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# AUTHORIZATION REQUEST FOR THE SECURITIES AND EXCHANGE COMMISSION

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## HEARING

BEFORE THE

### SUBCOMMITTEE ON SECURITIES

OF THE

### COMMITTEE ON

## BANKING, HOUSING, AND URBAN AFFAIRS

## UNITED STATES SENATE

### NINETY-SIXTH CONGRESS

SECOND SESSION

ON

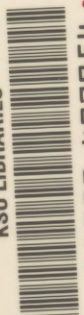
### S. 2465

TO AMEND THE SECURITIES EXCHANGE ACT OF 1934 TO  
AUTHORIZE APPROPRIATIONS FOR THE SECURITIES AND  
EXCHANGE COMMISSION FOR FISCAL YEARS 1981 THROUGH  
1983

MARCH 24, 1980

Printed for the use of the  
Committee on Banking, Housing, and Urban Affairs

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MONDAY, MARCH 24, 1980

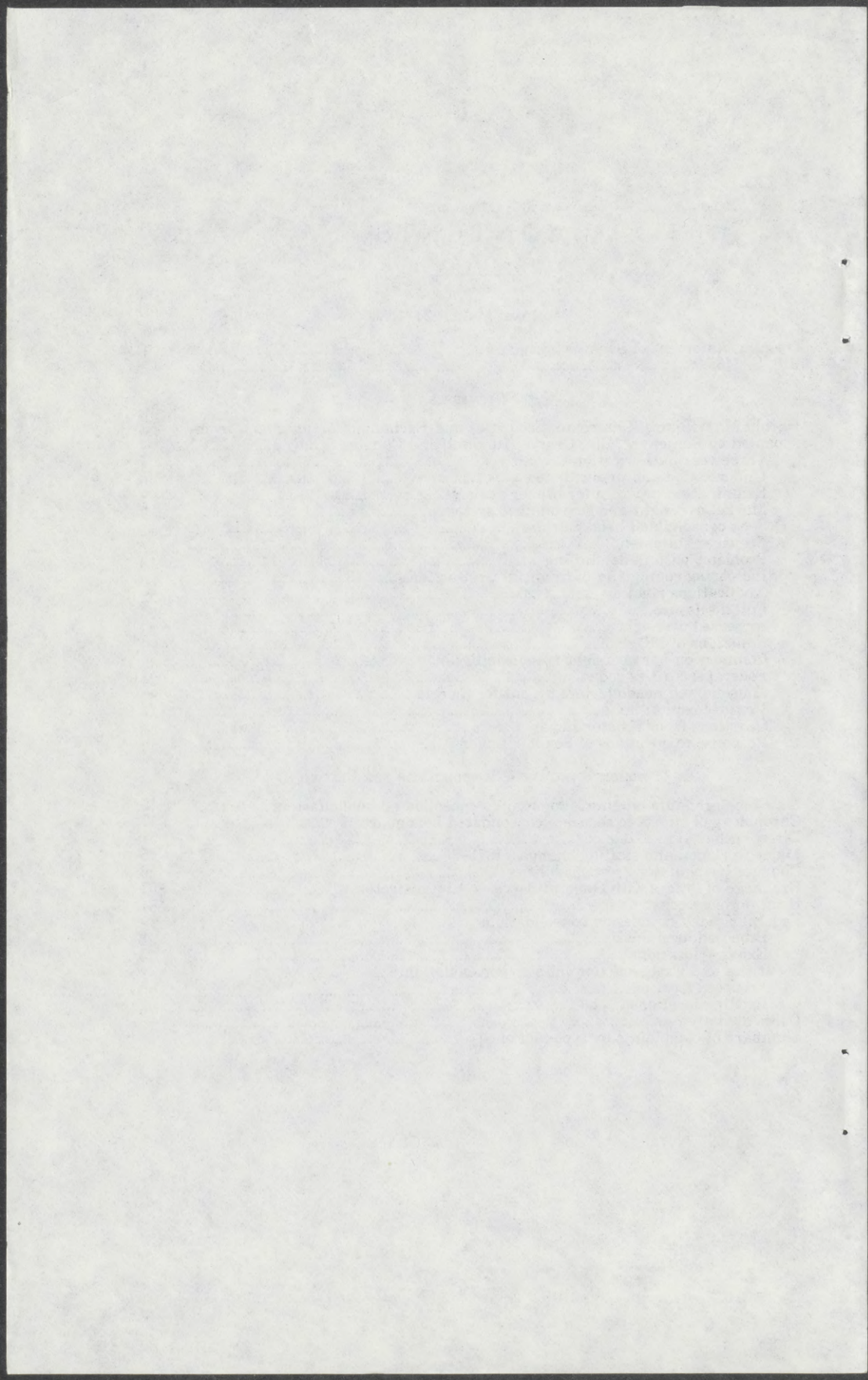
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# AUTHORIZATION REQUEST FOR THE SECURITIES AND EXCHANGE COMMISSION

MONDAY, MARCH 24, 1980

U.S. SENATE,  
COMMITTEE ON BANKING, HOUSING AND  
URBAN AFFAIRS, SUBCOMMITTEE ON SECURITIES,  
*Washington, D.C.*

The subcommittee met at 10:11 a.m. in room 3302 of the Dirksen Senate Office Building; Senator Paul S. Sarbanes (chairman of the subcommittee) presiding.

Present: Senators Sarbanes and Garn.

## OPENING STATEMENT OF SENATOR SARBANES

Senator SARBANES. The committee will come to order. We expect Senator Williams to be with us this morning. We should get underway in deference to your time, Mr. Chairman, and perhaps in deference to ours.

We look forward to hearing from you this morning with respect to the SEC authorization request. We look forward to this hearing on the authorization request as an opportunity to review the activities of the Commission and to hear from you with respect to matters under the committee's jurisdiction, focusing on the things that are of particular interest to the subcommittee.

I am anxious that you spell out with some care the program that you are projecting, not only for the next year but in subsequent years. We want to get a clear understanding of the resources available to you and the needs and problems you confront, to assess the balance between the problems you confront and the resources you have available to you.

So with that short introduction, we will be happy to take your statement. I think we have time. You ought to go into it with some detail, and we can follow that up with questions.

[Copy of the bill being considered follows:]

96TH CONGRESS  
2D SESSION

# S. 2465

To amend the Securities Exchange Act of 1934 to authorize appropriations for the Securities and Exchange Commission for fiscal years 1981 through 1983.

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## IN THE SENATE OF THE UNITED STATES

MARCH 21, (legislative day, JANUARY 3), 1980

Mr. SARBANES (by request) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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## A BILL

To amend the Securities Exchange Act of 1934 to authorize appropriations for the Securities and Exchange Commission for fiscal years 1981 through 1983.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3

4 That section 35 of the Securities Exchange Act of 1934 (15  
5 U.S.C. 78kk) is amended—

6 (1) in the first sentence thereof, by striking out

7 “and” immediately after “1979,”;

1           (2) by inserting immediately before the period at  
2           the end of the first sentence thereof the following: “,  
3           \$85,500,000 for the fiscal year ending September 30,  
4           1981, \$98,000,000 for the fiscal year ending Septem-  
5           ber 30, 1982, and \$108,000,000 for the fiscal year  
6           ending September 30, 1983”; and

7           (3) in the last sentence thereof, by striking out  
8           “fiscal year 1980” and inserting in lieu thereof “fiscal  
9           year 1983”.

STATEMENT OF HAROLD M. WILLIAMS, CHAIRMAN, SECURITIES AND EXCHANGE COMMISSION, ACCOMPANIED BY BENJAMIN MILK, GEORGE KUNDAHL, AND DOUGLAS SCARFF

Mr. WILLIAMS. We do appreciate this opportunity to testify on our authorization request for fiscal years 1981 through 1983. We have submitted to the subcommittee a detailed justification. We request that it be made a part of the record of this hearing.

I would like to highlight the rationale of the request. The Commission is requesting \$85.5 million for fiscal 1981, \$98 million for fiscal 1982, and \$108 million for fiscal 1983. In addition to anticipating increases in operating expenses, the request would allow the Commission to increase its staffing level from the present 2,100 to approximately 2,500 and would enable the Commission to fund its new Market Oversight Surveillance System.

We are acutely sensitive to—and fully support—the urgency of controlling inflation and the related need to limit Federal spending. We are also well aware—and fully support—the strong desire of Congress to limit the size of the Federal regulatory presence. Regardless of its resource allocation level, the Commission and its staff will continue their commitment to fulfill their responsibilities with a professionalism and dedication which Congress and the investing public have come to expect.

At the same time, however, I believe that I would be remiss in my responsibilities to Congress, the Commission, and the public if I did not make clear to this subcommittee my judgment, based upon a career of management experience and almost 3 years heading the Securities and Exchange Commission, that the Commission's resources are not adequate to permit it to discharge its formal responsibilities.

I recognize that Congress from year to year may be required to balance the resources needed to effect the public policies embodied in the Federal securities laws against other public concerns, such as the need for budgeting constraints. However, it is my suggestion that in the context of a multiyear authorization request, which provides the unique opportunity for the Commission's oversight committees to take a long view of the Commission's programs and policies, the threshold inquiry should be on the resource levels necessary for the Commission to effectively carry out its mandate.

Subsequently, Congress, of course, can reconsider these resource levels on an annual basis according to the then-current budgetary conditions.

#### THREE-YEAR AUTHORIZATION

Before outlining the Commission's resource needs, I would like to address the Commission's request for a 3-year authorization, which we believe is justifiable and appropriate.

Multiyear budget planning is critical to the efficient management of the Commission. Both the Congressional Budget Office and the President's Office of Management and Budget have stressed its importance in their recommendations and procedures.

The enactment of a 3-year authorization will strengthen the Commission's ability to engage in its own long-term planning and permit it to participate meaningfully in the administration's multiyear planning exercises. A 3-year authorization will constitute a

filings are closely scrutinized, while less resources are devoted to reviewing more routine filings.

The Commission similarly has had to be more selective in the enforcement cases it pursues and in determining when a case should be appealed or whether to appear in private litigation as an amicus.

But resource allocation judgments can accomplish only so much. Accordingly, the Commission has proposed in its authorization request to embark on a 5-year program to increase its personnel resources to a level which will enable it to fulfill its statutory responsibilities. The current authorization request would move the Commission toward the goal of adding approximately 700 positions in incremental steps over the next 5 years.

#### UNDERSTAFFED AND UNDERFUNDED

The Commission's job, in its most essential terms, is to foster investor confidence in the fairness, integrity, and efficiency of the securities marketplace. That confidence is necessary to the health and vitality of the capital formation process which fuels our economy. I believe that the agency, when measured against these critical responsibilities which the Congress has directed it to shoulder, is seriously understaffed and underfunded. Let me cite some of the areas of greatest need.

#### FULL DISCLOSURE

As discussed above, at current staffing levels, the Commission has found it necessary to adopt an audit mode system and to curtail the number of corporate filings reviewed as well. Reductions in the number of filings reviewed could affect the Commission's efforts to maintain acceptable levels of investor protection through operation of the review process.

The staffing increases projected for the early 1980's would permit the Commission to expand the audit mode review to include certain filings which now receive no review and increase the percentage of filings reviewed in each category. It would also accelerate the development of quality control and training programs.

#### PREVENTION AND SUPPRESSION OF FRAUD

With the increasing activity in the Nation's securities markets and with the increasing complexity in these markets, the Commission must continue to maintain an adequate enforcement presence.

Because of the large sums of money involved and the very real opportunities for illicit gain, securities frauds often entail creative, novel, and rapidly changing schemes. Indeed, the complexity of securities fraud is, in part, an outgrowth of the Commission's success in eradicating many of the less sophisticated improper practices prevalent in earlier years.

