

**SEC News Supplement:
Opening Statement of Chairman Arthur Levitt
Open Meeting on Regulation Fair Disclosure**

August 10, 2000

Good morning. The Commission meets today to consider the adoption of rules designed to promote the full and fair disclosure of financial information. High quality and timely information is the lifeblood of strong, vibrant markets. It is at the very core of investor confidence.

But when that information travels only to a privileged few, when that information is used to profit at the expense of the investing public, when that information comes by way of favored *access* rather than by acumen, insight, or diligence, we must ask, "Whose interest is *really* being served?" If investors see a stock's price change dramatically -- but are given access to critical market-moving information only much later -- we risk nothing less than the public's faith and confidence in America's capital markets.

There's a saying that only three things matter in real estate: location, location, location. Unfortunately, in some quarters, the same principle is taking root in investing, and the place to be is inside the information loop -- that small circle of Wall Street professionals with whom companies share significant nonpublic information before the rest of us. Like that neighborhood with gated entrances and tall fences, moving into the information loop is not always an option for many of America's small investors.

Today, as Wall Street analysts play an increasingly visible role in recommending stocks, some in corporate management treat material information as a commodity -- a way to gain and maintain favor with particular analysts. What's more, as analysts become more and more dependent on the "inside word," the pressure to report favorably on a company has grown even greater, as analysts seek to protect and guarantee future access to selectively disclosed information.

Simply put, these practices defy the principles of integrity and fairness. In this country, we pride ourselves on having the purest form of meritocracy in the world. We teach our children that a person gets ahead through hard work and diligence. We ground ourselves in a trust that, through equal opportunity, everyone has a chance to succeed. America's marketplace should be no exception. Instead, it should serve as a beacon. No one should be excluded.

The adoption of today's rules -- appropriately named Regulation FD, for Fair Disclosure -- would mean that when companies disclose material, nonpublic information, they must disseminate this information broadly. If, for instance, corporate officers wish to inform Wall Street analysts that the company may not make its upcoming quarterly earnings estimate, this same information must be *simultaneously* disclosed to the public, through a press release or other comparable avenue. Regulation FD would bring all investors, regardless of the size of their holdings, into the information loop -- where they belong. To all of America's investors, it's well past time to say, "Welcome to the neighborhood."

While investor interests have conditioned every decision made by this Commission since 1993, our rulemaking must be characterized by balance and fairness. The comment period is intended to evaluate divergent views and respond with modifications that bring the process as close to consensus as possible.

Nearly every rule elicits warnings about unintended consequences. Our markets, however, are so dynamic that the consequences of no action are often more serious than the process of adapting to change. Clearly it is the responsibility of this and successor Commissions to continually evaluate the impact of laws and regulations on our markets and seek ways to adjust in an increasingly competitive global environment. This is

no one-shot process but, rather, an ongoing effort to adapt to change by fine-tuning the important guideposts that will insure the primacy of U.S. markets and protection of U.S. investors.

Now, various investment professionals have argued that Regulation FD might "chill" the flow of information as some companies, fearful of legal liability, respond by providing less disclosure altogether. Many of the concerns raised in the comment letters were thoughtful and valid. I firmly believe, however, that the rules before us today address these concerns.

To provide even greater protection against the possibility of inappropriate liability, and to guard against any chilling effect, we have modified and narrowed the scope of Regulation FD in several respects. I want to thank my fellow Commissioners for their insight and efforts towards ensuring that these rules would be both practical and effective. But today's rules would not be nearly as elegantly crafted if not for the tireless work and discerning eye of Dean Hunt. The rules, for example, now apply only to communications with securities professionals and holders of the issuer's securities when it is reasonably foreseeable that the security holder will trade on the information. We have also honed the rules to cover only communications by senior issuer officials and those persons who normally communicate with securities industry professionals or security holders. These changes together make crystal clear that Regulation FD will not cover communications with the media, or ordinary-course business communications with an issuer's customers or suppliers. Dean Hunt was also instrumental in our decision to exclude communications made in connection with most public offerings. And there is now an express provision stating that failure to make a disclosure required solely by Regulation FD will not result in a violation of Rule 10b-5.

Finally, today we will also consider two amendments that will clarify and enhance existing prohibitions against insider trading. The first addresses the important but unsettled question of whether insider trading liability arises when a person trades while "aware" of material nonpublic information. The second amendment addresses what types of family or other non-business relationships can give rise to liability under the misappropriation theory of insider trading.

I thank our Office of the General Counsel, Division of Enforcement, and Division of Corporate Finance for their incredible dedication, countless hours, and a truly collective effort, which has made today's rules possible.

At this time, I'd like to turn it over to David Becker, our General Counsel, to talk about today's proposed rules in greater detail.

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