



**"PROTECTING THE AMERICAN INVESTOR:
A NEW PARTNERSHIP"**

REMARKS OF

**ARTHUR LEVITT, CHAIRMAN
U.S. SECURITIES AND EXCHANGE COMMISSION**

**NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION
FALL CONFERENCE
ORLANDO, FLORIDA**

SEPTEMBER 29, 1993

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

**REMARKS BY ARTHUR LEVITT
CHAIRMAN, U.S. SECURITIES AND EXCHANGE COMMISSION
"PROTECTING THE AMERICAN INVESTOR: A NEW PARTNERSHIP"
NASAA, INC. FALL CONFERENCE
ORLANDO, FLORIDA
WEDNESDAY, SEPTEMBER 29, 1993 1:15 P.M.**

Thank you for giving me the chance to join you today -- to meet with all of you -- and to talk about the ways we can work together to safeguard the American investor.

I know that, in the past, when the S.E.C. came to this forum, some felt they came in full battle gear.

Well, the fact is, I too am here to engage in battle. But as an ally, not an adversary.

The fact is, we face a common enemy. And I'm here to share my ideas on how we can win the battle: by working together -- by moving beyond the institutional rifts and rivalries of the past.

Today, the enemy we face is an erosion of consumer confidence. A growing feeling of disenfranchisement and confusion on the part of the American investor.

A feeling that our financial markets are becoming so institutionalized, so exotic and esoteric that they no longer serve the small-time entrepreneur or investor looking to claim their share of the American dream.

Ours is an enemy fed by a decade of unprecedented boom and bust that wounded the Fortune 500 as well as the family-owned enterprise.

An enemy sustained by the threat of scandal and impropriety in our financial markets.

An enemy that is formidable, indeed -- but can be conquered through a new level of consensus. A new level of coordination. A new level of cooperation among regulators.

President Clinton reminds us that we absolutely must build new bridges, and craft new coalitions -- because with all of today's challenges, we don't have a person to waste.

(more)

That's certainly true in our business, more than ever before. So let's walk the path of partnership. Let's shred the red tape of regulatory bureaucracy – not through autocratic mandates, but through resolute discussion, and negotiation.

Long before the S.E.C. was even conceived, our states were doing their very best to protect the flow of capital in our nation. And after the creation of the federal regulatory system, states have continued to work with Washington to do their important work.

My father served as Comptroller of the State of New York, and I grew up with a profound respect for the role of State government in fiscal and financial affairs. And during my career – selling cattle, building a small business into a very large business, as well as heading the American Stock Exchange – I certainly never believed that Washington had a monopoly on wisdom.

Even more importantly, I know how hard you work to keep our economy thriving and growing. It's often a thankless task. America's investors will be quicker to focus on what we haven't done than what we have.

But our nation's securities regulators -- at the S.E.C and at the state level -- are true patriots. You give your time and talent, because you care about our country. And your efforts make a difference.

I'm here to make you an offer. Let's establish a much closer working relationship between NASAA and the S.E.C.

I'm prepared to ask the S.E.C. to look to you, our co-regulators, for early input and insight on matters of policy and procedure.

Let's establish a climate in which we can both make compromises and sacrifices -- not to bolster our own parochial interests, but to protect the honesty and stability of the markets -- for buyers and for sellers.

I envision a NASAA that plays a stronger role among state regulators – to promote state, federal, and regional cooperation; to encourage uniformity among the states to reduce regulatory costs for business; and to advance policy discussion and debate at all levels.

My obligation as Chairman is straight-forward: to protect the integrity of our financial markets; to protect the interests of investors and issuers in those markets; and to help prepare the S.E.C. for the 21st Century.

Of course, this touches on the broadest areas of concern for any regulator: enforcement, encouraging the creation of capital, and making the marketplace

(more)

more efficient and competitive. And all are critical to our mandate.

But there are three specific issues that I consider my personal priorities – and the market demands that we focus on these issues very closely:

First, preserving and strengthening American enterprise as the leading international financial market. And selling the strengths of that marketplace throughout the world.

Second, making sure that the nation's regulators can keep up with the dramatic growth of the financial services and investment industry.

And third, working to maintain and increase public confidence in our critical debt markets, through greater disclosure and tougher monitoring.

After thirty years in the securities business, I know that this is a highly dynamic enterprise. Programs and policies cannot be inflexible. Goals and game plans must be resilient enough to account for new products, new techniques, new systems, and new kinds of investors and speculators.

So my priorities are based upon today's realities, and my educated assessment of tomorrow's challenges. These views are constantly growing and evolving – and my plans and priorities will evolve as well.

With that in mind, let's talk about these three priorities, and the ways we can work together to advance them.

The first area I wish to discuss is the international marketplace, and the careful steps we must take to preserve America's leading role in that marketplace.