As Commission oversight of the marketplace has become effective and widely recognized, the unscrupulous have turned to new, more esoteric and intricate devices. In turn, Commission investigations have become progressively more complicated and time consuming. In addition, there is a growing inclination throughout our society to litigate, and this propensity to mount judicial challenges

to Government action of all kinds has had its effects on the Commission's fraud suppression program.

Commission enforcement proceedings develop into protracted and complex litigation with increasing frequency. At the same time, a highly skilled and specialized private securities bar has evolved. Defendants in Commission litigation generally have the financial capability to retain first-rate counsel when they elect to contest Commission charges.

Trial preparation and litigation, accordingly, impose very substantial demands on the Commission's enforcement staff. Likewise, the private bar is increasingly in a position to command extensive clerical and paralegal support services to assist in complex securities litigation. To remain on an equal footing in its representation of the public interest, the Commission must therefore enhance the support on which its legal staff may draw.

The tendency for defendants to resort to litigation to test the sufficiency of Commission charges is, of course, not in itself undesirable. It does, however, mean that the Commission must increase its legal staff simply to assure that the investing public enjoys the same degree of protection which the Commission was previously able to provide with fewer resources.

In addition to this overall trend toward more complex and time-consuming investigations and enforcement proceedings, a number of developments in the marketplace will place new demands on the Commission's investigative, surveillance, and enforcement capabilities.

For example, inflationary forces over the past several years have pushed short- and long-term interest rates to record high levels. This has resulted in the rapid growth of money market funds, and, at the end of 1979, these entities had assets well over \$100 billion. The expansion of money market funds has engendered new concerns in areas such as portfolio valuation, disclosure, back office efficiency, and selling practices which have demanded additional Commission resources and attention. Additionally, there has been a significant increase in investigations of investment companies other than money market funds.

Corporate mergers and acquisitions by tender offers have also developed into one of the major areas of Commission concern. Due to the critical time pressures inherent in these transactions, the Commission must be able to conduct expedited investigations in order to ascertain whether violative conduct is occurring. The subject is one of increasing congressional and public concern, and it is imperative that the Commission remain current in its program to monitor activity in this area.

Since passage of the Securities Act Amendments of 1975, new responsibilities and new classes of regulated entities have come under the Commission's jurisdiction.

In addition, the regulated population has grown significantly, and the Nation's trading markets have experienced substantial increases in activity—first, with the development and growth of exchange markets for standardized options contracts, and, more recently, with unprecedented increases in the volumes of stock trading.

## EXAMINATION PROGRAM FOR BROKER-DEALERS

In 1979, the Commission undertook to enhance its examination program for broker-dealers. The number of broker-dealers registered with the Commission has grown from 3,524 in 1975 to over 6,300 in 1979, an increase of 79 percent. The increases in personnel programed for the early eighties will permit the Commission to increase the number of broker-dealer examinations to reflect increases in the number of registrants, and to focus on those firms heavily engaged in trading new investment instruments such as options.

The expansion of the options market which will accompany lifting of the options moratorium in 1980 is expected to generate increased workload in processing rule filings and in oversight of option trading. In addition, implementation of recommendations made in the report of the Special Study of the Options Markets will require significant staff resources over the next several years.

Progress toward the development of a national market system has been a primary focus of the Commission in the past and will continue to be a major goal. The health and vitality of our capital markets is crucial to the continued strength of our economic system, and, accordingly, the Commission recognizes that steps to restructure those markets must proceed in careful and thoughtful fashion with a full understanding of the consequences.

Accordingly, the Commission will continue to devote significant staff resources to the complex and sensitive task Congress assigned to it in section 11A of the Securities Exchange Act.

In addition to programs either already in process or in the planning stages, there are several new areas bearing on the regulation of the markets which the Commission feels require immediate attention. For example, the Commission's enforcement efforts have uncovered a number of abuses in the Government-guaranteed securities markets. A major effort will be needed to develop an adequate regulatory system to deal with the increasing participation in these markets by investors less sophisticated and less capable of bearing the economic risks associated with such securities.

In the area of public utility holding company regulation, one of the Commission's prime objectives in this program over the next 3 years will be to reduce the growing backlog of filings. In the past, the Division of Corporate Regulation had an excellent reputation for prompt and effective action on the large volume of applications required under the Public Utility Holding Company Act of 1935.

Applications are filed at the rate of almost one per day and are becoming more complex. Unique and novel areas which Congress did not contemplate when it enacted the 1935 act, such as concern for the human environment, acquisitions of coal and uranium mines by holding companies, oil and gas exploration and a myriad of other ventures into the fuel area as a means of dealing with the energy crisis are requiring that the Commission expand its expertise.

There is now over \$100 billion being managed by investment companies and over \$600 billion being controlled by registered investment advisers. The latter has been particularly troublesome in the past due to inadequate information and the lack of bank

custodians. The Commission attempted to deal with this issue last year by adopting an expanded form for investment advisers and computerizing the input to more easily spot problem areas.

The Commission has undertaken two initiatives which will influence the effective regulation of investment companies and investment advisers during the period 1981-83. The first consists of a series of studies to review the Commission's rules under the Investment Company Act and the Investment Advisers Act. The impact of these efforts on the private sector and the Commission's workload will not be fully felt until the mid-1980's.

The second thrust in this program addresses the inspection program for investment companies and investment advisers. Our goal is to schedule inspections on a 2-year cycle. Inspection cycles are presently averaging one examination every 5.8 years for investment companies and one every 11.8 years for investment advisers. With additional staffing, the inspection cycle would approach the goal of an inspection every other year for each investment company and investment adviser.

The Commission is seeking to insure that adequate consideration is given to economic issues and the impact of Commission actions on the Nation's securities markets and participants in those markets. In the years ahead, greater emphasis will be placed on the ongoing monitoring of regulations already enacted by the Commission, as well as on development of a capability to identify longer-term trends expected to impact on the securities industry.

As I have sought to illustrate, the Commission has present and anticipated responsibilities which are not being adequately addressed by current staff resources. However, in addition to adequate staff resources, the Commission needs the technological capability to conduct oversight and surveillance in the trading markets and the self-regulatory organizations in order to keep pace with the increasing complexity and activity of the securities market.

#### MARKET OVERSIGHT AND SURVEILLANCE SYSTEM

To insure that capability, the Commission has undertaken to develop a market oversight and surveillance system—MOSS—that will enable us to: one, administer effectively our oversight responsibilities over the SRO's; two, conduct more thorough and comprehensive inspections of broker-dealers; three, monitor for trends in developments in the marketplace in coordination with SRO surveillance; four, better coordinate with the SRO's in followup to specific trading aberrations; five, better evaluate rule proposals that have an impact on the marketplace; and, six, more effectively manage our oversight and surveillance resources.

MOSS will complement the primary market surveillance systems operated by the self-regulatory organizations. It would do this in two basic ways: one, it will provide cross-market or intermarket surveillance, particularly in regard to dual-market trading in options and trading in options and their underlying securities; and, two, it will integrate market trading data with nonmarket information such as material filed with the Commission.

If the Commission is to be in a position to help insure continued investor confidence, it must begin to take advantage of electronic

technology to carry out complex oversight and surveillance functions. The Commission has not really made any significant gains in this area since the creation of the Division of Market Regulation in 1972, and it is probably fair to say that the Commission is 10 to 15 years behind some of the most advanced self-regulatory organizations in its ability to review and analyze trading activity.

The MOSS initiative is a vigorous, if belated, effort to achieve technical parity with the organizations over whom we exercise regulatory authority. No longer will the Commission have to rely on the most rudimentary capacity to review basic trading data, and, even more importantly, no longer will intermarket activity have so great a potential for falling between the cracks in a self-regulatory network designed at a time when intermarket transactions were negligible.

The MOSS program is a logical extension of the hierarchical series of checks and balances which constitute the self-regulatory scheme envisioned by Congress nearly 50 years ago. Under this arrangement, individual broker-dealers establish internal compliance programs which are overseen by the self-regulatory organizations, and the self-regulatory organizations rely largely on their own surveillance and inspection capacity to conduct market surveillance and assure that member firms are in compliance with SRO and Commission rules.

Similarly, the Commission carries on an SRO oversight function through its examination programs at both SRO's and broker-dealers. What MOSS contributes to this existing effort is a much enhanced capacity to review trading data and a greatly improved capacity to target the Commission's inspection program toward the most fertile areas of need. Thus, although much of the data utilized by MOSS will be similar to that used by the SRO's, MOSS will have the ability to integrate such trading data with filings and other information not readily available to self-regulators.

We view meaningful oversight as a key to effective self-regulation. The Commission's MOSS system is intended to bolster an existing Commission function rather than usurp the traditional surveillance functions performed by the self-regulatory organizations. The Commission still intends to rely very heavily on each self-regulatory organization to be primarily responsible for surveillance of its own trading market. But, among other things, MOSS will enhance the Commission's ability to oversee the industry's surveillance of the marketplace and, by doing so, strengthen the overall scheme of self-regulation.

In order to test whether the proposed design for MOSS lives up to expectations and to make necessary changes, the Commission is presently operating a pilot or prototype of the larger system. The SRO's are playing an essential role in this pilot phase by providing us with the basic information from the trading and clearing process.

Finally, I would like to discuss with you the Commission's critical need for a consolidated Washington headquarters, and our request for leasing authority to respond to that need. I would like to submit for the record a staff memorandum which outlines the history of the Commission's efforts to obtain a consolidated headquarters, describes the impacts of operating from multiple locations

and explores the reasons why the Commission is requesting leasing authority. [See letter and attachment at end of hearing.]

#### SEEK CONSOLIDATED HEADQUARTERS

It has been nearly a decade since the Commission first sought to secure a consolidated headquarters that would adequately serve not only its staff, but the over 70,000 investors, attorneys, accountants, registrants, and other members of the public who conduct business at the Commission each year. It has been over 5 years since the Congress, OMB, and GSA first supported such a consolidation. Over the years, the Commission has expanded its facilities to three satellite locations to accommodate additional personnel needed to fulfill its expanded responsibilities.

The present split between four locations imposes large costs, both direct and indirect, on the Commission, its staff, the business community, and the investing public. In spite of the Commission's best management efforts, hundreds of hours of lost time, delayed deliveries, and duplication of facilities and materials have been the inevitable result. The direct dollar cost to the Government is estimated at nearly \$500,000 each year, much of which could be recovered if the Commission were housed in a single headquarters.

The indirect costs, especially to business, are more difficult to quantify, but they derive from the costly inefficiencies which result from arbitrarily splitting the work of the Commission. In my judgment, the direct dollar cost to the Government is significantly greater than the half-million dollars a year, if we had a way to get a good, reliable handle on the personnel inefficiencies that are involved in the way in which the Commission is called upon to function.

The Commission is a small, integrated agency with a highly specialized mission to protect investors and insure the integrity of our Nation's capital market. Unlike the situation found in many Government agencies, the Commission's divisions and offices are not free-standing organizational components; rather, almost all Commission activities require the coordination or participation of several offices and divisions.

Historically, the Commission has attracted to its staff high-quality lawyers, accountants, economists, and other professionals; and the nature of the Commission's work requires a large number of such highly trained professionals. Moreover, the Commission's work requires extensive daily interaction in Washington with the corporate, financial, and legal communities and the investing public. Under these circumstances, the present split of the Commission between four Washington-area locations has a particularly serious impact on the Commission's productivity and places unwarranted burdens on the private sector.

In the face of constrained budget resources, minimal pay increases, and increasing restrictions and demands on Commission employees, no single event could have a more positive impact on the productivity of the Commission staff than the resolution of the Commission's long-standing space needs through the acquisition of a suitable headquarters. The most efficient and expeditious means

of achieving that end is to provide the Commission with leasing authority.

