106TH CONGRESS, 1st Session | HOUSE OF REPRESENTATIVES | REPORT 106–149

BOND PRICE COMPETITION IMPROVEMENT ACT OF 1999

MAY 18, 1999.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. BLILEY, from the Committee on Commerce, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany H.R. 1400]

[Including cost estimate of the Congressional Budget Office]

The Committee on Commerce, to whom was referred the bill (H.R. 1400) to amend the Securities Exchange Act of 1934 to improve collection and dissemination of information concerning bond prices and to improve price competition in bond markets, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

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PURPOSE AND SUMMARY

The purpose of H.R. 1400, the Bond Price Competition Improvement Act of 1999, is to facilitate best execution of customer orders in the secondary market for debt securities by providing for improved price transparency of debt securities through last sale reporting and improved price competition in bond markets. Improved transparency will enable customers to better assess the quality of executions obtained for bond transactions. It also will encourage competition among dealers in bonds which will narrow the spreads charged to investors. These investors, in turn, will realize greater returns on their investments.

BACKGROUND AND NEED FOR LEGISLATION

On September 29, 1998, the Subcommittee on Finance and Hazardous Materials held a hearing on competition in mutual fund fees and in bond prices. In that hearing, the Subcommittee heard testimony that transparency of corporate bond prices was poor. Specifically, testimony indicated that instances exist in which similarly situated investors purchasing the same quantities of the same bond from the same dealer pay substantially different prices for the bonds. Testimony also indicated that improved transparency would lead to improved bond prices for investors, and that increased transparency would assist the relevant regulators with development of an audit trail.

The U.S. equity markets have been the subject of substantial attention of both the regulators and Congress. Stock trades on the New York Stock Exchange or the NASDAQ stock market are subject to immediate real time reporting of price and quantity. Investors know immediately what other investors are paying for the same security. That information is widely disseminated through electronic and print media and is increasingly available to individual investors at little or no cost. The level of oversight and transparency in the bond market, particularly the corporate and municipal market, is substantially less than that in the U.S. equity markets. In the corporate and municipal market, dealers do not report the prices at which they sell bonds. This lack of "last sale reporting" makes it difficult for investors to determine if they are paying the best price for a bond. It also makes it difficult for them to value their portfolios with precision.

The corporate bond market is dominated by five or six major bond dealers. Each of these dealers serves as the lead underwriter on a large number of corporate bond offerings each year. The dealer typically keeps an inventory of the bonds that it underwriters and makes a market for trading in the bond after its initial offering. A single dealer will often be the principal, if not the exclusive, source for investors wishing to buy or sell a particular bond in the secondary market. As a result, investors cannot comparison shop among dealers. Investors need greater price transparency so they can compare trade prices to other investors in order to monitor the quality of execution provided by the dealer.

The undesirable consequences of the existing structure probably were best expressed in the following testimony by Larry E. Fondren, President, InterVest Financial Services, Inc., before the

Subcommittee on Finance and Hazardous Materials on June 18, 1998:

> [T]he lack of price transparency in that [bond] market forces investors and most broker-dealers to gauge the current level of market pricing by calling a number of dealers to solicit quotes before executing a singe transaction—at what can only be hoped is the best available price. This inefficient process limits the number of potential counterparties with which a participant can trade, and constricts the ability of participants to confidently discern current pricing levels. As a result, liquidity is hindered and broad competition among broker-dealers is thwarted. The largest source of capital formation in the world is the issuance and sale of bonds. Unlike stocks which are sold directly to investors, the non-transparent, inefficient structure of the current bond market requires issuers to sell their bonds to a relatively small group of dealers which buy from the issuers, as principals, and subsequently sell to investors at undisclosed prices. As issuers have no effective means of discerning the prices at which existing bonds are trading, a key benchmark for determining the price at which their new bonds should be sold, they are unable to accurately assess the fairness of the dealer bids they receive—resulting in lower selling prices and higher capital costs.

Therefore, the Committee has determined, on the basis of the compelling record before it, that transparency in the bond market should be improved to better resemble that of the U.S. equity markets. The Committee believes that this improved transparency will facilitate price competition, better inform investors, and assist regulators in their oversight of the markets.

