

2005 Annual Meeting
“Crisis and Resolve: The SEC and the Securities Industry
Remember September 11, 2001”

Robert Kueppers: Good afternoon. I’m Robert Kueppers, the President of the Securities and Exchange Commission Historical Society. It’s my pleasure to welcome all of you present here today in New York City, and all of you listening at www.sechistorical.org, to the Society’s 6th Annual Meeting.

The SEC Historical Society is a non-profit organization, founded in 1999, to preserve and share the history of the U.S. Securities and Exchange Commission, and of the securities industry, through a virtual museum and archive at www.sechistorical.org. Today’s Annual Meeting will be preserved in the virtual museum and archived after the broadcast. I’d also like to thank the more than 2,000 visitors who come to the museum each month, and the many persons who have contributed to the growth of our collections. My fellow trustees join me in expressing our gratitude to the more than 500 donors, both individuals and institutions, who generously give to support our work.

Today’s Annual Meeting is the first to be held outside of Washington D.C., and it’s also the first to receive sponsorships. I’d like to thank the generous support of Kalorama Partners, LLC, our principal sponsor, and to Pfizer, Inc. I would also like to thank the in-kind support of Bear, Stearns and Company and Deloitte & Touche LLP.

Finally and importantly, I’d like to express the Society’s appreciation to the U.S. Securities and Exchange Commission for their continuing friendship and support for our work. While the Society is independent of and separate from the SEC, and receives no funding from it, we are grateful for the SEC’s ongoing partnership with us. I also like to acknowledge the presence of Mark Schonfeld and his colleagues from the SEC’s Northeast Regional Office. The SEC’s Northeast Regional Office lost its office at 7 World Trade Center on September 11th, 2001. After a few years in the Woolworth Building, they have just relocated to the World Financial Center.

We have with us today SEC Commissioner Cynthia A. Glassman. Commissioner Glassman has been very generous with her time and with her support of the Society. Please welcome her to share remarks on behalf of the SEC.

Cynthia Glassman: Thank you, Bob. It’s an honor to be here today at the SEC Historical Society’s 6th Annual Meeting. As you know, I must give our standard disclaimer that the views I express are my own, and don’t necessarily represent the views of the Commission or the staff.

As the longest serving current Commissioner, I personally think that I’ve been part of a very historical time. I’m now about to be on my third Chairman in as many years. Perhaps the folks of this Society, who keep track of these things, can let me know when I hit the record for most turnover during one appointment.

Seriously, this year’s theme, “Crisis and Resolve,” and the remembrance of September 11, 2001 provides us all with an opportunity to reflect on the great strength of our nation, its people, its institutions, and its financial markets. And while it’s true that Washington D.C. was also targeted on September 11th, I believe it’s appropriate that this meeting is being held in New York, which is the center of our nation’s financial markets.

September 11th had the potential to wreak havoc in our financial markets. Indeed, immediately in the aftermath, the trading markets closed. Nonetheless, within days, the markets were reopened and functioning smoothly. The Securities and Exchange Commission, under the Chairmanship of Harvey Pitt, was integral in the process to reopen our financial markets and ensure their orderly operations. The incredible determination evidenced by all in the securities Industry stands as a testament to our resolve to overcome adversity.

Although I was not a Commissioner during the September 11th crisis, I was at the Commission when scandals erupted at well known corporations and in the mutual fund industry. The corporate scandals ultimately led to passage of the Sarbanes-Oxley Act, the most sweeping securities legislation of our generation. Similarly, the late trading and market timing fiasco at various mutual funds complexes resulted in Commission enactment of numerous rules, requiring not only greater disclosures and stronger compliance, but also restructured governance.

From a historical standpoint, other than right after the creation of the SEC itself, it's difficult to conceive of a period of greater activity of the Commission than has been experienced in the past few years. Frankly, I feel I've had a sufficient number of historical moments to last a lifetime. And I hope that the remainder of my time at the Commission is served during what historians will refer to as the mundane years.

In closing, I'd like to note that the Historical Society serves as a wonderful complement to the Commission and to our financial markets by providing the context for the activities, both past and present, undertaken by the SEC, in furtherance of our mission to protect investors and maintain the integrity of the securities markets.

As a non-SEC alumna when I was appointed, I found this context to be a great resource for me. I'm thankful to the Society for its existence, and for its passion to preserve the important history of the SEC.

Thank you for providing me with an opportunity to address you today. You have an interesting program that's planned which, because of a prior commitment, I'm going to have to watch on the replay, but I do wish the Society much continued success with its very important mission. Thank you.

Robert Kueppers: Thank you, Commissioner Glassman. The theme of our Annual Meeting is "Crisis and Resolve: the SEC and the Securities Industry remember September 11th 2001."

Eighty years ago, in 1925, Colonel William Mitchell of the-then Army Air Corps wrote of the possibility of a single explosion placed by aircraft in the heart of New York City, which could wreck tall buildings, close the New York Stock Exchange, put communications and transportation systems out of order, and paralyze the financial center of the Western Hemisphere. As far-fetched as Colonel Mitchell's predictions seemed when it was made 80 years ago, this possibility became a reality, a terrible one, on September 11, 2001.

Before looking at the impact of the events of that day on the capital market system, I ask that you join in a moment of silence to remember all those who lost their lives and all those whose lives were forever altered by the events of that day.

Thank you.

The human toll of the events of September 11, 2001 will always be front and center whenever that date is spoken or read. The heroism of those that rushed into harm's way, both on that day, and in the days following, is legend. Today, we examine a different facet of the tragedy - the threat it imposed to our capital markets. The story of the challenges faced by the securities industry and those in government responsible for the orderly operation of our markets has never been fully told.

We are fortunate to have with us those who lived through the aftermath, and like so many others, showed leadership in doing what had to be done. We'll begin with our panel, moderated by Wayne Carlin. On September 11, 2001 Wayne was the SEC's Northeast Regional Administrator. Today, he is in private practice with Wachtell Lipton, and I'll let Wayne introduce the rest of his panel. Wayne.

Wayne Carlin: Thank you Bob. To my left is Annette Nazareth, who is Director of the Division of Market Regulation at the SEC, and also held that position on September 11, 2001. Prior to being the division director, Annette held other significant positions on the staff. And before joining the Commission, among other things, she held important legal positions in firms including Salomon Smith Barney and Lehman Brothers.

To Annette's left, is Ed Kwalwasser. Ed is now Senior Counsel at the law firm Proskauer Rose, here in New York. Before joining Proskauer Ed had a long career in a senior role at the New York Stock Exchange. And on September 11th, he was Executive Vice President in charge of regulation at the exchange. And before the exchange, Ed also had a distinguished career on the staff of the SEC.

To Ed's left, is Tom Russo, who's Chief Legal Officer of Lehman Brothers Holdings, and Vice Chairman of Lehman Brothers Inc. Before joining Lehman Brothers, he was a partner in the law firm of Cadwalader, Wickersham & Taft. Earlier in his career, Tom worked in the Division of Market Regulation at the SEC, and was a pioneer in the field of commodities regulation, including serving as the first director of the CFTC's Division of Trading and Markets.

There's one person who is not here today who sends his regrets. That's David Becker, who was General Counsel at the SEC on September 11th. David received an invitation to attend a meeting at a federal agency in Washington, and it was not the kind of invitation that he could decline. But he sends his regrets.

What we're going to do on this panel is really in 3 stages. First, each of us, from our varying perspectives, is going to tell you how we first learned what was happening on September 11th and the early reactions and early issues that we dealt with. Then, we're going to turn to discussing what was involved in getting things up and running again, what was involved in protecting investors and restoring confidence in the marketplace, again, each from our different perspectives. And then finally, we will talk about lessons learned from the experience.

As you've heard, I was, on September 11th, the regional director in charge of the Northeast Regional Office. The office was in 7 World Trade Center, which was across the Plaza from the Twin Towers, and that was the third building that was destroyed on September 11th. I wasn't there that day. I was in San Francisco at a NASAA conference. The organization of the state securities regulators was there along with my counterparts, the other regional directors of the other 4 regional offices, as well as Jim Clarkson from the Washington staff.

And on the morning of September 11th, the NASAA conference was over, and I was to fly home from San Francisco on a flight that was supposed to take off at about 6:30 in the morning, San Francisco time. So, shortly after 6 a.m. San Francisco time, I boarded the plane, and within minutes of sitting down, my beeper went off. It was Chairman Pitt's office paging me, not knowing that I was sitting on a runway in San Francisco. I pulled out a cell phone and called. I got a member of Chairman Pitt's staff who explained that she was calling to find out if everything was okay, or what was happening at the office in New York. And when I expressed puzzlement, she told me that there were reports that an airplane had hit one of the towers. And that was the first that I heard of it.

Within a couple of minutes after that, they told us to get off the plane and go back into the departure lounge, where of course, the TV monitors had CNN with the early coverage. This is still shortly after 9 in the morning, New York time. I tried to make a few phone calls, completely unsuccessfully, from a pay phone, and it quickly became clear that my flight wasn't going to leave, and there were no flights that were going to leave. So I got in a cab and went back to my hotel and checked back in. I went back to the room that I had vacated about an hour earlier, which is where I ended up spending most of that week.

So, although I wasn't at the Northeast Regional Office that day of course, I quickly heard plenty about what had happened. Some of the staff were already there when the first plane hit. A lot of other people were in the vicinity on the way into their office, and frankly the people who were in the vicinity on the plaza, or coming out of the subway, were the people who tended to have the most harrowing experiences that day. The first thing that leaped to everyone's mind was the need to track down the 320 or so members of the Northeast Regional Office staff to make sure that everyone had gotten out, and had gotten away safely.

