



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

**OPENING OF THE AMERICAN STOCK EXCHANGE'S**  
**EMERGING COMPANY MARKETPLACE**  
**NEW YORK, NEW YORK**

**MARCH 18, 1992**

**U. S. Securities and Exchange Commission**  
**450 Fifth Street, N.W.**  
**Washington, D.C. 20549**

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Chairman Jim Jones, distinguished guests, ladies and gentlemen.

The opening of the Emerging Company Marketplace is an historic time for the American Stock Exchange, and I am pleased to be able to be with you on this occasion.

Of course I am not entirely surprised that this important new market would be created on Jim Jones' watch here at the AMEX. As you know, Jim was the youngest Chief of Staff in White House history. As a Congressman, he chaired the House Budget Committee, and he is the current chairman of the American Business Conference. Indeed, from Pennsylvania Avenue to Wall Street, Jim has paved a record of achievement. With his experience and the erosion of Glass-Steagall, maybe we can get Jim to start a new bank for Congress . . . .

Since Jim became chairman of AMEX in 1989, he has been concerned by the fact that our trading system -- the best trading system in the world -- did not do as much as it should to encourage

the entry of small, dynamic companies into the auction markets. A special "incubator" market to help small companies raise the capital they need to grow was the response to this problem. Today's opening is the result of Jim's vision and determination, and the willingness of the AMEX to spend the time and money to make this idea a reality.

I'd also like to salute the AMEX on its 70th year of operations. Through bull markets and bear markets, AMEX has been a leader in innovation and in forging new relationships with markets around the world. I hope that you will continue to be a source of creative thinking about the future of our markets.

To understand the significance of the ECM, it helps to appreciate the central role of smaller businesses to the U.S. economy. Historically, our inventors, tinkerers, scientists and home entrepreneurs have created many new industries, and most new jobs. Small businesses created the airplane, the automobile, the telephone, the light bulb, penicillin, rocket engines, copying machines, personal computers and many other new technologies. Between 1988 and 1990, businesses with fewer than 20 employees created four million new jobs, while businesses with more than 20 employees lost 1.3 million jobs.

One of the greatest strengths of the U.S. economy -- and our society in general -- has been that a person with an idea and a

dream can create a new company and work to make that dream a reality. Look all around us, and you will see that the names of many of our biggest listed companies are not the names of abstractions. Boeing, Disney, Ford, John Deere, Liz Claiborne and many others are the names of people who had a dream and pursued that dream to business success. That spirit is not gone from our economy, and it is potentially the strongest force we have for future technological innovation and economic growth.

In recent years, small businesses have been hit again and again by higher costs for environmental rules, health coverage, social security taxes, liability insurance and many other expenses. At the same time, the availability of venture capital and bank financing for small businesses has declined sharply. More cost and less capital doesn't sound like the formula for a winning strategy.

At the SEC, we are working on a number of steps to make it easier for small businesses to issue securities. We recently proposed to simplify the process for registering small business securities by more than tripling the size of offerings on Regulation A, and to create a new offering form expressly tailored to use by small businesses. Through these and many other changes, we hope to reduce the very high costs and other barriers that a small company may face in trying to tap the public capital markets. We are also forwarding to Congress proposed legislation to facilitate the ability of investment companies to invest in small

businesses. In a few weeks, we will propose other changes designed to facilitate the issuance of securities backed by pools of small business loans that could be sold in a secondary trading market.

Our efforts to make it easier for small companies to issue securities would not do any good if investors do not have an interest in purchasing those securities. The availability of a liquid market for these securities will prove very important in determining how far such efforts can go to meeting the financing needs of small growth companies. The creation of the ECM will help address this need directly by creating a new auction trading market for emerging growth companies. Through the ECM, some small companies should gain the visibility and research coverage they need to help develop a market for their securities.

For the public, investing in companies traded in the ECM means trading in an environment benefitting from all the normal elements of an auction market, including full market transparency and the market surveillance and general compliance capacity of the AMEX. That oversight is important, because we know that smaller companies can involve very high risks, and that their stocks have all too often proven easier to manipulate than the stocks of companies with a very large public float.

To be candid, in the future there will almost certainly be cases when the AMEX or the SEC will be called on to take

enforcement action relating to stocks on the ECM. However, that is true with respect to stocks listed or traded on every U.S. exchange or trading system. The predictability that some problems will occur from time to time should not cause us to shrink from creating such a new market. However, in assessing the investment merits of specific securities, investors must still be diligent and careful, brokers and specialists must be responsible, the AMEX must be vigilant, and the SEC must continue to be ready to act as needed.

Some may say that in securities markets where tens of billions of dollars of transactions flow around the world every day, the 22 companies that will begin trading here today are just a drop in the bucket. But to the investors and employees of small companies like those to be listed in this new market, it is a pretty important bucket and they are a critical drop in that bucket. Together, these 22 companies have revenues totaling more than \$100 million and nearly 1,000 employees. Possibly one of them could turn out to be the Hewlett-Packard or the Apple Computer of tomorrow.

Of course there is no assurance, as we like to say at the SEC, that any such result will be obtained. The risks are almost too numerous to list -- though we will no doubt require you to disclose each and every one of them to investors in great detail. Even with the benefits of the full disclosure of information required by our system, the tough job of picking which of these companies, if any,

will be successful is the job of analysts and investors. However, the marketplace you inaugurate today will give these companies, and all their potential investors, a chance to make those decisions, and to compete for the financial resources necessary to build the economy of the future.

Therefore, I want to extend my congratulations to the AMEX for your willingness to create this market, and to the 22 companies who have already come this far. For the most important people of all, the future investors in this market (who I hope will be uniformly well-informed and well-served), I want to wish many happy returns.

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