The Committee notes that a number of initiatives to improve transparency in the bond market have been undertaken since the beginning of Committee hearings in this area. The Committee compliments the groups that have taken the lead in these important initial steps towards improved price transparency.

HEARINGS

On June 18, 1998, the Subcommittee on Finance and Hazardous Materials held a hearing on electronic commerce. One of the witnesses, Mr. Larry E. Fondren, President, InterVest Financial Services, Inc., testified about the lack of price transparency in the bond markets and the negative consequences for issuers, investors, and the markets.

On September 29, 1998, the Subcommittee on Finance and Hazardous Materials held a hearing on competition in mutual fund fees and bond prices. Witnesses at that hearing included The Honorable Arthur Levitt, Chairman of the Securities and Exchange Commission, accompanied by Mr. Barry P. Barbash, Director, Division of Investment Management and Mr. Richard R. Lindsey, Director, Division of Market Regulation, Securities and Exchange Commission; Mr. Charles A. Trzcinka, Professor of Finance, University of Buffalo, State University of New York, Jacobs Management Center; Mr. Harold Evensky, Certified Financial Planner,

Evensky, Brown, Katz, & Levitt; Mr. Thomas Gardner, Co-Founder, The Motley Fool, Inc.; Mr. F. William McNabb, III, Managing Director, The Vanguard Group; Mr. A. Michael Lipper, Chairman, Lipper Analytical Services; Mr. Matthew P. Fink, President, ICI; Mr. Kenneth E. Volpert, Principal and Senior Portfolio Manager, The Vanguard Group; Mr. William H. James, Senior Vice President, Lazard Freres and Company on behalf of The Bond Market Association; Mr. Suresh M. Sundaresan, Professor, Columbia University School of Business; Mr. J. Patrick Campbell, Chief Operating Officer, The Nasdaq Stock Market, Inc.; Mr. Geoffrey Rosenberger, Managing Director, Clover Capital Management; and Mr. Frank R. Hoadley, Capital Finance Director, State of Wisconsin, Department of Administration. At that hearing, the Subcommittee heard testimony that transparency of corporate bond prices was poor. Testimony indicated that individual purchasers of the same bond from the same dealer were given prices that varied by as much as six percent. Testimony also indicated that improved transparency would lead to improved bond prices for investors.

On March 18, 1999, the Subcommittee on Finance and Hazardous Materials held a hearing to consider the Committee draft language of H.R. 1400, the Bond Price Competition Improvement Act of 1999. The Subcommittee heard testimony from The Honorable Arthur Levitt, Chairman of the Securities and Exchange Commission, accompanied by Mr. Robert L. D. Colby, Deputy Director, Division of Market Regulation, Securities and Exchange Commission; Mr. J. Patrick Campbell, Chief Operating Officer and Executive Vice President, The Nasdaq Stock Market, Inc.; and Mr. Micah S. Green, Executive Vice President, The Bond Market Association. The testimony indicated that the legislation would facilitate more transparent markets for secondary trading of debt securities.

COMMITTEE CONSIDERATION

On April 15, 1999, the Subcommittee on Finance and Hazardous Materials met in open markup session and approved H.R. 1400 for Full Committee consideration, without amendment, by a voice vote. On April 21, 1999, the Full Committee met in open markup session and ordered H.R. 1400 reported to the House, without amendment, by a voice vote, a quorum being present.

ROLLCALL VOTES

Clause 3(b) of rule XIII of the Rules of the House requires the Committee to list the recorded votes on the motion to report legislation and amendments thereto. There were no recorded votes taken in connection with ordering H.R. 1400 reported. A motion by Mr. Bliley to order H.R. 1400 reported to the House, without amendment, was agreed to by a voice vote, a quorum being present.

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee held legislative and oversight hearings and made findings that are reflected in this report.

COMMITTEE ON GOVERNMENT REFORM OVERSIGHT FINDINGS

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, no oversight findings have been submitted to the Committee by the Committee on Government Reform.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee finds that H.R. 1400, the Bond Price Competition Improvement Act of 1999, would result in no new or increased budget authority, entitlement authority, or tax expenditures or revenues.

COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE ESTIMATE

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, April 30, 1999.

Hon. TOM BLILEY,
Chairman, Committee on Commerce,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 1400, The Bond Price Competition Improvement Act of 1999.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Mark Hadley (for federal costs) and Jean Wooster (for the private-sector impact).

Sincerely,

BARRY B. ANDERSON
(For Dan L. Crippen, Director).

Enclosure.

H.R. 1400.—Bond Price Competition Improvement Act of 1999

CBO estimates that implementation H.R. 1400 would have no significant effect on the federal budget. The bill would require the SEC to adopt rules to assure that information about transactions involving certain debt securities is made available to the public on a timely basis. Such information would include price, volume, and yield. In addition, the bill would require GAO to conduct study of measures needed to improve information about transactions involving municipal securities and debt securities that are exempt the new SEC rules. Assuming availability of appropriated funds, we estimate the Securities and Exchange Commission (SEC) and the

General Accounting Office (GAO) would spend less than $500,000 to implement the bill. H.R. 1400 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply.

H.R. 1400 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

H.R. 1400 would impose a private-sector mandate, as defined by the UMRA, on the National Association of Securities Dealers (NASD). The NASD is a self-regulatory organization that issues rules governing practices by broker-dealer firms in the over-the-counter market. CBO estimates that the cost of the mandate would not exceed the threshold established by UMRA ($100 million in 1996, adjusted for inflation).

This bill would require that the NASD broaden its current initiative to improve the transparency of the corporate bond market to include securities issued by government-sponsored enterprises (GSEs) and certain international financial organizations. Transparency in securities markets is the extent to which timely data on prices and transactions is visible and understandable to all market participants. Under this bill, the SEC would require that the NASD collect, process, distribute, and publish information (such as price, volume, and yield) about the purchase or sale of those securities. Based on information from the SEC and NASD, CBO estimates that the cost of this mandate would be well below the private-sector threshold.

The CBO staff contacts are mark Hadley (for federal costs) and Jean Wooster (for the private-sector impact). This estimate was approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.

FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds that the Constitutional authority for this legislation is provided in Article I, section 8, clause 3, which grants Congress the power to regulate commerce with foreign nations, among the several States, and with the Indian tribes.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

Section 1 provides the short title of the legislation, the "Bond Price Competition Improvement Act of 1999."

Section 2. Extension of transaction reporting to debt securities

Section 2 directs the Securities and Exchange Commission (SEC or the Commission) to use its existing authority under Section 11A of the Securities Exchange Act of 1934 (the Exchange Act) to adopt rules to assure the prompt, accurate, reliable, and fair collection, processing, distribution, and publication of transaction information, including last sale data, with respect to covered debt securities, so that such information is made available to the public.

In determining the rules and other actions to be taken pursuant to this legislation, the Commission shall take into consideration, among other factors, private sector systems for the collection and distribution of transaction information on corporate debt securities. The SEC should consider not only the type of information reported by private sector systems, but also the mode and method of collection and dissemination used by private sector entities.

Additionally, in making its public interest determination, the Commission is required to consider whether the action will promote efficiency, competition, and capital formation. The Committee expects the Commission to conduct appropriate cost-benefit analysis of the proposed rules to the extent feasible given available data and the time limits imposed by the Act.

The Committee intends that pricing information for debt securities be made available to the investing public so that the bond market enjoys the benefits of transparency enjoyed in the equity market.

The section further provides that the subsection does not limit or alter Commission authority under other provisions of the Exchange Act. It also provides for definitions of relevant terms and for completion of required actions within one year of the enactment of the Act. Government securities, municipal securities, and other "exempted securities" as defined in section 3(a)(12) of the Exchange Act are excepted from the requirements of this legislation, as are any securities that the Commission determines by rule to except from these requirements.

