

THE WHITE HOUSE

WASHINGTON

February 24, 1994

MEMORANDUM FOR FRANK NEWMAN  
LES SAMUELS  
KEITH MASON  
BRANDON BECKER

FROM: Ellen Seidman

SUBJECT: Proposed letter from the President to Harlan Boyles, North Carolina  
State Treasurer

Attached is an incoming letter to the President from Harlan Boyles, North Carolina State Treasurer, objecting to a speech by SEC Chairman Arthur Levitt concerning regulation of the municipal bond market, together with a proposed response from the President. In the speech, Chairman Levitt advocates increased regulation of the muni market to (i) reduce political influence (“pay for play”); (ii) required increased disclosure of the finances of the underlying responsible entity, particularly in the secondary market; (iii) increase competitive versus negotiated underwritings; and (iv) improve market oversight and enforcement.

The letter tries to be sympathetic to Mr. Boyles’ concerns, but supports the basic concepts that market integrity is essential for investors and to sell bonds at the lowest possible cost, and that reducing improper political influence, increasing disclosure and more competitive bidding are good ideas.

I would appreciate your comments on the proposed presidential response before I send it forward.

I can be reached on 456-2802, or faxed at 456-2223.

Thanks for your help.

cc: Sylvia Mathews

Dear Treasurer Boyles:

Thank you for your letter of February 4 concerning the need for states and municipalities to have access to funding through municipal bonds in order to serve our communities and increase economic growth. As you know, this is a large and growing market, which is attracting an ever-growing number of investors. Investor confidence in the integrity of that market is essential if municipalities are to be able to continue to sell bonds at the lowest possible cost.

Congress has vested in the Municipal Securities Rulemaking Board and the Securities and Exchange Commission primary federal responsibility to ensure this integrity. I can understand your concern that some of the particular proposals being discussed might be inefficient or excessively burdensome. However, the basic principles being discussed -- adequate disclosure, curbing of improper political influence, increased use of competitive bidding where it will reduce costs -- are sound. I urge you to work with your colleagues, the MSRB and the SEC to ensure that taxpayers and investors are both well served by the municipal market.

Sincerely,