Mr. Chairman, I have sought to provide the committee with a realistic assessment of the resource requirements of the Commission. As I noted at the outset, I am mindful of the economic climate, but I feel it is my responsibility to report to you accurately with respect to the Commission's needs.

Moreover, I believe the Commission has an important role in our economic recovery in insuring the integrity and stability of the Nation's capital markets which facilitate capital formation and contribute to confidence in the economic condition of the country.

That concludes my prepared remarks. I would be pleased to respond to any questions members of the subcommittee may have. [Complete statement follows:]

STATEMENT OF HAROLD M. WILLIAMS, CHAIRMAN, SECURITIES AND EXCHANGE COMMISSION

Mr. Chairman and members of the Subcommittee, I am pleased to have the opportunity to testify on behalf of the Securities and Exchange Commission's authorization request for the fiscal years 1981-1983. The Commission has submitted to the Subcommittee a detailed justification supporting the request, entitled "Budget Authorization Request for Fiscal Years 1981, 1982, and 1983." I ask that the document be made a part of the record of this hearing. This morning I would like to highlight the rationale for the request and discuss the Commission's pressing need for a consolidated Washington headquarters.

The Commission is requesting \$85.5 million for fiscal 1981, \$98 million for fiscal 1982, and \$108 million for fiscal year 1983. In addition to anticipating increases in operating expenses, the request would allow the Commission to increase its staffing level from the present 2,100 to approximately 2,500, and would enable the Commission to fund its new Market Oversight Surveillance System.

We are acutely sensitive to—and fully support—the urgency of controlling inflation and the related need to limit Federal spending. We are also well aware—and fully support—the strong desire of Congress to limit the size of the Federal regulatory presence. Regardless of its resource allocation level, the Commission and its staff will continue their commitment to fulfill their responsibilities with a professionalism and dedication which Congress and the investing public have come to expect.

At the same time, however, I believe that I would be remiss in my responsibilities to Congress, the Commission, and the public if I did not make clear to this subcommittee my judgment, based upon a career of management experience and almost three years heading the Securities and Exchange Commission, that the Commission's resources are not adequate to permit it to discharge its important responsibilities.

I recognize that Congress from year to year may be required to balance the resources needed to effect the public policies embodied in the Federal securities laws against other public concerns, such as the need for budgeting constraints. However, it is my suggestion that in the context of a multi-year authorization request, which provides the unique opportunity for the Commission's oversight committees to take a long-view of the Commission's programs and policies, the threshold inquiry should be on the resource levels necessary for the Commission to effectively carry out its mandate. Subsequently, Congress, of course, can reconsider these resource levels on an annual basis according to the then-current budgetary conditions.

Before outlining the Commission's resource needs, I would like to address the Commission's request for a three-year authorization which we believe is justifiable and appropriate.

Multi-year budget planning is critical to the efficient management of the Commission. Both the Congressional Budget Office and the President's Office of Management and Budget have stressed its importance in their recommendations and procedures. The enactment of a three-year authorization will strengthen the Commission's ability to engage in its own long-term planning and permit it to participate meaningfully in the Administration's multi-year planning exercises. A three-year authorization will constitute a clear expression of the activity level at which the Congress intends for the Commission to operate in the three years ahead. It will

enable the Commission to refer to the multi-year authorization as a blueprint for structuring resource requests to OMB and the President over the next three years.

From my perspective as a Chairman whose term will expire in June, 1982, the three year term is particularly appropriate. The request will enable me to chart effectively the priorities for utilization of resources for the remainder of my term, and then allow a one-year orientation period before a new chairman will be required to formally present his or her program to the Congress.

With respect to the Commission's resource requirements, since 1975, during a period in which the Commission actually lost 44 staff positions, the Commission has experienced an explosion in the number and complexity of its regulatory responsibilities—in large part, for two specific reasons. First, significant changes have occurred in the financial markets and the financial community—including greatly expanded market activity, increasing complexity of financial transactions, the development of a new mix of financial products being offered to the public and the increasingly high financial leverage of the broker-dealer industry. As illustrations, since 1975, the number of shares annually traded in the NASDAQ system increased over 150 percent, the number of contracts for exchange-traded options increased 250 percent, the number of registered broker-dealers increased by almost 80 percent, the number of registered investment advisers increased by two-thirds, there were \$100 billion worth of successful tender offers, and in the last year alone the assets of money market funds increased almost five-fold.

Further, during the same five-year period, Congress charged the Commission with a range of new regulatory responsibilities and legal obligations. For example, in 1975 Congress directed the Commission to facilitate the establishment of a national market system for securities. The Commission has also been charged with implementing the Foreign Corrupt Practices Act and has undertaken a greater role to achieve more effective oversight and self-regulation of the accounting profession. Moreover, recent judicial developments, which have severely restricted the scope of implied private rights of action, mean that, in many cases, no party other than the Commission can seek judicial enforcement of the Federal securities laws. At the same time, the Commission is not unmindful of its obligation to initiate regulatory reforms by reviewing and rethinking its existing regulatory structure and by considering steps that might reduce regulatory burdens consistent with investor protection. The Commission has taken many steps in this direction, and will continue to do so.

In light of its increasing responsibilities and diminished staff, the Commission has sought to enhance the professionalism with which it manages its resources and has submitted existing management techniques and systems to searching review. For example, corporate filings which were previously subject to detailed staff review are not processed under an "audit mode"; that is, only certain key filings are closely scrutinized, while less resources are devoted to reviewing more routine documents. The Commission similarly has had to be more selective in the enforcement cases it pursues and in determining when a case should be appealed or whether to appear in private litigation as an amicus. But, resource allocation judgments can accomplish only so much. Accordingly, the Commission has proposed in its authorization request to embark on a five-year program to increase its personnel resources to a level which will enable it to fulfill its statutory responsibilities. The current authorization request would move the Commission toward the goal of adding approximately 700 positions in incremental steps over the next five years.

The Commission's job, in its most essential terms, is to foster investor confidence in the fairness, integrity, and efficiency of the securities marketplace. That confidence is necessary to the health and vitality of the capital formation process which fuels our economy. I believe that the agency, when measured against these critical responsibilities which the Congress has directed it to shoulder, is seriously understaffed and underfunded. Let me cite some of the areas of greatest need.

*Full disclosure.*—As discussed above, at current staffing levels, the Commission has found it necessary to adopt an "audit mode" system and to curtail the number of corporate filings reviewed as well. Reductions in the number of filings reviewed could affect the Commission's efforts to maintain acceptable levels of investor protection through operation of the review process. The staffing increases projected for the early 1980's would permit the Commission to expand the "audit mode" review to include certain filings which now receive no review and increase the percentage of filings reviewed in each category. It would also accelerate the development of quality control and training programs.

*Prevention and suppression of fraud.*—With the increasing activity in the nation's securities markets and with the increasing complexity in these markets, the Commission must continue to maintain an adequate enforcement presence. Because of

the large sums of money involved and the very real opportunities for illicit gain, securities frauds often entail creative, novel and rapidly changing schemes. Indeed, the complexity of securities fraud is, in part, an outgrowth of the Commission's success in eradicating many of the less sophisticated improper practices prevalent in earlier years. As Commission oversight of the marketplace has become effective and widely recognized, the unscrupulous have turned to new, more esoteric and intricate devices. In turn, Commission investigations have become progressively more complicated and time consuming. In addition, there is a growing inclination throughout our society to litigate, and this propensity to mount judicial challenges to government action of all kinds has had its effects on the Commission's fraud suppression program. Commission enforcement proceedings develop into protracted and complex litigation with increasing frequency. At the same time, a highly skilled and specialized private securities bar has evolved. Defendants in Commission litigation generally have the financial capability to retain first-rate counsel when they elect to contest Commission charges. Trial preparation and litigation, accordingly, impose very substantial demands on the Commission's enforcement staff. Likewise, the private bar is increasingly in a position to command extensive clerical and paralegal support services to assist in complex securities litigation. To remain on an equal footing in its representation of the public interest, the Commission must therefore enhance the support on which its legal staff may draw. The tendency for defendants to resort to litigation to test the sufficiency of Commission charges is, of course, not in itself undesirable. It does, however, mean that the Commission must increase its legal staff simply to assure that the investing public enjoys the same degree of protection which the Commission was previously able to provide with fewer resources.

In addition to this overall trend toward more complex and time-consuming investigations and enforcement proceedings, a number of developments in the marketplace will place new demands on the Commission's investigative, surveillance, and enforcement capabilities.

For example, inflationary forces over the past several years have pushed short and long-term interest rates to record high levels. This has resulted in the rapid growth of money market funds, and, at the end of 1979, these entities had assets well over \$100 billion. The expansion of money market funds has engendered new concerns in areas such as portfolio valuation, disclosure, back office efficiency, and selling practices, which have demanded additional Commission resources. Additionally, there has been a significant increase in investigations of investment companies other than money market funds.

Corporate mergers and acquisitions by tender offers have also developed into one of the major areas of Commission concern. Due to the critical time pressures inherent in these transactions, the Commission must be able to conduct expedited investigations in order to ascertain whether violative conduct is occurring. The subject is one of increasing Congressional and public concern, and it is imperative that the Commission remain current in its program to monitor activity in this area.

*Regulation of securities markets.*—Since passage of the Securities Act Amendments of 1975, new responsibilities and new classes of regulated entities have come under the Commission's jurisdiction. In addition, the regulated population has grown significantly, and the nation's trading markets have experienced substantial increases in activity—first, with the development and growth of exchange markets for standardized options contracts, and, more recently, with unprecedented increases in the volumes of stock trading.

In 1979, the Commission undertook to enhance its examination program for broker-dealers. The number of broker-dealers registered with the Commission has grown from 3,524 in 1975 to over 6,300 in 1979, an increase of 79 percent. The increases in personnel programmed for the early eighties will permit the Commission to increase the number of broker-dealer examinations to reflect increases in the number of registrants, and to focus on those firms heavily engaged in trading new investment instruments such as options.

The expansion of the options market which will accompany lifting of the options moratorium in 1980 is expected to generate increased workload in processing rule filings and in oversight of option trading. In addition, implementation of recommendations made in the Report of the Special Study of the Options Markets will require significant staff resources over the next several years.

Progress towards the development of a national market system has been a primary focus of the Commission in the past and will continue to be a major goal. The health and vitality of our capital markets is crucial to the continued strength of our economic system, and, accordingly, the Commission recognizes that steps to restructure those markets must proceed in careful and thoughtful fashion with a full

understanding of the consequences. Accordingly, the Commission will continue to devote significant staff resources to the complex and sensitive task Congress assigned to it in Section 11A of the Securities Exchange Act.

In addition to programs either already in process or in the planning stages, there are several new areas bearing on the regulation of the markets which the Commission feels require immediate attention. For example, the Commission's enforcement efforts have uncovered a number of abuses in the government-guaranteed securities markets. A major effort will be needed to develop an adequate regulatory system to deal with the increasing participation in these markets by investors less sophisticated and less capable of bearing the economic risks associated with such securities.

*Public utility holding company regulation.*—One of the Commission's prime objectives in this program over the next three years will be to reduce the growing backlog of filings. In the past, the Division of Corporate Regulation had an excellent reputation for prompt and effective action on the large volume of applications required under the Public Utility Holding Company Act of 1935. Applications are filed at the rate of almost one per day, and are becoming more complex. Unique and novel areas which Congress did not contemplate when it enacted the '35 Act, such as concern for the human environment, acquisitions of coal and uranium mines by holding companies, oil and gas exploration and a myriad of other ventures into the fuel area as a means of dealing with the energy crisis are requiring that the Commission expand its expertise.