Section 3. Technical amendment

Section 3 makes technical changes to the definition of exempt securities. These changes are intended to require dealers to make prices available for debt securities issued by government sponsored enterprises. These changes are intended to affect only debt securities. These changes are not intended to affect the exemption from registration requirements enjoyed by securities issued by government sponsored enterprises or to impose any requirements on government sponsored enterprises.

Section 4. Studies

Section 4 requires the Comptroller General to conduct a study of transparency in transactions in municipal securities and in debt se-

curities as to which transaction information is collected but not disseminated pursuant to section 11A(d) of the Exchange Act.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECURITIES EXCHANGE ACT OF 1934

* * * * * * *

TITLE I—REGULATION OF SECURITIES EXCHANGES

* * * * * * *

DEFINITIONS AND APPLICATION OF TITLE

SEC. 3. (a) When used in this title, unless the context otherwise requires—

(1) * * *

* * * * * * *

(12)(A) * * *

(B)(i) Notwithstanding subparagraph (A)(i) of this paragraph, government securities shall not be deemed to be "exempted securities" for the purposes of section 17A of this title.

(ii) Notwithstanding subparagraph (A)(ii) of this paragraph, municipal securities shall not be deemed to be "exempted securities" for the purposes of sections 15 and 17A of this title.

(ii) Notwithstanding subparagraph (A)(i) of this paragraph, securities described in subparagraphs (B) and (C) of paragraph (42) of this subsection shall not be deemed to be exempted securities for purposes of section 11A of this title.

* * * * * * *

NATIONAL MARKET SYSTEM FOR SECURITIES; SECURITIES INFORMATION PROCESSORS

SEC. 11A. (a)(1) * * *

* * * * * * *

(3) The Commission is authorized in furtherance of the directive in paragraph (2) of this subsection—

(A) to create one or more advisory committees pursuant to the Federal Advisory Committee Act [(which shall be in addition to the National Market Advisory Board established pursuant to subsection (d) of this section)] and to employ one or more outside experts;

* * * * * * *

[(d)(1) Not later than one hundred eighty days after the date of enactment of the Securities Acts Amendments of 1975, the Commission shall establish a National Market Advisory Board (hereinafter in this section referred to as the "Advisory Board") to be com-

posed of fifteen members, not all of whom shall be from the same geographical area of the United States, appointed by the Commission for a term specified by the Commission of not less than two years or more than five years. The Advisory Board shall consist of persons associated with brokers and dealers (who shall be a majority) and persons not so associated who are representative of the public and, to the extent feasible, have knowledge of the securities markets of the United States.

[(2) It shall be the responsibility of the Advisory Board to formulate and furnish to the Commission its views on significant regulatory proposals made by the Commission or any self-regulatory organization concerning the establishment, operation, and regulation of the markets for securities in the United States.

[(3)(A) The Advisory Board shall study and make recommendations to the Commission as to the steps it finds appropriate to facilitate the establishment of a national market system. In so doing, the Advisory Board shall assume the responsibilities of any advisory committee appointed to advise the Commission with respect to the national market system which is in existence at the time of the establishment of the Advisory Board.

[(B) The Advisory Board shall study the possible need for modifications of the scheme of self-regulation provided for in this title so as to adapt it to a national market system, including the need for the establishment of a new self-regulatory organization (hereinafter in this section referred to as a "National Market Regulatory Board" or "Regulatory Board") to administer the national market system. In the event the Advisory Board determines a National Market Regulatory Board should be established, it shall make recommendations as to:

[(i) the point in time at which a Regulatory Board should be established;

[(ii) the composition of a Regulatory Board;

[(iii) the scope of the authority of a Regulatory Board;

[(iv) the relationship of a Regulatory Board to the Commission and to existing self-regulatory organizations; and

[(v) the manner in which a Regulatory Board should be funded.

The Advisory Board shall report to the Congress, on or before December 31, 1976, the results of such study and its recommendations, including such recommendations for legislation as it deems appropriate.

[(C) In carrying out its responsibilities under this paragraph, the Advisory Board shall consult with self-regulatory organizations, brokers, dealers, securities information processors, issuers, investors, representatives of Government agencies, and other persons interested or likely to participate in the establishment, operation, or regulation of the national market system.]

