

## BLOOMBERG INTERVIEW WITH ARTHUR LEVITT 9/25/07

- Carol Massar: The Exchange Commission planning to take a close look at investor lawsuits, examining whether they hurt U.S. competitiveness and current shareholders. Well, for more on that we are joined by Arthur Levitt, former SEC Chairman, current Bloomberg Board member and also Senior Advisor to the Carlyle Group. Good morning.
- Arthur Levitt: Good morning.
- Massar: So does this hurt companies?
- Levitt: This is part of a whole scheme that's been taking place to prove that investor – that lawsuits brought by investors is bad for business and bad for competitiveness, bad for the economy. There are three basic protections that make our markets the best in the world and always have: the enforcement efforts of the SEC; the enforcement efforts of the self-regulators like the New York Stock Exchange and NASDAQ; and most importantly, the right of private shareholders to bring private rights of action. Their right to protect themselves is a fundamental protection, but what we've had happen politically in this country is that both the Democrats as well as the Republicans are on a jihad against investor interests in terms of this competitiveness.
- Massar: Interesting that the Democrats are going that way.
- Levitt: Yes, the Democrats simply are not standing up for investors the way they used to.
- Massar: Is it because there's a political election coming up or what?
- Levitt: Well, I think the country has moved to the right. But the notion that investor – that lawsuits brought by investors have hurt competitiveness is really not so. We have far fewer lawsuits brought by investors last year than ever before.
- Massar: And isn't it kind of necessary and I guess I'll just bring this up, Arthur, because we know what happened . . .
- Levitt: It's a basic protection, pure and simple.
- Massar: right and looking at the scandals over the last five to seven years or whatever, I mean, it's a right and important.
- Levitt: The fact that the SEC which historically has protected investors and has fought for the right for investors to sue, for them to be turning all that on its ear, a bringing forth a study which will curb investors' rights, I think is very awkward.
- Massar: And you know, you and I talked about this, there's a lot of studies out there warning that Wall Street is kind of losing it's place or position if you will as a financial leader because of this and that we . . .
- Levitt: First of all, we are in a globalized economy.
- Massar: Crazy argument then?

Levitt: And absolutely. If Merrill Lynch brings a deal in Hong Kong, that money flows right back to Merrill Lynch and back to New York. It makes no difference in a globalized economy.

Massar: Alright. We may say it's crazy but what's the likelihood that anything would come of this? You know, we've got like Christopher Cox is heading into his last year as the agency's Chairman in 2008.

Levitt: Well, I think as we move toward the end of this Administration, any kind of legislation is unlikely. Any kind of regulation and particularly one which is as hot as this is unlikely.

Massar: You know, I was gonna move on to another topic but I've got to ask you, is it troubling that the momentum is kind of more in favor of companies even when you've got tons of Democrats jumping on board?

Levitt: Well, I think it's just wrongheaded and awkward and that runs a cycle back and forth. I think the power of investors is so great that, and the number of scams and scandals have been so frequent that it's unlikely that this, that anything will come of it but it's surprising that the SEC should be the champion of any effort to diminish shareholders' rights to private action.

Massar: It's crucial that that's maintained?

Levitt: It's a basic protection.

Massar: Alright. I'm gonna move on just quickly. We've got the Justice Department fighting legislation through Congress that would bar the government from demanding that companies disclose confidential talks with their lawyers during leniency in plea negotiation. Reading right for the story, what do you make of this?

Levitt: Once again, it's part of the same process. And I think the Justice Department is right on. I think the Justice Department should not be barred from bringing these actions.

Massar: Crucial again?

Levitt: Yes.

Massar: Alright. But again, it's interesting the momentum that we're seeing.

Levitt: It's interesting the way the country has moved to the right in terms of basic investor protections. The SEC historically has been the protector of investors.

Massar: And of course needs to maintain that?

Levitt: I think it will.

Massar: Okay.

Levitt: I think it will. The traditions are too strong for it to be turned on its ear.

Massar: Alright, we do have to run. Arthur thank you. Arthur Levitt, former Chairman of the SEC and Senior Advisor to the Carlyle [end of tape]