Calvin Coolidge said, "If it isn't broke, don't fix it".

We are not here today to fix something that is broke.

To the contrary, as a result of the pioneering efforts of the organizations represented here today - and of many of the executives in this room - the national securities clearance and settlement system is working exceedingly well.

You have brought the industry a long way, since the paperwork crunch of the late '60s, when a few 20 million share days back-to-back, posed enormous problems.

You have automated, simplified and improved the entire system - to the point that successions of trading days in excess of 100 million shares are being handled routinely.

When dealing with a system so vital to the national economy, we cannot wait until it is broke.

We are here today to improve it - to anticipate and avoid problems.

Our objectives are to accelerate the immobilization, and ultimate elimination of securities certificates. The savings for investors, who ultimately bear such costs, are expected to aggregate hundreds of millions of dollars annually. But even in the absence of such savings, the speed and simplicity - the future problems avoided - will more than justify our efforts.

As this audience well knows, in addition to the millions of existing securities certificates, tons of new certificates are being engraved and distributed daily. They are moved by planes, trains, armored trucks and guards, throughout the nation and the financial community. Indeed, throughout the world. They are inspected, counted and sorted over-and-over again, repackaged and sent by couriers and insured mail to investors and depositories, and stored in vaults and safety-deposit boxes. The millions of shares transferred daily is also a cumbersome and time consuming task. And millions of dollars of securities are counterfeited, lost, stolen, and accidentally mutilated and destroyed annually.
These slow and expensive, laborious, mechanical functions are gradually being reduced, through the use of central depositories and proven, high-speed electronic book-entry systems.

Over the past 20 years, great progress has been made in the immobilization of corporate stocks and bonds, about half of which now repose in central depositories.

The purpose of these three days of workshops are for you to help the SEC establish and implement the time schedules and programs - the national effort - necessary to achieve our objectives expeditiously. Not only for corporate securities, but also mortgage-backed securities, municipal bonds and the rash of new financial instruments, which are largely outside of the national clearance and settlement system. The increasing internationalization of the securities markets, must also be anticipated and accommodated through central depositories and electronic book-entry systems.

The integration of financial services is such that a paperwork crisis in any segment of the system will have very serious repercussions throughout the system.

There are many favorable precedents and encouraging developments:

- For over a century, growing millions of investors have left their securities with their brokers and banks, under essentially book-entry systems.

- Investors take comfort in the protection provided by the Securities Investor Protection Corporation and the additional private insurance that many firms provide their clients.

- For over a decade, money market fund shareholders have received periodic statements, rather than securities certificates.

- The 1977 Uniform Commercial Code amendments facilitate transferring and pledging uncertificated securities.

- Treasury bills have been on a book-entry system since 1979.

- The 1983 expansion of the institutional electronic book-entry system is saving an estimated $350 million per annum.

- Within the past two years, about 50 municipal issues have been sold in modified book-entry form, through the issuance of single certificates to depositories.
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- Book-entry commercial paper and two recent municipal bond issues have been successfully marketed.

- U.S. Steel recently did a successful offering of a book-entry money market preferred issue.

- France has commenced the conversion of all existing and new securities to an electronic book-entry system within three years.

- And on Friday, the U.S. Treasury made an historic announcement. It will stop issuing note and bond certificates next year. All future Treasury securities will be issued under a certificateless electronic book-entry system.

It is difficult to change long-established habits and customs, but the time has come for major U.S. corporations to follow the Treasury's lead, and demonstrate similar leadership in the private sector. And through the joint efforts of the SEC and the organizations represented here today, all corporate and municipal issuers must be encouraged and induced to follow the Treasury's lead next year.

The following are aspects of a few of the problems to be addressed in these workshops.

About 12 states still require insurance companies and municipal pension funds to hold some or all of their securities within the state. Only 14 states have adopted the 1977 Uniform Commercial Code amendments.

Some investors may wish to continue to hold certificates. Perhaps they should bear the costs, rather than veto the desires or impose the costs on other investors.

The elderly most often hold their certificates in safety-deposit boxes. Over time, their holdings are sold, or are transferred to younger relatives and heirs, who often appreciate the convenience and protection of book-entry systems, as they do 24-hour automatic teller machines, telegraphic fund transfers, computerized reservation services, electronic mail, word processors, video conferencing and other telecommunication services.

The Commission is encouraged by this excellent turn-out today of senior executives and experts, and by the enthusiastic response of the business and financial community to this initiative.
We are especially indebted to the Financial Industry Securities Council for their help and support and to the SEC Market Regulation Division, under the able leadership of Richard Ketchum, for their determination to achieve the objectives of this program on a timely basis.

Thank you.