(d) MINIMUM REQUIREMENTS FOR TRANSACTION INFORMATION ON DEBT SECURITIES.—

(1) ACTION REQUIRED.—The Commission shall adopt such rules and take such other actions under this section as may be necessary or appropriate, having due regard for the public interest, the protection of investors, and the maintenance of fair and orderly markets to assure the prompt, accurate, reliable,

and fair collection, processing, distribution, and publication of transaction information, including last sale data, with respect to covered debt securities so that such information is available to all exchange members, brokers, dealers, securities information processors, and all other persons. In determining the rules or other actions to take under this subsection, the Commission shall take into consideration, among other factors, private sector systems for the collection and distribution of transaction information on corporate debt securities.

(2) EFFECT ON OTHER AUTHORITY.—Nothing in this subsection limits or otherwise alters the Commission's authority under the other provisions of this section or any other provision of this title.

(3) DEFINITIONS.—For purposes of this subsection:

(A) COVERED DEBT SECURITIES.—The term "covered debt securities" means bonds, debentures, or other debt instruments of an issuer, other than—

(i) exempted securities; and

(ii) securities that the Commission determines by rule to except from the requirements of this subsection.

(B) TRANSACTION INFORMATION.—The term "transaction information" means information concerning such price, volume, and yield information associated with a transaction involving the purchase or sale of a covered debt security as may be prescribed by the Commission by rule for purposes of this subsection.

(C) FACTORS IN DEFINITIONAL RULES.—In prescribing rules pursuant to this paragraph, the Commission shall take into consideration the extent to which a security is actively traded, market liquidity, competition, the protection of investors and the public interest, and other relevant factors.".

(b) CONFORMING AMENDMENT.—Section 11A(a)(3)(A) of such Act is amended by striking (which shall be in addition to the National Market Advisory Board established pursuant to subsection (d) of this section)

* * * * * * *

ADDITIONAL VIEWS

Today's bond markets play a crucial role in our economy. While New York Stock Exchange equity trading amounts to $28 billion per day, trading volume in all bond markets totals roughly $350 billion per day. The total value of the bond market today is over $10 trillion—up approximately 400 percent since 1980. The debt market is primarily an over-the-counter principal market, although some debt does trade on the New York Stock Exchange's Automated Bond System.

The Committee did not begin examining these issues in the 105th Congress. The Bond Price Competition Improvement Act completes work begun by this Committee 24 years ago.

In 1975, Congress adopted the Securities Amendments which directed the Securities and Exchange Commission (SEC) to facilitate the establishment of the National Market System. Among other things, in fashioning Section 11A of the Exchange Act, we asked the SEC to assure the availability to brokers, dealers, and investors of information on quotations for and transactions in securities. Since then the SEC has pushed for increased transparency in the equity markets. This has resulted in the establishment of the consolidated quotation system, the consolidated transaction tape, and the Intermarket Trading System, helping to make our securities markets the most transparent and liquid in the world.

In the 1980s, under the leadership of this Committee's Subcommittee on Telecommunications and Finance, and its distinguished chairman Ed Markey, Congress passed landmark government securities legislation that, in part, addressed the lack of transparency in that segment of the bond market. In 1991, the industry responded with GovPX, a 24–hour, global electronic reporting system for U.S. Treasury and other government securities.

In the fall of 1993, that subcommittee held comprehensive hearings on the municipal securities market. Chairman Markey observed at the close of those hearings that: "I have little sympathy for those who would keep information about quotes, trades, prices, and markups in the dark, away from investors. Markets are more efficient, more fair and more liquid when investors can readily determine how much a security costs." The subcommittee challenged the SEC and the market to respond to this need, and promised carefully targeted and bipartisan legislative reforms if they failed to do so.

In 1995, the Municipal Securities Rulemaking Board (MSRB) started collecting data on dealer-to-dealer transactions in the municipal bond market as well as disseminating daily summary reports. In 1998, the MSRB added coverage of customer trades to this system. I should note that in 1994 the National Association of Securities Dealers (NASD) established the Fixed Income Pricing System which covers some but not all high-yield corporate bonds.

