

**REMARKS BY CHAIRMAN ARTHUR LEVITT
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
MUNICIPAL SECURITIES RULEMAKING BOARD ANNUAL DINNER
WASHINGTON, D.C.-- NOVEMBER 3, 1994**

GOOD EVENING AND WELCOME TO WASHINGTON. LET ME BEGIN BY OFFERING MY CONGRATULATIONS TO BOB DRYSDALE ON HIS ELECTION TO THE CHAIR. I LOOK FORWARD TO WORKING WITH HIM AND WITH ALL OF YOU TO CONTINUE TO BRING ABOUT LONG-OVERDUE CHANGE IN THE MUNICIPAL MARKETS.

I ALSO WANT TO WELCOME THE NEWLY ELECTED MEMBERS TO THE BOARD: PHILLIP PETERS, THE NEW VICE-CHAIR; CHARLIE MIRES; AMY BROWN; BOB VANOFSKY; JOHN McCUEN; AND ROGER HAYES.

THE LAST YEAR HAS BEEN ONE OF TRULY REMARKABLE GROWTH AT THE MSRB. YOUR INTENSE ACTIVITY HAS ALREADY BEGUN TO RESHAPE THE MARKETPLACE FOR MUNICIPAL SECURITIES, AND VERY MUCH FOR THE BETTER.

YOU'RE BRINGING THIS HUGE MARKET INTO THE 20TH CENTURY, JUST IN TIME FOR THE 21ST.

THIS IS A LAUDABLE GOAL, AND YOU'RE ACHIEVING IT. ON BEHALF OF THE SEC -- AND ON BEHALF OF AMERICAN INVESTORS -- I CONGRATULATE YOU. YOUR ACHIEVEMENTS ARE HISTORIC, AND INVESTORS AND THEIR ADVOCATES WILL BENEFIT FOR MANY YEARS TO COME.

THERE ARE PLENTY OF RECENT EXAMPLES OF YOUR LEADERSHIP, ALL OF WHICH PROVE THAT THE MSRB HAS COME INTO ITS OWN AS A SELF-REGULATORY ORGANIZATION:

- * BY PROPOSING RULE G-37, YOU'VE TAKEN STRONG STEPS TO STOP THE PRACTICE OF "PAY-TO-PLAY," WHICH HAD CALLED INTO QUESTION THE INTEGRITY OF THE MARKET AND UNFAIRLY TARNISHED THE REPUTATION OF MANY MARKET PARTICIPANTS;**

- * YOU'VE WORKED TO IMPLEMENT T + 3 SETTLEMENT AS "REGULAR WAY" SETTLEMENT IN THE MUNICIPAL MARKETS;
- * YOU'VE ALSO PROPOSED A PILOT SYSTEM FOR MUNICIPAL TRANSACTION REPORTING THAT MAY BE THE LAUNCHING PAD FOR A TRULY TRANSPARENT MUNICIPAL BOND MARKET.

YOUR ANNOUNCEMENT OF THIS LAST PROPOSAL STIMULATED A *BOND BUYER* EDITORIAL WHOSE TITLE, I THINK, SAYS IT ALL: "COMING OUT OF THE DARK." IN THAT PIECE, JOHN ALLEN WROTE, "SLOWLY BUT SURELY MUNICIPAL BONDS ARE JOINING THE REST OF THE WORLD, AND THAT'S GOOD NEWS FOR THE LONG-TERM STRENGTH OF THE MUNI MARKET." HE CLEARLY KNOWS WHERE WE'RE COMING FROM.

YOU'VE BEEN ABLE TO ACCOMPLISH SO MUCH THIS YEAR. MUCH OF THIS IS THANKS TO THE HARD WORK OF YOUR DEDICATED STAFF, LED BY EXECUTIVE DIRECTOR KIT TAYLOR. AND I FIRMLY BELIEVE YOUR JOB WAS MADE EASIER BY THE EXTRAORDINARY LEADERSHIP OF YOUR OUTGOING CHAIRMAN, DAVID CLAPP.