*Investment management regulation.*—There is now over \$100 billion being managed by investment companies and over \$600 billion being controlled by registered investment advisers. The latter has been particularly troublesome in the past due to inadequate information and the lack of bank custodians. The Commission attempted to deal with this issue last year by adopting an expanded form for investment advisers and computerizing the input to more easily spot problem areas. The Commission has undertaken two initiatives which will influence the effective regulation of investment companies and investment advisers during the period 1981-1983. The first consists of a series of studies to review the Commission's rules under the Investment Company Act and the Investment Advisers Act. The impact of these efforts on the private sector and the Commission's workload will not be fully felt until the mid-1980s.

The second thrust in this program addresses the inspection program for investment companies and investment advisers. Our goal is to schedule inspections on a two-year cycle. Inspection cycles are presently averaging one examination every 5.8 years for investment companies and one every 11.8 years for investment advisers. With additional staffing, the inspection cycle would approach the goal of an inspection every other year for each investment company and investment adviser.

*Economic and statistical research.*—The Commission is seeking to ensure that adequate consideration is given to economic issues and the impact of Commission actions on the nation's securities markets and participants in those markets. In the years ahead, greater emphasis will be placed on the ongoing monitoring of regulations already enacted by the Commission, as well as on development of a capability to identify longer term trends expected to impact on the securities industry.

*Market oversight surveillance system.*—As I have sought to illustrate, the Commission has present and anticipated responsibilities which are not being adequately addressed by current staff resources. However, in addition to adequate staff resources, the Commission needs the technological capability to conduct oversight and surveillance in the trading markets and the self-regulatory organizations in order to keep pace with the increasing complexity and activity of the securities markets.

To ensure that capability, the Commission has undertaken to develop a market oversight and surveillance system—MOSS—that will enable us to (1) administer effectively our oversight responsibilities over the SROs; (2) conduct more thorough and comprehensive inspections of broker-dealers; (3) monitor for trends in developments in the marketplace in coordination with SRO surveillance; (4) better coordinate with the SROs in follow-up to specific trading aberrations; (5) better evaluate rule proposals that have an impact on the marketplace; and (6) more effectively manage our oversight and surveillance resources. MOSS will complement the primary market surveillance systems operated by the self-regulatory organizations. It would do this in two basic ways: (1) it will provide cross-market or inter-market surveillance, particularly in regard to dual-market trading in options and trading in options and their underlying securities; and (2) it will integrate market trading data with non-market information such as material filed with the Commission.

If the Commission is to be in a position to help ensure continued investor confidence, it must begin to take advantage of electronic technology to carry out complex oversight and surveillance functions. The Commission has not really made any

significant gains in this area since the creation of the Division of Market Regulation in 1972, and it is probably fair to say that the Commission is ten to fifteen years behind some of the most advanced self-regulatory organizations in its ability to review and analyze trading activity. The MOSS initiative is a vigorous, if belated, effort to achieve technical parity with the organizations over whom we exercise regulatory authority. No longer will the Commission have to rely on the most rudimentary capacity to review basic trading data, and, even more importantly, no longer will inter-market activity have so great a potential for falling between the cracks in a self-regulatory network designed at a time when inter-market transactions were negligible.

The MOSS program is a logical extension of the hierarchical series of checks and balances which constitute the self-regulatory scheme envisioned by Congress nearly fifty years ago. Under this arrangement, individual broker-dealers establish internal compliance programs which are overseen by the self-regulatory organizations, and the self-regulatory organizations rely largely on their own surveillance and inspection capacity to conduct market surveillance and assure that member firms are in compliance with SRO and Commission rules. Similarly, the Commission carries on an SRO oversight function through its examination programs at both SRO's and broker-dealers. What MOSS contributes to this existing effort is a much enhanced capacity to review trading data and a greatly improved capacity to target the Commission's inspection program towards the most fertile areas of need. Thus, although much of the data utilized by MOSS will be similar to that used by the SRO's, MOSS will have the ability to integrate such trading data with filings and other information not readily available to self-regulatory.

We view meaningful oversight as a key to effective self-regulation. The Commission's MOSS system is intended to bolster an existing Commission function rather than usurp the traditional surveillance functions performed by the self-regulatory organizations. The Commission still intends to rely very heavily on each self-regulatory organization to be primarily responsible for surveillance of its own trading market. But, among other things, MOSS will enhance the Commission's ability to oversee the industry's surveillance of the marketplace and, by doing so, strengthen the overall scheme of self-regulation.

In order to test whether the proposed design for MOSS lives up to expectations and to make necessary changes, the Commission is presently operating a pilot or prototype of the larger system. The SROs are playing an essential role in this pilot phase by providing us with the basic information from the trading and clearing process.

*Consolidated headquarters.*—Finally, I would like to discuss with you the Commission's critical need for a consolidated Washington headquarters, and our request for leasing authority to respond to that need. I would like to submit for the record a staff memorandum which outlines the history of the Commission's efforts to obtain a consolidated headquarters, describes the impacts of operating from multiple locations and explores the reasons why the Commission is requesting leasing authority.

It has been nearly a decade since the Commission first sought to secure a consolidated headquarters that would adequately serve not only its staff but the over 70,000 investors, attorneys, accountants, registrants and other members of the public who conduct business at the Commission each year. It has been over five years since the Congress, OMB and GSA first supported such a consolidation. Over the years, the Commission has expanded into three satellite locations to accommodate additional personnel needed to fulfill its expanded responsibilities.

The present split between four locations imposes large costs, both direct and indirect, on the Commission, its staff, the business community and the investing public. In spite of the Commission's best management efforts, hundreds of hours of lost time, delayed deliveries, and duplication of facilities and materials have been the inevitable result. The direct dollar cost to the government is estimated at nearly \$500,000 each year, much of which could be recovered if the Commission were housed in a single headquarters. The indirect costs, especially to business, are more difficult to quantify, but they derive from the costly inefficiencies which result from arbitrarily splitting the work of the Commission.

The Commission is a small, integrated agency with a highly specialized mission to protect investors and insure the integrity of our nation's capital market. Unlike the situation found in many government agencies, the Commission's divisions and offices are not free-standing organizational components; rather, almost all commission activities require the coordination or participation of several offices and divisions. Historically, the Commission has attracted to its staff high quality lawyers, accountants, economists and other professionals; and the nature of the Commission's work requires a large number of such highly trained professionals. Moreover, the Com-

mission's work requires extensive daily interaction in Washington with the corporate, financial and legal communities and the investing public. Under these circumstances, the present split of the Commission between four Washington-area locations has a particularly serious impact on the Commission's productivity and places unwarranted burdens on the private sector.

In the face of constrained budget resources, minimal pay increases and increasing restrictions and demands on Commission employees, no single event could have a more positive impact on the productivity of the Commission staff than the resolution of the Commission's long-standing space needs through the acquisition of a suitable headquarters. The most efficient and expeditious means of achieving that end is to provide the Commission with leasing authority.

#### CONCLUSION

I have sought to provide the Committee with a realistic assessment of the resource requirements of the Commission. As I noted at the outset, I am mindful of the economic climate, but I feel it is my responsibility to report to you accurately with respect to the Commission's needs. Moreover, I believe the Commission has an important role in our economic recovery by insuring the integrity and stability of the nation's capital markets which facilitate capital formation and contribute to confidence in the economic condition of the country.

That concludes my prepared remarks. I would be pleased to respond to any questions members of the Subcommittee may have.

Senator SARBANES. We thank you for a thoughtful statement, and I want to commend the approach you have taken, as you note in the conclusion, in setting out accurately what you regard as the Commission's needs. Even though we recognize that in view of current budget stringencies, those needs may not be fully funded, either by the executive branch in its submission to the Congress or the Congress in its final determination of the budgets, I for one feel very strongly that your role, as you set out on page 6, of fostering investor confidence in the fairness, integrity and efficiency of the securities marketplace and maintaining that confidence—which is necessary to the health and vitality of the capital formation process—is a very accurate statement of something that we have to keep in mind.

I think it is very important to do what you have done this morning as a manager of a very important agency, and that is to set out your needs, which you of course have done in greater detail in the budget authorization request that will be included in the record.

If we don't give you the necessary resources and something goes wrong in the marketplace, that will provoke an outrageous outcry. It has been my experience in the Congress that such a development often leads to what a lot of people would regard as punitive legislation or punitive regulation and so forth, and I am pleased to see your sensitivity here to the needs to decrease regulation when we can—I think you have to lay out these needs. And then if something goes wrong, the responsibility can be pinpointed as to whose fault it was that the resources weren't provided to prevent such a thing from happening.

Along that line, I want to ask this question to start out with: How much delay is experienced by those you regulate, do you think, from the insufficient staff of the Commission? In other words, you have perfectly standard, routine functions that have to be performed. Obviously, when people come to you they want them performed as quickly as possible, and you would like to perform them as quickly as possible. To what extent are your problems with

staffing and the level of your resources creating problems in that area?

#### PROBLEMS WITH UNDERSTAFFING

Mr. WILLIAMS. It will be difficult to generalize, but let me approach it this way. We have endeavored to deploy our resources against those matters that have the greatest urgency and the greatest market sensitivity. As a result, there are some areas that do suffer. To the extent that I can pull the numbers, we will submit them.

But, for example, in the market regulation area, under the 1975 act we are required to approve all rule changes of self-regulatory organizations, and also to address specifically all rules that might have any anticompetitive implications. We are very far behind schedule. The pile is in the hundreds. We believe the delays have not created any major problem. But it is highly desirable to deal timely with rule filing.

In the public utility holding company area, where we have 504 applications filed in 1979, we were able to process 267. The backlog is increasing. We would expect it will continue to increase.

Our serious deficiencies are in the area of what one might look on as the routine bread and butter of the Commission. We are trying to address these in 1981, 1982, and 1983, in our oversight and inspection program, where not only the frequency but the degree of sensitivity with which we inspect is important—whether it is broker-dealers or investment companies or investment advisors, or indeed, the securities marketplace itself. These areas do not now and have not for some time received the time and attention that they should have.

That is much more difficult to deal with not only in terms of a time delay factor, but also as how it might reflect itself in the efficiency and the investor experience with the marketplace.

Senator SARBANES. We are just heightening the risk of a serious problem developing with all of the repercussions that that would bring with it.

Mr. WILLIAMS. Yes, sir.

Senator SARBANES. I think the marketplace has become more complicated. The public's confidence that the marketplace will be maintained in a proper and orderly fashion increases, and if something goes wrong the public's reaction to that will be rather sharp. I think that needs to be recognized. In other words, I think that giving you resources to do your job is almost the best way over time to maintain a rather steady, reasonable approach in this area on the question of regulation.

Mr. WILLIAMS. Yes, sir.

Senator SARBANES. You would like to achieve an increase of 400 in personnel over the course of this 3-year authorization; is that right?

Mr. WILLIAMS. It is 407, right.

Senator SARBANES. Do you have there some indication of what areas in particular we move or would be concentrated in? You went through step by step the various areas you are concerned about, but is the 407 more or less distributed over those? Are you going to focus on a few areas in particular?

Mr. WILLIAMS. Of the 407, well over half is devoted to the investment management area and regulation of securities markets.

Senator SARBANES. That would be an effort to step up the cycle of inspection that you referred to, is that right?

Mr. WILLIAMS. Yes.

Senator SARBANES. From the 5.8 and the 11.8 to every other year?

Mr. WILLIAMS. That's right. That is the investment management area, which accounts for just over a quarter of the requested resources, including the staffing for MOSS in the area.

Senator SARBANES. You have been at the Commission long enough so that you can give us some insight into the budget-making process. We are dealing here in an authorization, and we are discussing the possibility of a 3-year authorization to give you some ability to project into the future.

