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SEC INSTITUTIONAL INVESTOR STUDY EXTENSION

GOVERNMENT

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HEARING
BEFORE THE
SUBCOMMITTEE ON COMMERCE AND FINANCE
OF THE
COMMITTEE ON
INTERSTATE AND FOREIGN COMMERCE
HOUSE OF REPRESENTATIVES
NINETY-FIRST CONGRESS
SECOND SESSION
ON
H.J. Res. 1247
TO AMEND THE SECURITIES EXCHANGE ACT OF 1934
TO EXTEND THE TIME FOR THE FILING OF THE
INSTITUTIONAL INVESTOR STUDY

JULY 27, 1970

Serial No. 91-66

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Committee on Interstate and Foreign Commerce



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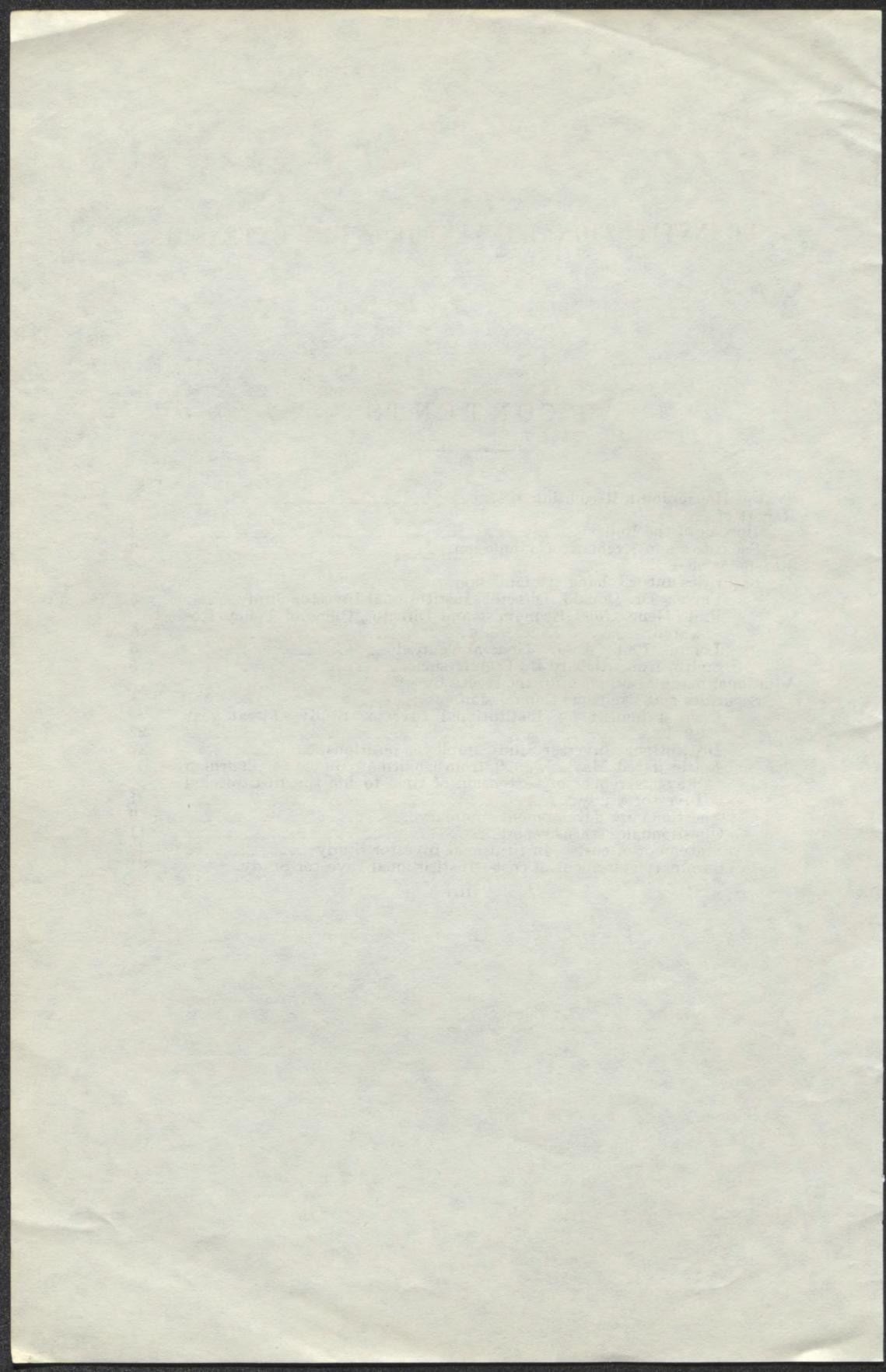
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SEC INSTITUTIONAL INVESTOR STUDY EXTENSION

MONDAY, JULY 27, 1970

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMMERCE AND FINANCE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to notice, in room 2322, Rayburn House Office Building, Hon. John E. Moss (chairman) presiding.

Mr. Moss. The subcommittee will be in order.

This morning we hold hearings on House Joint Resolution 1247 which would extend the time for the Securities and Exchange Commission to report to Congress their findings and recommendations resulting from the Study of Institutional Investors currently underway by direction of Congress.

This Study of Institutional Investors was created by Public Law 90-438, and the Securities and Exchange Commission was charged by Congress with the responsibility of thoroughly studying the impact of institutional investors of all types on the nation's economy. Under current law the report is due on September 1, 1970. However, on May 25, 1970, Chairman Budge formally requested an extension of the reporting date until December 31. It is on the question of that extension that we are holding our hearings this morning.

We will include in the record at this point the SEC's request for this extension, as well as the text of House Joint Resolution 1247 and comments thereon by the agencies concerned.

(The SEC's request for extension; the text of House Joint Resolution 1247; and departmental reports thereon follow:)

SECURITIES AND EXCHANGE COMMISSION,
Washington, D.C., May 25, 1970.

Hon. HARLEY O. STAGGERS,
Chairman, Committee on Interstate and Foreign Commerce, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The staff of the Institutional Study has informed the Commission that it now feels the September 1st reporting date will probably be impossible to meet. As you know, the Study is an economic one being conducted primarily by economists from various universities. The Commission feels it would be a tragedy to have the Study not concluded by this group of professionals who have been working on it for a good many months. Consequently, we would appreciate the target date being extended from September 1st to December 31st.

The resulting expenses will be met within the Commission's regular appropriation.

I have discussed this matter with the Chairman of the Subcommittee, Congressman Moss, and with Congressman Keith, both of whom have a particular interest because they were the original sponsors of the legislation.

A similar resolution to that requested has been introduced in the Senate by Chairman Sparkman of the Banking and Currency Committee.

Sincerely yours,

HAMER H. BUDGE, *Chairman.*

[H.J. Res. 1247, 91st Cong., second sess., introduced by Mr. Moss (for himself and Mr. Keith) on June 3, 1970]

JOINT RESOLUTION to amend section 19(e) of the Securities Exchange Act of 1934

Whereas additional time is required for the Securities and Exchange Commission to complete its institutional investors study, and file a report with respect thereto, pursuant to section 19(e) of the Securities Exchange Act of 1934: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That section 19(e) of the Securities Exchange Act of 1934 15 U.S.C. 78s(e) is amended by striking out in paragraph (1) "September 1, 1970" and inserting in lieu thereof "December 31, 1970".

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., June 23, 1970.

Hon. HARLEY O. STAGGERS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request for the views of the Bureau of the Budget on H.J. Res. 1247, a joint resolution "To amend section 19(e) of the Securities Exchange Act of 1934." H.J. Res. 1247 would extend to December 31, 1970, the date by which the Securities and Exchange Commission must submit its report to Congress on the Institutional Investor Study, which was authorized by public law 90-438.

For the reasons expressed by the Securities and Exchange Commission in its report to you on this resolution, the Bureau of the Budget recommends enactment of H.J. Res. 1247.

Sincerely,

WILFRED H. ROMMEL,
Assistant Director for Legislative Reference.

SECURITIES AND EXCHANGE COMMISSION,
Washington, D.C., June 19, 1970.

Re: H.J. Res. 1247, 91st Congress.

Hon. HARLEY O. STAGGERS,
Chairman, Committee on Interstate, and Foreign Commerce,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This will acknowledge receipt of your request of June 5, 1970 for the Commission's report on H.J. Res. 1247, which would amend Section 19(e) of the Securities Exchange Act of 1934 to extend to December 31, 1970, the date for the Commission's report on the Institutional Investors Study authorized by Public Law 90-438.

I have had the Director of this Study and his staff prepare a detailed report for use in connection with both the Joint Resolution in the House and the companion Resolution (S.J. Res. 202) in the Senate which we feel sets forth ample justification for granting the extra time within which to complete the Study. Ten copies of the report are enclosed.

The Bureau of the Budget has advised that there is no objection to the submission of this report from the standpoint of the Administration's program.

If we can assist you further in connection with the passage of this Resolution, kindly advise and we will respond promptly.

Sincerely,

HAMER H. BUDGE, Chairman.

