

OPENING STATEMENT
OF
ARTHUR LEVITT, CHAIRMAN
U.S. SECURITIES AND EXCHANGE COMMISSION

NOVEMBER 3, 1993

The initiatives that we will consider today address a primary goal of my Chairmanship of the SEC: to maintain and enhance the global preeminence of the American securities markets. These initiatives are intended to facilitate foreign companies' participation in the U.S. market by lowering costs of raising capital or listing their securities in the U.S. markets -- markets whose unparalleled strength reflects the participation of more than 50 million investors. This market last year provided more than \$900 billion to issuers domestic and foreign, both large and small.

Recognizing the tremendous opportunities offered by the U.S. markets and the dramatic increase in investor interest in foreign securities, foreign companies have entered the U.S. public market in record numbers. In the last year and a half alone more than 140 foreign issuers from 27 countries entered the U.S. public market for the first time - companies like Daimler-Benz, YPF, Shanghai Petrochemical, Enterprise Oil and Alcatel Alsthom.

Today more than 550 foreign companies are reporting to the SEC. We have learned much dealing with these companies and assisting them in entering the U.S. market and disclosure system. Most importantly, we have found means to lower regulatory costs, facilitate the transition into the U.S. disclosure system and accommodate foreign practices, without compromising the fundamental

principle of full disclosure and investor protection mandated by the federal securities laws.

I am committed to enhancing the competitiveness of the U.S. securities markets and financial services industry -- not by abandoning the fundamental principles of full disclosure and integrity that are the hallmark of our markets and that have given millions of investors the confidence to participate in the markets at levels unparalleled by any other market in the world -- but by assuring an efficient and low cost regulatory process that responds promptly to market developments and continuously is reassessed against the goals of investor protection and low cost, efficient capital formation.

The actions before us today are prime examples of this approach.

Among the items are --

- Simplification of Registration and Reporting Procedures.

Amendments proposed today expand the availability of short-form prospectuses and "shelf registration" to many more foreign companies.

- International Cash Flow Statements. Today, for the first time, the Commission is proposing to accept, without supplement, modification or reconciliation, cash flow statements prepared in accordance with International Accounting Standard No. 7 for use by foreign companies. The standard provides a sound basis for reliable, relevant information for U.S. investors. Quality international accounting standards hold the promise of providing

a foundation for development of company disclosure documents that will be acceptable world-wide.

- Streamlining Reconciliation Requirements. From our work with the more than 550 foreign companies that have come to the United States, we have learned of the problems and, at times, actual impossibility of obtaining historical financial information necessary for reconciling certain items to U.S. accounting principles. Today, we are proposing to ease the transition by requiring reconciliation of the two most recent fiscal years for first-time foreign issuers, rather than 5 years.

- Age of Financial Statements. Most foreign countries do not require quarterly reporting, and the SEC has long allowed foreign companies to follow their home-country interim disclosure requirements for reporting purposes under the Exchange Act. However, our rules regarding the age of financial statements in offering documents presume the availability of quarterly information, thus excluding foreign companies from the public market for most of the year unless they choose to provide quarterly information voluntarily. The amendments to be considered today would go a long way in addressing this problem.

- Multijurisdictional System. On our agenda today is the adoption of amendments, proposed in April, to expand the range of companies eligible to use our multijurisdictional system with Canada.

- Distributions of Foreign Securities. Finally, we will consider two actions to accommodate foreign market practices under

our trading rules. First is a policy statement regarding exemptions for large foreign companies from certain rules concerning distributions of securities, known as Rules 10b-6, 7 and 8. In addition, we will consider adoption of proposals issued in May that would exclude from these rules certain distributions to qualified institutions under our Rule 144A.

Now let me turn the floor over to Ms. Quinn of the Division of Corporation Finance.