How has the OMB treated the Commission's request? Have you been able to determine some rationale that seems to guide their judgments?

Mr. WILLIAMS. Well, Senator, I think the approach of OMB has probably been characterized by two things. One is that while they have not lacked in understanding and appreciation, but it hasn't been translated into numbers. Second, they have been more generous and supportive in terms of dollars than they have in terms of bodies.

But basically, in terms of bodies themselves, I would not be oversimplifying when I would say we have been unsuccessful.

Senator SARBANES. Do you discern any tendency on their part to use the authorization as a standard against which to work, as opposed to simply the previous year's budget?

Mr. WILLIAMS. No. In my experience, it has been approached basically on a year-to-year basis in the context of the appropriation and not influenced significantly, if at all, by the authorization level. With the Congress, the appropriations committees have not been very sensitive to the authorization level.

Senator SARBANES. Has OMB in recent years appeared to take an approach in setting your budget figures for submission to the Congress of simply taking the previous year's figures and then giving you some small increase over that. Is that essentially how they go about making up your budget? Or have they shown some sensitivity to the needs you have been able to document and argue for in terms of resources?

Mr. WILLIAMS. In the area of MOSS, they have shown a great deal of interest, and dollarwise have been responsive, but not in terms of the additional people we have requested. Generally speaking, in the aggregate on the dollar side the increases have been modest. On the people side they have gone either up a few or down a few; I would say they have not shown much responsiveness to our concerns or our case or our pleading.

Senator SARBANES. You make the point that you have lost 44 positions since 1975, while at the same time your responsibilities have increased.

Mr. WILLIAMS. The largest cut, if I recall, took place—I think the year I came in, or it had taken place at the time I came in, if I recall correctly. It has gone basically sideways since then. We were

2,144 in 1975; 2,060 in 1976; 2,117 in 1977, which is essentially the staffing level that I inherited when I came in. We dropped to 2,092 in 1978, and increased to 2,125 in 1979; are at 2,100 in 1980; and in 1981 we are due to go up to 2,105, by OMB, going up 5.

#### INCREASING COMPLEXITY OF FINANCIAL TRANSACTIONS

Senator SARBANES. Take, for instance, the items on page 4 of your statement, in which you talk about the greatly expanded market activity, increasing complexity of financial transactions, and so forth. With respect to each of these items I would be interested to ascertain the extent to which the Commission has not been able to keep pace with the increased activity, and no extent to which this poses risks to the public.

Perhaps some of those are more serious than others. For instance, the number of shares annually traded in the NASDAQ system increased over 150 percent. If we could take each of those and cover those questions for the record, I think that would be helpful.

Mr. WILLIAMS. Those are in a sense examples of larger phenomena. In January of 1980, the markets—that includes the New York, Amex, and NASDAQ—traded over something like 2 billion shares. This contrasts to 6 billion shares traded for the whole year of 1975 and something under 11 billion traded for the full year 1979.

Quantifying that in terms of risk is hard to do. But let's put it this way: For the system to work effectively, it calls initially for effective self-regulatory activity on the part of the various exchanges and the broker-dealer community itself—and then for an effective oversight capacity on the part of the Commission.

And, as these markets change and become more complex, it would mean that what might have constituted adequate self-regulatory activity on the part of exchanges and broker-dealers may turn out, with the passage of time to be inadequate and need to be upgraded. And, of course, the same thing goes for the Commission.

Now, just putting more cops on the beat is not an adequate approach, and the approach we have taken is twofold: The primary one, is MOSS; the other is additional inspection capability, primarily in the investment management and broker-dealer community, but also from the standpoint of the exchanges as well.

One parameter is that 1979 was the largest year, in terms of customer complaints. The Commission received something on the order of 15,000 complaints in 1979.

Senator SARBANES. Compared to what in prior years?

Mr. WILLIAMS. Let me supplement the record with that. It is up significantly again this year.

Senator SARBANES. Is it possible to characterize the nature of the complaints?

Mr. WILLIAMS. Let me get that for you. It runs primarily in the areas of inability to gain prompt delivery of securities. They are more paperwork-related than transaction-oriented in terms of the transaction itself. But we have a full spread of that which I would like to submit for the record.

Senator SARBANES. All right. [See letter with attachment at end of hearing.]

Senator SARBANES. Can we go through these other items?

Mr. WILLIAMS. Douglas Scarff, Director of our Division of Market Regulation would like to supplement my remarks.

Mr. SCARFF. The securities industry has been in a 2½ year moratorium on the expansion of options trading. The Commission announced last week that this Wednesday there would be a meeting on that subject, and there is an expectation that some expansion will flow from it. The options industry has been held back during the pendency of this matter, and we expect to have a large number of expansionary proposals presented to the Commission that will require significant manpower.

Doubling back to one of Chairman Williams' earlier remarks, one area that we have not been able to address as quickly as the 1975 amendments contemplated, is that of clearing agency registration. During this recent volume surge, it has been abundantly evident in the municipal and certain over-the-counter areas that the clearing mechanisms are not adequate to handle this level of trading, and it is very important that we be able on the regulatory side to permit the proceedings to proceed as quickly as they can.

Third, I might mention that during the volume surge in January and February, certain brokerage firms experienced severe operating difficulties in the back office area, in some respects reminiscent of the difficulties in the late sixties. And it is simply imperative that we be in a position to follow up with manpower on site where that is necessary to insure that the public investors are being taken care of.

Lastly, I would mention that in the area of GNMA's, there have been a number of instances in the past year or so where there have been abuses. As you know, we have provided some drafting assistance in connection with some possible legislation.

Each of these areas represents a significant increase in the responsibilities and burdens on just one operating division. To the extent that we must and do address these top priorities, our more routine processing of rule change filings and registrations necessarily suffer. As the chairman pointed out in his remarks, our manpower remains flat, and as these responsibilities and crises increase, we become stretched thinner and thinner.

Mr. WILLIAMS. Mr. Chairman, in 1978, we had 13,300, and in 1977, 10,000, and then it was just under 15,000 in 1979 for compliance. Proportionate to the increase in the volume of trading, this would be a smaller increase than at least in 1978 and 1979, so that the problem is not apparently growing with the marketplace, but I am reminded that the first 2 months of this year, we had a very significant increase.

Coming back to Mr. Scarff's point, when you have a sudden surge in volume as we had unexpectedly in the first 2 months of 1980, you can expect unusual things to happen. Part of our responsibility in developing the national market and in working with the SRO's is to assure that the capacity and capability—technologically, personnelwise, and capitalwise—is there and remains ahead of the anticipated needs of the market. This is a strange business. It is the only business I know where you don't want to have a backlog, where you really can't afford it. You can open shop that morning, and you have no idea how much business you are going to do that

day. Yet you have to have it done that day with a cost structure that doesn't really make it easy to have a lot of people sitting around waiting for that surge to come—it may or may not come for months.

We paint a picture of very real concern. But I would say we are proud of our ability in January and February to move with the market and focus our limited resources on the problem areas that arose, and I think to deal with them responsibly.

We also talked about investment company assets increasing by two-thirds—and investment advisers being responsible for over \$600 billion of assets. The number of investment companies increased only slightly, but the mix of business is changing very dramatically from the traditional equity portfolio to money market securities.

Senator SARBANES. You have inspection cycles there. Has that significantly worsened? What did it use to be?

Mr. WILLIAMS. It was 8.7 years on investment advisors in 1976, and it was 11.8 in 1979. For investment companies, it was 4.9 in 1976; it was 5.8 in 1979. But with that, we recently examined all the money market funds, and we needed to.

Now that meant, on average, there were other funds we didn't get to. Our priority has to be "cause" or special sensitivity type of examinations. So at the same time that we can't give ourselves or the public or you the kind of assurance they are entitled to in some of these areas, we are sensitive about money market funds.

Senator SARBANES. What is the rationale that makes the goal of every other year the appropriate goal with respect to each investment company and investment advisors?

Mr. WILLIAMS. Basically, there are several pieces to it. The main one is analogy to other people's experience, which is to some extent relevant to us. The most important one is that bank regulatory agencies have set an annual inspection cycle. The SBA is required to examine all SBIC's, which are investment companies, annually. "Annually" impresses us as being a little tight, and it could be as we phase into this, we might find that anywhere from a 1- to perhaps a 3-year cycle or whatever might be adequate and make sense.

The principle is to have enough of a presence to not only discover but deter.

Senator SARBANES. What is the best cycle the Commission ever had for any sustained period of time? Do you know?

Mr. WILLIAMS. I will have to get you that data. My hunch is it probably never was much better. If the data is available, I will give it to you. [See letter with attachments at end of hearing.]

#### APPLICATIONS PENDING

Senator SARBANES. On the holding companies, on the public utility holding companies, what were the figures again that you gave earlier on the number of applications?

Mr. WILLIAMS. In 1979, 504 applications filed. There were 237 pending at yearend.

Senator SARBANES. 504 and 237 pending?

Mr. WILLIAMS. That's right. Our projection at this point, on the basis of experience, is that we will have 370 pending at the end of the current year and 503 pending at the end of 1981.

Senator SARBANES. As long as they are pending, the company is in a state of suspense, isn't it, in terms of moving forward? As long as they are pending, what the private sector wishes to do is held in a state of suspense; is it not?

Mr. WILLIAMS. Yes, it is. How serious that is depends upon the nature of the transaction, and obviously we try to be responsive, particularly to those that have the more sensitive timing. But, yes, sir, something gets delayed as a result of it.

Senator SARBANES. From the Commission's point of view, ordinarily speaking, if you were not hampered by a lack of personnel and resources, how quickly could you act on applications in the public utility holding company field, recognizing that some are more difficult than others as a general proposition?

Mr. WILLIAMS. We have had a standard on that. The standard that we feel we ought to be able to deliver against—should responsibly be delivering against—is disposition in a matter which does not involve hearing within 60 days of filing, and where a hearing is requested or ordered, within 180 days of filing.

Senator SARBANES. So that essentially means there would be no backlog at the end of the year but for your lack of resources; is that right?

Mr. WILLIAMS. As a practical matter, there would be some carryover, but there should be no backlog increase. There would be somewhat of a carryover. It would be caught in the middle of the 60-day filing period or the 180-day hearing period, but there would be essentially none that would carry over from year to year, and there shouldn't be.

Senator SARBANES. I will desist and let Senator Garn speak. He is the ranking minority member, and we are pleased to have him come in and join us this morning.

Senator GARN. Thank you, Senator Sarbanes. I appreciate your letting me come in. I am not a member of this particular subcommittee, but there has been an increasing problem in my State—not just mine, but other Western and Southwestern States.

It involves restrictions on oil, gas, mining investments—restrictions by the SEC. The effects of these restrictions is that the small gas and oil operators are having a difficult time directly competing with the major companies for leases, particularly when we are in such an energy crunch, and we have problems with leasing of everything—coal, oil, natural gas, you name it. And with all of the talk and public criticism of the majors, it would seem we would not want to discourage some of the very small producers, partnerships, and so on from getting involved.

Now you have taken a lot of steps recently in the area of small business to address this particular problem, and I am well aware of that. But I am also well aware that you have not extended these steps to the area of energy. I think there have been some very positive steps, and I have heard good reports that it has helped small business compete for capital in many areas.

I am also aware that the Commission has had enforcement problems with regard to some of what we might call “the get-rich-quick

schemes" in the oil and natural gas business, so certainly I can understand how you would oppose broad exemptions for oil, gas, or mining investments. I understand what you are dealing with.

But I would hope that in the near future you would consider some relief for small- and medium-sized oil, gas, and mining securities. Here, I refer specifically that what would be extremely helpful—some of the people I have talked to in my own State agree—if you would permit the use of the form S-18—I have talked so much about SALT that I threw in SS-20, but I just want one "S"—of the S-18 form, which is available for other small businesses. [Laughter.]

