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**News  
Release**

**Remarks of**

**Richard C. Breeden, Chairman  
U.S. Securities and Exchange Commission**

**The Re-opening of the Budapest Stock Exchange  
Budapest, Hungary**

**June 21, 1990**

REMARKS OF  
RICHARD C. BREEDEN, CHAIRMAN  
U.S. SECURITIES AND EXCHANGE COMMISSION

THE RE-OPENING OF THE BUDAPEST STOCK EXCHANGE  
BUDAPEST, HUNGARY

JUNE 21, 1990

President Goncz, Minister Rabar, members of the Securities Trading Committee, and Stock Exchange Council, distinguished guests and ladies and gentlemen.

This is my first visit to your beautiful country. I am proud to be here during these triumphant times in Hungarian and human history. On behalf of the United States Securities and Exchange Commission, I am deeply honored that you have invited me to share this great cause for celebration -- the re-opening of the Budapest Stock Exchange.

I have brought with me a letter which I would like to read from the President of the United States. It says:

To the People of the Republic of Hungary

On behalf of the people of the United States, I want to extend my congratulations to the Republic of Hungary on the occasion of the reestablishment of the Budapest Stock Exchange. The participation of representatives of the United States Government in your ceremonies is but one indication of our support for your efforts to restore free capital markets in Hungary.

Free and competitive markets are an essential attribute of a free economy. They also represent an important element of a democratic society. The reestablishment of the Budapest Stock Exchange is thus a milestone in the continuation of democratic developments in Hungary, and it should encourage strong economic growth for the future.

Mrs. Bush and I extend our warm personal regards to all of you.

Sincerely,

George Bush

Before I go on I would like to take a moment here to recognize Dr. Ilona Hardy, whose tireless efforts have made this opening day possible. I had the pleasure of introducing Dr. Hardy to President Bush a few months ago, and she was an effective spokesperson for the coming development of free capital markets in Hungary.

Almost from the moment the Hungarians entered the Carpathian Basin, more than a thousand years ago, Hungary has been oriented to the West. A century ago, Budapest was a city whose achievements were known throughout Europe -- a cradle of culture and home to some of the greatest scholars of the age. Entrepreneurship, industry and international commerce flourished. Here in Budapest, Hungarians built the largest stock exchange on the continent -- a symbol of the prosperity, the dreams, the hopes of Hungarians for the future.

We are all familiar with the tumultuous, and often tragic, history of the last half century. Among the casualties from the loss of political and economic freedoms was the once proud Budapest Stock Exchange. Other profound political and economic costs resulted from decades of denial of human rights and individual liberty.

But the human spirit cannot be forever repressed. A great American revolutionary and our third President, Thomas Jefferson,

once said, "A little revolution is a good thing now and then." He also said "we hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain inalienable Rights, that among these are Life, Liberty and the pursuit of Happiness."

Now Hungary is in the middle of a revolution for democracy, and to restore a free market economy. Today -- with the re-opening of this stock exchange -- you achieve another victory in that revolution. Free capital markets will help open the door of economic opportunity to all citizens of Hungary, and we are delighted to join you in celebrating this happy day.

A successful securities market in Hungary will hasten the pace of reform. It will help privatize state-owned institutions, mobilize investment and make it possible for privately owned organizations to raise working capital. It will give all Hungarians a tool for contributing to rebuilding Hungary's economy and future.

A capital market will also serve as a bridge from Hungary to investors from the United States and around the world. U.S. sources of capital investment in Hungary will include major corporations making long-term direct investments as well as institutions like mutual funds seeking investments on behalf of individuals -- a people-to-people form of capital investment.

This morning while touring your new facilities, I was reminded of the humble beginnings of America's stock market. Almost two centuries ago, in 1792, a group of bankers began meeting daily

under a buttonwood tree, which stood at what is now known as Wall Street. This small collection of friends and acquaintances became the first stock brokers in America. A few years later, they signed an agreement binding themselves -- there were 24 of them in all -- to certain regulations and restrictions in their dealings with one another, and they even acquired a building and moved indoors. This was the origin of the New York Stock Exchange. A few years later -- in 1830 -- they hit their low point -- only 31 shares traded in a single day. But they didn't quit, for the new nation needed a market to provide capital, and, through capital, jobs, growth and prosperity.