STATEMENT OF THE SECURITIES AND EXCHANGE COMMISSION IN SUPPORT OF S.J. RES. 202, AND H.J. RES. 1247, WHICH WOULD EXTEND, TO DECEMBER 31, 1970, THE TIME FOR SUBMISSION OF ITS FINAL REPORT ON THE INSTITUTIONAL INVESTOR STUDY, AUTHORIZED UNDER PUBLIC LAW 90-438

S.J. Res. 202 and H.J. Res. 1247 would extend the date by which the Securities and Exchange Commission would be required to submit its Report to the Congress on the Institutional Investor Study, which was authorized by Public Law 90-438, from September 1, 1970 to December 31, 1970. Under the pending resolutions, funds which are presently authorized for the Study would remain unchanged.

To the extent that the cost of the Study would be increased by extending it over a longer period, the Commission would undertake to absorb the increase within its appropriation for fiscal year 1971.

The Commission and the Study's Advisory Committee strongly support the enactment of these resolutions, for the reasons set forth below.

The Commission was instructed by the Congress in Public Law 90-438 to study the impact of institutional investors of all types on the nation's economy. Both the language and the legislative background of the Act make clear that the Congress expects a comprehensive economic study, whose first task will be to remedy sizable gaps in information about the activities of institutional investors and their impacts on both the securities markets and corporate issuers. Such a study necessarily involves a considerable primary data collection effort.

The first stage of any such effort is a complicated and time-consuming task. This is especially true when much of the data collected is of a sensitive financial nature from areas never before studied intensively, and is to be done as the Senate report recognizes "with the cooperation and assistance of the financial community * * *". In order to obtain this cooperation, the Study group consulted extensively with its full Advisory Committee and with ad hoc technical advisory committees from each of the industries surveyed on the types of information needed, the types that could be obtained and the form in which it could be made available by respondents.

Incompatibilities between the data needs of the Study and the records systems of respondents were innumerable. Compromises and special instructions were necessary, for as many as nine separate respondent groups (life insurance, pension funds, foundations, etc.), on a great majority of the 54 questionnaires sent out by the Study. Separate clearance by the Bureau of the Budget for each respondent group on each questionnaire was obtained. Questionnaire development began during June of 1969. The first mailing (on monthly acquisitions and dispositions of specific common stocks by the 50 largest bank trust departments) took place on September 11, 1969. The final questionnaire (covering organizational characteristics of life insurance companies) was finalized and mailed on April 11, 1970.

The second stage in a primary data collection effort generally involves the transcribing and keypunching of questionnaire returns. This step was circumvented by the Study in most cases by requesting and obtaining machine-readable responses directly from responding firms. The importance of this simple fact should not be overlooked. It represents a valuable product of the Commission's effort to conduct the Study in cooperation with its various respondent groups. Nevertheless, a great deal of editing and error correction has been and still is required to prepare this data for analysis. Extensive follow-up on non-respondents has consumed—and continues to consume—a great deal of the staff's time. For example, the first questionnaire mailed by the Study carried a response date of November 15, 1969. Slow returns and inaccurate submissions consumed more than four months' time. The file was not ready for analysis until March 25, 1970. This experience is not exceptional.¹

A brief summary of each questionnaire's development follows as Attachment A.* Technical committees, for example, are seen to vary in size from one to nineteen members (with an average membership of 7.6 persons); these committees met with members of the Study's staff in either New York or Washington on as many as five separate occasions. In addition, an average of six or more separate drafts of particular questionnaires were circulated by the staff to technical committee members and discussed by them over the telephone, substantially reducing the number of full committee meetings that otherwise would have been necessary. Some questionnaires were developed entirely in this fashion. Eventually, every questionnaire was tailored successfully to each respondent group's recordkeeping capability and cleared by the cognizant committees through the Bureau of the Budget for distribution. Elapsed time during this process varied from a minimum of two months to a maximum of eight months, and averaged 5.2 months in length.

Six weeks generally was allotted each respondent group from receipt of a questionnaire to the "due date" for return to the Commission. These "response times" also were developed in consultation with technical committees and the Bureau of the Budget.

Despite efforts by the Study and by numerous, conscientious technical committees to insure that requests for data were consistent with recordkeeping systems

¹ It would not be accurate, however, to attribute this delay to a lack of cooperation by most respondents. The questionnaire in question was massive in terms of sheer volume (eventually producing 150,000 punched-card records) and required a type of data that is not normally collected by respondent institutions.

*Editor's note: The attachment supplied with the report may be found in the committee's files. A more recent version may be found on p. 9 of this hearing.

and reasonable in terms of both time and volume, responses tended to lag behind "due dates" in many cases. As Attachment A demonstrates, 1.4 months lapsed, on average, before half of total expected responses were in hand. Adding to this the time consumed in editing and error correction (approximately one-third of the 660,000 data cards received to date, or 220,000 cards, contained errors), produces an average of 3.4 months as the time required to produce "clean files" suitable for analysis by the Study. Overall, then, combined times for questionnaire development, response and error correction have averaged a little more than 10 months.²

Considering the magnitude and complexity of the data collection effort, this phase of the Study has proceeded with remarkable speed and harmony. Such tasks always are trying for respondents and recipients alike. The Study's relatively great investment in prior consultations with respondent groups is believed to have paid-off with more than equivalent reductions in the time that otherwise would have been required for response, error correction and "clean file" creation.

Each questionnaire's current status as of June 1, 1970 is summarized in Attachment B.* There it can be seen that approximately 660,000 or 85 percent of the Study's total expected 780,000 card responses were in-house by the end of May 1970, and that the great majority of these files were sufficiently complete and correct to constitute "clean", working files.

The point of any data collection effort, however, is not simply to collect information but to analyze it. This step also has been time consuming. The recruitment of a substantial computer programming staff has been necessary. Access to large-scale computational facilities at other government agencies also has been needed. Such access can only be obtained during second or third shift operations at these facilities, however, and sometimes is subject to last minute cancellation by the host facility. As a result, the Study's programmers have been and are working extremely long and irregular hours at a variety of facilities. Fairly serious logistical problems necessarily are faced, all of which tend to compress the time available for an irreducible volume of work against a rigid reporting date.

Necessary fieldwork for most chapters of the Study has been completed and computer-based analyses of questionnaire responses now are underway. Projected completion dates for these analyses vary by chapter, as in the table, below.

² Specifically: 5.2 months for questionnaire development, 1.5 months for response, and 3.4 months for late response, editing and error correction (total=10.1 months).

*Editor's note: The attachment supplied with the report may be found in the committee's files. A more recent version may be found on p. 11 of this hearing.

Chapter, short title	Dates for completion of—		
	Clean file	Preliminary analysis	Initial draft
PART I			
1. Background, Scope, etc.....	(1).....	(1).....	July 1.
2. Functions of Capital Markets.....	(1).....	(1).....	(2).
3. Development of Financial Institutions: Pre 1952.....	(1).....	Mar. 1.....	May 1.
4. Development of Financial Institutions: Post 1952.....	May 1.....	May 25.....	June 25.
PART II			
5. Institutions as Investment Managers.....	(1).....	(1).....	(2).
6. Investment Advisers, etc.....	June 21.....	July 15.....	Aug. 1.
7. Bank Administered Funds.....	June 1.....	June 15.....	July 1.
8. Insurance and Equity Management.....	June 15.....	June 21.....	Do.
9. Pension Plans, Retirement Systems, Educational Endowments and Foundations.....	June 1.....	June 15.....	Do.
Postscript on Performance and Financial Integration.....	(1).....	(1).....	(2).
PART III			
10. Development of Market Institutions.....	(1).....	(1).....	(2).
11. Characteristics and Impacts of Institutional Trading.....	May 18.....	June 15.....	July 1.
12. Brokerage.....	May 22.....	do.....	Do.
13. Impacts on Market Making.....	June 1.....	June 22.....	Do.
PART IV			
14. New Financing.....	June 7.....	June 21.....	Do.
15. Shareholder Relations.....	July 1.....	July 15.....	August 1.
PART V			
16. Continuous Reporting.....	(1).....	(1).....	July 1.

¹ Not applicable for largely expository rather than empirical, analytical chapters.

² Not known, again for expository chapters; it must be assumed that most of these chapters will either be dropped from the study, greatly abbreviated, or completed after Sept. 1, 1970.

The Study's strategy throughout has been to concentrate its energy and resources on attempts to accelerate those analytical portions of the Study summarized in Chapters 6 through 9 dealing with various classes of institutional investors, Chapters 11 through 13 dealing with their impacts on securities markets, and Chapters 14 and 15 dealing with impacts on portfolio companies. Progress in all these areas, of course, has been affected by the accumulation of delays in questionnaire development, follow-up of late responses, data correction and computer analyses, referred to above. Although July 1, 1970 has been established and remains as a deadline for initial drafts of all but two of these chapters, they all remain dependent on our programming staff's ability to complete a massive set of computer analyses during the next few weeks. As the table indicates, available time between the scheduled completion of preliminary analyses and July 1 draft dates varies from chapter to chapter, but always is "short" in relation to the importance and magnitude of the material covered.