It has not been available to be used for oil, gas, or mining. What comments do you have on this whole problem?

Mr. WILLIAMS. Senator Garn, you have stated the objective and the dilemma very well. We are working very hard in endeavoring to relieve the regulatory burden on small business to the extent that we can responsibly do so. We are trading off in the process interest in capital formation in trying to reduce the burden on small business on the one hand and the problems of investor protection on the other. And indeed, in the area of small business, one might well say that the need for investor protection is the greatest. Because the natural attrition and failure rate in small business is inevitably greater, the risk is greater.

Our records show, of course, that the opportunity for some kind of security violation is also very great. We have tried to trade these off responsibly and move ahead. We did determine that in spite of recognition of the need for enhanced oil and gas exploration particularly, our experience has been that the problems we have encountered with tax shelters, with some of the limited partnerships, were such that we were concerned about expanding opportunity in that area. And the disclosure requirements and accounting applicable to mining and oil and gas companies have been in a state of flux, so that we were reluctant to include them.

We haven't stopped looking at it. We thought we would take it a step at a time, and we took a more conservative step the first time around in form S-18 and rule 242 to see how they work and how well we are able to maintain our oversight of the development of that process and how it is used.

I hear you, and we are concerned about the need for energy resource development. By far, the largest area of utilization of the enhanced S-18 ceiling is that region, even with the lid on who can use it. We are looking at their experience, at the experience of underwriters in that area, in terms of how they bring these things to market, to what extent they provide a reasonable discipline on it, or to what extent they become part of the problem rather than part of the solution, and also the ability of the staff in Denver to stay on top of it and deal with it.

We are still working on it. I would like to tell you that we are going to move ahead and expand it, but all I can tell you right now is we are looking at it hard.

Senator GARN. Is there that much greater risk in small businesses in oil and natural gas? There are risky small businesses that are now able to use the S-18 form, and I'm well aware—and that is why I pointed out that there had been some abuses, but there have been abuses, and there is the same need for investor protection in

lots of different types of industries or businesses. But you have specifically excluded this area when there are a lot of people that would like to find some oil and natural gas.

In my State, I think there is more than people are aware of, but it is deep, difficult to find. It doesn't gush out of the ground like it did in Texas, and it requires a good deal of capital investment.

As I say, I applaud your efforts in other areas in trying to help small business, but I really wonder why we just exclude this one industry and can't move ahead, at least on a testing basis—say, try the S-18 form. Almost everybody I have talked to indicates that would be the single biggest step you could take.

Obviously, you can make changes—as you may have to in your other initiatives for small business if it is not working to achieve that balance between allowing incentive but at the same time protecting the investor. We certainly have a critical energy problem right now.

Mr. WILLIAMS. Form S-18 and rule 242 are in a sense in a testing phase and during such testing, it seemed to make sense to us not to include areas where we had enforcement problems—such as we have had with certain limited partnerships—or areas where changes were being made in disclosure or accounting requirements—as has been true with mining and oil and gas operations.

I appreciate your concern. We are not ignoring you. It is an area that concerns us, and we will keep looking at it and see if we can find a way to work out the problems you have pointed out.

Senator GARN. That is why I pointed out both sides of the issue. I am not here just taking one side.

My staff just passed me a note which indicates that possibly having this restriction, however, pushes these operators into using private placements, so the SEC has no notice of the offering that is occurring. So are we pushing these people off into an area which gives the investor less protection because of the restrictions?

Mr. WILLIAMS. It is conceivable, but we have always taken the position—and I think it is an appropriate one—that in the private placement context, you are dealing essentially with the sophisticated investor who—

Senator GARN. I can testify that isn't necessarily true. I have taken private placements in the past, and it was unsophisticated—

Mr. WILLIAMS. I can join with you on that, but that is the principle of the fact—the likelihood, recognizing we only have so much in the way of resources to deploy, that by and large in the private placement area, the theme is that investors can take care of themselves.

Senator GARN. Would it be possible for us to work with you more closely, apart from this hearing today, your staff, my staff, to see if there is something we can do, recognizing the balance that has to be achieved? And I fully understand that. We have had enough experience in my State in years past, back with uranium. I know something about fly-by-night operators. My father certainly learned something about that kind of unrestricted operation.

So I don't know exactly where that balance point is myself. I just have a feeling that it is unbalanced now and it is unnecessarily restricting some investment capital into energy resources that we

ought to be having. So if we could pursue this with you or your staff and see if there is something we could come up with, I would appreciate it very much.

Mr. WILLIAMS. We would be delighted.

Senator GARN. Thank you, Mr. Chairman, for letting me pursue this.

#### FULL DISCLOSURE

Senator SARBANES. Fine. Chairman Williams, you indicate in the full disclosure section of your statement, that the Commission has gone to a system that has curtailed the number of corporate filings reviewed, and that you wish to expand and include certain filings which now receive no review.

Now in your opinion, how much of a risk is being created by the current situation in your opinion?

Mr. WILLIAMS. We can answer you in several pieces. The area of full disclosure I think is undergoing a very important and I think very exciting and fundamental change at the Commission in terms of the combination of several things.

We have a proposal now out which looks to the integration of 1933 and 1934 acts in terms of filings with the Commission. The proposal would have the effect that the annual report would become the focal document, and that duplication and inconsistencies between filings under 1933 and 1934 acts would be eliminated. The ability of a company to come to market in a timely fashion with registration statements would be accelerated, because they would be able to incorporate within the registration statement other materials such as what is on file in the annual report, supplemented by subsequent Commission filings, incorporated by reference, reducing the amount of material that goes into a prospectus, the amount of review called for, and reducing therefore the time delay that is involved.

It would call for more review on an ongoing basis of the annual report, which is largely unreviewed, as contrasted to the 10-k. So what I am saying in this regard is that we are switching in many respects—assuming this is adopted—where our review focus would lie.

The second thing that moves along with that we are now organizing on an industry basis, which means that all filings for a given industry would go to a given branch, where we can develop the depth of expertise relative to that industry, which we have never been able to develop before at the Commission. Previously, the filings that were reviewed would be queued up and go to the next branch within the division that came up next to receive a filing for review.

And finally in that area, we are emphasizing quality control and a training function. We want to assure what is being looked for on the reviews, the quality of the reviews and the evenness of the review capability of the various branches is much more common and uniform than it is now—so you don't get nitpicking comments, but, on the other hand, you don't get new developments that perhaps are unnoticed for too long, and so forth.

So we are trying to do a major substantive restructuring in that area, which I think will be enormously important and hopefully,

over some period of time, would even reduce the absolute number of people we need, because of the depth of expertise that we would be developing and the professionalism, which might reduce turnover and have other benefits as well.

To get to your question, I would think that we are—I would almost have to take it on a form-by-form basis. I can't give it all to you this morning. I would like to respond to that for the record. I need to take it form by form and adjust it for the changes we are making in the system to really tell you what the consequence of how that works.

Senator **SARBANES**. A lot of the questions this morning have been designed to determine how thin the ice is that you are skating over in these various areas. I think this is an important concern. I am encouraged by one aspect of that response, and that is the Commission's effort to revise its requirements in such a way as not to require what is no longer necessary, and just imposes a burden that really does not serve a useful purpose.

I think it is important that the Commission constantly keep thinking in those terms, that what is required is really necessary. Then you ought to be given the personnel to do the job.

I am concerned about the private sector simply running into the backlog and being backstopped at the Commission when they come there. It is perfectly reasonable that they should want to move forward, when nothing is really wrong with it and in fact a lot of things are right with it, but they just can't get cleared.

Of course, we have the contention from the private sector that a lot of what you require is not necessary. One can argue about that. It seems to me that reasonable people ought to be able to reach a consensus or come very close to a consensus on that question.

I think your answer reflected some sensitivity to that problem. On the other hand, if what is being required is reasonable and you don't have the personnel to deliver it, it seems to me in everyone's interest—yours, ours, and the private sector—to see that you get the resources with which to be able to do your job.

Let me ask you this, which is a somewhat more far-reaching question: Has the Commission ever seriously considered asking Congress not to allow certain activities which the Commission would otherwise deem as being proper and appropriate activities, simply because the Commission is so short of resources and staff that it cannot scrutinize the activities and give the appropriate clearances? In other words, has a situation ever arisen where you would concede that there is nothing wrong with the activity and in fact it ought to be permitted to take place, subject to the necessary screening and approval or continued surveillance, whatever may be involved; but you have seen the risks involved as being so serious that you would think of asking the Congress not to allow the activity to take place?

Mr. **WILLIAMS**. This has come up in recent years, with the congressionally directed 1975 act amendments, when we presented what we thought were the resource implications. That was the year we got cut from 2,144 to 2,060.

I don't know if we have with us the facts on what we requested. But at the time of the 1975 act amendments there were indications of resource needs. Later, in connection with the Foreign Corrupt

Practices Act, we were also asked what the resource requirements would be in connection with that. The act was passed, but the resources were not forthcoming.

#### INCREASED OVERSIGHT

In terms of the increased oversight of the accounting profession, that never took the form of a legislative congressional enactment. It did take the form, I think, of very appropriate congressional criticism both of the profession and ourselves. And we have endeavored to respond to that without asking specifically for more resources out of the context of the resource authorization process.

And with the organization of the Department of Energy, we indicated our willingness to have the Public Utility Holding Company Act moved over to the Energy Department, where indeed in many respects it does belong, because the issues of facilitating energy expansion I would think would be in the national interest and ought to be dealt with in the context of overall energy policy, rather than by ourselves.

Mr. KUNDAHL. In our annual submissions to the appropriations committees, we identify what we consider our long-range objective to be, and then state what the funds for the upcoming budget year will allow us to do, so the appropriations committees have a clear understanding of where we are falling short.

In the area of the public utility holding company regulations, as we indicated a few moments ago, we have indicated for the last couple of years that the funding levels in the President's budget would not permit us to inspect service companies, and presumably the appropriations committees have taken this into account and agreed on the level at which we should be funded.

Mr. WILLIAMS. May I respond a little further on full disclosure? In the earliest date I have, 1975, we had 571 people in that program; 1981, we have 442. The proposed increases, as we see them, for the 1981, 1982, 1983 authorization, would do two things only: It would, one, increase the staffing in the regional offices, the people who are responsible for dealing with the facilitative types of filings that Senator Garn was describing, which are focused largely on the needs of smaller business or small business financing; and secondly, would result in—in those 3 years—about an 8-percent increase in the number of people who actually review filings in headquarters, which tracks as less than the percentage of increase in the number of filings we would anticipate over a comparable period.

So we are not talking about reviewing any more documents. We are talking about continuing to find ways to be more efficient by computerizing or otherwise continuing in an audit mode on those documents that we would propose to audit, focusing our energies on those that we consider to be pivotal.

Assuming we are reasonably right in terms of what happens to the level of filings, we can probably keep our head above water, certainly not increase the risk, and probably keep it in reasonable bounds.

Senator SARBANES. Let's move into the private sector for a moment, and ask how people in the private sector would see the Commission. Leaving aside differences of opinion over the sub-

stance of what the Commission is requiring, in what areas do you think the people in the private sector can say as in regard to a specific project that everything is in order, it meets all of the standards and ought to move forward, but it is simply being held up pending whatever clearance or approval is necessary from the Commission, because the Commission isn't able to act expeditiously within a reasonable period of time?

Now, the public utility holding company was one example of that. As I understand from your previous discussion, you don't have enough staff there. You are not on the cycle you would like to be on with respect to those clearances. If you had more personnel, you could be on a better cycle and people coming to you seeking those clearances would be able to get them, assuming nothing was wrong, in a shorter period of time.