And so, the initial focus was entirely on dealing with the human aspect of the crisis. And when Chairman Pitt reached me by phone later that day, the one thing that he told me was to be focused on tracking down the people and attending to the people and to not worry about anything else that day.

Everyone on the staff did get out, and did get away safely. The closest call was a young woman named Lourdes Vega, who is an examiner on the broker/dealer exam staff, who was on the 80-something floor of one of the towers, conducting a broker dealer exam, just a few floors below where the plane hit. And I heard about her that day. And I reached her by phone that evening and I know Chairman Pitt did also.

And her reaction, when I spoke to her was really emblematic of a lot of what I saw in the staff in the days and weeks after these events. Because the main thing that Lourdes was concerned about, having been a few floors below where the plane hit was, was that

she was kicking herself that she hadn't thought to grab her SEC laptop before walking down 80 flights of stairs to save her life.

I spent most of that day on the telephone, although not a lot of calls went through. By late that day, with the TV in the background, in my hotel room, I watched as 7 World Trade Center collapsed. And it was not really until that moment that the scope of what we were going to have to deal with in the office hit me.

And I'll address that phase of things when I get the microphone back. The last thing, to just finish up the immediate aftermath for me is, I stayed in San Francisco through that week, with a plane reservation for the next day thinking I was going to fly back, and then the next day the flights were cancelled.

So finally, on Friday of the week, I decided the only way I was sure to get home, was to drive. Along with my counterpart from the Miami office, Dave Nelson, we rented a car and left San Francisco mid-day on Friday. I walked in the door of my home in New Jersey on Monday afternoon. On our best day, we did 1,020 miles, and if you ever have to drive cross country, I recommend doing it with Dave Nelson. And those who know him know what I'm talking about.

Annette, could you talk about how you learned the news, and what the initial reactions were, that you dealt with.

Annette Nazareth: Sure. I first heard about the first plane hitting the World Trade Center from our market watch people, who I sat very close to. And that is often the case. If there's an event of any sort, they will come right in and tell us. They originally turned on the television, so that I could see first hand what they had viewed. That was for the first plane. Obviously it was pretty dramatic. My first thought was that I'd better go and tell the Chairman but - I'm ashamed to say this in front of Harvey - but before I did, I hesitated and called my husband. But let the record show that that was the first call into the Federal Reserve, letting them know what had happened. I then went to the Chairman's office and informed Harvey and his staff. And we were watching the television as the second plane hit. And obviously, it was very clear that we had a very serious event on our hands.

Our first thought then, was to obviously go right back to Market Regulation and start marshalling the troops and addressing the issue by putting together a plan to contact people at all of the major firms and the markets in New York to see what the situation was, what was the status of the markets and the safety of the people. And we did that immediately.

And in addition we obviously had to address the concerns of our own staff. We had a number of people who were extremely concerned and eager to leave and go home to their families. That was even more so, after it became clear that the Pentagon had been hit. It was, I must say, extremely difficult to stay focused when we were aware that there was yet another plane reportedly on its way to Washington. And it was unclear to us where it was headed. It was pretty sure it would not be headed for the SEC. I wasn't so sure it wouldn't be headed for Treasury or the White House or Defense. So, it was a little hairy for a while and certainly very difficult for everybody to deal with.

We, as I said, came up with a plan, obviously with the help of the Chairman and his staff as well to deal with the issues including immediately putting in place a plan to meet with the major markets and market participants the next day in New York. This required quite a bit of coordination. Because obviously just getting to New York, getting down to the New York Stock Exchange, and meeting with the Chairman was no mean feat given what was going on at the time in New York.

So we coordinated with various federal and state agencies. But we were able to do that and obviously, we can talk later about what followed from that. But it was I think a really wonderful coordinated effort on the part of the markets, the market participants, state and federal authorities, Con-Ed, Verizon and various other people who got together and worked through what I call a market driven response to this terrible event.

So, with that I'll turn over to Ed.

Ed Kwalwasser: We were at the center stage for the stock exchange. We had our enforcement division at World Trade Center Tower Number 2. And you may remember that there was a bombing there several years before, and the criticism of the Port Authority, among many, was that they didn't have any lights in the stairwells when people were trying to go down, and they didn't have any form of communications to the people who were in the building to know what was going on.

I got a call that one of the towers was burning. So, I called Dave Doherty who was head of our enforcement division, and asked what was happening, and he said, "Well, the building now had an intercom system, and over the intercom system, they were telling people just go back to your office. There's nothing to worry about." That there's a fire in the other building, and we have it entirely under control.

While I was speaking to him, the other plane hit the building. And luckily, they hit before 9 o'clock. Now, I don't want to say that our folks didn't get in early to work, but a lot of folks had actually not gotten up in the elevators in the World Trade Center, which was great. We tell Dave, one, obviously, we didn't have to tell them to get everybody out of the building as fast as possible. And to get everybody to the extent we could over to the Exchange, because we were concerned about the people and knowing where they were. And we wanted it be able to corral as many people as we could and keep them there until the perceived danger passed.

A large number of people did show up at the Exchange from our division of enforcement and we had about two-thirds of all of the people there within. While we were still in the building, although lots of phones didn't work, some cell phones did work, some cell phones didn't work. We were able to contact a number of the people who had gone to their homes from the office, or gone to their parents' homes. And we'll get into it later, there were a number of people that we couldn't track down, and we didn't know what happened to them.

When the second tower collapsed, it was like an earthquake in our building, even though we were about 4 blocks away. And we didn't exactly know what happened, but a couple of seconds later, the air turned black, and you couldn't see outside the building. And so, we kept everybody there until 4 or 5 o'clock in the afternoon. To the extent that they would stay, they weren't under house arrest. But we strongly suggested that they do that. Then people started to walk home.

You might have heard of one woman who actually was our assistant corporate secretary, who picked up a couple of kids from a nursing school, where the teacher was trying to corral all these little kids to get them away from the center. She left her name with the teacher and took the kids home, and then delivered them to the parents later that night. We also had one of our 2 enforcement people in Denver, who immediately rented a car, and drove through the night to get back to the city, so that they could be with their families. It wasn't they were trying to get to the exchange for sure.

I think that's really the human side of what we went through on that day, and there's certainly a lot more that we'll get into. Tom.

Tom Russo: Well, when the first plane hit, I was, as I do every morning for the last 2 decades, I was with my assistant Cindy Sabia, going through mail and stuff. And she said that must be a sonic boom. We were at the World Financial Center right immediately across the street. That seemed very, very loud and then it was just a matter of time. A few people came into the office, and they said a plane has hit the World Trade Center.

So I went out -- went to Dick Fuld's office, who is our Chairman. He wasn't there. I believe he had a doctor's appointment at the time. So, I went there, and most of the management of the firm were in his office. And we were actually watching the building burn. And we got Dick on the phone, and we were trying to discuss what should we do. Because we had people already in the World Trade Center lower floors, and they were evacuating. We did that; the issue was, what do we do in our building.

There was a lot of dialogue and a lot of feeling maybe we shouldn't be doing anything, because there'd be just bedlam out there. And I don't think anyone thought the building was going to fall. And we were actually looking at the building and physically saw the second plane come in and hit the building -- the second building, and then we saw that we had to have it organized. Evacuation -- we told that to Dick. And we did that. I was actually the last one to leave the building, because I wanted to make sure everyone was out.

When I left, the first building had already collapsed, and there's all this debris on the first floor of 3 World Financial Center. And I remember thinking at that time, it seemed like something out of a war scene, because you had all this soot and everything all over the place. And it was all over you, and you're really at that point, not sure where you are and what's happening and it was such a traumatic experience.

And then we got out of the building and we're standing there. And I spent a lot of time with Dave Komansky. We're talking about what to do and what does it all mean. And I was on my cell phone with Dick, our Chairman. And we were just sort of disoriented in some ways because of the horror of it all.

One other point I should bring out, which is, I mentioned horror. I remember it very well. I remember looking out of his office when we were there and I remember watching the people jump off the roof. I guess it was at 2 World Trade Center. And I remember just seeing it, and you can imagine what they had to have been going through - the dilemma. And just seeing those people come down. And it's just something that you'll never get out of your mind.

Anyway, so I was down at the base on the phone, our Chairman trying to figure out what are we supposed to do. Several of the senior management wound up getting on a ferry to go over to Jersey immediately to go into our sister recovery site which was Jersey City, 101 Hudson. Dick, our Chairman, was mid-town and I was going to walk up to see him. And I remember -- just on the personal side, before I go into the business issue, I remember walking up, and my knees, which are terrible from running -- just agony. And one of the policemen said, "You got to go faster, because the pavement underneath may explode." They smelled gas, and there were actually cars going the other way. Most of the fire trucks and everything were going towards the World Trade Center. But at one point there was a turning around. There was a feeling that it may explode.

And I was thinking that that seemed very feasible. And I couldn't go any faster, because my knees were just in agony at this point in time. And I remember thinking, should I jump into the river at this point, because if it does explode, at least I have a chance of doing that. I decided not to do that. And I finally went mid-town.

I remember, in retrospect, something humorous. With all of this happening, Dick on the phone, not realizing some of it, particularly the gas, said, "Go back and then get a ferry to Jersey towards our sister recovery site." And I'm thinking to myself, go back, and I'm looking at the building, looking clueless. And I'm thinking, that doesn't seem like a good idea. And so, as usual I did what I thought best. And anyway so I went. I spent time with him, and then we went from there, which is the next part what we'll talk about. We had to figure out what to do with the firm and how to manage through it.

Wayne Carlin: Thank you Tom. In terms of getting things back up and running, and performing our functions, we'd really started to turn to that, that very first day. As I said, the focus was initially on tracking everyone down, but even as we did that, we started to get to work on getting ourselves in shape to continuing our functions. And as a regional office, of course we had both an enforcement staff and an examination staff.