Analyses, of course, do not end with "preliminary analysis dates" any more than drafting ends with "initial draft dates", indicated in the table. Writing and analysis are expected to continue in parallel throughout the summer. As initial drafts are developed, they will be circulated for review by the Commission and by the Study's Advisory Committee. A great deal of time and interaction will be necessary to eliminate initial differences between these groups based solely on misunderstandings, and to localize remaining differences to the extent possible. Attempts to eliminate or greatly compress this stage of the process would seriously undermine the Study's quality and defeat the clear intention of the Congress to produce a Report that is simultaneously *comprehensive* and *authoritative*. A likely result would be to reduce the Study to a perfunctory tabulation of summary statistics.

The Study's target and intention at this point is to complete each of its substantive, analytical chapters by September 1, 1970. Most of its staff will be dissolved at that time. With a known and accepted analytical foundation in hand, however, a small holdover staff of senior economists and lawyers will work with the Commission and the Advisory Committee throughout the fall on the development of policy recommendations and the completion of expository materials.

Mr. Moss. Our witness this morning is Commissioner Richard B. Smith, of the Securities and Exchange Commission.

Mr. Commissioner, if you and whomever you want to accompany you will please come forward.

STATEMENT OF HON. RICHARD B. SMITH, COMMISSIONER, SECURITIES AND EXCHANGE COMMISSION; ACCOMPANIED BY DR. DONALD FARRAR, DIRECTOR, INSTITUTIONAL INVESTOR STUDY; PHILIP A. LOOMIS, JR., GENERAL COUNSEL; AND GENE FINN, CHIEF ECONOMIST AND DIRECTOR, OFFICE OF POLICY RESEARCH

Mr. SMITH. Thank you, Mr. Chairman.

Chairman Budge, as you know, is out of the city today and asked me to testify in his place. I have been asked by the Commission to keep particular attention on the progress of the Institutional Investor Study. I have with me at the table, on my right Dr. Farrar, who is the Director of the study, and on my left is Gene Finn, Director of our Office of Policy Research and Chief Economist of the Commission.

I appear before you today to present the Commission's views on the House Joint Resolution 1247, which would extend the reporting date of the Institutional Investor Study for 4 months, from September 1, 1970, to the end of the year. The purpose of this resolution is to give the Commission and the staff additional time to integrate the study's separate analytical chapters into a unified report, to arrive at policy recommendations based on those chapters and to transmit the final report to the Congress.

Because of this study's importance to the Commission and to the Congress, all interested parties have been consulted in order to obtain general agreement on a program that we believe will assure the study's completion. I can report to you that the study's Advisory Committee and the Office of Management and Budget concur in this program and strongly support the enactment of House Joint Resolution 1247.

Before discussing the particular reasons why the Commission feels this extension is necessary, I wish to emphasize to you that both the Commission and the study's staff have made every effort to complete the study within the prescribed time. We have concluded, however, that it will not be possible to present the kind of report that Congress instructed us to prepare by September 1. The Commission was instructed by the Congress in Public Law 90-438 to study the impact of institutional investors of all types on the nation's economy. Both the language and the legislative background of this Act make clear that the Congress expects a comprehensive economic study, whose first task will be to remedy sizeable gaps in information about the activities of institutional investors and their impacts on both the securities markets and corporate issuers. The Commission intends to present this kind of report to the Congress in completed form by the end of the year.

Reasons why it has taken longer than originally anticipated to complete the work of the study are several. Specifically, it has taken longer than had been envisioned to collect and analyze the necessary data. From the beginning, the study has been viewed by everyone as a massive, factfinding effort whose talents, energies and resources would be concentrated on the collection and analysis of information about institutional investors that has not been available before.

The first stage of any sizeable primary data collection effort necessarily is a time-consuming task. The primary vehicle used by the institutional investor study for this purpose has been detailed questionnaires supplemented by interviews on the organization and operation of institutional investors and securities firms, and on their holdings and transactions in portfolio securities.

The study has developed, distributed, collected, corrected, and analyzed data from 54 separate questionnaires, each of which covers as many as 14 separate types of respondent institutions, some of which include as many as 1,000 responding firms. Each of these questionnaires was developed in consultation with ad hoc technical committees voluntarily formed by the industries studied, with the advice, assistance, and oversight of the Bureau of the Budget.

Incompatibilities between the study's data requests and respondents' recordkeeping systems were innumerable. Adjustments in the requests and special instructions for each responding group (banks, life insurance, property and liability insurance, investment advisers, foundations, endowments, pension funds, and so forth) on a great majority of these 54 questionnaires often were necessary.

Separate clearance by the Bureau of the Budget for each respondent group on each questionnaire was obtained, for a total of some 200 separate clearances. The time needed to develop and clear these questionnaires varied from a minimum of 2 months to a maximum of 9 months, and averaged a little more than 5 months in length. The first of these questionnaires was mailed to respondents during September 1969. The final questionnaire was mailed in April 1970.

The second stage of a major data collection effort involves the collection, editing, correction, and preparation for machine processing of questionnaire returns. Here, the study's extensive consultation with technical committees and its accommodation of industry record-keeping systems contributed substantially to more rapid and accurate questionnaire returns.

The extent of industry cooperation with the Commission in this phase of the study is demonstrated by the willingness of the great majority of our respondents to return the study's data in machine-readable form. Many of these respondent firms willingly incurred substantial expense to collect, check and keypunch this data for the study on an extremely tight (generally, a 6-week) time schedule. Some firms, of course, could not meet the indicated response dates and a number of the records nevertheless did contain errors. A great deal of editing and error correction could not be avoided. On average, this consumed a little more than 3 months of the study's time per questionnaire. About 750,000 punched-card responses have been returned by institutions, corporations and firms.

It has been necessary to use the Commission's subpoena power only sparingly. The great mass of the study's data is inhouse, clean and being analyzed now by the study's staff. With regard to the delays in data collection that I have outlined, I would like to offer for the committee's information two schedules containing more detailed information about the time periods involved.

Those schedules are attached to my prepared statement and indicate the timespans on the collection of data, the number of members of technical committees, number of meetings held in their preparation, and so forth.

The second attachment is a status report on the progress of the questionnaires through the processing that they received in the study. It is dated as of July 24, so that it is relatively current.

Other agencies of the government have made important contributions to this effort. Most of our analyses are being conducted without cost to the Commission on large, high-speed computers at the Federal Deposit Insurance Corporation and the Federal Reserve Board. I cannot emphasize too strongly the Commission's gratitude to these agencies; without their invaluable assistance, the study's task would have been protracted enormously.

I should also add that we are making extensive use of the Commission's computer as well. It is not as large or as powerful as the other two being used.

Despite the unanticipated delays in data collection and processing, the study is making substantial progress toward its difficult goal. In this endeavor it has had the wholehearted support of the Commission, the advisory committee, other Government agencies and the many institutional investors and securities firms.

I am pleased to be able to report to you that preliminary analyses and initial drafts of substantial portions of all but two of the study's 13 substantive, analytical chapters now are in hand.

Remaining analyses and drafts are proceeding at a rapid pace. This material currently is under review by the study's director and its advisory committee. We anticipate that this pace can be maintained;

that preliminary analyses can be replaced by final analyses and initial drafts of all analytical chapters by final staff drafts by the end of the summer.

I know everyone is interested in the extent to which the performance phenomenon has spread to different sectors of the money management industry, and what its implications have been for the structure of our securities markets, brokerage firms, corporate issuers, and individual investors. Much of the data collected and analyzed by the study bear directly on this important phenomenon. Many separate analyses and findings are in hand and under review. They all represent only pieces of a much larger picture, however. Until we have time to assimilate this information, interpretation will be difficult and premature reports could be potentially misleading. I hope that everyone will bear with us until we can assemble the pieces in a meaningful, final report. The study staff has been working long hours diligently and with dedication toward this end.

A substantial portion of the study's staff will necessarily be dissolved by the end of the summer. During the fall a holdover staff of senior economists and lawyers and some support personnel will work with the Commission and the Advisory Committee to integrate the analytical chapters, interpret analytical findings in the context of the major public policy issues under consideration and develop specific recommendations for regulatory and legislative action. The cost of this additional work will be absorbed by the Commission; we are therefore not asking for any additional appropriations. We all are confident that this task can be achieved by the end of this year in a manner that will make the final report responsive to the needs of the Congress.