What others?

Mr. WILLIAMS. Market regulation would be a second one. And I would think in the enforcement area, there would be an interest in seeing us complete our investigations faster. In the area of full disclosure and in some of the other areas where my sense is that we need to do a better job, we are not holding up filings. In full disclosure, the sense of urgency is there and I believe we do our very best to expedite. And I think by and large, absent any big problems peculiar to the individual company—in other words, to the filing—I don't think that we are often criticized for delay. In fact, I would say that is one area where I receive a fairly substantial number of very positive letters.

Senator SARBANES. But this doesn't address the area where most companies in an area may say, why don't you do a better job of enforcement, because there are a few bad actors in our area and if you don't get on them they are going to cause trouble for all of us before this thing is over with.

Mr. WILLIAMS. We don't hear much about that. I would like to hear a little of that in relation to MOSS, rather than some other things we are hearing.

Senator SARBANES. I think we ought to spend a little time on MOSS. We are all hearing things. I think you ought to develop that a little bit. Let me start it by asking just a couple of questions.

First the SIA has got out some material, in the course of which it says—I am now quoting—"Critics of MOSS feel it is the equivalent of a government-owned electronic marketplace which can supplant the functions of the exchanges and the national associations of securities dealers and remove the element of human judgment from securities trading."

Now, obviously, if that is what it is going to do, that is a pretty far-reaching proposition. I wonder if you would address that comment, along with perhaps a more general elaboration on MOSS.

Mr. WILLIAMS. I would be delighted to.

#### FUNCTIONS OF MOSS

I can assure you, without any qualification or hesitancy, that there is absolutely nothing to the concern. If critics fear it, I am sorry they fear it. We will do our best to dispell the fear. But there is absolutely nothing to it, substantively. It is not our objective; it

is not our purpose. And mechanically, it couldn't conceivably work that way. It would be absolutely impossible for this system, as designed, or for the very structure of it, the facilities of it, or anything else, to enable us to do it or to convert it to serve that purpose.

And probably more importantly, philosophically, in terms of regulatory structure, the statute is clear. We are dealing with a concept which I think ought to be practiced in other areas of government as well. I am a very firm believer in self-regulatory bodies, with the primary responsibility of the discipline of their entity and their members, but with a very vigorous and effective oversight on the part of Government.

Now, there is a difference between self-regulation and oversight, but the process, as a whole, doesn't work unless everybody is doing his job. We were criticized by the Congress—both the House and Senate committees—back in 1976-77 in relation to the accounting profession—and, I think, appropriately so—for neither the profession nor, indeed, the Commission were discharging their responsibilities in that context.

In that area, I should add, we don't have a kind of a statutory framework that calls for it, but in a de facto fashion, the Commission had moved into what one might call a comparable mode in terms of the setting of accounting principles.

Now, if this system of self-regulation is to work and if it is to be preserved and if those who are supporters of the concept of self-regulation want it to work, then the SEC has to do its job of oversight. And at this point we are not doing it, and we haven't been. You don't do oversight of a market that does 2 billion shares a day by three people sitting and watching a television screen or by waiting for complaints to come in.

This market is large, increasingly complex, increasingly sophisticated, not only in terms of the players but in terms of the instruments that are involved. And it is in that context some 2 years ago that we concluded we needed to review our oversight and how to improve it to an acceptable level of adequacy. And MOSS is the result of that process. It is a data processing tool to enable the Commission to do its job.

It has two essential modes to it: one, it does have the capability and will be used to audit what the self-regulatory organizations are doing, to satisfy ourselves on an audit basis, on a spot basis, that they are performing their job. Second, it will be used to conduct surveillance over what they cannot do, which would include what we might call reviewing the trading—where the trading of interrelated instruments occurs, onboard and off-board securities, and so forth. And it will enable us to incorporate special data that we have that we receive one way or another, whether it is complaints about certain types of transactions, whether it is other types of filings that come to the Commission.

Beyond that—and, I think, very importantly—we are building a capability at the Commission which I think we should have had a long time ago, under our Director of Economic and Policy Research, to enable us to understand more fully than we do the economics and workings of the industry and the marketplace.

It is not only to protect investors, but also to insure the adequacy and functioning of these capital markets. We must determine the extent to which we enable or encourage equity options markets to expand. We are hopefully coming off of a 2-year moratorium that was imposed because we didn't have enough information on the option markets and we weren't sure the industry did either. And we had to declare the moratorium on expansion to get on top of it and to understand it for ourselves and to be sure that those more closely involved with it understood.

Senator SARBANES. The option is an example of what I talked about earlier, of limiting or curtailing an activity which might prove to be acceptable until such time as you could review it in such a way that you could allow it to go ahead.

Mr. WILLIAMS. Yes.

Senator SARBANES. Now, about MOSS, I take it that the coordination function amongst markets or on-market, off-market, and so forth, is one objective, and really there is no one in a position to do that, to examine the relationship between market information and information which comes to the Commission I would assume now, except the SEC under the current arrangement. Let me go back to the first issue, though, the role of the SRO's, because as I hear from them I discern two concerns, which is that the MOSS will do some terribly radical thing. I gather your answer to that is: that is not our goal, our objective, our philosophy; and if you don't believe us on that, as a practical matter we couldn't do it anyhow. That is essentially what you are saying to that.

But I discern an additional concern, as to the SRO's role within its traditional area of self-regulation and whether that is going to be impinged or impacted upon, with the eventual objective of either eliminating it or undercutting it; and further a concern that this approach is going to require them to make a significant increase in expenditures in order to interface with the SEC and, now they are going to end up having to spend a lot of money.

Mr. WILLIAMS. There is no intention to reduce or minimize or substantively change the responsibility of the SRO for the surveillance of its own marketplace. If anything, as far as cost is concerned—

Senator SARBANES. If anything—let me fill that in because I think probably one might say, "If anything, it may enhance it."

Mr. WILLIAMS. I think it will.

Senator SARBANES. Then you get into the second concern, I guess, which is: while it would enhance the role, would it cost them a lot of money?

Mr. WILLIAMS. That's why I wanted to take that as second and then double back.

This system was designed, from the beginning, under a tight set of directions. One direction was that it should not minimize or in any way impair the responsibility of the SRO, as an effective regulator of its own marketplace. The system, as I say, was designed with some very precise parameters articulated. One is that it was not to reduce or diminish or in any way impair the SRO's responsibilities for surveillance of its own marketplace. That is not only a Commission desire; that's what the law says.

No. 2, that it is very sensitive to cost and the cost imposed on the SRO's. The system is basically designed to utilize data developed by the SRO's. As we looked through the files, we had a question as to whether we would have to ask them to recompile it. From the looks of it, we can take it pretty much as it comes.

So, we are very concerned, and I would expect that, apart from transmission cost, which, again, in itself should be minimal, there should not be any significant costs to the SRO's. Significant, I suppose, is in the eyes of the beholder. But I don't expect anything in the way of significance of cost to the SRO's.

Now, we have gone out with the pilot to ask SRO's for input. We have asked about the cost consequences of what we are asking for so we can know and make conscious judgments. We certainly don't want to be unknowing. We don't really expect any, but if we find we are imposing significant costs, we have to relook at that aspect, because that is not our intent.

What do we expect, though? I would expect that several things may well come as we move downstream. Yes, it is very possible that, with effective oversight, the exchanges themselves, in some instances, may find that they are gearing up their own surveillance activity more. That would be a logical component of more effective oversight. There was some concern expressed that, as we go downstream in later phases, we would then be imposing serious costs.

I should say the whole thing is built in modular forms. If we do year one and then conclude not to do year two, one can stand on its own and have its own value and justify itself. The same thing is true after years two, three, and four.

But as we move out into the later years, we are doing some speculating and projecting as to what we think the effect will be. We will hear from the SRO's on what they are thinking about in terms of or requests for additional data or being able to perform themselves certain things. To the extent they have that data and are doing certain things in the way of surveillance, then, again, we would want access. We would want to be able to be in a relationship to that, too.

And it is possible, with relation to some of the SRO's, we may be asking them, "Why are you not asking for or looking at this kind of information? Wouldn't it be valuable to you in the discharge of your responsibilities?" If they can prove that it is not, we will look at them on that basis. That is something we should work out with them, regardless of whether we have MOSS or not. That is part of our sense and our dialogue with the SRO's, what we think it takes for them to do their job effectively.

Senator SARBANES. We have this mixed system of self-regulation and government oversight. I think it is one of the geniuses of the American pragmatism at solving problems, that we have this kind of system that foreigners never understand. But it has worked, I think, fairly well.

The other thing we hear—and we need your responses; reasonable questions are entitled to reasonable answers—they don't really know what you are going to do to MOSS. It is not understood.

There hasn't been enough consultation or communication. I would ask, one, whether you think perhaps that is the case. And

two, even if you think it is not the case, but there is a presumption that it is the case I would ask, given this kind of partnership, or working relationship between the SEC and the SRO's, whether the Commission ought to address itself to that perception, either to the reality, if you think there is some basis for it, or to the perception.

Mr. WILLIAMS. Mr. Chairman, if there is an area that the industry and the Commission ought to have its greatest community of interest over time, it is in assuring the integrity, both real and perceived, of the securities markets. That is why I have some distress at the kinds and tone of the noises and concerns that we are hearing.

#### OVERSIGHT RESPONSIBILITY

We ought to be together, and still recognizing, certainly, that in one sense we are not partners, that the Commission has a regulatory responsibility, an oversight responsibility.

I think one of the strengths of the Commission has been that we sometimes have some tension with the industry; we have been criticized for not being advocates of the industry as some of our sister regulatory agencies are. We do have an increasing understanding and a great deal of empathy for the importance of what they do. But we are not partners in this project. This is an oversight and surveillance project.

Now, having said that, beginning in 1968, consultants and members of the staff have spent a great deal of time in what I call "information gathering," with various of the self-regulatory organizations. Now, it probably heightened the anxiety. We asked a lot of questions, didn't give a lot of answers, didn't have many answers to give. We were trying to understand what the SRO's were doing and how could an appropriate oversight and surveillance system be built that would enable the Commission to discharge its responsibility.

When the design phase began of MOSS in November 1978, there were more inquiries, but still very little sharing on our part. In November 1979, at the Securities Industry Association meeting, I met with the heads of the self-regulatory organizations for the first time on MOSS and told them in very general terms where we stood. I was not trying to be vague. It was not a context that asked for a lot of detail. But I thought it was time for us to show them what we are about and where we are going and what we needed from them. And the process began at that time.

In a sense, I guess, it would have been advantageous for us to be further downstream on that before we got to the hearing process that we are in now, and we might have been able to satisfy some of that anxiety.

I am not going to defend the way we have done it. We probably could have done a better job, but there is an anxiety articulated, whether it deserves to be there or not. I think the main thing is to get it behind us and to deal with it substantively.

We have had a number of meetings with individual SRO's. The second publication, the technical specifications, went out last week. I think it should go a long ways toward helping people understand where we are going and what the limitations are of where we are going.

There are two aspects that will retain a certain degree of confidentiality. One is, there are proprietary aspects from the standpoint of the system itself relating to the people who are developing it with us. And secondly, when you have a system that is built on certain kinds of what might be called "violation conditions", there are questions as to the kinds of things we ought to be auditing for, and what kinds of parameters should be set for information that the computer ought to kick out.

There is what we call an aberration—when something is outside the usual range of activities—that is kicked out. We would expect to retain confidentially the description of what aberrations the system is designed to catch. Where you have cops on the beat, you don't predict how often they are going to walk by. You don't routinize that. I am not totally comfortable with the cop on the beat analogy, but I think it functions in this area. There are certain things we would expect the system to do, and we are still experimenting with where those ought to be set. But there are some aspects we would expect not to share with the industry, and we take this part that needs to be confidential in order to be effective.