One stroke of luck that we had was that, on September 11th, there was a large contingent of Northeast Regional office staff in Washington for the Commission meeting that had been scheduled for that day because we had a number of enforcement recommendations on the calendar. And amongst the group down there was Mark Schonfeld who, at the time, was one of the co-heads of enforcement in the office. And Mark, since he was there in Washington, did a great deal in addressing a lot of the administrative aspects of getting us what we needed to get started again.

We really had a monumental task in front of us. We had no office, no files, no computers, most abhorrent to a bunch of lawyers - no documents. But it really didn't slow us down at all, because a lot of people stepped forward. A lot of them, on their own initiative, people from senior levels, people from junior levels, to do whatever they could do to get us going again. Groups of staff met in people's homes and in people's apartments.

Karen Pennington is in the audience. She was an assistant director in enforcement at the time. She had a meeting of the investigative team on a very important investigation in her apartment, and there ended up being a picture of that in the New York Times, which I thought was one of the best ways we could demonstrate that we weren't missing a beat.

There was a group of staff who met in a public library on Long Island, where a number of them lived. We even had one broker/dealer exam team that went back in the field, literally within a couple of days, to resume an exam. Not because someone directed them to do it. It gives you an incredible sense of pride in what these people were doing. These are not people who had fancy titles. They are examiners who were in the middle of conducting an exam. They thought what they were supposed to do was go back and resume their exams. So they did. And there were a lot of stories like that.

We had very important assistance from our friends in the U.S. Attorney's offices in the eastern district in New York, and the southern district of New York that both gave us office space to work in, and helped both on matters that we had in parallel with them, and also matters that they didn't have any involvement in at all. They just gave us the assistance. We also got working right away, on finding new office space. That got started while I was still in San Francisco. It was a group that consisted of Leslie Kazon, who is also here today, Ed Nordlinger and Richard Lee, who later that first week toured around a number of sites to find suitable office space. And I did that as well when I got back. And this was at a point when the only way that you could enter lower Manhattan, was with a police escort. And the barriers were still up. It really felt like entering a war zone. And I remember, in those circumstances, going and visiting the Woolworth Building, which, as someone's mentioned already, is where we opened our new office.

And I don't know what exactly Chairman Pitt did, but whatever it was, it worked. Jayne Seidman appeared in New York fully empowered to cut through all imaginable red tape and bureaucratic requirements. You name it. If you think that federal agencies are unavoidably slow moving, irretrievably bureaucratic, unable to make decisions, that is not what we experienced. It was thanks to Harvey Pitt that that happened, and a process that normally would have, at best, months took a few days.

We also got focused on recovering as much as we could, of what had been lost, and we actually were able to recover almost all of our e-mail, and other electronic documents. It was heartening, and a little surprising that we were able to recover as much as we did. We went to the court reporters to get replacements for the testimony, transcripts we'd lost. We went to criminal prosecutors and SROs within parallel investigations to replace the documents we had lost. And when we had to, we went back to the people who had produced documents to us, and asked them to produce them again. And we got very good cooperation in that regard.

Roughly a couple of weeks after 9/11, we got some very generous assistance from Fordham Law School, which is in the Lincoln Center neighborhood here in Manhattan. They gave us an auditorium that was big enough to hold the whole Northeast Regional Office staff. And we passed the word through the phone trees because of course nobody was connected to e-mail, and it was the first gathering of the entire staff -- or close to the entire staff, and we had almost everybody there.

And part of the purpose for that event was to deal with the human side of things and get people more reconnected. And Mark Radke, Chairman Pitt's chief of staff came for that meeting. Lori Richards, who has always had a lot of affection, as well as respect, for the exam staff here in New York, came to that meeting.

There also was a very big practical component to that meeting, because there was some really phenomenal work by the IT staff in Washington. They showed up at Fordham Law School with over 200 laptop computers, many of which I believe, were manufactured specifically to be brought to us. And they handed out every one of them to members of the staff, which meant that even more of us could get more actively back to work even still without an office. It meant everybody could connect into e-mail remotely, and the whole office could be in touch.

We re-opened in the Woolworth Building on October 15th. We hit the ground running. We actually hit the ground running before that, because our first post-9/11 enforcement action was brought on September 28th - a case called "In the matter of David F. Bellet," which Karen Pennington will remember if no one else does, other than Mr. Bellet. And we were back in action, bringing more cases in October.

After all was said and done, we were able to reconstruct really everything that was lost that mattered. The losses on 9/11 did not prevent us in New York, from bringing any enforcement case that we felt warranted being brought. And in that connection, I would be remiss if I didn't also mention that the response of the defense bar and the industry who dealt with us in our enforcement matters. These were circumstances where you could imagine the person could be tempted to take advantage. And it didn't happen.

When we asked people to give us the documents again, they did. When we contacted people and said we're ready to resume the settlement discussions we were in the middle of, they resumed them. There was only one exception that I heard about. There's only one apparent effort to take advantage of what had happened. This was a particular case where, before 9/11, there had been an agreement in principle on settlement terms. And after 9/11, the prospective defendants backed out of the agreement in principle. And our suspicion was they thought that the case was small enough and difficult enough to reconstruct, that we wouldn't do it. We did. We reconstructed the case, and we brought the case. And the case was settled.

And I guess I would sum all of this up, by saying that, what I found having gone through this experience with the really incredible staff of the Northeast Regional office was we never really lost the Northeast Regional office of the SEC. We lost a physical location, and we lost some objects. But the office, which was the people, never missed a beat.

And Annette, if you could turn to the efforts to get the markets going.

Annette Nazareth: That's hard to follow. I think, what you've heard from Wayne really underscores what I think many of us at the Commission, who were there at the time feel, which is that it was really an amazing effort on everyone's part.

And certainly under the leadership of Chairman Pitt, we were able to achieve things that, as a government agency, no one ever thought was possible, really cutting through red tape and facilitating resolutions. I think the message from the very top was that we were to do everything we could to engage in outreach with the markets, with industry participants and with our fellow government agencies. And do everything that we could, to further what was our national mission at that time: to restore the markets and restore investor confidence.

Really, the first moments, Chairman Pitt was drafting a statement to the public about the situation, advising the public of our support for the markets and for the closing of the markets and our confidence that we will continue to monitor the situation and that we would keep the public well informed. And that really is the most important thing that you can do at a time like that is to keep the lines of communication open, to let people know that you're on the case and that they will be informed as things develop.

We did spend a huge amount of time on communication with market participants and with the President's working group on financial markets, which was a wonderful means of facilitating dialogue among the SEC, CFTC, the Federal Reserve, and the Treasury. And there were telephonic meetings regularly, sometimes more than once a day, keeping each other informed about the situation and what our efforts were to assist.

We, as I'd said earlier, had agreed to go to meetings in New York, and to assess the situation with a large group including, again, representatives from the Governor's office, the Mayor's office, Con-Ed, Verizon, FEMA, the markets, market participants, clearing agencies, major banks and the Federal Reserve of New York. It was critically important that the response to this crisis be something that there was consensus on, and that the market participants felt comfortable with their decisions on closing the markets and when they should be reopened. And we wanted to be there supporting them and also obviously to be comfortable with their decisions.

Connectivity was the major problem at that time, as you can imagine. It was a significant concern that even markets like New York, that could have opened, didn't have connectivity with the firms that it does business with. And also, there was the overriding concern about the rescue efforts and personal safety concerns that caused the market participants to determine to close the markets and to wait until the next Monday to re-open. It gave us all the time to test for connectivity, not only to restore connectivity, but to test for connectivity over the weekend, to ensure that when the markets came up, they stayed up.

And that was a very critical concern on everyone's part. We felt that if the markets came back up, and then failed because of connectivity issues, that that would have a very detrimental impact on investor confidence. And so it was really incumbent on us to make sure that we got it right from the beginning. I think, in retrospect, that was a very smart move. The Treasury market and the futures markets opened on Thursday. So, they were closed on Wednesday and reopened on Thursday, and that was a successful operation as well.

Wayne Carlin: Did you know for sure that everything was going to work, when it started up, or was there some doubt until it actually happened?

Annette Nazareth: I think we were pretty confident, because we had our Automation Review Policy Group, our ARP group, liaising with the firms and with the New York Stock Exchange. We had large groups of people from OCIE, as well, to do this with over the weekend, and we had a high degree of confidence. I think one of our concerns was just that we didn't know what the volume would be. And particularly, if there was a huge influx of sell orders, whether we'd end up with issues because of overwhelming assistance. So, there was a little bit of concern on that part.

But I think we felt that, anywhere within the normal range, we were pretty comfortable that it would work; and, if there were problems, that they would be isolated problems and that we would be able to deal with them. I think there may have been some problems, but they were very small and very isolated.

So again, the equity and options trading resumed on September 17th. There were submissions though, as you know the American Stock Exchange had suffered damage to their building. And they were not able to operate in that building. And one of the things that I remember most about this period was the overwhelming cooperation among the markets and market participants. People who normally were archrivals in terms of our arch competitors couldn't do enough for each other to help out. And in the case of the American Stock Exchange, both the New York Stock Exchange and the Philadelphia Stock Exchange assisted by providing technology and space for traders to resume trading on Monday on those other markets. And obviously, we responded by doing whatever we needed to do from a regulatory standpoint to make sure that worked as well.

Another thing that I think we're all quite proud of in retrospect, and again, this was something that Chairman Pitt was very instrumental in doing, was the outreach included our going to SIA and the Bond Market Association and asking what relief would be helpful to the markets and to market participants when the markets reopened. Was there anything -- and obviously, we couldn't guarantee that all requests would be honored, but that certainly they were in a better position than we were to anticipate what type of regulatory relief might be useful.