(The attachments referred to follow:)

QUESTIONNAIRE DEVELOPMENT SUMMARY

Questionnaire Number	Technical Committee Members (number)	Committee Meetings (number)	Number of Drafts	Time Until Clearance (months)	Response $\frac{1}{2}$ Life (months)	Records in Error (%)	Response Clean File (months)
I-1	5 av.	5 av.	7 av.	5 av.	2 av.	25 av.	5 av.
I-2	5 av.	5 av.	9 av.	5 av.	2 av.	25 av.	5 av.
I-3	5 av.	5 av.	5 av.	5 av.	2 av.	25 av.	7 av.
I-4	12	1	4	2	2	40	4
I-5	10	2	8	2	3	15	4
I-6	11	1	3	3	1	35	6
I-7	5 av.	2 av.	8	8	1	53	5
I-8	1	0	10	2	1	10	4
I-9	4	0	11	2	2	20	4
I-10	1	0	9	2	2	20	4
I-11	4	0	18	2	2	80	4
I-12	5 av.	5 av.	10	6 av.	2 av.	5 av.	4 av.
I-13	3	2	3	3	1	15	4
I-14	12	5	3	7	1	30	4
I-15	12	1	7	4	0	75	4
I-16	12	1	3	5	0	25	2
I-17	12	1	3	5	1	80	4
I-18	12	1	3	6	0	50	2
I-19	12	1	3	6	0	25	1
I-29	5	2	5	4	0	0	1
I-30*	13	1	2	6	1	40	3
I-32*	2	0	9	7	2	56	3
I-33*	2	0	15	6	2	35	3
I-34*	2	0	9	7	2	40	4
I-35*	1	0	9	7	2	35	3

* Account questionnaire package; excludes development of shared questionnaires I-20, 21, 22, 24, 25, 26 and 3a.

Attachment A

QUESTIONNAIRE DEVELOPMENT SUMMARY

Questionnaire Number	Technical Committee Members (number)	Committee Meetings (number)	Number of Drafts	Time Until Clearance (months)	Response to Life (months)	Records in Error (%)	Response Clean File (months)
I-36*	1	0	9	7	3	46	3
I-37*	1	0	9	7	3	34	4
I-40*	13	1	2	6	1	40	3
I-42*	1	0	7	7	2	75	3
I-43*	5	0	6	7	2	75	3
I-44*	13	1	2	6	1	40	3
I-46*	13	1	2	6	1	40	3
I-48*	2	0	7	7	2	47	3
I-50*	19	6	15	6	2	35	3
I-51*	19	6	6	5	2	30	2
I-52	6	0	10	9	2	NE	2
I-57	6	0	8	8	2	NE	3
I-60	13	2	5	8	1	25	3
I-61	5	2	5	2	0	15	3
I-62*	13	1	2	6	1	40	3
I-63*	12	5	2	2	1	NE	2
I-64	5	5	5	3	1	10	3
I-65	12	5	2	3	2	15	4
I-70	7 av.	4	4	5	0	25	3
I-71	9	0	2	3	1	25	3
I-72	7 av.	4	4	5	0	15	1
I-73	7	4	2	3	1	15	4
AVERAGE	7.6	1.9	6.2	5.2	1.4	32.4	3.4

* Account questionnaire package; excludes development of shared questionnaires
I-20, 21, 22, 24, 25, 26 and 3a.

NE indicates not yet edited; error rate, accordingly, is not determined.

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I-01	ACQ /DISPOSITIONS	IA	IN97	85	83	11/01	12/08	05/01	XXXXXX	XX	XXXXXX		06/15
		PL	IN	21	21	10/07	11/12		XXXXXX	XX	XXXXXX		06/15
		BANK	IN	50	50	09/11	11/15	03/25	XXXXXX	XX	XXXXXX		06/15
		CORP	IN90	4	3	01/14	02/18	09/01	XXXXXX	XX	XXXXXX		06/15
		INDV	IN90	2	1	01/14	01/15	05/01	XXXXXX	XX	XXXXXX		06/15
		FIND	IN	10	10	12/10	01/13	05/01	XXXXXX	XX	XXXXXX		06/15
		HQGE	IN90	11	10	03/09	04/06	05/18	XXXXXX	XX	XXXXXX		06/15
		LIFE	IN	26	26	09/23	10/30	03/25	XXXXXX	XX	XXXXXX		06/15
		DDLT	IN	2	2	12/21	01/16	05/13	XXXXXX	XX	XXXXXX		06/15
		ZTOT	IN96	241	235				XXXXXX	XX	XXXXXX		06/29
											175,000	164,801	06/29
I-02	INDV TRANSACTIONS	IA	IN97	85	83	11/01	12/08	04/20	XXXXXX	XX	XXXXXX		06/29
		PL	IN	21	21	10/07	11/12		XXXXXX	XX	XXXXXX		06/29
		BANK	IN	50	50	09/11	11/15	03/25	XXXXXX	XX	XXXXXX		06/29
		CORP	IN90	4	3	01/14	02/18	09/01	XXXXXX	XX	XXXXXX		06/29
		INDV	IN90	2	1	01/14	01/15	05/01	XXXXXX	XX	XXXXXX		06/29
		FIND	IN	10	10	12/10	01/19	04/27	XXXXXX	XX	XXXXXX		06/29
		HQGE	IN95	11	6	03/09	04/13	05/11	XXXXXX	XX	XXXXXX		06/29
		LIFE	IN	26	26	09/23	10/30	03/25	XXXXXX	XX	XXXXXX		06/29
		ZTOT	IN95	239	227				XXXXXX	XX	XXXXXX		06/29
											25,000	20,556	07/10
I-03	HOLDINGS 09-30-69	IA	IN95	87	85	11/01	11/14	04/08	XXXXXX	XX	XXXXXX		06/15
		PL	IN	51	51	10/07	10/29	04/08	XXXXXX	XX	XXXXXX		06/15
		BANK	IN	50	50	09/11	11/15	03/25	XXXXXX	XX	XXXXXX		06/15
		CORP	IN90	14	13	01/14	02/18	04/08	XXXXXX	XX	XXXXXX		06/15
		INDV	IN95	20	19	12/24	01/19	04/08	XXXXXX	XX	XXXXXX		06/15
		FIND	IN90	10	9	12/24	12/31	04/09	XXXXXX	XX	XXXXXX		06/15
		HQGE	IN92	11	9	03/09	03/25	05/11	XXXXXX	XX	XXXXXX		06/15
		LIFE	IN	26	26	09/23	10/15	04/08	XXXXXX	XX	XXXXXX		06/15
		ZTOT	IN97	239	233				XXXXXX	XX	XXXXXX		06/15
											50,000	35,249	07/23
I-04	BANK SURVEY	BANK	IN	50	50	10/13	11/26	01/31	XXXXXX	XX	XXXXXX		07/10
I-05	IA ACCOUNT SCREENER	IA	IN95	1,687	1,456	10/03	11/01	02/14	XXXXXX	XX	XXXXXX		04/13
I-06	NEW ISSUES-UNDR/DLR	BDLR	IN92	1,100	508	12/15	01/08	05/15	XXXXXX	XX	XXXXXX		07/10
		MUND	IN	77	77	10/07	11/19	05/15	XXXXXX	XX	XXXXXX		07/10
		UNDR	IN95	690	757	10/23	11/19	05/15	XXXXXX	XX	XXXXXX		07/10
		ZTOT	IN98	1,977	1,742				XXXXXX	XX	XXXXXX		05/25
I-07	BROK COMM/NET TRADES	IA	IN98	89	88	11/19	12/31	05/22	XXXXXX	NN	XXXXXX		07/23
		PL	IN	49	49	10/23	11/26	04/09	XXXXXX	NN	XXXXXX		07/23
		BANK	IN	49	49	10/23	11/26	04/09	XXXXXX	NN	XXXXXX		07/23
		CORP	IN95	14	13	01/14	02/18	05/22	XXXXXX	NN	XXXXXX		07/23
		INDV	IN95	18	17	12/24	02/04	04/06	XXXXXX	NN	XXXXXX		07/23
		FIND	IN	10	10	12/10	01/12	04/06	XXXXXX	NN	XXXXXX		07/23
		LIFE	IN	26	26	10/27	12/01	04/06	XXXXXX	NN	XXXXXX		07/23
		ZTOT	IN99	227	224				XXXXXX	NN	XXXXXX		07/23
I-08	CP PENSION SCREENER	CORP	IN	106	106	10/21	10/31	03/18	XXXXXX	XX	XXXXXX		05/04
I-09	ST/LOCAL RETIRE SCRE	STAT	IN90	103	95	11/14	12/03	03/18	XXXXXX	XX	XXXXXX		05/04
I-10	MULTIEMP PENSION SCR	UNDR	IN	23	23	11/08	11/25	03/18	XXXXXX	XX	XXXXXX		05/04

