REMARKS BY CHAIRMAN ARTHUR LEVITT
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
JOINT MEETING WITH TREASURY SECRETARY RUBIN
TUESDAY, MARCH 12TH, 1996 -- WASHINGTON, DC

Good morning. I'm pleased to join Secretary Rubin in welcoming you to this second roundtable discussion of the developments regarding the management of public funds.

Secretary Rubin and I are deeply concerned about this issue. For much of the past year, I have shared our concerns by meeting and speaking with the Government Finance Officers Association, the National Association of State Treasurers, the Municipal Treasurers Association and, most recently, the California Society of Municipal Finance Officers Association. I look forward to meeting with many more.

I know that you are concerned with the prudent management of public funds as well.

Not only have you voiced concern, but many of you have acted -- and I commend you for your efforts. While I know that each of you will be discussing your efforts, let me just highlight a few of them:

- The GFOA published a sample investment policy;
- NAST established investment policy for pools;
- MTA adopted a program that offers certification for sound investment policies;
- NLC has produced an excellent booklet entitled "It's 12 O'Clock: Do you know Where your City's Money Is?";
- And the GASB has proposed a statement establishing fair market value standards for investments.

There have been some questions about the role of the federal government in all this. Indeed, in the wake of Orange County and other losses, some have called on the federal government to intervene. As I said before Congress one year ago, I believe the regulation of state and local investment practices is the responsibility of the states. If there's a role for the federal government in all this, it is to offer our support and to share any knowledge and experience we have that may be of use to you -- and that is what Secretary Rubin and I have tried to do in these last several months.

It's in everyone's interest to publicize successful techniques for risk management, and to discuss the various approaches to protecting public funds. Independently and together, Secretary Rubin and I are working to address this important issue through speeches, articles, meetings, and conferences.

The Commission is especially concerned because what is at stake here is not just the fate of one or two municipalities -- it is the entire mechanism of public finance, which is based on the public's trust.

The harsh lessons of the markets have been visited over the past 18 months upon large corporations and dealers, as well as municipal governments. These developments have offered an unprecedented opportunity to review the adequacy of financial checks and balances, to be sure that proper controls are in place.

Every day, more and more treasurers, legislators, and government officials responsible for protecting the people's money are taking this opportunity to review their controls. You deserve a great deal of credit for the vital role you've played in this process.

Prudent investment of taxpayer money is one side of the question -- it is a responsibility municipalities have to their constituents. But when they borrow money from American investors, local officials take on another, equally important responsibility -- to tell those investors the truth, the whole truth, and nothing but the truth.

A handful of people have tried to politicize this issue, as if municipalities have been unfairly targeted by the SEC and forced to spend money to defend themselves. Indeed, one official has called our effort a "scorched-earth strategy against smaller cities."

The rhetoric is just that: rhetoric. Indeed, if anyone runs the risk of getting "burned" here, it is <u>investors</u>, not municipalities who borrow money from them without telling the truth about their financial situation.

The securities laws prohibit <u>all</u> people from fraudulent acts in our securities markets. There is no special license for government officials to bend the truth when <u>they</u> borrow money.

For almost 20 years now, the Commission has been stressing the critical role officials play with respect to the representations contained in the official statements for their securities. Some have expressed surprise that we're bringing cases against issuers. But it should surprise no one that the SEC requires people to tell the truth.

Of our two dozen municipal enforcement inquiries, only a handful relate to the conduct of issuers -- in fact, many concern fraud <u>against</u> the issuer, which raises costs for taxpayers and investors alike.

We are sensitive to the legal and other costs imposed upon those from whom we require information. But we must also be sensitive to the potential loss to investors and damage to our markets.

From the start of my tenure as Chairman, I have sought to work with you to address these issues. Indeed, one of the purposes of these meetings is to foster a collegial dialogue on such important questions. I have no greater desire than to continue our cooperative effort to safeguard the integrity of the municipal debt market.

We've made great strides since our initial meeting in December of 1994, and I know that we will hear more about those efforts. But while we've taken many steps, there are many more yet to be taken. Our greatest challenge will be not only to reach every government official responsible for public funds, but also to ensure that that the sound principles we've discussed are understood and put into practice.

For the sake of our cities, our states, and our nation, let's continue our work to create a municipal debt market that's prepared for the 21st century. Thank you.

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