And this was the first time we used our Section 12-K emergency authority to effect temporary rule changes on an emergency basis. And there was a fairly extensive list of actions that we took, all of which I think, were recommended to us by the various industry groups. And I think they really were very well advised and very helpful. And we certainly have kept track of them for hopefully, future reference that we'll never need, but we did things for instance, as you know, the 10(b)a team relief that we gave so that there was a concern that again, with a lot of potential panic selling, when the markets reopened on September 17th, a number of issuers said that they wanted to show their confidence in the markets by being able to repurchase their own shares at levels that weren't restricted by the 10(b)a team safe harbor limits. And in fact, wanted, to the extent possible, to be in the markets early in the day, so that you can have this sort of panic selling and then you'd see a huge market decline, right out at the open.

So, one of the things we did was, we had temporary changes to 10(b)a team that permitted issuers to be in the markets, at the open and at the close and dramatically increase the volume limits to 100% of the average daily trading volume, instead of, I think, 25%.

We had other changes as well. As you know, there were problems with clearance and settlement of government securities to say the least. And as a result, there were a number of firms that, because of these clearance problems -- and again, these were aberrational. These were problems that we thought represented permanent issues. They would have caused gigantic capital charges to the firms that were really not representative of the actual financial conditions at the time. And so, we suspended calculating the charges on those government positions that clearly were unable to settle because of the problems with the clearing banks.

There were a number of firms who lost physical securities, or had records that were lost and they needed to try to recover those records and they wanted to go to outside accounting firms to get helped doing that. And technically doing that might have violated the independence rules. Well, obviously, that wasn't the time to be worrying about independence rules. And so, we gave relief on that as well. There were a number of investment management and mutual fund exemptions that we gave. Obviously, things like telephonic meetings that we should certainly have been permitted during a time like this.

So, borrowing from affiliates -- there was a lot of concern in the markets about liquidity. I mean, not only did obviously, the Federal Reserve provide substantial liquidity in the markets. We tried to do what we could, consistent with those goals, by ensuring that in this crisis period that borrowing from affiliates, those kinds of transactions that are normally precluded would be permissible during this time. So there really were a number of actions that we took. And I think in retrospect, they've really worked quite well. And I do think that one of the lessons from all this was really just how a coordinated effort that kind of outreach, that service oriented approach during a time like this, served us very well.

Ed Kwalwasser: Just as Wayne said, we tried to get our enforcement group together as soon as we could. Luckily, we had a floor in 20 Broad which is right next to our building, that we were going to put technology people in. So, the floor was fully wired and within a week, we had our enforcement division up and running. We did tell people if they didn't want to come in, they didn't have to, for some period of time. Everyone but one person came in and that person eventually left the Exchange because they didn't want to be downtown. We could understand that.

The police and emergency management and the other state city groups were terrific. And they got all of the senior people at the exchange in every day right after 9-11. And one of the things that we found that the first day we were back is that the phones were ringing all over the floor of the Exchange and we couldn't quite figure out who the hell was calling us. And it turns out those were all dedicated lines, and when the other side of the line was essentially done away with, all of those phones were ringing.

We met with Verizon and with Con-Ed, and it turns out that although most of the firms were sure that they had dual access -- dual lines running through every place. I don't know if this has anything to do with the WorldCom problem or not, but telephone firms were trading space on the lines among one another and it turned out that almost all of the lines went through the Verizon West Street building, which happens to be right next to 7 World Trade Center. And when 7 World Trade Center went down, beams and other things pierced the Verizon building. And at same time water main broke, which evidently they have 5 basements with all of the switches, and the water was up to the third basement level. So that Verizon people were literally risking their lives to try to not get electrocuted at the same time trying to restore telephone service.

Whereas Con-Ed said that, for the first time in the history of lower New York, there are 7 lines that come down to lower Manhattan and five of those lines were out. The only way they could restore service was to lay 135,000 lines directly on the street, which they did, and those of us who were downtown at that point saw that they had little paper things over the lines saying, "High Voltage." They would run 13,500 volt lines off of that cable

into the buildings. But they couldn't get to all of the buildings, so what they asked us was, which buildings had our member firms in them, and we were able to give them a list of those buildings. And so, those buildings got their service restored before the other buildings, which was tremendously helpful in getting the market up and running.

Everyday that we came in during that week, we were at least evacuated once and the word was that 1 Liberty Plaza, was falling down. 1 Liberty Plaza was falling down just about every day in the afternoon, so they'd get all of us out of the building and we would have to go to 30 Broad Street to be protected. Then about a half hour later, they decided it wasn't falling down, and we'd come back in.

One of those days, someone said 1 Liberty Plaza is falling and they told the truck driver who was in the street who had one of those big long trucks. So he got out of his truck and ran away, which caused a riot. Because now there was this big truck and there was nobody there, right in the middle of the Wall Street area. So that took about 2 hours to get that guy back and find out what the hell was going on.

We were able, during that week to be able to talk to the Commission, to be able to talk to all the other markets and the member firms, to see where we are and where they were with getting up their connectivity. And it wasn't only connectivity to the Exchange; those firms in Lower Manhattan didn't have any connectivity to their customers. So, Goldman Sachs couldn't reach out to its customers. To open the markets before firms were able to get to their customers and get to us didn't seem to make a hell of a lot of sense. We actually did have dual lines, and we had dual sites, and so our stuff actually was up and running all of the time. But it didn't make any difference if we were open if nobody came to the party. And that was a lot of the discussions that we had during that week - when were people going to be up and ready, so that training could begin?

With respect to the American Stock Exchange, they came and said they couldn't open and that they couldn't get into their building. We both use the same system, and we, the New York Stock Exchange, had sold the AMEX our specialist book that they used to trade. And we reached agreement that they could have every single stock trade we have. Those of you who know the exchange, they have several rooms, and one of the rooms is called the expanded blue room because it's blue. And it's an expansion of another blue room.

And so we had actually been cutting down on space, and so we had two posts that we were not using. And so the AMEX -- we told them they could bring as many people as they think they needed to run their market, which they did. They had a whole lot of stocks on each book. But frankly, their volume is not so great that that made a market that they couldn't handle. I think that it went off extraordinarily well. I think they were there a couple of weeks and then they were able to get back into their building and continue trading.

One of the things that Annette didn't mention, which was another great help on the capital area, was that 3 firms had vaults in the World Trade Center. Several billions of dollars of securities were destroyed, and insurance companies wouldn't give a blanket bond to the firms. So they had to work it by security, and they would have been required to take 100% cut on those and 1 firm had \$9 billion for security. So, it would have been a big hit. And the Commission was terrific in working with us and the firms and not having them take a haircut in working through that, so that the firms could finally make

all of their customers' whole. They worked it out, they were able to figure out which securities were in those vaults. And nobody lost any money that I know of, and the firms did not have to stop operations.

We, the New York Stock Exchange, got permission not to examine certain members that year. The SROs have a cycle of firms that they're going to examine. And there were certain firms that were still up and running, but their main office was in the World Trade Center. And we just didn't think that it was in anybody's best interest to run in there and do an examination of those firms. So, the Commission gave us a pass on doing those firms.

So, I thought that all in all, it is a tremendous effort on everybody's part. Everybody was working together and I think we had a terrific outcome. It's true that debt started trading before equities. And that was decided at the first meeting that we had, which by the way was at Bear Stearns. But they forgot to tell everybody when the hell they were supposed to settle. So, some people thought there was 1 day settlement, other people thought it was 3 day settlement and some people thought it was 5 day settlement. So you can imagine what happened to a very, very large market, when people weren't matching up in the settlement of those trades. And again, the Commission was great in working through that and not requiring that charges be taken.

Wayne Carlin: Ed, were there any instances of relief or accommodation that you wanted to get from the Commission that you weren't able to get?

Ed Kwalwasser: No, I think that 10(b)a team was a huge deal for investor confidence of the people in the marketplace. And I think that was the major thing, when that word went out that the companies felt that they could step in and buy their stock if they needed to. As it turned out that though that was the biggest volume day in the history of the New York Stock Exchange, it went extraordinarily well. And so, we didn't need any extra, nor did the specialists or any other member firms need any extra help in getting the market going and keeping it on an even keel.

Wayne Carlin: Tom, please tell us about getting up and running at Lehman Brothers.

Tom Russo: Well, it was a real feat, because we lost our whole building -- we couldn't go back in it. And so, we were basically at Jersey City. And I remember right after the event, I spent the rest of the day on September 11th with our Chairman trying to figure out what an agenda should be to put a firm back together again. And we had had a disaster recovery plan. Unfortunately, I left it in the building as luck would have it. So I had to go by memory. But we did have a disaster recovery site. So we were in, relatively speaking, good shape.

So, the first thing we had to do was worry about our people. It turned out that we did have a loss of one person. But we thought it might have been a lot worse, but we didn't know that until many days later because it was very, very hard to get in touch. That was one -- we'll get to it later, one of the many lessons learned from this is how to get in touch with people.

We tried to make some initial assessment that day about what the damage was done, and whether or not we would be able to go back in business at any time and what the issues were. Part of the problem was, we had a lot of stuff on our computer -- and

computers as supposed to -- in a distributed system, you might have things on individual computers and another one of the many lessons learned. And we didn't know how important that would be in resuming trading because so much trading is of metrics, and so much of that metrics might have been embedded in those programs in the individual PCs. So, that was an issue we talked about.

And then, I was asked to set the agenda for our management committee meeting that next morning. I remember since I didn't have the luxury of getting things typed or anything, I remember writing out an agenda to restart a major U.S. investment bank and I was thinking "Gee, I never learned anything about this in law school." But the first item on the agenda was the people, and that was our biggest concern. And we were worried about not only finding them, but we were worried about all the psychological damage that might have been caused and I remember also thinking that included myself.