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FORM MR.	FORM DESCRIPTION	RESP. GROUP	RESP. STATUS	NUMBER MAILED	NUMBER RESP'D	MAIL DATE	RESP. CAT*	CLEAN FILE	EDIT FILE	ANAL. EST	CARDS IN/93	PRINTING DATE
I-11	EDUCATIONL ENDOWMENT	ENDO	IN	74	74	09/23	11/21	03/23	XXXXXX XX	XXXXXX	147	147 07/23
I-12	SHAREHLD RELATIONS	IA PL BANK CORP ENDD FNDN LIFE ZTOT	IN IN IN IN IN IN IN	80 51 51 14 22 10 26 223	75 51 51 13 20 9 26 214	01/07 12/31 02/03 03/02 03/02 02/09 12/19 /	02/13 02/10 05/77 05/23 05/23 05/23 /	05/23 05/23 05/23 05/23 05/23 /	XXXXXX XX XXXXXX XX XXXXXX XX XXXXXX XX XXXXXX XX XXXXXX XX XXXXXX XX	XXXXXX XXXXXX XXXXXX XXXXXX XXXXXX XXXXXX XXXXXX	147	147 07/23
I-13	MARKET MAKER SURVEY	BOST MFR MFR MUSE IN PBW PCSE ZTOT	IN IN IN IN IN IN IN	14 2 2 27 31 20 23 122	14 12 12 31 31 20 23 122	12/13 01/29 01/29 12/15 01/29 12/13 01/29 /	04/08 04/08 04/08 04/08 04/08 04/08 /	04/08 04/08 04/08 04/08 04/08 /	XXXXXX XX XXXXXX XX XXXXXX XX XXXXXX XX XXXXXX XX XXXXXX XX	XXXXXX XXXXXX XXXXXX XXXXXX XXXXXX XXXXXX	147,000	162,148 07/23
I-14	IA ACCT DESCRIP SURVY	IA	IN	159	159	01/15	02/18	04/27	XXXXXX XX	XXXXXX	30,000	47,222 07/10
I-15	NYSE BLK TRADE ASSEM	BDLR	IN	54	58	12/12	01/31	06/15	XXXXXX XX	NNNNXX	8,493	8,493 06/15
I-16	NYSE BLK TRADE SPEC	SPNV	IN	31	31	01/23	02/24	04/15	XXXXXX XX	NNNNXX	3,518	3,518 06/08
I-17	NYSE BLK TRADE OTHER	BDLR HDE ZTOT	IN IN IN	167 30 197	167 30 197	01/24 01/24 /	02/24 02/24 /	06/15 06/15 /	XXXXXX XX XXXXXX XX XXXXXX XX	NNNNXX NNNNXX NNNNXX	3,500	3,433 07/10
I-18	THIRD MKT BLK TRADES	BDLR	IN	33	33	12/17	01/13	03/30	XXXXXX XX	NNNNXX	1,175	1,175 07/10
I-19	REG EXCH BLK TRADES	EMNG	IN	7	7	01/10	02/12	03/10	XXXXXX XX	NNNNXX	980	880 07/10
I-20	INV PROHIBIT/RESTRIC	IA PL BANK CORP CPEN ENDE ENDD IN LIFE LIFE STEX STEX UNEX ZTOT	IN IN IN IN IN IN IN IN IN IN IN IN IN	120 25 919 22 133 35 24 150 151 166 20 28 18 5	120 25 919 22 133 35 24 151 166 20 28 18 5	04/02 03/13 02/16 03/27 02/16 02/21 02/28 01/31 01/31 03/24 03/24 03/09 03/24 /	05/26 05/18 04/13 04/13 04/13 04/13 04/30 04/13 04/13 03/24 03/24 03/24 04/30 /	07/21 05/18 04/13 04/13 04/13 04/13 04/30 04/13 04/13 04/13 04/30 04/30 /	XXXXXX XX XXXXXX XX	980	880 07/10	
I-21	ASSET HOLDINGS	IA PL BANK	IN IN IN	120 145 942	91 145 942	04/02 03/12 02/16	04/20 03/13 03/11	07/21 05/19	XXXXXX XX XXXXXX XX XXXXXX XX	XXXXXX XXXXXX XXXXXX	1,489	1,489 07/23

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1-21 ASSET HOLDINGS													
1-21	ASSET HOLDINGS	CORP	IN	22	22	02/10	03/06	05/18	NNXXX	XX XXXX			07/23
		CPEN	IN99	133	132	02/03	02/27	05/18	NNXXX	XX XXXX			07/23
		ENDE	IN81	35	32	02/21	03/18	05/18	NNXXX	XX XXXX			07/23
		ENDI	IN88	24	21	02/28	03/18	05/18	NNXXX	XX XXXX			07/23
		FNON	IN93	30	28	02/21	03/18	05/18	NNXXX	XX XXXX			07/23
		LIFA	IN84	184	183	01/31	02/27	05/18	NNXXX	XX XXXX			07/23
		ENON	IN86	6	5	02/21	03/18	05/18	NNXXX	XX XXXX			07/23
		STEX	IN95	20	19	03/09	03/31	05/18	NNXXX	XX XXXX			07/23
		STIN	IN65	26	17	03/09	03/31	05/18	NNXXX	XX XXXX			07/23
		UNEX	IN78	18	14	03/09	03/31	05/18	NNXXX	XX XXXX			07/23
		UNIN	IN78	18	14	03/09	03/31	05/18	NNXXX	XX XXXX			07/23
		ZTOT	IN87	1,770	1,708	/	/	/	NNXXX	XX XXXX	30,015	26,201	07/23
1-22 INFLOW/OUTFLOW EVALS													
1-22	INFLOW/OUTFLOW EVALS	IA	IN67	120	80	04/17	05/25	07/21	NNXXX	XX XXXX			07/23
		CORP	IN	23	23	02/03	03/16	05/04	NNXXX	XX XXXX			07/23
		CPEN	IN84	314	18	01/31	03/16	05/04	NNXXX	XX XXXX			07/23
		ZTOT	IN87	331	289	01/31	03/16	05/04	NNXXX	XX XXXX	40,000	20,156	07/23
1-24 HOLDINGS BY LISTING													
1-24	HOLDINGS BY LISTING	IA	IN73	120	88	04/72	04/20	07/21	NNXXX	XX XXXX			07/23
		PL	IN	25	25	03/12	05/06	05/22	NNXXX	XX XXXX			07/23
		BANK	IN	942	942	02/16	03/06	04/13	NNXXX	XX XXXX			07/23
		CORP	IN	22	22	02/10	02/27	04/13	NNXXX	XX XXXX			07/23
		CPEN	IN	133	133	02/03	02/18	04/13	NNXXX	XX XXXX			07/23
		FNDE	IN89	32	31	02/21	03/11	04/13	NNXXX	XX XXXX			07/23
		ENON	IN80	24	24	02/21	03/11	04/13	NNXXX	XX XXXX			07/23
		ENIN	IN80	50	57	02/21	03/11	04/13	NNXXX	XX XXXX			07/23
		LIFA	IN83	151	151	01/31	02/20	04/13	NNXXX	XX XXXX			07/23
		LIFE	IN83	66	55	04/11	05/15	06/15	NNXXX	XX XXXX			07/23
		STEX	IN95	20	19	03/09	03/24	04/13	NNXXX	XX XXXX			07/23
		STIN	IN69	26	18	03/09	03/24	04/13	NNXXX	XX XXXX			07/23
		UNEX	IN78	18	14	03/09	03/24	04/13	NNXXX	XX XXXX			07/23
		UNIN	IN78	18	14	03/09	03/24	04/13	NNXXX	XX XXXX			07/23
		ZTOT	IN96	1,617	1,554	/	/	/	NNXXX	XX XXXX	3,242	2,863	07/23
1-25 FEES & OTHER EXPENSE													
1-25	FEES & OTHER EXPENSE	IA	IN74	120	89	04/72	04/20	07/21	NNXXX	XX XXXX			07/23
		BANK	IN	942	942	02/16	03/06	04/13	NNXXX	XX XXXX			06/29
		CORP	IN	22	22	02/10	02/27	04/13	NNXXX	XX XXXX			07/10
		CPEN	IN	133	133	02/03	02/18	04/13	NNXXX	XX XXXX			07/10
		FNDE	IN83	35	29	02/21	03/11	04/13	NNXXX	XX XXXX			07/10
		ENON	IN87	24	24	02/28	03/11	04/13	NNXXX	XX XXXX			07/10
		FNON	IN87	30	26	02/21	03/11	04/13	NNXXX	XX XXXX			07/10
		LIFA	IN99	151	150	01/31	02/20	04/13	NNXXX	XX XXXX			07/10
		STEX	IN95	20	19	03/09	03/24	04/13	NNXXX	XX XXXX			07/10
		STIN	IN95	26	18	03/09	03/24	04/13	NNXXX	XX XXXX			07/10
		UNEX	IN78	18	14	03/09	03/24	04/13	NNXXX	XX XXXX			07/10
		UNIN	IN78	18	14	03/09	03/24	04/13	NNXXX	XX XXXX			07/10
		ZTOT	IN98	1,528	1,477	/	/	/	NNXXX	XX XXXX	7,490	6,526	07/23
1-26 TRANS BY SECTY CLASS													
1-26	TRANS BY SECTY CLASS	IA	IN67	120	80	04/02	05/01	07/21	NNXXX	XX XXXX			07/23
		PL	IN	25	25	03/12	05/06	05/22	NNXXX	XX XXXX			07/10
		BANK	IN	942	942	02/16	03/16	05/18	NNXXX	XX XXXX			07/23
		CORP	IN	22	22	02/10	03/11	05/18	NNXXX	XX XXXX			07/23
		CPEN	IN	133	133	02/03	03/04	05/18	NNXXX	XX XXXX			07/23

