

Chairman Arthur Levitt, *Plain Talk About On-Line Investing*

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Abstract by Sandra S. Lee

Chairman Levitt discusses the financial landscape as the turn of the century is upon us. Specifically, he discusses the Internet challenges that face the on-line investor. He explains that the basic rules for investors are to control the risk they undertake, to fully understand the trading forum, and to never lose sight of what their basic obligations are. These rules have been in existence long before internet trading, and will continue to hold importance as technology takes hold of the market.

Levitt notes that investors need to concentrate on their individual responsibility. The influx of day-traders has blurred the line of professional responsibility. Levitt distinguishes trading from investing, concluding that the Internet is better situated for investments. He then discusses a number of misconceptions of Internet investing. Levitt also emphasizes customer interest as a brokerage fundamental. He discusses what obligations are necessary for the customer. These include firms keeping pace with growth, best execution for the customer, clear communications, and on-line advertisements.

The Securities Exchange Commission involvement is "to protect investors and maintain market integrity." With the development of the Internet, the SEC is prepared to police as much as possible to protect the consumer. The SEC has asked for an increase in its budget and intends to use the funds to inspect firms and investigate potential fraud. The Commission has also established a formal private sector Advisory Committee on Technology and a new investor education and assistance web site.

Levitt concludes by calling on the media and regulators to assist the SEC in the maintenance of consumer protection and professional responsibility.