Our issues were also what to do with those people, because the space at our disaster recovery site would only hold so many people. And one of the great things about 9/11 is that people really wanted to work. They just didn't want to be at home. They wanted to participate. And so, we had a problem with many more people wanting to participate. We had to go and figure out who was absolutely essential to the starting of a firm, and so we narrowed that down to a relatively few people, versus the entire body. And then, we had to figure out where those other people were going to be stationed. And so, we had to rent places and rooms all over the city and all over Jersey. Even to the extent that we basically rented out the entire Sheraton Hotel on 7th Avenue. We threw out the beds, we made them into offices. We did a lot of very unique things.

The first day, our biggest issue aside from the people was the computer infrastructure. We had facilities at our disaster recovery, but they were not anywhere near enough to get started if we're going to resume trading. So, we had to buy computer equipment all over, wherever we can find it. And we put all the pressure we possibly could on every vendor imaginable. We got the stuff shipped overnight in every way. One of the members of our executive committee got a bus, and took people across the country from California.

But we managed to get the computer equipment and we ripped the whole place apart to put in an awful lot of trading equipment, because we wanted to be ready for trading. Our biggest issue, in retrospect, was not the fact that we didn't have the computers and all of that. The biggest issue was clearing firms in the government securities side. We were very concerned about that. The amount of sales -- I remember it was so astronomical, the amount of sales -- and I couldn't imagine numbers that large, I'd never seen them in my life. But we were worried about the clearing firm, and we were very worried about Con-Ed and the ability to have electricity, very worried about the telephone service.

But as far as the firm itself, after a couple of days, we felt fairly good. We would have huge checklists for each of the divisions of things that had to be done, and testing of those. And, as time went on, this checklist would get filled. And the checklist would be put on blackboards because this was hardly the time to get dancy. And so, I remember in the equities trading floor, we had this huge checklist of things and where we are, and what have you, and it would be color coded for where we needed to put the emphasis.

So, that was well done. It was round the clock. A great many people didn't get any sleep for 48 hours or more, including myself. It just had to be done, so we just did it.

One of the amazing things about that period -- or certainly that first week, was that he didn't have to tell anyone to do anything. They were people who were relatively low level in the firm who just did it. And we didn't frankly give a damn about what it cost. It was not an issue, but people did it. They were incredibly creative. It reminded me of what it must have been like in World War II -- some of our GI's and how creative they were when tanks broke down, and what have you, and they just managed to fix things because they had to. And they did.

And that was a remarkable thing. There was no bureaucracy and no one gave a damn about -- just do it, and get it done. So, that was very inspiring. There were a lot of people who weren't allowed to work because we didn't have space.

The one humorous thing that came to mind was that, at our original headquarters, in the morning we had this fellow named Donald, who'd worked for Lehman forever. And he would go around and he would give us coffee or something like that. It was like a nice frill, but he was a really classy guy. And here we're in this disaster recovery site. Everyone's sweating, the place smelled. And Donald, on his own, went out. And he would buy doughnuts. He was the classiest guy at the place. And we had a bit of class in a otherwise dismal surrounding.

As far as the SEC went, I remember one talk with Annette -- because I'm a Catholic, and I'm guilty about everything. And I said, "I just want you to know, I don't know how many recordkeeping rules are involved but I'm sure we're violating more than there are." And so, I got an no action letter. She said, I have to get it. And ultimately there was a more formal codification of the oral position. But to think about worrying about these things at that time was almost humorous because we were worried about the livelihood of the industry.

We had several meetings with the SEC and all other regulators including the Fed. I thought Harvey's leadership was nothing short of remarkable because a regulator is going to give the tone. And I think everyone in that room -- and I was certainly in the room during all of these meetings - everyone felt that the only thing we wanted to do was, to get up as soon as we possibly could. But when we got up, we wanted to do it right.

We knew we had to make a statement to the world that we were going to start this financial market as soon as possible. That you cannot get in our way. We also knew that once you make that statement, you have to make that 100%. So the decision to do the Thursday opening of the debt market, and the Monday opening of equity was very, very important. We debated whether we should do the equity Thursday or Friday, or do it Monday. And I think that was a very wise decision to do it Monday. We would have been prepared, I think ourselves for Friday, but I think the problem was that there's too many connectivity issues and it would not have made it so. I think the partnership between government and industry was never better.

One of the things we did do is, we had fortunately the ability to move a lot of trading activity to London. Not quite by flipping a switch, but we did do that. So, we're very fortunate in that. And we took some gambles in terms of getting the distributed systems out of our 3 World Financial Center. The reason why we couldn't go in there was because of asbestos. And I remember thinking, it would shortcut a lot of things if we can get some of the key distributive systems out. And I remember talking to our head of

internal audit at the time, Ed Donahue, and I said, someone has to go in to get that stuff out. And we looked around and that was the most junior person and there was no one else. But we wound up getting suits, and getting some of those systems out, and that was extraordinarily helpful.

And the bottom-line is, that we all got started with actually -- when you look at everything that happens with minimal disruption. When we need space, people were volunteering space to us. In some cases, we didn't ask. They asked us. And it was a remarkable time when an industry, and indeed a country, got together. And everyone made it happen as a group. And it was in some sense our finest hour, and we all did it together, and that made us a little bit better.

Wayne Carlin: Thank you Tom. We'll turn back to Annette now; to start the discussion of lessons learned from this crisis, and the process of coping with the crisis. Annette.

Annette Nazareth: I think the biggest lesson that we learned was how dependent we are on the integrity of our systems infrastructure and certainly since 9/11, we have spent more time on systems infrastructure and business continuity issues than ever before. Just stepping back from it, one of the things that it turned out we were just fortunate about, was that our ability to communicate, not only with firms that didn't have to vacate their buildings, but with critical people in firms that did have to go to their backup sites, was that we had all of those numbers. And it was only because we had done it for the year 2000 changeover.

So we had all of this information that we had put together for that event. And it turned out to be absolutely critical, because as I said, the communications were very robust, but it really was because we had this data. So, one of the things that we learned, and again, the industry groups have been helpful in facilitating, is that we must keep updating records of not only firms' primary sites, but backup sites and backup communications issues and the like.

Again, within the Division of Market Regulation is being formed in a new unit that deals with business continuity. So, not only does it have our automation review policy people in it, and the market watch people, but we have folks who devote their time to these business continuity issues, focusing on a number of the efforts to ensure that critical market participants such as the exchanges and the clearing agencies and the large firms that everyone is addressing their crisis management issues, both in enhancing their communications and in their decision making processes and their backup facilities.

One of the things that we did in April of 2003 was, we issued jointly with the Federal Reserve, and the Comptroller of the Currency and the New York State Banking Department, a White Paper on business continuity that talked about "Disaster Recovery Standards for Systematically Critical Financial Market -- Financial Sector Participants." And the focus on that was on the core payments and clearance and settlement organizations. And the decision was made that they needed to have the capability to recover their critical operations within 2 hours of a wide scale disruption along the lines of September 11th.

And in addition, we determined that the significant firms that handle more than 5% of the volume in critical markets should be able to recover within 4 hours of such an event. That's easier said than done. So, you can imagine that since that White Paper was

issued, that there's been a huge amount of effort that's gone into trying to ensure that these critical market participants can meet those standards. And obviously it's not only a huge management issue, but a huge financial commitment for these critical market participants to meet these standards.

The commission has also done a policy statement on market re-openings. We indicated that the SRO markets and the ECMs should have the capacity to resume trading on a next day basis following a wide scale disruption and again, there's been a huge effort that's going into helping the markets meet those goals.

We also now have something that we never had before - backup contingency plans for the New York Stock Exchange and NASDAQ. Each of those markets, you may not be aware, is prepared to trade the other's securities. And there were some work coding that needed to be done to ensure that if you had a situation in the future where one of those markets went down, and the other didn't, that one could trade the securities of the other.

Obviously, since the time of that agreement, I think we've seen our markets move to even more electronic platforms, and it may well be, that the more electronic these markets are, the less we're dependent on floor based trading but more likely you'll be able to conduct trading by having backup of electronic facilities elsewhere.

We also have approved SRO rules that required their member firms to have business continuity plans. And we continue to work closely with the President's working group on financial markets and with Homeland Security and other government agencies to ensure that we continue our focus on business continuity.

One thing, along the lines of what Tom was talking about, I mean, there's no question that September 11th was a very difficult time for all. But I would say, that everyone I worked with during that time really stepped up to the challenge, and had a commitment not only for themselves and their organizations, but really for the nation as a whole as well.

I mean, in our own Division of Market Regulation and people obviously worked non-stop trying to do what we could to get the markets up. Chairman Pitt had asked for volunteers to come to New York to have representatives of the SEC at each of the major firms and the markets, just to be there if people had questions on September 17th, when the markets came up. We had dedicated lines for investors and for market participants to be able to call directly and to get questions answered immediately.

We, the only problems we had in Market Reg was deciding who to choose among the volunteers. I mean, it was really quite gratifying. Our view was that we really didn't lose much time in keeping up with our regular work as well, because the people who were not dedicated to working on the 9/11 issues were taking on the task of doing the routine work that some of the people who had volunteered on 9/11 issues were working on. So, again it really was an incredible time for all of us. And it was an honor to work through these issues with all the people that we did.

Wayne Carlin: Annette, looking back with all you know now, is there anything that, in retrospect, you would have done differently in the aftermath of 9/11?

Annette Nazareth: Well, I do think it went well. I think we are a little more organized now, obviously in terms of our own preparedness as well, not only with SEC systems backups, which were not challenged obviously at the time. But also, with clearer demarcations of responsibilities and knowing who would go to our backup centers and who would stand in the district and the like. But all in all, I think we did pretty well. I'm not sure I'd do too much differently.