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I-26 TRANS BY SECY CLASS													
IN77	ENDE	IN77		35	27	02/21	03/25	04/30	NNXXXX	NNXXXX			07/23
IN83	FINI	IN83		24	20	02/28	03/25	04/30	NNXXXX	NNXXXX			07/23
IN93	FINI	IN93		30	28	02/21	03/25	04/30	NNXXXX	NNXXXX			07/23
IN86	LIFA	IN		151	151	01/31	03/04	04/30	NNXXXX	NNXXXX			07/23
IN95	STEX	IN95		66	57	04/11	05/15	06/15	NNXXXX	NNXXXX			07/23
IN72	UNEX	IN72		20	19	03/09	04/17	05/18	NNXXXX	NNXXXX			07/23
IN82	UNEX	IN82		8	18	03/09	04/17	05/18	NNXXXX	NNXXXX			07/23
IN95	UNIN	IN		5	15	03/09	04/17	05/18	NNXXXX	NNXXXX			07/23
IN95	ZTOT	IN95		1,617	1,540				NNXXXX	NNXXXX	37,230	28,176	07/23
I-29 INST TRADG PROCEDURE													
IN80	IA	IN80		96	78	01/16	01/23	04/30	NNXXXX	NN			07/23
IN95	PL	IN95		21	20	12/18	01/15	04/13	NNXXXX	NN			07/23
IN95	BANK	IN		49	49	12/19	01/15	03/30	NNXXXX	NN			07/23
IN95	CPEN	IN		16	16	01/15	02/20	03/30	NNXXXX	NN			07/23
IN95	FNDO	IN95		16	15	01/03	01/22	03/30	NNXXXX	NN			07/23
IN95	FNDO	IN95		6	6	01/03	01/22	03/30	NNXXXX	NN			07/23
IN95	LIFE	IN		26	26	12/11	01/15	04/13	NNXXXX	NN			07/23
IN90	ZTOT	IN90		234	213				NNXXXX	NN	234	212	07/23
I-3A HOLDINGS 09-30-69													
IN68	IA	IN68		120	81	04/02	04/27	07/21	NNXXXX	NN			07/23
IN96	BANK	IN		943	943	02/16	03/11	04/17	NNXXXX	NN			07/10
IN96	CORP	IN96		22	21	02/10	03/06	05/25	NNXXXX	NN			07/10
IN96	CPEN	IN		134	134	02/03	02/27	04/17	NNXXXX	NN			07/10
IN96	ENDE	IN		35	35	02/21	03/18	04/17	NNXXXX	NN			07/10
IN96	FNDO	IN		21	21	02/25	03/18	04/17	NNXXXX	NN			07/10
IN96	FNDO	IN		59	59	01/31	02/29	04/17	NNXXXX	NN			07/10
IN96	LIFA	IN		54	54	01/31	02/29	04/17	NNXXXX	NN			07/10
IN95	STEX	IN95		22	21	03/09	03/31	05/03	NNXXXX	NN			07/10
IN63	STIN	IN63		27	17	03/09	03/31	07/21	NNXXXX	NN			07/10
IN74	UNEX	IN74		19	14	03/09	03/31	07/21	NNXXXX	NN			07/10
IN83	UNEX	IN83		6	5	03/09	03/31	07/21	NNXXXX	NN			07/10
IN96	ZTOT	IN96		1,432	1,375				NNXXXX	NN	25,840	16,508	07/10
I-30 PENSION ACCT - BANK													
IN	BANK	IN		242	242	02/16	03/06	04/06	NNXXXX	NN	243	242	07/23
I-32 CP PENS ACCT-INTERNAL													
IN	ACCT	IN		22	22	02/10	03/06	04/06	NNXXXX	NN	22	22	06/29
IN	CORP	IN		21	21	02/10	03/06	04/06	NNXXXX	NN	21	21	06/29
I-33 CP PENS ACCT-EXTERNAL													
IN	ACCT	IN		133	133	02/03	02/27	04/06	NNXXXX	NN	134	133	06/29
IN	CPEN	IN		91	91	02/03	02/27	04/06	NNXXXX	NN	91	91	05/18
I-34 ST/LOC RET ACCT-INT													
IN78	ACCT	IN78		27	21	03/07	03/31	04/29	NNXXXX	NN	27	21	07/23
IN74	STIN	IN74		23	17	03/07	03/31	04/29	NNXXXX	NN	23	17	07/23
I-35 ST/LOC RET ACCT-EXT													
IN82	ACCT	IN82		22	19	03/07	03/31	04/29	NNXXXX	NN	22	19	07/10
IN82	STEX	IN82		22	19	03/07	03/31	04/29	NNXXXX	NN	22	19	07/10
I-36 MULTIHEN PEN ACCT-INT													
IN	ACCT	IN		5	5	03/07	03/31	04/29	NNXXXX	NN	5	5	06/29
IN	UNIN	IN		5	5	03/07	03/31	04/29	NNXXXX	NN	5	5	06/29
I-37 MULTIHEN PEN ACCT-EXT													
IN	ACCT	IN		18	18	03/07	03/31	04/29	NNXXXX	NN	18	18	07/23
IN	UNEX	IN		13	13	03/07	03/31	04/29	NNXXXX	NN	13	13	07/23

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I-40	ENDOWMENT ACCT - BANK	BANK	IN	15	02/16	03/06	04/06	NNXXXX	XX	000000	15	15 07/23
I-42	ENDOWMENT ACCT - INTER ENJ	ACCT ENJ	IN	25	02/28	03/24	04/13	NNXXXX	XX	XXXX00	25	25 07/23
I-43	ENDOWMENT ACCT - EXTER ENDE	ACCT ENDE	IN	35	02/21	03/18	04/13	NNXXXX	XX	XXXX00	35	35 07/11
I-44	POOLED ACCT - BANK	BANK	IN	94	02/16	03/06	04/06	NNXXXX	XX	XXXX00	31	31 07/10
I-46	FOUNDATION ACCT - BANK	BANK	IN	27	02/16	03/06	04/06	NNXXXX	XX	XXXX00	94	94 07/23
I-48	FOUNDATION ACCT - INT FNDN	ACCT FNDN	IN	30	02/21	03/18	04/13	NNXXXX	XX	XXXX00	30	30 07/10
I-50	LIFE INS SEPAR ACCT	LIFA	IN	54	01/31	02/23	03/27	NNXXXX	XX	XXXX00	325	353 05/25
I-51	EMP BEN ACCT - LIFE	LIFE	IN	48	03/16	04/14	05/29	NNXXXX	XX	XXXX00	1,175	1,100 06/22
I-52	LIFE INS INTRINSICS	LIFE	IN90	66	04/11	05/11	07/15	NNXXXX	XX	XXXX00	46,000	25,513 07/23
I-57	PROP - LIAB INS INTRIN	PL	IN	25	03/12	05/06	05/27	NNXXXX	XX	XXXX00	660	1,110 07/23
I-60	BANK INTRINSICS	BANK	IN98	50	02/26	03/25	06/15	NNXXXX	XX	XXXX00	6,600	6,129 07/23
I-61	BROKER-DEALER OPNS	BDLR	IN98	300	02/20	03/27	05/12	NNXXXX	NN	XXXX00	13,000	12,914 07/23
I-62	GENERAL ACCT - BANK	BANK	IN	564	02/16	03/06	04/06	NNXXXX	CC	XXXX00	564	564 07/23
I-63	INV COMPANY ACCT	IA	IN91	120	04/02	15/15	07/21	NNXXXX	NN	XXXX00	2,412	760 07/23
I-64	ISSUER REL W/SHLDORS	CORP	IN64	360	03/15	04/10	06/30	NNXXXX	XX	XXXX00	10,000	9,688 07/23
I-65	IA INTRINSICS	IA	IN98	144	02/06	02/27	05/11	NNXXXX	XX	XXXX00	9,000	9,480 07/23
I-70	RESTRIC SECS - INSTNS	IA	IN66	02	02/12	03/04	06/13	NNXXXX	XX	XXXX00		07/11
		PL	IN90	50	02/18	03/14	06/13	NNXXXX	XX	XXXX00		07/11
		BANK	IN90	14	02/18	03/14	06/13	NNXXXX	XX	XXXX00		07/11
		COPEN	IN92	19	02/14	03/14	06/13	NNXXXX	XX	XXXX00		07/11
		ENDO	IN	10	02/14	03/14	06/13	NNXXXX	XX	XXXX00		07/11
		FNDN	IN90	27	02/20	03/31	06/13	NNXXXX	XX	XXXX00		07/11
		LIFE	IN92	38	02/18	03/18	06/13	NNXXXX	XX	XXXX00		07/11
		VENT	IN90	271				NNXXXX	XX	XXXX00		07/11
		ZTOT	IN95	271				NNXXXX	XX	XXXX00		07/11
I-71	VENTURE CAPITAL	BDLR	IN91	319	02/03	02/20	06/13	NNXXXX	XX	XXXX00	3,500	2,019 07/23
I-72	NEW ISSUES - INSTNS	IA	IN94	39	03/27	04/24	06/13	NNXXXX	XX	XXXX00		07/11
		PL	IN93	3	03/27	04/24	06/13	NNXXXX	XX	XXXX00		07/11
		BANK	IN95	22	03/27	04/24	06/13	NNXXXX	XX	XXXX00		07/11
		COPEN	IN	4	03/27	04/24	06/13	NNXXXX	XX	XXXX00		07/11
		ENDO	IN50	2	03/27	04/24	06/13	NNXXXX	XX	XXXX00		07/11
		HOGE	IN	25	03/27	04/24	06/13	NNXXXX	XX	XXXX00		07/11
		IAAD	IN62	25	03/27	04/24	06/13	NNXXXX	XX	XXXX00		07/11