THE ISSUES WE'VE TACKLED THIS YEAR HAVE BEEN DIFFICULT FOR SOME IN THE INDUSTRY TO FACE, ESPECIALLY DURING A HARD TIME IN THE MARKET. BUT DAVID DIDN'T FLINCH -- HE WENT RIGHT TO THE HEART OF THESE CONTROVERSIES, NO MATTER HOW DAUNTING, NO MATTER HOW EMOTIONAL. HIS COURAGE AND SELFLESS COMMITMENT CALL TO MIND TEDDY ROOSEVELT'S IDEALIZATION OF THE PUBLIC SERVANT:

"IT IS NOT THE CRITIC WHO COUNTS, NOT THE ONE WHO POINTS OUT HOW THE STRONG MAN STUMBLED OR HOW THE DOER OF DEEDS MIGHT HAVE DONE THEM BETTER. THE CREDIT BELONGS TO THE MAN WHO IS ACTUALLY IN THE ARENA, WHOSE FACE IS MARRED WITH SWEAT AND DUST AND BLOOD; WHO STRIVES VALIANTLY..."

**ALTHOUGH IF HE WERE SPEAKING TODAY, TEDDY ROOSEVELT MIGHT HAVE EXTENDED THE METAPHOR TO INCLUDE WOMEN, TOO, STILL I THINK THE QUOTE IS APT -
- FOR DAVID HAS TRULY BEEN "IN THE ARENA," COURAGEOUSLY CONFRONTING THE TASKS AT HAND IN ORDER TO ACHIEVE THE RIGHT RESULT, HEEDLESS OF THE PERSONAL CRITICISMS AND CONSEQUENCES THAT MIGHT ENSUE. DAVID, I OFFER MY CONGRATULATIONS AND THANKS FOR A JOB WELL DONE.**

THE EFFORT TO REFORM THE MUNICIPAL SECURITIES MARKET HAS NOT ENDED WITH THESE STEPS, HOWEVER. THE YEAR AHEAD LOOKS TO BE EVERY BIT AS INTERESTING AS THE YEAR JUST PAST.

THE ADOPTION OF RULE G-37 IS THE SHINING STAR OF THAT YEAR, AND A SOURCE OF CONSIDERABLE, WELL-EARNED PRIDE. WE ARE HOPEFUL, AND CONFIDENT, THAT THE RULE WILL SURVIVE THE LEGAL CHALLENGE FROM ALABAMA. YOU WILL CONTINUE TO FACE RUMBLINGS FROM THE RANKS OF THOSE WHO WANT TO RETURN TO THE BAD OLD DAYS. I KNOW YOU WILL BE STEADFAST IN RESISTING THOSE CALLS. ADMINISTRATION OF RULE G-37 MAY SHOW THE NEED FOR MINOR MODIFICATIONS. THE BOARD WILL, I AM SURE, CONTINUE TO ADDRESS CHANGES WITH THE SAME SPIRIT IT SHOWED IN ADOPTING THE RULE -- PRINCIPLED, STEADFAST, AND INTREPID.

NEWSPAPERS HAVE RECENTLY CARRIED STORIES ABOUT THE INTENT OF SOME TO EVADE THE RULE'S PROSCRIPTIONS. OTHER STORIES HAVE SKILLFULLY UNCOVERED SITUATIONS THAT OCCURRED BEFORE THE RULE'S EFFECTIVE DATE, THAT WOULD LIKELY BE VIOLATIONS IF THEY HAPPENED TODAY. AS MEASURES ARE UNDERTAKEN TO POLICE THE RULE, BOTH KINDS OF STORIES MAY BE INSTRUCTIVE.

WE'RE ENTERING A CRUCIAL PERIOD; AS THE INDUSTRY TESTS THE NEW RULES, THEY'LL ALSO BE TESTING YOU AND ME AND OUR RESOLVE TO MAKE THIS A CLEAN, TRANSPARENT MARKET. FROM THE FIRST DAY WE DISCUSSED A BAN ON "PAY-TO-PLAY," THE CYNICS SAID THAT IT WOULD NEVER WORK -- THAT MARKET PARTICIPANTS WERE TOO RESOURCEFUL AND WOULD FIND WAYS AROUND IT.