Wayne Carlin: Ed, from the Stock Exchange, and more generally, the SRO perspective, what lessons did you learn?

Ed Kwalwasser: I think that the first thing -- and Tom has touched on it, is that we built a system so that we could actually find out where our people are if we need them. And we built a security system, so that they could get in. We found a telephone was not an adequate way to get to people, or for people to get to the Exchange to find out what's going on. So, the Exchange built a secret Intranet that its employees could use specific codes to get into that, so that the Exchange could reach those employees and the employees can reach the Exchange. And that was extremely important.

The Exchange also built a dual trading site. Somewhere out there in this world there is another place that, if the building at 11 Wall went down, specialists could go and trade and all stocks could trade and all members that are currently on the floor could go to that space and trade there.

They also built something in it they call safety, which is a real dual system. So that it doesn't run through the telephone tunnels. So that if something happens to the telephone lines that this second line is separate and apart. And we left it open to any member firm that wants to join it, to banks that want to join it, whether the Fed wants to join it, so there would be a secure second route for connectivity to get into the Exchange.

And that just throughout -- the New York Stock Exchange can trade NASDAQ stocks, NASDAQ could trade the New York Stock Exchange. And I don't want you to think, NASDAQ does that now. Well, that's not the plan. NASDAQ trades New York Stock Exchange stocks as if they were on the New York Stock Exchange. The plan that NASDAQ wanted was to trade NASDAQ stocks as if they were on NASDAQ, and our plan was to trade NASDAQ stocks as if they were on the New York Stock Exchange.

Well, that seems easy, except that it turns out that firms couldn't report 1, 2 or 3 letter symbols if they were NASDAQ market makers, so that they couldn't report that. And our member firms couldn't report 4 and 5 letter symbols, if they were trading on the Exchange. And so actually, it was a fairly big lift for the firms to change their system, so that they could in fact, trade those if they needed to, whether it was electronic or non-electronic. It wasn't so much the markets, but it was the market participants being able to clear and settle the trades get them into the tape -- the tape vendors. And then we have a Stock Exchange tape; we can't put up 5 letter symbols on the New York Stock Exchange tape. So, you can trade in there. For a while, NASDAQ thought they would put an X in front of all of our stocks. And if it was a 3 letter symbol, and if it was a 1 letter symbol, they'll get 3 Xs. Then they thought what 3 Xs meant and they thought it really wasn't a great idea.

But all of those things have gotten worked out. Hopefully, they'll never have to be used, but those were the major things that we did to make sure that we and the securities

industry would be up and running, and then we could take care of our people, and they would know what was going on.

Wayne Carlin: Same question to you, Ed. Looking back, is there anything you would have done differently?

Ed Kwalwasser: Well, clearly we would have done a better job of knowing where our people were. That was the first thing that we were worried about. People left town. They went to their country houses, and we didn't have their numbers or their parents or someplace else. And somebody, in a meeting I had this morning saying -- we were talking about people and he said someone told him that it's not the people who pay you that you should worry about, it's the people you pay. And we think that that's right, the markets are run on the people. Infrastructure really is a secondary thing.

Wayne Carlin: Tom, from the industry perspective, what lessons do you draw?

Tom Russo: Well, just an awful lot. I mean, first, if you start with the people, now there's just so many more ways to reach people now. I'm just going through my wallet and just some of the things that just came out. Who's Bubbles? Oh excuse me, sorry. We have cards of the key people, work numbers, what have you. GETS, which is a Federal Government emergency system, so that when the phones aren't working, at least you have an emergency system that you'll get through. All of the senior management we have, aside from having several cell phones, have satellite phones, which we're supposed to keep in certain places.

We have an incredible system of finding people now, and we test it and we have call trees and everything. And it's supposed to be updated every couple of months with every possible number on it. So, just in that one aspect, which was a real disaster, we're just 100% better. But then, if you go down every other aspect, just in data centers for example, we have a data center in another -- in 10th Avenue in New York, but then we have another one in Livingstone, New Jersey.

We have so many redundancies now that we didn't have before. So, in the protecting of the data, we were very, very, very fortunate in the sense that on 9/11, it all happened in the morning. Frankly, if it would have happened to us in the middle of the day, I don't know where we would be today. So, it would have been a much harder job that's not really a problem today I think. Because the data leaves our building immediately and gets backed up. So, there's a huge difference there. In terms of just physical security to get in to do damage, then our building would be very, very, very hard for someone. We got guards in the front and we have turnstiles that you have to go through. They need cards, and then there's several check points, and any baggage for any guest has to go through an inspection. So, it was nothing like that before.

So, I think this industry has gone very, very, very, very far from where we were. I think the main issue though that remains is that, like in most crises, we sort of solved for what it was. And the next crisis is normally very different. And I think the real challenge is to think of what it could be.

It wouldn't surprise me that something like worms or something of that nature, where they go right into a computer system, where we didn't have the filters to catch them, and things of that nature, which is possible. Those kinds of things would be very, very, very

crippling. And so, anything in cyberspace could be a problem. To me, that would be a big concern. And we've now spent an awful lot of money trying to shore that aspect up because of mine and other people's fears that that could be next.

But I think from an industry point of view, we've taken the lessons learned -- and the White Paper was an excellent step for the whole industry to move forward. And it was another good example of an industry working with government to make the financial services industry much, much, much stronger.

Wayne Carlin: Thank you Tom. I guess what I would add on the topic of lessons learned is, an observation that's a little different, in that all these important observations and improvements, and preparations for the marketplace and the markets are something stay in our minds and are institutionalized and are established and maintained and improved over time.

A lot of us who went back to work in lower Manhattan, shortly after 9/11, at the time, I think, had a very big lesson played out in front of ourselves, but unlike these others, it's one that I think has faded a lot with time, and shouldn't fade. I remember, when we were first in the Woolworth building. This was right in the midst of the time of the anthrax scares that I'm sure everyone recalls, took place shortly after 9/11. And, the first week, there was an incident in our offices, where someone noticed some white powder, and people were in an incredibly high state of anxiety and concern.

And the experience of going to a part of Manhattan, and feeling like you're in a war zone, is the kind of thing that really shakes your frame of reference, and putting that together with the anthrax scares, putting that together with the acrid aroma that was in the air in lower Manhattan in those weeks. A lot of us in the office, as well as other people who were working in lower Manhattan in those weeks, were coughing and having sore throats and other symptoms, which we knew were the result of what we were breathing. That was part of the aftermath of 9/11.

And putting all that together, I remember thinking at the time, are we ever going to have the kind of feeling of safety and security that we all have always taken for granted in this country. And going through that sort of shakes your perception that wars and large scale attacks take place in other parts of the world, but not here. And I think that, to a great degree, our sense of safety and security has returned in these years since 9/11 in a lot of ways. We're more alert. We go through more security when we go into buildings. But I think a lot of that has faded.

And so the lesson I try to preserve is to, to try not to take for granted what we have in this country and in the society because that was something that was really very dramatically played out for us and in the weeks after 9/11.

That concludes our panel. I'll turn it back over to Bob Kueppers.

Robert Kueppers: Let's thank our panel for their insights. Wayne, Annette, Ed and Tom, thank you very much.

As the 26th Chairman of the U.S. Securities and Exchange Commission, Harvey L. Pitt led the SEC's response to the market disruptions resulting from the attacks of

September 11. Today, he is Chief Executive Officer of Kalorama Partners LLC, a global business consulting firm.

He was the Senior Corporate and Securities partner of Fried, Frank, Harris, Shriver & Jacobson prior to becoming SEC Chairman and served as the SEC's General Counsel in the 1970s.

The SEC Historical Society will forever be grateful to Harvey as a founding trustee of this Society and as our first President.

Harvey's service and dedication to the SEC spans several decades and his leadership of the agency, in its hour of greatest crisis, is an indelible part of the Commission's history.

It's my privilege to welcome Harvey Pitt to present the concluding address of our annual meeting.

Harvey Pitt: Well, good afternoon, everyone. As I'm fond of noting, you've just seen empirical evidence why I'd rather be introduced by good friends than members of Congress.

I'm pleased and honored to be back at Bear, Stearns today as the Historical Society holds its 2005 Annual Meeting here in my city of origin, New York. The SEC, as most of you know, an agency for which I've unabashedly had a great deal of affection for nearly 40 years, since I began my legal career there.

And the Historical Society commemorates the agency's illustrious history is also near and dear to my heart. I think most of you know that the Society came to life under the patient and nurturing care of former SEC Chairman David Ruder, who served as the society's first Chairman.

David is a very special person and a dear friend. And he deserves a place of honor in the annals of the SEC's historical saga. And so it was fitting that he was the first Chairman of the Society. Since then, David has relinquished the reigns to Ted Levine and Robert Kueppers as the Society has continued to evolve and flourish. And now, even has an actual bank balance filling its coffers, which I find impressive.

And of course, it goes without saying that the credit for the Historical Society's terrific growth and its accomplishments is due in no small measure to the efforts of Carla Rosati, its first and only Executive Director.

Now, the last time that I was physically at Bear Stearns, a short 45 months ago, it's then auditorium served as the locus for a joint press conference conducted by the heads of the NYSE and NASDAQ, Peter Fischer of the Treasury Department and me, to report on our first day of deliberations, regarding the reopening of the nation's equity markets in the aftermath of those hideous terrorist attacks. Today, I think it's important that the Society is devoting this annual meeting to recalling the events of 9/11 and the SEC's role among others in addressing those events.

Given the impressive panel discussion you've just heard, I'm afraid that this so-called keynote address is at best redundant. The people from whom you've just heard had to eat, drink and breathe the consequences of 9/11. They were and they are in the best

position to tell you and posterity what really happened after our equity markets went down and how we were all able to respond.