JUL 24, 1970

INSTITUTIONAL INVESTOR STUDY -- QUESTIONNAIRE STATUS REPORT

PAGE 6

FORM NR.	FORM DESCRIPTION	RESP. GROUP	RESP. STATUS	NUMBER MAILED	NUMBER RESP'D	MAIL DATE	RESP. DATE	CLEAN FILE	EDIT FILE	ANAL. FILE	CARDS FST	CARDS IN/AR/PD	RPTING DATE	
I-72	NEW ISSUES - INSTNS	IA	IN93	136	15	03/27	04/24	06/13	XXXXXX	XX	XXXXXX	20,000	15,701	07/10
			IN93	136	127	/	/	/						07/23
I-73	OFF SHORE FUNDS	IA	IN97	470	455	02/15	03/15	06/16	XXXXXX	XX	XXXXXX	6,000	10,109	07/23

GRAND TOTAL 793,299 737,634
PERCENT 100% 93%

STATUS REPORT CODES

04/07/70

** RESPONDENT GROUP CODES (RESP. GROUP)

ACCT	ACCOUNTS (PART B OF 1-32/33/34/35/36/37/42/43/48)
BANK	BANK
BDLR	BROKER-DEALER
BOST	SPECIALIST-BOSTON EXCHANGE
CDRP	CORPORATION (ALSO INTERNALLY MANAGED PENSION PLAN)
CPEN	EXTERNALLY MANAGED CORPORATE PENSION PLAN
DEAL	DEALER
DETR	SPECIALIST-DETROIT EXCHANGE
ENDE	EXTERNALLY MANAGED ENDOWMENT
ENDI	INTERNALLY MANAGED ENDOWMENT
ENDO	ENDOWMENT
EXNG	EXCHANGE
FNDN	FOUNDATION
HGDG	HEDGE OR OFFSHORE FUND
IA	INVESTMENT ADVISER
IAAD	ADDITIONAL IA'S
LIFA	SEPARATE ACCOUNTS OF LIFE COMPANIES
LIFE	LIFE INSURANCE
MMKR	MARKET MAKER
MUND	MANAGING UNDERWRITER
MWSE	SPECIALIST-MIDWEST EXCHANGE
NYSE	SPECIALIST-NEW YORK EXCHANGE
PBW	SPECIALIST-PHILA-BALT-WASH EXCHANGE
PCSE	SPECIALIST-PACIFIC COAST EXCHANGE
PL	PROPERTY-LIABILITY INSURANCE COMPANY OR GROUP
STAT	STATE AND LOCAL RETIREMENT SYSTEM
STEX	EXTERNALLY MANAGED STATE AND LOCAL SYSTEM
STIN	INTERNALLY MANAGED STATE AND LOCAL SYSTEM
UNDR	UNDERWRITER
JNEX	EXTERNALLY MANAGED MULTIEMPLOYER PENSION PLAN
UNIN	INTERNALLY MANAGED MULTIEMPLOYER PENSION PLAN
UNON	MULTIEMPLOYER PENSION PLAN (UNION)
VENT	VENTURE CAPITAL
ZTOT	TOTAL

** RESPONSE STATUS CODES (RESP. STATUS)

BOB	BUREAU OF THE BUDGET HAS IT
DFTN	DRAFT OF QUESTIONNAIRE
DROP	QUESTIONNAIRE/RESPONDENT GROUP DROPPED FROM ITS
IDEA	WRITING OF QUESTIONNAIRE STARTED
IN	ALL RESPONSES IN, UNCORRECTED
IN01	APPROXIMATE NUMBER OF RESPONSES RECEIVED (01-99 PERCENT)
IN99	APPROXIMATE NUMBER OF RESPONSES RECEIVES (01-99 PERCENT)
OUT	MAILED
PNTG	PRINTING IN PROCESS
TBDB	TECH. COM. & BOB HAS IT
TECH	TECHNICAL COMMITTEE HAS IT

Mr. MOSS. Thank you. I have a few questions, but first, Mr. Eckhardt.

Mr. ECKHARDT. I have no questions, thank you, Mr. Chairman.

Mr. MOSS. Mr. Blanton.

Mr. BLANTON. No questions, Mr. Chairman.

Mr. MOSS. I have about four or five questions, two of them going to the matter of the relationship of the Commission to the executive branch of the Government.

I note that on page 1, you state, "I can report to you that the study's Advisory Committee and the Office of Management and Budget concur in this program and strongly support the enactment of House Joint Resolution 1247."

What is the relationship of the Commission to the Office of Management and Budget? I think that is the new office created by the reorganization. What clearance is required there?

Mr. SMITH. I think as a general practice the statements of the Commission on pending legislation are sent to the Budget Bureau to see if there are any objections from that office or from other executive departments of the Government.

I did not mean to imply from my statement that there is anything beyond that type of submittal.

Mr. MOSS. As I recall, we had a series of hearings in 1958 and 1959 going to the independent status of the regulatory commissions and the understanding at that time was that statements were filed merely for the purpose of informing the Bureau of the Budget, now its successor agency would have the same relationship, and not to receive objections from them. Objections would be inappropriate as they would compromise the independence of the agency, and that is a matter which the Congress has very jealously guarded over the years, or attempted to, and I want to know if we have gone beyond just simple submission for informational purposes?

Mr. SMITH. I am sure that there was nothing at all beyond that in this statement, which was prepared for me and revised by me, and I think the only suggestion that came back from the Office of Management and Budget was that this statement referred to them as Bureau of the Budget, and they asked that the new name be substituted. That is the only comment that was received.

Mr. MOSS. Over on page 4 I noted that "separate clearance"—and this is the thing that really concerned me—"by the Bureau of the Budget for each respondent group on each questionnaire was obtained, for a total of some 200 separate clearances."

I mention this because if it had been the desire of the Congress to have the Bureau of the Budget clear, and, in effect, monitor this study, it would have vested the authority for the study in the Bureau of the Budget, which is an executive agency.

In fact, it is directly under the Office of the President. It was not the desire of the Congress to do so, and the matter of "clearances" is one which I find somewhat disturbing. Were clearances sought?

Mr. SMITH. Yes, they were.

Mr. MOSS. Mr. Loomis, if you would like to participate in this, you may do so. The concern of the committee is that there not be any compromise of the Commission's independent status.

Mr. Loomis. The Bureau of the Budget has for many years taken the position that all questionnaires sent out by any agency of the Government, including the independent agencies, require their clearances and approval under the Federal Reports Act.

We have had periodically some controversy with them as to whether they can require changes in the report and registration forms that Congress required under the securities laws. We have always taken the position that they cannot and they have generally acquiesced. But on these questionnaires which are not reporting forms for corporations like a registration statement, they have taken the position consistently that these must be cleared by them by reason of the Federal Reports Act.

Mr. Moss. Do you concur?

Mr. Loomis. I am inclined to feel that they may be right as to questionnaires of this type. In any event, we have endeavored to avoid controversy with them to the extent we can without compromising our right to administer the Federal Securities Laws as we see fit.

Mr. Moss. I would hope that Counsel takes note, that is, committee counsel, and that the members of the committee also take note of this discussion. At any future date that we act to create any kind of studies, we should make it abundantly clear that the Bureau of the Budget is not to have any power to change the substance.

They should have the ability to coordinate within the executive branch on certain types of information to inform you that somebody may already be requesting the same information, but they should have no power beyond that. It is not intended by the Congress.

I think the hearings of 1958 and 1959 made that abundantly clear. That was the very basic issue that was involved in those hearings.

In the report extending the life of this resolution I will ask that language to that effect be drafted so that we can make it quite clear that the Congress is concerned with the true independence of these agencies.

In how many instances did the Commission actually have to use subpoena power?

Mr. Smith. As I said in my prepared statement, they have been relatively infrequent. In some cases some institutions, particularly banks, asked for, in effect, friendly subpoenas which were given to them.

In connection with our case studies on corporate takeovers, extensive use of subpoenas was made to collect documents as a basis for questioning institutions and participants in those situations.

We also sent approximately 40 subpoenas to companies which substantially after the applicable due date had not filed questionnaires. A letter from the Chairman preceded each of these subpoenas. Virtually all subpoenas have been successful in causing the forms to be filed.

Mr. Moss. Other than banks, is there any other pattern as to the types of institutions which have required the use of subpoenas?

Mr. Smith. I don't believe so, but perhaps Dr. Farrar can be more responsive. It may be that some securities firms asked for friendly subpoenas.

Dr. FARRAR. The friendly subpoenas have been limited almost entirely to banks.

Mr. MOSS. How about the non-friendly ones?

Dr. FARRAR. Some have gone to securities firms, perhaps the larger number. Some have gone to investment advisers, and mutual fund complexes. I don't know whether any non-friendly subpoenas have gone to banks.