ALMOST A YEAR AGO, I BROUGHT TOGETHER A GROUP OF MAJOR MUNICIPAL MARKET PARTICIPANTS, INCLUDING THE MSRB, TO ASK THEM TO DEVELOP PROPOSALS FOR GREATER DISCLOSURE AND TRANSPARENCY. WE'RE MOVING AHEAD [MENTION DATE IF SUNSHINE ACT NOTICE IS OUT] ON ISSUER DISCLOSURE, AND THE OBLIGATION OF DEALERS TO REVIEW INFORMATION PRIOR TO MAKING RECOMMENDATIONS.

WE PUT FORWARD SOME PRETTY FAR-REACHING PROPOSALS LAST SPRING, BUT THEY WERE BASED ON THE WORK OF THAT ORIGINAL INDUSTRY GROUP. WE RECEIVED A LOT OF COMMENT. A LOT OF COMMENT. MUCH OF IT HAS TAKEN THE FORM OF HIGHLY INSTRUCTIVE DIALOGUE. I CAN'T THINK OF AN ISSUE WHERE THE SEC HAS BEEN ABLE TO WORK MORE CONSTRUCTIVELY WITH THE INDUSTRY TO PRODUCE A RESULT. I AM HOPEFUL THAT WE WILL BE ABLE TO BALANCE OUR GOALS FOR INVESTORS WITH THE NEEDS OF THE MARKET.

YOU WILL HAVE WORK TO DO WHEN WE ARE FINISHED. I KNOW YOU WILL TURN TO THE TASK PROMPTLY. YOU WILL HAVE DISCLOSURE ISSUES OF YOUR OWN TO GRAPPLE WITH; YOU WILL HAVE THE ISSUE OF INCLUDING RATINGS ON THE CONFIRMATION. A KEY ELEMENT OF THE MUNICIPAL MARKET OF THE FUTURE IS TRANSPARENCY -- THE ABILITY OF INVESTORS TO KNOW WHAT THEIR BONDS ARE WORTH.

THE SEC WILL NOT BE ENGAGING IN A PROTRACTED RULE-MAKING PROCEDURE TO DEMAND TRANSPARENCY FROM THIS INDUSTRY, BECAUSE THE MSRB HAS SO ABLY STEPPED UP TO THE PLATE. I HOPE YOU KNOW HOW REVOLUTIONARY THIS IS. DO YOU REMEMBER HOW IMPOSSIBLE THIS SEEMED JUST A YEAR AGO?

WE WILL BE WATCHING YOUR PROGRESS CLOSELY. I UNDERSTAND THAT BRINGING TRUE TRANSPARENCY TO THIS MARKET WILL BE DIFFICULT TECHNOLOGICALLY AND POLITICALLY. BUT AS MORE AND MORE INVESTORS TURN TO INDIVIDUAL OWNERSHIP OF MUNICIPAL BONDS, AS SURVEYS INDICATE THEY ARE DOING, YOUR INITIATIVES BECOME MORE AND MORE IMPORTANT.

MY FRIENDS, I'VE SAID THAT THIS HAS BEEN A HISTORIC YEAR, FOR WHICH YOU DESERVE HEARTY CONGRATULATIONS. BUT THE YEAR AHEAD IS ALSO FULL OF CHALLENGES -- INCREASING TRANSPARENCY IN THE MARKET, IMPLEMENTING OUR DISCLOSURE INITIATIVES, CLEANING UP ANY VESTIGE OF "PAY-TO-PLAY," AND CONTINUING TO MAKE THE VIBRANT MUNICIPAL MARKET MORE HOSPITABLE TO INVESTORS -- ESPECIALLY INDIVIDUAL INVESTORS.

**YOUR PAST ACHIEVEMENTS LEAVE NO DOUBT THAT YOU
WILL MEET THESE AND OTHER CHALLENGES WITH
DISTINCTION AND SUCCESS. THE SEC IS HONORED TO BE
WORKING AT YOUR SIDE AS YOU DO. ON BEHALF OF THE
COMMISSION, I WISH YOU A MOST PRODUCTIVE YEAR.**

#