

**CHAIRMAN'S OPENING STATEMENT
MUNICIPAL SECURITIES PROPOSALS
NOVEMBER 10, 1994**

We are here today to consider recommendations that are intended to improve the quality and quantity of the information that is available to investors in our nation's debt markets. These proposals represent the culmination of an extraordinary dialogue that the Commission has had over the past year with issuers, dealers, and investors. In many ways, this is an historic event.

Almost a year ago, I called together a group representing issuers and dealers to ask them to work with the Commission to address the lack of disclosure and price transparency in a market in which individual investors have become a major presence. The response has been beyond my expectations. The issuer community has worked intensively with the Commission staff during hundreds of hours of meetings. And today, we see the significant results of this collaboration.

I am not aware of any rulemaking initiative by this Commission that has been conducted in a more cooperative manner. It was important that it be done this

way- we had to get it right. The public debt market is critical to our nation. The issuance of public debt must be efficient and cost effective, and investors must be assured of the essential fairness of the market. The proposals we are considering today appear to me to strike this balance.

We listened to the small issuers. I am mindful of the costs of disclosure. The amendments provide an exception that would minimize the burdens on small towns and school districts.

We will also be considering whether disclosure of riskless principal mark ups would benefit the market. When the Commission proposed this disclosure last March, we had been talking with the industry for many years about the need for increased price transparency in the municipal markets. Progress toward that goal had been minimal. Today, we face an entirely different scenario.

The dealer community has come forward with plans for significant improvements in the transparency of this market. In the equity markets, even Congress acted to create equivalent levels of transparency. Without the enactment of a single SEC rule, the market is now moving to create transparency.

The Commission has this week approved a proposal by the MSRB to build a system that will provide investors with the last sale price information they need to determine the value of their bonds. This is a structural change in the industry which will have profound effects on the quality of the market.

In addition, the PSA has proposed initiatives which will supplement the MSRB system. The PSA has committed to develop and make available to the public a generic yield curve which will aid in pricing, and is planning a 900-number service which could provide on-the-spot pricing and other trade data to investors.

Together, the MSRB and PSA initiatives have the potential to give investors what they have long needed: the ability to accurately price their bonds. And when investors know the price of their bonds, they will also have the ability to determine whether those bonds have been marked up, and what the amount of the mark up is. The MSRB and the PSA have committed to develop these systems on a fairly ambitious time frame, so that investors will have the benefits of their efforts as soon as possible. In the long run, this will strengthen the market considerably.

Before I ask the staff to describe the proposals, I would like to thank the

issuer and dealer communities for their considerable efforts this year to help us address the needs of investors in this most important market. I believe the steps we take today will provide lasting benefits for all.