



THE CHAIRMAN

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
May 2, 1997

The Honorable Carol Moseley-Braun
United States Senate
SH-324
Washington, D.C. 20510

Dear Senator Moseley-Braun:

I understand that you have expressed concerns about the SEC's commitment to diversity in the securities industry and among its regulators. Let me assure you that our commitment is stronger than ever, as reflected not only in the steady attention the SEC has been paying the issue, but also in the way we have been working to focus the industry's attention on the need for positive change in this area.

For the agency's part, I have enclosed some charts that indicate how we have been doing in the area of diversity as compared with other federal agencies. While some of these figures may show the SEC in a relatively good light, I'm convinced that we could and should do better. I have conveyed this message repeatedly to my senior staff during the nearly 4 years of my tenure and I've supported their every effort to improve the situation. That will continue.

As you know, I have a deep and heartfelt belief in the benefits of increased diversity on Wall Street. While the Commission lacks the authority to take official action in pursuit of this goal, we have not been shy about using every means at our disposal, whether raising the issue repeatedly in speeches, fostering the discussion of specific ideas by key industry players at events organized by the Commission, or even supporting earlier and more effective outreach efforts by the industry to attract women and minority group members to careers on Wall Street.

I am aware of some of the complaints about Municipal Securities Rulemaking Board Rule G-37, which imposed limitations on contributions made by underwriting firms to political candidates for offices that have the authority to award municipal bond business to those very same firms. That rule is color-blind, and I believe the need for it is self-evident -- consideration for these contracts should be based on merit, not political payoffs. Some have acknowledged the unethical aspects of the practice known as "pay-to-play" but objected to its being outlawed now, rather than at some time in the past when minority firms were not as involved in the industry. While I am sympathetic to and share the desire to see as many minority firms thrive as possible, I would not and could not allow any such consideration to intervene in a decision that speaks so directly to the integrity of U.S. capital markets.

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I have no doubt that bringing an end to "pay-to-play" is a worthy and highly important goal of government. At the same time, closing this illegitimate avenue to underwriting business has made it all the more important to open up legitimate avenues to minority group members and others who wish to participate in the securities industry. I have done everything in my power to do so, and I have raised the issue repeatedly at forums that were directly related to the issue and at forums that were not, as you can see from the enclosed sampling of speeches. I have done so not because any statute requires it of me, but of my own free will, because I so fervently believe that it is the right thing to do.

I know you share this conviction and this goal, and I believe we've made great progress by working together to achieve it in a collegial way. To take just one example, consider Smith Barney's recent announcement of a bold plan to tie 10 percent of every manager's bonus to their efforts to promote diversity. Tying incentives to issues of diversity is a breakthrough for the industry, one that holds great promise. I have no doubt that, if we continue our efforts to highlight the issue, more such breakthroughs will follow.

I remain open to any idea you have as to how best to proceed. We recently helped organize a symposium at Catholic University to promote careers in the securities industry to minority group members and women; perhaps you would be willing to help us organize other such events. I also believe we would do well to hold additional meetings with industry leaders in Chicago and Los Angeles, on the model of our meeting in New York earlier this year.

Whatever initiatives we decide to take, I fondly hope that our work together to foster diversity on Wall Street will continue. I look forward to meeting with you on May 15th.

Sincerely,



Arthur Levitt

Enclosure