ICIMutual
Partners In Risk Management

David Silver
President

0755416
RECEIVED
98 APR 14 AM 11:37
OFFICE OF THE CHAIRMAN

April 9, 1998

The Honorable Arthur J. Levitt, Jr.
Chairman
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549

Dear Arthur:

It was good seeing you at the celebration for Irv last night. The occasion had a special resonance for me since in late 1959 Irv interviewed me for my Commission job and, in turn, I interviewed Stanley for a job on the Special Study. (A fact which I have not often told industry people.)

The point which I did not articulate last night when I stated that yours has been the most successful tenure of any SEC Chairman I have known does not rest upon the specific reforms that you have achieved, important as they may be, but in finally moving the Agency away from an obsolete notion of investor protection to more modern forms of consumer protection. When I joined the staff, the SEC was dominated by a philosophy (whose most forceful exponent was Barney Woodside) which can best be summed up as a "trickle down" approach. Barney believed that so long as disclosure documents could be understood by investment analysts, the SEC's role ended without regard as to whether the investing public would ever understand such disclosures.[1]

Until your appointment, this philosophy of disclosure, despite some modest changes, lingered long after it stopped making sense. A more sophisticated investor population together with the technological developments for bundling and disseminating information have, with other factors, rendered this philosophy obsolete. I thought about this over the years but I believed that the "iron triangle" of the Wall Street Bar, the Commission staff and the investment banking fraternity would keep disclosure pretty much the way it had always been. Thus, I believe that your

[1] On the market regulatory side, Barney believed that the Street would act to purge bad apples through the necessity of the marketplace to cleanse itself for efficient operation. This market-oriented regulatory view was substantially eroded by the AMEX scandals of the late 50s and the work of the Special Study on operations of specialists, floor traders and on the fixed Commission rate schedule.

1401 H Street, NW • Washington, DC 20005 • 202.326.5460 • Fax: 202.326.5373

most enduring contribution will be in the change of direction which will remake the SEC into a consumer protection agency with its major constituents being investors and not Street professionals.

The enclosed letter which I mentioned last night involves a specific matter, i.e., the acquisitions of mutual fund organizations by unregulated entities, together with some modest suggestions for action within the Commission's existing authority. If this should prove inadequate, the Commission may be able to accumulate the ammunition to seek holding company-type legislation at a later time.

Sincerely,

Dave

Enclosure