So, I will try to just share with you some of my impressions and recollections of those terrible and yet rewarding days. And then, if we have some time, maybe if there are any questions, I'd be happy to try and respond to them.

Tacitus, the Roman historian, once observed that history's highest function is to let no worthy action go uncommemorated, while at the same time, holding out the possibility of reprobation by posterity to discourage evil words and evil deeds. And so I guess, even back then, historians recognized that worthy actions and evil deeds were flip sides of the same coin.

It's clear that those who rose to the occasion of 9/11 deserve commemoration. Unfortunately, those who inflicted the evil deeds weren't deterred by their assumption of history's stinging judgment of their behavior. I think in fact they were counting on it.

But unlike those who say we can never learn from history, I think we must. And 9/11 is a paradigm of how a crisis could and should be handled, and how we benefit from history, reminding us of what went wrong, but also what went right.

In doing this, it's somewhat unfortunate that we reopen old wounds. But that of course is the process of the science of history. They say time heals all wounds and I suppose time will tell whether that's even possible with respect to 9/11.

But, just as Wayne was indicating, a part of me hopes that it really isn't possible. I think we have to remember and feel the anguish and pain that we all suffered that terrible day and the days thereafter, in order to avoid repeating the causes that led to those dastardly acts.

So, for me here with you, almost 4 years later, it's still chilling to recall the events of September 11th, and their aftermath. I guess as someone once observed in this life, we encountered hurts and trials; we won't be able to change. We're just going to have to allow them to change us and September 11 definitely changed all of us.

In a sense, the starting point, for me, is to observe that, if there ever was a justification for government, it was 9/11. It's hard to imagine the private sector, having been able to overcome the obstacles we collectively faced, without it's partnership with federal, state and local government bodies and industry self-regulators.

That being said, it's also impossible to imagine how the government could have achieved so much, so quickly and impressively, without the partnership that was forged with the private sector. In that sense, September 11 showed the incredible character of this unique country. We are bound together, each of us, by our shared values. And those shared values represent, in the most fundamental terms, our basic commitment to democracy. Everyday, our commitment to democracy is tested and no matter how well we've done in the past, the price of freedom and democracy is constantly rising to new tests and challenges and to meeting them handedly.

Now when the tragedy struck, everyone's first reaction was disbelief, shock, remorse, grief and even fear. But, those reactions were quickly overtaken by strength, courage, resolve and even anger.

It's somewhat trite, but nonetheless accurate to say, that we came together as a nation, we pulled together as a nation. Police, firefighters, telephone technicians, electricians, financial institutions, members of the military, governments at every level and civilians participated in rescue efforts. The same spirit of cooperation was evidenced by so many in the public and private sectors to restore the vitality of our securities markets, as you've just heard.

The first, last and foremost, we are all painfully aware of the human aspects of the tragedy. Sadly, many people employed in the securities industry as well as countless others died and we will forever grieve our losses. Fortunately, many people miraculously were evacuated to safety and reunited with loved ones. And as Wayne described, due in no small measure, to his own great leadership, this included all of the Commission's employees, when our Northeast Regional office was destroyed.

When tragedy struck, we were immediately in contact with the leaders of our various securities markets. And in particular Dick Grasso, who admirably became the face of American capitalism.

On a personal level, I started everyday after 9/11, by talking with Dick first thing and with his counterpart Wick Simmons at NASDAQ. And I'm afraid, Dick was the last person I spoke to at the end of everyday, something my wife noted at least a little wistfully.

Although we were all surprised by these attacks and the ultimate damage they inflicted, it seems obvious now, that of course, that's what they were intended to do. The perpetrators thought that they could take down our financial institutions and cripple American capitalism.

Theoretically, I suppose they could have succeeded, but the reality was that they really couldn't have ever succeeded. The tragedy produced a great outpouring of compassion and common sense. And rather than turn a crisis into some sort of competitive or political advantage, the securities industry, self-regulators and local state and federal government bodies, all came together as you've heard.

I think the common refrain was, 'how can we help?' At the SEC, we made a decision very early in the day to let our so called non-essential staff go early. I've always worried about that because, basically everyone at the SEC is essential. But in any event those are the official administrative terms that were used.

Unfortunately for them, Annette Nazareth, David Becker, Mark Radke and I were virtually joined at the hip. Now, I didn't mind being joined at the hip with them, I leave it to history for them to decide how they felt about the same thing, but we were camped out at the SEC.

Working together with so many capable and concerned individuals was inspirational. When the markets closed, or really more accurately when they didn't open, as indeed they couldn't, the President's Working Group, as you've heard on capital markets, sprang into action. And that group's principals were Treasury Secretary Paul O'Neill,

Federal Reserve Chairman Alan Greenspan, Presidential Economic Advisor Larry Lindsay, CFTC Chairman Jim Newsome, and me as SEC Chair.

And of course, the real work was performed by, among others, Treasury Undersecretary Peter Fischer, Fed Vice Chairman Roger Ferguson, SEC General Counsel David Becker and Roger Ferguson's wife, whose secret identity was as the SEC Market Regulation Director, Annette Nazareth.

I think it's important to bear in mind and recall that there was absolutely no precedent for what had happened. And certainly, there was no precedent for how to deal with it. Indeed, I'm somewhat embarrassed to admit that, at least for me, it took 2 planes crashing into 2 buildings to persuade some of us that we weren't dealing with some vacationing yahoo who had lost his way.

At the SEC, the tragedy required every single office and division to consider what issues they had and how we should resolve them. You might not think that there were '40 Act issues. You might not think there were accounting problems. But all of the various offices and divisions, all did a superb job of thinking about what was affected, what could go wrong and then how could we fix it.

I think, over the course of our efforts, we developed some core tenets. And some of them include, first and foremost, focusing on the safety and wellbeing of those citizens who were trying to rescue people trapped in the rubble created by the Twin Towers collapse. As more than any other factor, we really learned that we couldn't have reopened the markets without endangering the potential of finding even one more person buried in all that rubble.

A second tenet was just, as you've heard, being sensitive to the needs of our own employees. Every institution had this. Somehow, government is very often thought of as being cool and indifferent to its employees. But, we had to worry about all of our employees, not just in New York and the District of Columbia, where the impact was most direct, but all of the SEC's offices, because what we witnessed, really had very dramatic and very differing effects on very different people.

As you've heard, another tenet was coordinating responses and reactions of the equity and options markets, ensuring, as you've heard that when the markets reopened, they would stay reopened, providing critical government transparency. It became very clear to us quite early on, that in times of a crisis, the public has a legitimate need to know exactly what's going on, what we were planning to do and why we were moving in whatever direction we were moving.

As I indicated, another tenet was figuring out what the potential problems that could be caused by this catastrophe, and creating a working team of all the various private and public sector organizations that had or could have had some role to play.

Another important tenet for us and I'm sure Annette will agree with this, as I know Dave Becker would if he were here, is making critical decisions on-site. We thought it was imperative that we be physically present in the heart of New York's financial district, to help assess the realities of the situation and to facilitate the necessary solutions.

The other important tenet was viewing the problems that we faced, as collective problems, and encouraging those who were subject to our regulation to be equal partners in figuring out and implementing the methodology to get out of that mess.

One amusing side light to the extent there can be any in this effort was we encouraged and solicited comments from all sorts of different areas of our society in the private sector and we got some interesting but wild suggestions. And suffice it to say, we resisted the temptation to do everything anyone suggested to us. And particularly for those people who wanted us to ban all short trading, that was not going to happen.

Barely hours after I went to sleep on 9/11, I made an appearance on ABC's "Good Morning America" to update the public on what was happening. And I remember vividly, just how startled the hosts of the program were, when toward the end of the interview, I gratuitously volunteered that when the markets reopened, there would be some nifty values to be realized for those who were in the market, purchasing various equity securities.

I'm not sure Congress intended a SEC Chairman to advocate stock purchases. But we were already focused on avoiding an imbalance of supply and demand as Annette and Tom alluded to. And so as a result, necessity is always the mother of invention. Immediately after that, David Becker; Annette; Mark Radke my Chief of Staff; Lisa Panasiti, my Deputy Chief of Staff; Peter Fischer and I got on a train to New York. That was the only way we could get to New York. It was difficult not only to get into New York, but it was really difficult to travel around certain portions of it. Governor Pataki had arranged for us to have several cars at our disposal with several uniformed and even potentially armed officers of the law ferrying us around.

I think we found out, just how bad this was -- and you've heard some of this, so I won't dwell on it, when after our arrival and our first meetings on Wednesday, we visited the New York Stock Exchange and the surrounding financial district on Thursday morning. As you've heard the scene was eerie and akin to something straight out of some science fiction movie depicting an invasion from outer space.

The usually teeming streets of the financial district were barren of cars; they were barren of people, save for a fairly large number of Marines and camouflage uniforms sporting machine guns and wearing surgical masks.

A thin white powder as I think you heard Tom indicate and others, covered the streets and side walks. And I remember thinking that this didn't look like the financial district of the most sophisticated financial center in the world, but rather like a Third World country. Believe me when I say, it was chilling.

Seeing, the pictures on TV of the buildings going down was terrible. Seeing that vista on Thursday morning was absolutely chilling and unforgettable. And as you've heard, one of our first steps was to convene a meeting of the major markets, the major brokerage firms, Con-Ed, Verizon, FEMA, the federal government's emergency management agency, the New York City's Mayor's emergency agency and Governor Pataki's emergency representatives.

And our goal was to understand firsthand what was physically possible, but also what was not. And our secondary goal, once we achieved the first goal, was to figure out how

to get the markets back up and running and we proceeded to get updates periodically on the damage inflicted, the extent of the communications outages, the state of readiness of the major firms and of course the precise status of rescue efforts.

