



**"TOWARD A NEW GLOBAL PARTNERSHIP:  
INTEGRITY, STABILITY, AND OPPORTUNITY"**

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

**INTERNATIONAL ORGANIZATION  
OF SECURITIES COMMISSIONS  
1993 ANNUAL CONFERENCE  
MEXICO CITY, MEXICO**

**OCTOBER 26, 1993**

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

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I thank you for having me here today -- and it is a pleasure to join this international community of talented and devoted regulators.

My friends, my colleagues -- I'm speaking to you at the dawn of a new age of transition and transformation in the world's financial markets.

A new age of interdependence and partnership among the world's securities commissions.

As the Chairman of the U.S. Securities and Exchange Commission, I come before you today as an eager agent of that change. Because the forces behind it are greater than any and all of our individual commissions and mandates.

In the past few years, we have seen the powerful push of democracy and capitalism throughout the world -- and entire armies and governments have been powerless to stop it.

Indeed, today free cross border trade has become a critical area globally. And it is not merely a matter of economic necessity. It is a recognition that the real borders of our world are shifting -- that more and more, we are one economy, and one people, with common goals, and a common quest for growth. Dynamic markets require open borders in order to thrive. I believe and I hope that the North American Free Trade Agreement and GATT can be models for freer and more open trade all over the world.

Perhaps President Clinton said it best when he addressed the United Nations and affirmed that "our overriding purpose must be to expand and strengthen the world's community of market-based democracies."

We can work within IOSCO to meet that goal -- to strengthen the markets of our own countries by strengthening the markets of the whole world -- if we recognize that the interdependence of our nations and our economies is a fact, not a choice. If we recognize that it is better to walk with the wind than to walk against it.

And if we recognize that even in an age of profound transition and transformation, there is also a tradition to uphold.

A tradition of markets that, despite all of the exotic financial products and often complex financial regulations, are really here to serve the people -- the families

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-- the small-time investors who fuel economic opportunity from Manhattan to Madrid to Mexico City.

I know all of you are dedicated to that purpose -- through forging a new level of consensus and cooperation among the world's securities commissions. One that meets our common needs, without forsaking our individual mandates.

In the U.S., we talk a great deal about participation in political contests, and participation in the life of the community, as a measure of the strength of our democracy.

But the ability to raise capital -- to start and fund a business, and turn a dream into a livelihood -- is really the heart of democracy itself. I'm sure I speak for many of you when I say that it is a profound opportunity we've been given to help make that happen.

As regulators, we have a special responsibility to this process, to keep our markets growing and dynamic. Programs and policies cannot be set in stone. And we must be flexible enough to account for changing products and techniques, changing systems, and changing political conditions as well.

So it's important for us to consider what we can do -- what we must do -- to safeguard our markets and to protect our investors in this exciting and challenging time.

Let me share my thoughts on three issues which are critical to this ongoing process -- the ways in which we can work together to increase the integrity, the stability, and the economic opportunity that is offered by our securities markets.

My thoughts are based upon today's realities, and my educated assessment of tomorrow's promises. Like the markets we regulate, the demands are constantly growing and evolving -- and I look forward to working with the people in this room - - learning from your insights and experience -- and developing a set of goals and principles that help us fulfill the aspirations that we all have for our markets.

The first issue is the most basic, and in many ways the most important. With all of the changes in the world today, the integrity of our markets simply cannot be compromised. The globalization of our markets does not have to mean the degradation of our markets.

And that's why enforcement is absolutely essential. If capital moves across our borders, then domestic enforcement authorities must have the ability to follow.

This organization has long stood for international integrity. Its efforts to build cooperative networks for the exchange of information have helped bridge gaps and made each of our domestic agencies more effective. I want to work with all of you to build on that record. Because the fact is, IOSCO has been tremendously important in bringing nations together, to help each other when enforcement problems do cross beyond our own borders.

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To put it very simply, this forum helps each of us to meet our most basic mandate: protecting investors in our own nations. We've got to keep doing that. But we can do more. We can protect each other as well.

And that raises the second issue -- stability. Recognizing that the stability of our own markets depends on the stability of our neighbors' markets. Realizing that we must give our investors the highest level of protection -- rather than settling for the lowest common denominator.

I believe there is a lot we can accomplish in this area.

We can work for strong international clearance and settlement systems -- so that people get what they pay for, no matter what market they buy it from. As many of you know, in 1988 the Group of Thirty proposed international standards for clearance and settlement -- including the reduction of settlement cycles to three days. In fact, in the United States we just decided to move from five days to three by June, 1995 -- to reduce the risks for our investors. I believe that other markets can benefit from this kind of change as well.