We can do this by maintaining the rigorous standards that protect and inform both individual and institutional investors. And also by selling our advantages and strengths throughout the world.

Toward this end, the S.E.C. will work closely with international regulators to develop accounting standards which are acceptable worldwide -- facilitating foreign listings and improving the access of the American investor.

We must be careful to find and hold the critical balance – between keeping our markets attractive to foreign issuers, on one hand; and integrating international rules and standards, on the other -- to ensure that even the smallest American investors are protected, and that foreign corporations are not given an unfair advantage over our own corporations.

(more)

On a case-by-case basis, we have allowed many foreign companies freedom from the strict letter of our rules – on items as diverse as foreign currency reporting, treatment of variable capital, historical reconciliation, and loan accounting. We've shown that we can be flexible, without compromising the spirit and the principle behind our rules and regulations.

I'm eager to increase foreign listings on our exchanges. And it would be a failure of the competitiveness of our entire regulatory system if foreign companies decide not to enter our market because of regulatory barriers.

So I need your partnership in this area. We must be willing to be even more creative and cooperative –

To adapt to new realities without lowering old standards –

And to promote economic growth without punishing the small investor, so that our marketplace keeps its leading role in the global marketplace that is now emerging.

My second main priority is closer to home, and no less critical to our nation's strength. We absolutely must make sure that our regulations keep up with dramatic changes in the markets. The recent plunge in interest rates has led millions of new investors to buy shares in mutual funds – and this industry has been growing exponentially.

I believe we should work with Congress to address the concerns raised by this fast and furious growth. And public protection demands more than government oversight. Self-regulation – at the very least, greater self-scrutiny and attention to compliance by the industry itself – should be an important part of our strategy.

As for my third priority, we will focus more attention on our debt markets, where transparency and disclosure have not adequately protected public investors. Strengthened enforcement and oversight are essential for the capital raising mechanism that helps America repave its roads, rebuild its bridges, and invest in our future.

Disclosure simply hasn't done enough to protect public investors in these markets. This is especially true in the municipal bond business – a largely unregulated, 1.2-trillion-dollar market that has seen recent allegations of influence-peddling – allegations which could threaten its integrity.

So I intend to work for greater disclosure, not just of financial facts, but also of the political contributions which can erode public confidence in a market that

(more)

depends on public trust.

In addition to broader disclosure, a strong case is building for better pricing information for both investors and regulators; and for a much tougher approach to monitoring the actions of brokers and dealers.

There has already been a great deal of productive partnership between the states and the federal government on regulatory and enforcement issues — such as our Penny Stock Task Force and our coordinated sweeps of penny stock brokers;

our regional regulatory sessions, which are a model for even greater regional cooperation among states;

and our efforts to make it easier for states to obtain information from S.E.C. investigations and actions.

And there's much more to come: We have already invited NASAA to join in our dealer-broker training programs. And we plan to include you in upcoming examination sweeps as well.

But we have more to do. We must build on this record of cooperation. And I know we can.

All three of these areas present challenges for our regulatory system — and more tough questions than easy answers. But it's a challenge we can meet if we do it together — through discussion and negotiation.

Through sitting down at the table — staying at the table — and seeing what each of us can contribute to make life a little easier for entrepreneurs.

This means that, when NASAA members come up with innovative ideas for tackling these and other issues — such as your SCOR form for small business, which is now part of the S.E.C.'s rules — we'll work with you, and not against you.

Of course, we can't allow the process itself to become an excuse for inaction — and we've got to ensure that the speed and efficiency of our regulatory responses aren't compromised. A partnership can only be effective if it is a partnership that moves apace.

The bottom line is that the S.E.C. needs all of you — and wants to work with you. We share the same goals — and I know we can work together to achieve those goals.

(more)

Let's fashion a framework for close cooperation that will extend far beyond my tenure. I have asked Commissioner Rick Roberts to lead the S.E.C.'s liaison efforts -- to serve as a high-level Ambassador to NASAA -- as a formal means of communicating and cooperating more effectively. We can -- and we must -- pave a path to partnership that benefits investors well into the 21st Century.

Let's work together to preserve our marketplace as the most dynamic and fair and open in the world's history.

We may not always agree, but when we disagree, let's disagree in the spirit of debate and discussion. Let's not lose sight of our ultimate mission -- the protection of the American investor, despite these difficult economic times.

There's certainly more than enough work to go around -- and the challenge is tremendous.

So let me conclude by quoting George Bernard Shaw, who once said the British and the Americans were: "Two peoples, separated by a common language."

Today my hope is that we can use our common language not as a barrier, but a bridge -- a bridge to a new era of communication and cooperation between the SEC and NASAA.

Thank you for listening -- and I look forward eagerly to working with you.

#