Mr. MOSS. I think we will ask that you supply for the committee's files, not for this record, but for the committee's files, a list of those to whom subpoenas have been issued.

Mr. SMITH. We will be glad to submit that.

Mr. MOSS. Now, on page 7, I want to understand whether or not there is any intent of the study going beyond the 31st of December. I cite the next-to-the-last sentence in the first paragraph: "I hope everyone will bear with us until we can assemble the pieces in a meaningful final report."

By that you mean that you will have that report by the 31st of December and there will not be an additional request for extension?

Mr. SMITH. That is our complete intention, yes, sir.

Mr. MOSS. Now, just one final question as to cost.

It is rather unique to have an extension of time without additional cost. Are other programs or functions under the jurisdiction of the Commission going to suffer as a result of funding of this continuing activity from funds already available to the Commission?

Mr. SMITH. It is apparent that to the extent funds are spent on this, they won't be spent on other things. The Commission made a deliberate decision here that the value to be derived from this study will flow into other areas of the Commission's work. This is one overrun in terms of time where the contractor is committing himself to absorb the cost. And because of general budgetary considerations in the Government as a whole and our dealings with the Appropriations Committees, we felt called upon to absorb this additional 4-month cost.

Mr. MOSS. What is the additional 4-month cost?

Mr. SMITH. It will be \$155,000.

Mr. MOSS. Will you supply for this record the detail of that additional cost?

Mr. SMITH. Yes, sir.

Mr. MOSS. Including the number of persons, the full details for it?

Mr. SMITH. I have it with me, and I will be glad to give it to you. (The information referred to follows:)

Summary statement of cost—institutional investor study

Fiscal year:

1969-----	\$230, 000
1970-----	575, 000
1971 (July 1 to Dec. 31, 1970) (estimate)-----	225, 000
Total costs-----	¹ ² 1, 030, 000
Less total funds authorized and appropriated-----	875, 000
Amount to be absorbed in fiscal 1971-----	155, 000

¹ See exhibit A.

² Excludes (1) costs of \$48,000 which are reimbursed by the Federal Reserve Board; and (2) \$30,400 for pay increases.

EXHIBIT A
STATEMENT OF COSTS—INSTITUTIONAL INVESTOR STUDY

Item	Actual		Estimated, fiscal 1971 July 1— Dec. 31	Total cost
	1969	1970		
Personal services.....	\$105,486	\$503,313	¹ \$199,800	\$808,599
Personnel benefits.....	8,289	17,200	3,400	28,889
Travel.....	18,851	19,687	20,000	58,538
Communications and rental:				
Rental of space.....	12,538	28,800		41,338
Telephone.....	4,600	2,000	800	7,400
Rental of equipment.....	682	3,000		3,682
Total.....	17,820	33,800	800	52,420
Other services contract, National Bureau of Economic Research.....	50,000			50,000
Supplies and materials.....	2,300	1,000	1,000	4,300
Office furniture and equipment.....	27,254			27,254
Total cost.....	230,000	575,000	225,000	1,030,000
Returned to Treasury.....	70,000			70,000
Total funds available.....	² 300,000	³ 575,000	225,000	1,100,000

¹ Excludes (1) \$10,000 for salaries which is reimbursed by the Federal Reserve Board; and (2) pay increase costs of \$13,400. See exhibit B for detail.

² Excludes costs of \$18,000 reimbursable from Federal Reserve Board as its share of the NBER contract.

³ Excludes (1) costs of \$20,000 (salaries \$15,000 and travel \$5,000) reimbursed by the Federal Reserve Board; and (2) pay increase costs of \$17,000 (salaries \$16,000 and \$1,000 personnel benefits).

EXHIBIT B

Cost statement for institutional investor study, fiscal 1971

(July 1 to Dec. 31, 1970)

Salaries:

34 temporary positions—July 1 to Aug. 31.....	\$68,300
23 temporary positions (includes 6 typists), number of positions will progressively decrease from Sept. 1 to Dec. 31.....	107,000
Consultants—July 1 to Dec. 31.....	8,000
Overtime.....	5,500
Lump-sum payment—annual leave.....	11,000

Total..... ¹ 199,800

¹ Excludes (a) \$10,000 for salaries reimbursed by the Federal Reserve Board; and (2) \$13,400 for pay increases.

INSTITUTIONAL INVESTOR STUDY

	Before Sept. 29, 1970	After Sept. 29, 1970
Director (economist).....	1	1
Associate Director (economist).....	2	2
Economists.....	7	3
Attorneys.....	3	3
Programers.....	4	3
Research assistants.....	5	5
Secretaries.....	6	6
Keypunch operators.....	3	
Clerks.....	3	
Total.....	34	23

Mr. Moss. I have no further questions.

Mr. Keith?

Mr. KEITH. Thank you, Mr. Chairman.

I am sorry that I wasn't here for the earlier part of the questions. I had to appear at the Subcommittee on Fish and Wildlife this morning at 10.

Has any colloquy taken place between you and Commissioner Smith with reference to any substantive developments in the study to date?

Mr. MOSS. I have not because after very careful consideration on Friday, I concluded that the study had moved to the point where discussions of substantive nature as to the study, itself, would have little value. I think it is pretty well cast and the format is laid out and it is a matter now of merely completing the study along the lines already predetermined.

Mr. KEITH. I would like, nevertheless, to ask for the record as to whether or not this study has turned up anything which would indicate the need for action by Congress to deal with any problem areas so that our securities markets might function more effectively?

Mr. SMITH. I believe our study will produce a number of findings relevant to the functionings of the market in a strongly institutional environment. The study has produced a number of findings in these areas. They are at the present time reflected in tabulations and preliminary drafts of analytical chapters. Because of the interrelationships of the various chapters and findings we have not wished to discuss substantive findings at this point because they are susceptible to misinterpretation, and we wanted to have an opportunity to fully consider both their accuracy and some of their implications.

Mr. KEITH. I respect your judgment on that, but whatever conclusions you reach and recommendations that follow from those conclusions, it is going to take a long time for the Congress and the Nation to absorb them so that legislation, if it is required, might be enacted.

You have seen how difficult it has been to amend the securities laws in any respect. You have to build up public opinion in support of legislation in order to have it begin moving. So, I am going to pursue this just a step further.

You do not see anything shaping up ahead that stands out, that is significant enough or firm enough to discuss in public at this time?

Mr. SMITH. I would like to say "yes" to you, Mr. Keith—

Mr. KEITH. I am perfectly happy with a "no" answer.

Mr. SMITH. I feel compelled to say "no" at this time because we appreciate that the Congress will put a high degree of reliance on the Commission's deliberations and considerations of this fairly complex material. To give now some tentative views of one Commissioner based upon preliminary findings, I think would not do justice to the subject matter. I appreciate the enormous number of years that preceded the pending legislation in the Congress. It is perhaps for that reason that I feel most strongly that I would like this to be a well-considered, well-reasoned report that you will receive in the end.

Mr. KEITH. But you do not see anything that has any urgency about it thus far?

Mr. SMITH. There is great urgency in the subject matter. I think there will be findings of considerable importance that we contribute toward resolving some of these questions, but I would prefer to give you any reflections or reactions on the basis of more consideration than we have had now.

Initial chapter drafts only appeared on July 1. Some of those are still in process. We will not receive final staff drafts until the end of the summer, so that it will be quite difficult, I think, at this time to give any reasoned reaction to it.

Mr. KEITH. Thank you, Mr. Chairman.

Mr. MOSS. Are there other questions?

Mr. FOCHT?

Mr. FOCHT. I have only one, if I may, Mr. Chairman.

Mr. SMITH, when you appeared before the subcommittee in September of last year on the question of then extending the date of the study until September 1, 1970, you were asked whether or not the study could be finished by September 1 of 1970. At the time you said yes, it could be, and you were confident that it could be. I note in your statement today that you basically say it has taken longer than you had envisioned to collect and analyze the necessary data.

But I wonder if you could tell us—because I think you were in the data collecting stage back in September when you were here—what has happened since September 15 that makes this present request necessary?

Mr. SMITH. It is true that back then I felt sure that a 12-month period would be ample time. At that point it is true that we were in the data collection effort, some questionnaires had been sent out. In fact, I believe the bulk of the questionnaires were sent out after September; indeed, the last as recently as April of this year.

The difficulty in reconciling the study's data requests to the record-keeping systems of respondents and the amount of time absorbed in the processing of returns when they have been received has substantially exceeded the estimations at that time.

I think if you were to look at attachments A and B Mr. Focht, you would get some sense of the time dimension involved with each of these questionnaires. I think if there are any particular areas you would like to refer to, that Dr. Farrar, who has lived through this, would be better able to respond than I.

Mr. FOCHT. I have no additional questions Mr. Chairman.

Mr. MOSS. There being no further questions, I want to thank you and your staff for appearing. We will try to get this resolution reported out of the subcommittee very promptly.

Mr. SMITH. We appreciate that.

Mr. MOSS. The subcommittee will be adjourned.

(Whereupon, at 10:45 a.m., the subcommittee adjourned.)