We can work for greater financial responsibility -- because investors deserve the security of knowing that their investments are backed by more than good intentions. I know that, despite IOSCO's best efforts, it has proven difficult to forge a clear consensus on this issue in the past. But even if we do not have a single standard, I know we can work to ensure that every market has its own high standard.

We can work to make our markets more responsive to new financial products, such as the increasingly popular derivatives -- products which hold great opportunities, but also great risks for our people and great challenges for us as regulators.

Our obligation is to understand those opportunities, while minimizing the risks - through better information, greater investor awareness and regulations that meet changing realities.

And we can work to achieve greater transparency of our markets -- to give investors greater price information, and to help them make informed investment choices. I believe IOSCO can help us forge high international standards, rather than allowing our standards to erode.

These two areas, integrity and stability, are crucially important -- because they are the very foundation of successful markets.

But the third issue -- opportunity -- strikes at the heart of our purpose, and the heart of our values. As our markets expand to every part of the globe, the opportunities for raising capital, the opportunities for investors to reach for their dreams, expand as well. The free flow of capital is what the free market system is all about.

And today's businesses are looking for economic opportunities wherever they

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can be found. They are looking for new and innovative ways to expand their securities markets -- just as they expand their operations and their impact around the globe. And today's investors, both large and small, are also looking across borders for new and diverse economic opportunities.

If you look at the numbers, this trend is a powerful one. Even in these difficult economic times, securities transactions across our borders have mushroomed -- exceeding \$1.9 trillion dollars in 1992, and growing even greater in 1993.

In my own country, foreign issuers have raised record amounts of capital in the past three years. In the last 18 months, more than 150 foreign companies have entered our markets for the very first time. And the path to progress has been a two-way street. This year alone, U.S. investors have purchased more than 946 billion dollars in foreign securities.

As capital flows even faster, in even greater amounts across our borders, we all know that the demand for more efficient markets -- more open markets -- and lower regulatory costs -- will continue to grow as well. We must respond to that urgent call.

One way to do so is by moving toward full and open disclosure, so that, regardless of where they buy securities, investors know what they are buying and what risks they are taking. Another is to constantly review our regulatory requirements and practices. To dismantle impediments constructed by outdated, unnecessary and redundant regulation. To streamline regulatory processes, enhancing a company's ability to access the market when funds are needed and conditions are most attractive.

But we cannot stop at individual national responses. We must, working together, develop a coordinated process that will permit international companies to choose to provide prospectuses and listing documents that meet internationally accepted standards in order to have free access to all of the world markets.

The steps we are taking toward international accounting and auditing standards at this conference are critically important, because we cannot begin to move toward greater disclosure if we do not even speak the same language.

If each of us leaves this meeting and implements International Accounting Standard Number 7, companies seeking to finance on a global basis will -- for the first time -- be able to comply with a single standard knowing that each foreign market will accept its cash flow statement without supplementation or modification.

This is because IAS 7 is a standard that all of us can accept.

In fact, reflecting our view that IAS 7 represents a quality standard, the SEC will meet next week to propose its acceptance in the U.S.

I am told that some years ago, when the IASC addressed the IOSCO Annual Conference in Rio de Janeiro, most people thought that international accounting standards were lofty and distant goals. How far we have come. Thanks to the

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dedication of those involved in this process, international standards have the potential to be a present day reality. There is much to do. However, having reached agreement once, we now know it can be done.

We are at a crucial crossroads in world finance. We have been presented with a unique and historic challenge -- one that will define our economies, and our societies, well into the next century.

And the challenge in international finance is really no different than the challenge in international diplomacy or international trade.

We must reach outside ourselves. We must think more about each other. We must build a better world, through innovation, and cooperation, and united strength.

And we must be idealistic, but we must be realistic as well. With all of the complexities in our markets, we must not measure ourselves solely by the criterion of consensus.

Sometimes, we may have to go our separate ways. It is our right to do so. And in the interests of our people, at times it may be our obligation to do so.

But we must never confuse differing methods for differing goals.

If we recognize that we are joined by a dedication to integrity, stability, and opportunity, as well as a constant commitment to our work, and a deep devotion to the people we serve --

If we keep working together, and talking with one another --

Then, my friends, we can rise to the challenge of history, and there is no limit to what we can achieve.

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

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