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**News
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**Building a Stronger Market:
Cooperation Between Argentina and the United States**

**Remarks of
Richard C. Breeden, Chairman
U.S. Securities and Exchange Commission**

**Buenos Aires, Argentina
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BUILDING A STRONGER MARKET:
COOPERATION BETWEEN ARGENTINA AND THE UNITED STATES

REMARKS OF

RICHARD C. BREEDEN
CHAIRMAN
U.S. SECURITIES AND EXCHANGE COMMISSION

BUENOS AIRES, ARGENTINA

DECEMBER 9, 1991

President Menem, Dr. Redrado, distinguished guests, ladies and gentlemen:

It is a pleasure for me to be with you today, and it is a particular pleasure to be able to share this platform with President Menem. On the occasion of President Menem's recent visit to Washington, President Bush noted that:

"The ties between our countries have never been stronger, and a great deal of credit goes to [President Menem] and [his] administration ... From Rivadavia to Rio Gallegos, from Zapala to Buenos Aires, your strong, committed leadership is bringing your people hope for change -- faith in their countrymen -- and the courage to 'arise and walk' together."

Today we will be signing a "Memorandum of Understanding" between the Comision Nacional de Valores of Argentina and the U.S. Securities and Exchange Commission. This "MOU" is an agreement to assist each other in the investigation of securities fraud and other violations of our respective national securities laws.

Beyond its important law enforcement purposes, the agreement also includes provisions under which the SEC may provide our colleagues at the CNV with technical assistance such as training of personnel, and advice concerning issues that you will face as your market grows and expands. These would include systems for promoting the formation of capital, review of new types of securities, quotation and trade reporting, clearance and settlement, enforcement surveillance, accounting and disclosure and many other issues.

In these and other areas the U.S. does not have all the answers. Indeed, our own markets have a habit of reminding us that we have many imperfections. However, the job of regulating a securities market that includes over \$10 trillion (that is U.S. dollars, not Australes!) belonging to over 51 million people has given us insights and experience on market systems that have worked well, and on those that have not worked well enough. We are pleased to share our experiences with the CNV in the hope that they will help speed the development of strong and vibrant capital markets here in Argentina.

In the U.S. market this year companies will have raised almost \$700 billion in private and public offerings of securities for companies ranging from global competitors like IBM to tiny firms seeking the capital to fund the development of new ideas and new

products. Indeed, our market has often provided the funds for a good idea to become a company like Apple Computer, Walt Disney, Boeing and more than 12,000 others. Each of these firms was once simply one person's dream and the willingness to work hard to make that dream a success.

No matter how brilliant the idea, or how talented the personnel, achieving economic success always takes capital. Securities markets can provide that vital ingredient in economic growth by pooling the funds of investors across an entire country. Indeed, today's markets combine the funds of investors throughout the world. Last year cross-border purchases and sales of equity securities worldwide totalled about \$1.7 trillion. Securities markets can also provide the funding for roads, schools, hospitals, bridges, powerplants and many other basic needs that can improve the everyday lives of people in any country.

In providing the funding for companies and projects of every imaginable type, a securities market has a job that no government could ever perform nearly as well -- deciding which entrepreneurs and companies have what it takes to become a success. You are capable of creating just such a market here in Argentina, and we are prepared to extend our hand in friendship to you as you proceed on this complex but vital task.

Today our two countries share the desire to create economic growth and opportunity through free markets, fiscal responsibility, private ownership of enterprise and deregulation -- or reduced government intrusion into private business decisionmaking. That last ingredient -- deregulation -- is an extremely important element in building a strong economy. Risk-takers, not bureaucrats, must have the freedom to experiment with which engine to put into the car, and to succeed or fail on their own.

Deregulation can give an enormous boost to an economy through lower costs, higher productivity and greater innovation. Certainly the drive to eliminate unnecessary regulations that was undertaken by President Bush when he was Vice President has helped to save our country literally tens of billions of dollars in unproductive expenses. Again and again overregulation, like protectionism, has undercut the competitiveness of entire industries.

However, in the area of financial markets there is also a need to build and to maintain realistic and workable systems to control fraud, manipulation and other abuses of the market and investors. In our country, the insider trading, market manipulation, false disclosure and other forms of fraud engaged in by Michael Milken, Ivan Boesky, Drexel Burnham and others constituted in effect an attack on the viability and the credibility of public securities markets.

Indeed, as long as markets exist, it has to be expected that some people will try to rig them for their own benefit. Markets that are driven by secret deals and backroom agreements rather than market forces can result in huge losses to investors. In our case investors lost around \$30 billion in market value when the value of all our "junk bonds" fell sharply at least in part due to the end of Milken's market shams. At least the perception of widespread insider trading probably drove many investors away from our market due to our failure during the 1980s to control this form of manipulation. This loss of participation when the public loses confidence in the integrity and honesty of a market can have a very large impact on the cost and availability of capital.

Properly understood, I do not believe that "deregulation" of an economy and "regulation" of a capital market are inconsistent. Indeed, in my view fair but tough regulation to protect investors against various forms of market corruption is an essential part of encouraging the growth of a competitive and efficient capital market free of government decisions on the allocation of wealth.

Despite our lapses, the U.S. securities market is in my opinion the fairest and cleanest securities market in the world. This is a competitive strength, not a weakness. Investors the world over are encouraged to participate in the U.S. market because they know that because of U.S. laws, financial information provided to them by companies is complete and accurate. Investors also know

that they can judge the quality of service they get from their broker because they will be able to have virtually instantaneous information on stock quotes and the details of completed transactions.

Investors know that capital requirements help to protect the stability of the market and the safety of their funds. Because of laws and regulations by the SEC, investors also have confidence that prices will be set by market forces alone, and not by insider arrangements. The result of regulation of disclosure, transparency, accounting rules, capital, trading systems, clearance and settlement, mutual funds and many other areas is public confidence in the market, and participation in that market on a massive and sustained basis.

For Argentina, the path to strong economic growth to reverse the legacy of the past is a clear one. You are fortunate to have a forceful President who is exercising great leadership. You are daring to turn your back on the failures of the past, and to build a strong new future on a base of a democratic freedoms and strong free market economics that have one enduring feature -- they work.

For the future, the course that you have assumed holds the promise that your companies will need capital not to pay interest on bank loans, but to build new factories and to install new equipment to enhance productivity and to increase output. Your

securities market will be an important tool in helping to deliver capital on the most efficient basis, and in helping to build Argentina's future.

However, the road will be hard, and the problems will be numerous. Markets render judgments we don't always like, and they deliver powerful disciplines for failure. To be successful will require the willingness to allow markets rather than ministries to determine the winners and losers of economic competition. It also will require the willingness to create strong protections for investors, and to be ever vigilant in policing the market against fraud, deception and manipulation.

I hope that this agreement will mark a milestone in the efforts of Argentina to put its market on a new and exciting path, and to establish a firm and unshakable dedication to markets that are open, competitive, and honest. I also hope that this agreement will exemplify the spirit of friendship and common purpose that now flourishes between our two nations. May God bless you, Mr. President, your people and our common enterprise to create a democratic and prosperous Americas.