Chairman Arthur Levitt  
Securities and Exchange Commission  
450 5th, N.W.  
Washington, D.C. 20549  

Dear Chairman Levitt:  

First, I want to thank you for keeping me informed about the financial crisis in Orange County. Please continue to do so.  

Second, I want to express my concerns about suitability standards for sales of government securities to municipalities.

I understand that the National Association of Securities Dealers (NASD) is currently drafting sales practices rules for government securities, as authorized by the "Government Securities Act Amendments of 1993."  

It is my understanding that the proposed rules classify municipalities as "institutional" investors. I ask that you consider this very carefully. There are a number of special circumstances surrounding investments by state and local governments. Most important, municipal investors are dealing with public funds. Municipal investors also range in size from large counties and cities to smaller townships and school districts. Most investors of state and local government funds do not trade continuously, so they do not necessarily have access to the most up-to-date information or have expertise in more complex investment instruments.

The recent financial losses of the Orange County investment pool illustrate the serious consequences of municipal investment losses. Orange County and others in the investment pool are laying off workers and severely cutting back services. For this reason, I believe that dealers selling to municipal investors must be subject to the highest suitability standards.

I know you will consider this issue very carefully. I would also appreciate if you could inform me as to any progress or changes in the NASD rulemaking process.

My Best Regards,

Barbara Boxer  
U.S. Senator