



**Remarks Of**

**Richard Y. Roberts  
Commissioner\*  
U.S. Securities and Exchange Commission  
Washington, D.C.**

**Political Contributions**

**PSA's Regional Advisory Committee  
Chicago, IL  
November 17, 1993**

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**\*/ The views expressed herein are those of Commissioner Roberts and do not necessarily represent those of the Commission, other Commissioners or the staff.**

**U.S. Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549**

**Statement by Commissioner Roberts  
for meeting on November 17**

**I appreciate the opportunity to participate in this meeting. I believe that we all agree that perceptions of inappropriate political contributions have seriously threatened the integrity of the municipal securities market. This perception has eroded public confidence in a market that depends heavily on public trust for its success. Thus, it behooves all of us to work collectively and responsibly to repel the real or perceived attacks upon the integrity of the municipal securities marketplace.**

**Already many of our nation's largest securities firms have agreed in principle to discontinue the practice of making political contributions that attempt -- or even appear to attempt -- to influence the selection of the firm as an underwriter. Some of the firms in this room apparently are also strongly considering adopting similar policies which can serve as models for eliminating the culture of "pay to play." I wish to encourage everyone here today to do so. But just by being here, you are all telling me that you are willing to move ahead aggressively to do something about this problem, and I am certainly pleased by that.**

**While I am not privy to all of the developments, it appears to me that the actions by the large firms can indeed serve as a model, which I hope will be followed by many, if not all, of the firms represented here today. I acknowledge that there exist differences between national and regional firms which may mean there should be some differences in the action taken. I am hopeful, though, that a consensus will develop from this group which will strike an appropriate balance in this area.**

**However, I do encourage that some action be taken. I will be extremely disappointed if many of those here today elect to sit back and wait for the development of an MSRB political contribution rule. You can voluntarily do more than, and go farther than, the MSRB rule and should do so in my judgment. Many of you have indicated to me in the past that a ban is what you want and you now have the**

**opportunity to establish one. Please exhibit some positive leadership and take additional action to complement whatever rulemaking action ultimately results from the MSRB's efforts.**

**Although political contributions that express one's sincere support for a candidate are the lifeblood of our political process, contributions that coincide with business relationships can diminish respect for elected officials and for our markets and should therefore be discouraged.**

**I applaud your interest in this subject today. Your actions are important since still others will probably follow your example and your leadership.**

**I view today's meeting as a beginning -- not an end -- in a continuing process that has implications well beyond today. Because while this meeting is important, I have no illusions that this meeting alone will solve and prevent all problems. I too am concerned about the use of consultants, affiliates, and non-municipal related employees to avoid the prohibitions of any policy, as well as other related practices which improperly influence municipal finance decision making and which may not be fully addressed.**

**If an appropriate voluntary consensus solution is reached, and I hope that it is, you will have hard work ahead of you in the coming months, and the Commission will be monitoring your progress. However, I do believe that just the existence of this meeting could have a broad impact, partially causing participants in the municipal bond market to constructively reevaluate the way they conduct business and the way they structure relationships with issuers. Indeed, it is the Commission's intention to bring the principles of any agreement reached by you to other participants in the municipal bond market, including consultants, bond counsel and financial advisers, among others.**

**I hope that whatever consensus may emerge, together with the proposed rulemaking by the MSRB, will serve as a model for developing the industry standards which will best protect the integrity of this marketplace in the future. All municipal securities participants deserve a fair and efficient marketplace where allegations of graft and corruption are the rare exception rather than the rule.**

**I encourage you to continue your efforts past today. Again, I recognize that there may be varying approaches to achieve an appropriate result, but I hope that everyone here recognizes that an appropriate result should be achieved.**

**Apparently there was some sense that the Commission's approach to the Group of 17 initiative was meant to be limited to some Wall Street exclusive club. My presence here is intended to dismiss that notion. I wish to stress that the Commission's intention was always to be inclusive not exclusive. I pledge that the Commission will continue to work with you to help pursue any appropriate consensus that develops. The Commission has already initiated a major effort with the private sector and with the SROs to address the market disclosure and transparency problems which now exist in the municipal securities market.**

**Chairman Levitt hopes to be able to inform Congress, by year-end, that appropriate programs are in place to rectify any perception problem which may exist regarding political contributions in the municipal securities marketplace. If we continue to cooperate, I fully expect my Chairman to be able to provide such information in a timely manner.**

**The municipal securities market is absolutely essential to our nation's economic health. It provides an efficient means of financing the capital requirements of state and local governments and, on the whole, offers safe, sound and reliable investments for millions of individuals. I assure you that the Commission will continue its mission of doing all in its power to safeguard and to strengthen such a valuable national asset.**

**The commitment of your firms to appropriate goals today could be another strong step in this direction.**