As I indicated there were some who felt that the markets should have reopened immediately. Of course the truth which can be told now was that they couldn't. More importantly we were terribly worried that if the markets reopened and then collapsed we would never regain investor and public confidence. And that meant that our goal was to get the markets to reopen as quickly as they could, but not a moment sooner than reasonable assurances could be provided that once they reopened they were likely to stay open.

I know that both Dick Grasso and Wick Simmons shared that view. Of course, because so much pressure was anticipated, we thought it best as to that issue for the SEC to assume publicly the responsibility for the decision to defer opening. That led to some interesting e-mails that were circulated by some in the White House saying that they hoped the SEC would allow the markets to reopen soon.

What was interesting about that decision however was that it was inconsistent with the actual way that all of us approached the crisis. As I indicated and as you've heard we thought it was important for government to act as a facilitator for the goals everyone agreed on, not as the dictator or sole decision maker resolving all questions and all issues. We received marvelous support and assistance from all of the firms.

On Thursday morning we met at the New York Stock Exchange with the Exchange's excellent regulatory and the senior executive staff and with Verizon and Con-Ed officials. That was the only meeting we held that occurred without major industry representatives because we wanted to get the straight skinny. Just how bad was the problem?

What we learned was depressing. About 80% of the New York Stock Exchange's communication network was routed through a west side Verizon route of the station and that station was taken out of operation. To make the system function they were going to have to wait until all of those communication lines could be rerouted through a major east side routing station. And worse, as I indicated it was clear particularly from FEMA and the Mayor's emergency personnel that if the financial district were reopened too soon thousands of people would start streaming through and rescue efforts would be unalterably halted and damaged.

Some of the firms thought they could resume trading immediately, others knew they couldn't. It really made sense for us to proceed carefully. And although by Thursday morning I think we were fairly certain that Monday was going to be our target day reopening, we thought it would be a mistake to decide that on either Wednesday or Thursday. We all thought we should decide matters one day at a time and I think that proved to be the right course.

On Thursday afternoon, we met, I think, at the offices of CS First Boston. And we then agreed that the markets shouldn't open on Friday. Another press conference was held and throughout both days I was actually in constant communication with Paul Sarbanes, Phil Gramm, Mike Oxley, and John LaFalce, the chairs and the ranking minority members of both the Senate Banking Committee and the house Financial Services Committee. They all offered encouragement and assistance at every step of the way.

I remember on a personal note at one point in the meetings at CS First Boston, I got pulled out. I had my BlackBerry taken by Lisa Panasiti who confiscated it. And she got a message from my wife who had told her -- we live in an area of Washington which not coincidentally is called Kalorama. And we lived very near the Islamic mosque. And some point in the middle of Thursday, my family - my wife and our two younger children - were evicted from, not just the house but from the neighborhood, everybody had to get out because there was a problem. Lisa came in with tears in her eyes but as it turned out by the time I talked to my wife, who was very calm, cool and collected, it -- everything seemed to have passed over.

In fact she was so collected that my son Robert who at that time was 11 said to her having watched her said, "You know, Mom, Dad's working in the government. Does that mean that the terrorists are going to try and kill him?" And with her usual humor and wit and my family's usual approach of constantly teaching me to be humble she said to him, "No, Robert, nobody really cares about the SEC."

For the SEC the terrorist attacks imposed a triple whammy. The markets were taken down. Many friends and colleagues of ours were murdered and our New York offices you've heard crumbled into rubble, taking with it, not just offices and computers and files but on different note, personal treasures and possessions. Shortly before I came back to the Commission, Fried Frank, my former law firm had managed to entice Carmen Lawrence, who had been Wayne's predecessor, from the New York regional office to join. And she had left all of her memorabilia in her office which of course all got destroyed. She just kept delaying picking it up and so on.

Now I think as you've heard of primary concern was the need to account for every member of the New York office staff and as Wayne indicated, the last person this young woman who was a compliance inspector actually returned my call shortly before midnight. She told me about what you've heard as to how she escaped and then told me that she walked all the way home to the upper west side, I believe. She showered and then said starting around 4 o'clock she spent the remainder of the day in church thanking God for sparing her life and the lives of every single one of her colleagues. You can imagine it was a very emotional conversation.

Just as in the private sector we needed to move quickly to attend to the details of making our New York office vibrant and functioning again and to began the healing and emotional recovery process. As Wayne indicated, the community reached out to us. I think under Wayne Carlin's effective leadership, all of the staff members were able to communicate with one another. I think one of the most remarkable things that Wayne and Jayne Seidman's leadership produced was that we were the first federal agency back into the financial district in a little over a month and that could not have been done without their leadership.

I think it's hard to focus on just how devastating this kind of tragedy is to the people who survive. People in the financial district, as you heard, saw friends, relatives and colleagues throwing themselves out of the windows of buildings that had been struck. And one of the things that we did -- and again here particularly in the New York office, Wayne was very instrumental in this. All of employees were encouraged to use our employee assistance program. And those who couldn't work were given very liberal leave. We just decided we had a no-questions-asked policy.

In a few cases, some asked to be reassigned. I remember vividly one letter I received from one of our more recent hires' father. The father wrote me a personal handwritten note saying that his son was so excited to be at the SEC. This was something he had really wanted but he knew he could not go back to work at the New York regional office.

And I'm really proud to say that working again through Wayne and working through Jayne Seidman and others, I think we fulfilled every request. And again no questions asked. People wanted to move, they were allowed to move at will.

As you've heard from Annette in particular and Tom, we focused on restoring our markets and of course that was critical. I think it was critical to our collective psyche and it was critical to the message we sent around the world about our freedom and way of life. People really did work day and night to ensure that trading resumed without a hitch and that all trading opportunities once again were available.

On Friday we focused on how we would reopen our markets and as you've heard we decided to defer the opening until Monday so that we could use the weekend to test out the new communications and electrical networks that we were now told have been installed. And that was where the non-event of Y2K came in very, very handy. Because of the work that the agency did mostly in Annette's division in preparing for that potential but ultimately non-existent crisis, we really were able to send teams of people, volunteers as you've heard to major locations around New York City. And the equipment could be tested because these were all folks who knew what to look for.

You know it's great to talk about all these things. I know I would not have had the slightest idea what to look for but as I was coming back on Friday by train we saw a bunch of the young staffers going up in jeans and sweatshirts and so on. And it really was incredible. And the relatively few glitches that were found were readily repaired.

Over the weekend we negotiated what was then a tentative agreement. And I'm glad to hear from Ed Kwalwasser that ultimately became permanent between Dick Grasso and Wick Simmons to deal with the eventuality that one or the other of the markets might stumble. And we wanted an agreement in place that assured everyone that if one or the other of them went down, all of the securities could still be traded.

I think to everyone's credit we were able to achieve real resolutions of all of these issues in what was an incredible and short period of time and by the Monday the 17th as you've heard all of the nation's securities markets resumed trading. At the time some played up the fact that it was the longest hiatus in trading. But if you think about it, it was an incredibly short period of time given the kind of damage and destruction. And when the markets reopened they didn't give way to panic selling. The delays in resuming trading gave investors time to reflect and to speak up in their own way about the strength of America's markets and everyone heard them. Everyone heard it wasn't possible to destroy what we have built so many years.

In the wake of September 11, this extraordinary level of cooperation really took on almost unimaginable dimensions. The New York Stock Exchange opened a portion of its floor to accommodate trading and equities and Exchange traded funds by the AMEX. In less than a week the entire options business of the AMEX was moved to the Philadelphia Stock Exchange. And brokerage firms that prior to September 11th were

looking as they should have been for every conceivable advantage over their competitors, afterwards were providing space to competitors who had suffered as a result of the attacks.

In a sense the most competitive markets in the world demonstrated that they were also the most compassionate. I think that this was the spirit of cooperation and compassion that we all sought to continue throughout my tenure at the Commission and beyond. I think we can be justifiably proud of the public and private sector cooperation that followed September 11th. We did learn a number of lessons. I think lessons that continue to have relevance to every issue that the SEC continues to grapple with. Some of them, but by no means all of them, were the importance of people.

In a word, there really are no insignificant individuals. The importance of risk assessment, the need for planned redundancy without geographical overlap. I think the value of listening as well as speaking, the need for city, state and federal agencies to work together. The advantages of partnership between public and private sectors. The importance that government must apply its creative ideas not just to those it regulates but also to itself and the need to reassess what had happened, not for the purpose of affixing blame or approbation.

When we went into the review with the Fed and the Comptroller of the Currency, it was explicitly with the view that it was to be prospective only. It was not to find fault but to recommend ways in which we could all improve if God forbid we ever were to have the same thing.

And of course the most important lesson at least that I learned which is no matter how bad things may seem they really can always get worse. The city of New York, my hometown, really showed its greatness. New York City was long ago dubbed the most hopeful city on earth and it still is. E. B. White compared it to a local willow tree. His prophetic words have renewed resonance today. It's a battered tree, long-suffering and much climbed, held together by strands of wire, but beloved by those who know it.

In a way it symbolizes the city, life under difficulties, growth against odds, sap rise in the middle of concrete in the steady reach for the sun. I hope that we continue to grow and that we always reach for the sun. If we do we will honor the spirit of those we lost on September 11th and we'll also be able to meet whatever challenges confront us. Thank you.

Robert Kueppers: Thank you Harvey. And thank you to all of our panelists earlier. It was great to hear from those who were directly involved with the repair and restoration of our markets during the difficult time. Also I want to mention that we've had visitors to our virtual museum who have shared remembrances of events of September 11 and their impact on the markets. We are going to gather these at the end of the month and post them in our museum as we do with everything we do. And if you'd like to share anything, please visit us at sechistorical.org. That's it for this Annual Meeting. Thank you for being part of it and thank you for your continued support of the Society. Good evening.