, [Buzzy]...Yesterday, Buzzy Krongard, in his outgoing speech as President of the SIA, recounted the successes being enjoyed by the securities industry and the SIA in 1996. He observed that nothing beats being in the right place at the right time. To his credit, Buzzy has a knack of doing just that...It's a knack I wish I shared.

As many of you know, I've spoken at a number of SIA and STA meetings here in Boca over the years. I haven't always brought good news. In '94, it was the initiation of the SEC and DOJ probes of The Nasdaq Stock Market. In '95, there was the news of the Rudman Committee's far-reaching recommendations on restructuring the NASD. Now, in '96, I'm arriving on the heels of the DOJ and SEC settlements and the new order-handling rules. That's why I'm retiring...I didn't think either of us could handle the news that I might bring in '97.

Seriously, it's always a pleasure to be here, and our thanks to the SIA for carving out a special slot for the NASD. It allows us the opportunity to showcase our new leadership in Mary Schapiro, who joined the organization in February as President of NASD Regulation...and Al Berkeley, who took over the reigns as President of The Nasdaq Stock Market in June.

They join Rick Ketchum, the NASD's Chief Operating Officer, to form a leadership team which is highly capable of guiding the NASD into the future.

I use the word team intentionally. That's what the NASD is. For all the changes we have been going through – and for all the new initiatives being launched by NASD Regulation and Nasdaq, which Mary and Al will talk about...the NASD and its leadership remains committed to a single mission of regulating and operating securities markets that are fair, efficient, and liquid for the ultimate benefit and protection of the investor.

What has changed is that for the first time in the organization's history, there are now three entities—a parent organization and two distinct subsidiaries—that allow us to fulfill this shared mission more completely and more credibly.

The investing public needs and deserves validation of our commitment to their best interests. A regulatory entity that is separate and distinct from the market, and a governance structure that allows for considerably more input by our non-member constituencies are two of many ways we are providing that validation.

But the NASD is changing for another important reason. Our membership is going through a period of evolutionary change, and we have an obligation to stay in sync with those who are our ultimate owners.

As Dan Tully, who is the current NASD Chairman, told the STA a few weeks ago, "the forces of technology, deregulation and globalization are prompting so many changes that the industry will have to race just to keep up."

I would add to this the changing dynamics of investing. More information and control is finding its way into the hands of investors of all sizes. And there's been a dramatic increase in opportunities to act on this information, with investors entering trades around the clock through a combination of new technologies and new services.

Everyone reacts differently to change. It can be your worst enemy...or else your best friend and ally. The NASD's membership is reacting in many different ways to the changing landscape.

That's because our members are involved in many different functions as both intermediaries and principals.

We have members who provide investment banking services and as such are directly involved in the capital-raising process. This means the NASD's rules and initiatives, as well as the markets we operate, must facilitate the raising of capital.

We have members who are in the business of providing investment advice. Our policies and practices must take into consideration the level of sophistication of the investing public, as well as changes in where and how advice might come to the investor.

We have members who provide trading and transaction services. Our market systems have to keep pace not just with the trading practices and systems of our members, but also with a growing number of trading and information systems operated by others.

We have plenty of members who provide all these services and many more. We also have a lot of members who specialize. It's a very diverse constituency... But we all have one goal—having the fairest, strongest, most visible markets in the world.

The NASD is committed above all else to helping to fulfill that goal.

Maximizing our effectiveness has meant making major changes. And we're still making them.

It also meant making decisions that might not be totally acceptable to every one of the NASD's more than 5,400 members. But we still have to make those decisions every day.

Each in their own way, the NASD's two subsidiaries are working to accomplish this goal. Let me turn the program over to Mary and Al to give you an update on NASD Regulation and Nasdaq respectively—then we will take questions and I will end with some closing remarks.

Mary, why don't we begin with NASD Regulation...