Today, in the United States, we trade securities with a total value of more than \$3 1/2 trillion dollars, and as many as 600 million shares have traded in a single day. We will soon have the systems capacity to trade, clear and settle as many as a billion shares in a day.

Of course the market is no longer a domestic market, but rather a closely linked global market. Securities of major companies are now typically listed for trading in several countries. Every day, tens of billions of dollars in transactions flow back and forth across the Atlantic and Pacific and also across borders within Europe and Asia. International cooperation has become the essential path to achieving further growth in capital markets, as well as to creating international systems to maintain integrity of markets and protection of investors.

Having come a very long way in our development, we understand the enormous benefits of free markets. We also understand that it is not possible to sit on the fence between a market economy and a state-directed economy. Privatization and encouragement of investment are essential to igniting real economic growth by fostering innovation, entrepreneurship and productivity.

Developing a vibrant and successful stock market isn't just a matter of building a trading floor and computer systems. A market requires many attributes, including systems and procedures that inspire trust and confidence among investors. Accurate financial data must be available and disclosed. There must be trained and licensed personnel to sell and trade securities, reliable systems to clear and settle trades, and a staff to oversee the entire exchange operation and to maintain fair and equitable trading principles.

In every market, a balance must be drawn between too much regulation, and not enough. Too much regulation and bureaucracy can strangle a market. On the other hand, fraud or market manipulation can also severely undercut public confidence in a market without which a securities market cannot function. I have been impressed with how carefully the Hungarian authorities have studied how to balance these concerns.

As your market grows, every year you will confront new problems, and need to adjust your market and oversight systems. Keeping the right balance between market forces and public

oversight will be a continuing challenge in Hungary as it is in the U.S.

When President Bush visited your country last year he offered the partnership of the United States to help ease the transition to a market economy. As part of that commitment, the SEC has formed an Emerging Markets Advisory Committee that includes some of the most respected leaders of U.S. securities, banking, accounting and other financial industries, respected academic scholars and representatives of other major U.S. agencies. The vast experience of these individuals will be available to help development of the Budapest Stock Exchange. Indeed, several members of the group are with us here today. In addition, tomorrow I will be signing an Agreement between the U.S. Securities and Exchange Commission and the Republic of Hungary State Securities Supervision and the Securities Trading Committee of the Budapest Stock Exchange. This Agreement provides for ongoing advice and technical assistance for the development of the Hungarian securities markets.

President Bush said in his inaugural address last year, "For the first time in this century, for the first time in perhaps all history, man does not have to invent a system by which to live. We don't have to talk late into the night about which form of government is better. We know what works. We know how to secure a more just and prosperous life for man on Earth: through free speech, free elections and the exercise of free will unhampered by the state."

The disciplines of the market will be strict, and you have much work to do to create a strong economy, and to care for all who will be affected by change. But the step you are taking today demonstrates your vision, your determination and your capabilities.

We Americans stand ready to help, along with our colleagues from many other countries, to attain our common goals of strong, safe and efficient capital markets to serve the interests of free peoples.

Now, if you will permit me, I would like to make a presentation. Bells are an enduring symbol in the history of both political and economic freedom. Some of you may know that it is a tradition for the New York Stock Exchange to open each trading session with the ringing of the bell -- signaling the start of another day in the life of the free market. America used another bell, the Liberty Bell, to help ring in our life as a free nation.

And so as you re-establish free capital markets, I would like to present to the Budapest Stock Exchange, on behalf of the United States Securities and Exchange Commission and the securities industry of the United States, this bell. We hope that it will serve to ring in the rebirth of the Budapest Stock Exchange, as a key institution in a free Hungary. In the future, we hope this bell will ring to signal the beginning of trading each day for generations in a free and prosperous Hungary. For today, I will ring the bell in celebration of your success on this happy beginning day.

Thank you and God bless you.