In March 1998, SEC Chairman Arthur Levitt asked the Division of Market Regulation to begin a review of the U.S. debt markets. The SEC debt market review concluded that: (1) the markets for benchmark U.S. Treasury bonds are "highly" transparent; (2) the market for other U.S. Treasuries and Federal agency bonds, that trade in a stable relationship to benchmark Treasuries, had a "very good" level of pricing information; (3) the markets in mortgage backed securities, and other structured products such as collateralized mortgage obligations and asset backed securities, generally have a "good" level of price transparency; (4) price discovery is "necessarily difficult" in the municipal market—the market is highly fragmented and regionalized, and is characterized by an extremely large number of issues and issuers with relatively small trading volume—but expectations are that the MSRB's transparency initiatives will result in improvements; (5) the market in high yield corporate bonds is generally characterized by a "relatively poor" level of price transparency; and (6) the market in investment grade bonds was said to have a "fairly good to fair level of price transparency." (Memorandum from Richard R. Lindsey, Director of the Division of Market Regulation to SEC Chairman Arthur Levitt regarding the Debt Market Review, pp. 2–4.)

In September 1998, SEC Chairman Arthur Levitt, observed that "investors have a right to know the prices at which bonds are being bought and sold [and] that transparency will help investors make better decisions and will increase confidence in the fairness of the markets." The SEC chairman charged the NASD with developing a system for dissemination of information on corporate bond market transactions and prices to investors and to create a database to enhance surveillance and enforcement in this market. The NASD is developing a proposal to gather all trade reports on corporate bonds and make information available on an immediate basis.

In December 1998, the Bond Market Association announced that, due to industry concerns about imminent Congressionally-mandated and SEC-mandated price transparency initiatives, it was implementing an industry-sponsored, market-based "voluntary initiative" to collect price data on investment grade corporate bonds from interdealer brokers and to disseminate that data to the public and to market regulators for surveillance purposes.

Following last summer's electronic commerce hearings, I wrote to SEC Chairman Levitt and Chairman Oxley supporting subcommittee hearings and regulatory efforts to address this problem. Following last fall's hearing on bond price competition, I wrote to the SEC and the NASD asking for annual reports through 2003 on their progress in improving the availability of corporate and other bond price information. The SEC has undertaken to provide such reports. A copy of the SEC's letter accompanies these views.

I commend all the ongoing efforts to improve price transparency in the debt markets. I am pleased to support this legislation and I would urge all my colleagues to do the same. It continues this Committee's proud tradition of supporting full disclosure and the protection of investors, and it will have significant benefits for the economy.

I also commend Chairman Bliley of the full Committee and Chairman Oxley of the Finance Subcommittee for their strong leadership on this legislation. I thank them for working with Democratic Members, the federal regulators, and the bond industry to fashion a focused, balanced, bipartisan bill that is cosponsored by the Democratic Members of the subcommittee and myself.

JOHN D. DINGELL.

SECURITIES AND EXCHANGE COMMISSION,
Washington, DC, October 22, 1998.

Hon. JOHN D. DINGELL,
Ranking Member, Committee on Commerce, Rayburn House Office Building, House of Representatives, Washington, DC.

DEAR CONGRESSMAN DINGELL: Thank you for your September 29, 1998, letter regarding the corporate debt market hearings conducted on that day before the Subcommittee on Finance and Hazardous Materials. I appreciate your interest in the Commission's corporate debt initiative and your recognition of our commitment to achieving greater price transparency and investor protection in the corporate debt market.

I am encouraged by the industry's response to the Commission's corporate debt initiative. As you observed, industry support for the initiative included The Bond Market Association. In moving forward on the proposal, we will work closely with both the industry and the NASD to implement the Commission's recommendations. As you have requested, we are happy to provide an annual progress report on our collaborative efforts to the Committee in September of each year through 2003.

Thank you again for your interest. Please do not hesitate to contact me or Richard Lindsey, Director, Division of Market Regulation, if we can be of further assistance.

Sincerely,

ARTHUR LEVITT, *Chairman.*

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