

The Associated Press

December 8, 1995, Friday, AM cycle

NASD Selection of Schapiro Signals Commitment to Reform

By ROB WELLS, AP Business Writer

WASHINGTON - The National Association of Securities Dealers' selection of the nation's top commodities and futures regulator, Mary Schapiro, to lead its new regulatory arm signals the agency is serious about reforms, analysts said Friday.

In an interview Friday, Schapiro indicated plans for a thorough review of how effectively the NASD regulates the nation's 500,000 Wall Street professionals.

"It's a big and important organization that really needs a fresh look at how it does things," Schapiro said. On Wednesday, Schapiro formally agreed to leave her post as chairman of the Commodity Futures Trading Commission next month to head NASD Regulation Inc.

Her appointment came after the NASD, the largest self-regulatory group for stock brokers and their firms, agreed last month to place a majority of public members on its board of directors and separate its regulatory duties from operation of the Nasdaq Stock Market.

The NASD also agreed to several other technical but important operational changes, such as new audit committees, recommended by former Sen. Warren Rudman, R-N.H., and a special committee that conducted a 10-month study of the association.

The so-called Rudman Committee review came after the Justice Department and Securities and Exchange Commission began a broad review of the NASD, including charges that major Nasdaq dealers engaged in price-fixing and that the association was unfairly enforcing its rules to the detriment of small firms.

Against this backdrop, Schapiro's selection was applauded by both the NASD's friends and foes.

"I think it was wise to bring someone in from the outside and I think it was necessary for someone in from the outside," said Linda Lerner of All-Tech Investment Group in New Jersey, a sharp critic of the NASD. "I wish her well. She has her work cut out for her."

Frederic M. Roberts, a former NASD chairman and president of F.M. Roberts & Co., said Schapiro "is the perfect person to implement the reorganization."

Schapiro declined to address any specific problems with the NASD, since she has spent the last year leading the Commodity Futures Trading Commission, which oversees the futures and options markets in New York and Chicago. Schapiro won praise for a leading role in the global response in the Barings Bank failure and assisting in the crackdown on abuses in the derivatives market, particularly New York-based Bankers Trust New York Corp.

She served nearly six years as an SEC commissioner, where she worked on international regulation and led a major review in 1993 of the agency's administrative workings to improve efficiency and cut down on a backlog of cases. Schapiro said the NASD could use a similar review.

One area that will receive attention, she said, was a finding in the Rudman report that said only 2 percent of customer complaints result in disciplinary action.

"Now, that seems like a really low number to me. It might not be terribly far off base, but I think that's the sort of thing we need to look at carefully," she said.

Schapiro said that within the new organization, "I've been assured of maximum independence. Complete hiring and firing authority, the authority to write my own budget, make my own projections."

"I'm a very independent person, and I have no intention of relinquishing my independence in this job," she said. "I believe that's why I was hired."