Senator SARBANES. My perception is that there is an anxiety that at least asserts it, and then the various fears have been raised that you are about something very extreme—an electric marketplace, or eliminating the role of the SRO's or significantly posing new expenditures upon them. I think it is important that you have indicated that the Commission is briefing and consulting with them and engaging in discussions so there can be better understanding.

Mr. WILLIAMS. I've got to say more, too. I saw this SIA paper or a part of it on Friday for the first time. Totally coincidentally, the President of SIA was in my office Thursday night, and he told me in no uncertain terms that the SIA did not have a position on this subject and did not have enough information to have a position on this subject. I find this inconsistency very troubling.

Senator SARBANES. It has been well worded, "as critics of MOSS fear", and we don't know who those critics are. I see they go further than that in terms of a black box market, and so forth. That is one of the reasons we have gone into it this morning, I think. It ought not to be free-floating around out there.

I think the responses the Commission has given to some of these concerns have been very straightforward and forthright, and ought to be reassuring. I think this ought to be followed up by your own communications with the various interested parties. I think that is important.

Mr. WILLIAMS. I would like to say that it emphasizes that we really need this project.

Senator SARBANES. Let me go on to some other subjects. I will just mention them very quickly. We have kept you here a long time this morning, Mr. Chairman. I think it serves an important function.

#### FEDERAL SECURITIES CODE

One is the Federal Securities Code. Your review of that is continuing. Is that correct?

Mr. WILLIAMS. Yes, sir. We met as recently as last week, with Professor Loss and his key advisors. We have another meeting scheduled for tomorrow afternoon with them. They are moving forward in their efforts to understand our concerns to determine how far we can reconcile our differences. I think the progress is very encouraging.

Senator SARBANES. It would be my anticipation that when it becomes a matter for legislative consideration, it will require quite an extended period of consideration. I have the impression that a lot of parties affected have not really focused on the specifics of the Code to the point of asking how they would react to it when it actually comes to whether this is going to be legislation or not. There is kind of a generalized view that the Code might be an important step forward. I am—and I take it the SEC is—going through that process of focusing on the specifics.

Mr. WILLIAMS. Yes, sir.

Mr. Chairman, your observations are very appropriate and very sensitive. Given the resource context, assuming this does become a matter of legislative consideration, again there are some very significant resource implications. I have a great deal of anxiety about the form that the legislative process might take. I think we can expect that the legislation will attract an enormous amount of interest on the part of anyone even remotely impacted by the securities laws. It will take, I think, some very intensive effort on the part of ourselves, your staff, Congress, and some strong leadership.

I would be apprehensive about what might come out the other end, if anything.

Senator SARBANES. I wanted to talk a bit about the fees that the SEC collects. In the 1978 report, this committee said the following in making reference to the fees and the percentage they represented of the SEC's budget:

The committee has no desire that the Commission charge fees which create any undue burden on securities transactions or any adverse effect on the capital markets. However, the Commission's fees should be based on a clear and understandable policy. To the extent that increased fees are collected by the Commission, fewer tax dollars will be needed to fund the Commission's operations. The committee therefore expects the Commission to review the existing fee structure and to report to the committee the results of its review.

We have not yet received such a report with respect to review of the existing fee structure. I wonder what the Commission's work in this area has been and where you are in terms of making such a report?

Mr. WILLIAMS. Mr. Chairman, we have completed our review of the data. We have gone back and looked at the entire history of fees and fee structure.

We will have a full written report to you very, very shortly. It is just about at that point. In summary, it says several things.

It says, one, that we are less than half funded at this point by fees. Two, of those fees, slightly over half comes from our registration fees under the Securities Act of 1933, about 30 percent from securities transactions, and about 15 percent from fees under the Independent Offices Appropriation Act—a myriad of them, some of which probably cost more to collect than they justify.

It would be very simply in terms of a change in fee levels—particularly the field of securities transactions, particularly with the growth of those transactions, for the Commission to, in effect, be generating its budget through fees. The level of fees would still be insignificant and have no impact on securities trading.

The matter of whether that should be the course—the committee would have to determine that after looking at our report. It really is a policy matter, and obviously if it had an impact on the Commission's budgetary process, we would look upon it positively also.

Senator SARBANES. In the course of reviewing your fees, have you discussed the question with the private sector?

Mr. WILLIAMS. We haven't at this point.

Senator SARBANES. I'm sorry. I did not hear that.

Mr. WILLIAMS. We have not. No, sir. As we are going through the information process, we did with individual firms but not on a systematic basis. No.

We felt that this being a report to the Congress, we did want to hear more from you. But let me give you this flavor of it. The current fee on securities transactions is one three-hundredth of 1 percent. If Congress increased—it would have to be congressional—the fees to one-fiftieth of 1 percent, which is a very significant percentage increase, that would amount to only 20 cents on a \$1,000 transaction—or \$200 on a \$1 million transaction. It is hard to imagine that that would have any significant impact.

Senator SARBANES. Do you think just as a matter of process that the fee should be specifically established by the Congress or that some framework should be developed which would give the Commission the power to set the fees—I can't imagine we would simply give it to you, period—within some controlling framework?

Mr. WILLIAMS. From the Commission's standpoint, the flexibility or the ability to tailor—or to correlate, really—the budget with the fee structure and iron out any ups and downs or unevenness that might occur between the two would be preferable.

I would think, if it can be legally done and if it doesn't amount to a delegating of the taxing power in some way, it would seem that it would be an appropriate way and could very well be worked through the budgetary process.

Senator SARBANES. It might be a delegation of the taxing power. I don't think you should have simply a blank writ. We will await that report with some interest.

Senator SARBANES. I want to now talk about the consolidated headquarters. First, I want to have some idea of the economics of it in terms of additional costs and savings. I think we have to net it all out.

If we could have an exposition of it in those terms, I think it would be helpful. Maybe to begin with, Mr. Chairman, even though you talk about it in your statement a little bit, you should set out for the record the problems you see the circumstances creating for the Commission and why you put it forward as a matter of urgency.

## CONSOLIDATED HEADQUARTERS URGENT FOR MORALE

I note you really put it forward in a more urgent manner than salaries for your employees. You argue it would have as significant an impact on morale and the work product of the Commission.

Mr. WILLIAMS. I wouldn't want to indicate, Mr. Chairman, that I thought revision of the salary structure might not be well-received by the staff.

Senator SARBANES. I understand.

Mr. WILLIAMS. In terms of what might be doable, this is relatively more so. Back in industry I learned, if you have a bad year and you can't give them a salary increase, at least you give them a title, and this would go further than a title—a lot further than a title.

There are several ways to slice this. We can look at it just in terms of sheer quantifiability. With a staff as small as ours and very much integrated in terms of the activity, there are very few parts of it that work independently of the others. The issues overlap their activities overlap, and their need to interact is almost continuous.

We have at this point, for example, file rooms over in one location away from headquarters. We have our Corporation Finance Division, the "Full-Disclosure" Division, split between two locations which creates flow of information problems and managerial problems. We are trying to work at improving interaction, at quality control, and it is very difficult to deal with when you have people who are split up that way.

And the space is poorly designed. I had the opportunity or the occasion to visit the Commission in 1976. I had never any expectation of being involved in a more formal way at that time. I was with two eminent lawyers, and we presented a matter to the staff that we had worked on that we felt was a very serious. We were concerned about it and wanted an opportunity to discuss it with the staff. We were ushered into an office where literally they couldn't get three chairs in for us to sit and talk to one of the staff members. There were two SEC staffers in that office, and the other was trying to do something else.

It just isn't conducive either in terms of getting the work done, or in terms of being able to have the kind of interaction and the kind of focus on what you are doing that professionals need to have. These were lawyers, young lawyers, but who carried the burden of the Commission responsibility, so that I dealt with it at that level, and that is hard to quantify. It's hard to put a dollar figure on how much efficiency loss is involved.

But also when you get into space that is that tight, you get sloppy in a lot of ways, and you can see it in some of those offices. And I think that affects discipline, too, in other ways—work discipline, other kinds of discipline.

We haven't tried to quantify that. Within certain parameters, it is quantifiable. But if you don't believe it, you can impeach the quantification, because it has a degree of softness to it. What we are talking about, we have gone in great detail through the space needs, of what our space needs are. Obviously they would be influenced by any growth in the staff. We would have that rental

increase even if we stay where we are. The cost of the proposed space is \$5.1 million, the cost of the present space with the proposed rate increase that we already know about is \$3.8 million.

And eliminating only the duplicative cost, the out and out duplicative costs are just under \$400,000. Then we have \$120,000 of extra guard service and transit costs between locations that we can pretty well isolate. We have \$500,000 of documentable cost savings, which brings us down to an annual consolidation cost, if you will, of of \$900,000 a year and one-time moving costs just under \$1 million.

We can go further—

Senator SARBANES. It brings you just under \$800,000, doesn't it, counting the \$120,000—

Mr. WILLIAMS. I'm sorry, you're right. It would be \$700—about \$775,000 a year, yes, sir.

Senator SARBANES. So as you calculate it, the cost of the new space that you would see offset against the cost of your existing space plus the increases in the cost of your existing space that you anticipate would take place, plus the reasonable cost savings resulting from consolidation in one location, would then leave you with an additional cost of about three-quarters of a million dollars?

Mr. WILLIAMS. That's right. That means you then have new modern space. You have a consolidated facility. You have the unmeasurable benefits that would flow from that in terms of work efficiency, which cannot be calculated, and something that I think is rather important, and that is the advantage to the private sector of being able to deal—

Senator SARBANES. How much of a disadvantage do you think that is to the private sector?

Mr. WILLIAMS. It is very substantial. Again, it is hard to quantify, but it runs the whole gamut. The public reference room is inadequate in size, and we can't provide really enough room and adequate duplicating facilities. Except for a tiny snack bar there is no adequate place to eat in the building. When somebody comes in, you ought to be able to buy them a cup of coffee or whatever, or let them get a cup of coffee or have lunch at a convenient place. We only have two conference rooms in the entire facility. Our waiting room downstairs is inadequate.

Senator SARBANES. Has the private sector indicated to you that they think you need more adequate facilities?

Mr. WILLIAMS. Not in any formal sense, no. I received a letter not too long ago that characterized our facilities as similar to those of a banana republic. I did receive a copy of a letter that went from a former Commissioner to the ABA securities section indicating that he had learned from our appropriation testimony that we were looking at a new building, and expressed his own view and urged that the bar express itself.

I hear enough comment about it, nothing in any organized form.

Senator SARBANES. Well, the American Bar Association makes a lot of comments about the quarters that judges operate out of, what they need in terms of courthouses and so forth. If the problem is as serious as it is being portrayed, including its impact on the private sector, it seems to me they would take an interest.

Mr. WILLIAMS. I would hope they would. We are dealing with people in a regulatory mode. It makes it a little touchy.

Senator SARBANES. Is there anything further you want to add on the consolidated headquarters issue that you think—you have made an extensive submission.

Mr. WILLIAMS. We have. If there is anything further, we can provide it. We do stand ready to do so.

We don't come lightly to Congress for this. We have worked hard. You know, this problem goes way back, long before I came to the Commission. I think we have been responsible and enormously patient in trying to get our reasonable needs served through normal channels, and to no avail.

We are at a point where it really ought to be resolved. I am the fifth Chairman, I am reminded, that has been working on the building. I think I am the first one that has come for leasing authority. I may not even be that. I don't expect to be Chairman long enough to enjoy it, but I would like to get it resolved.

#### VENTURE CAPITAL ISSUE

Senator SARBANES. Mr. Chairman, let me just mention one final point. This is not in the form of a question. As I think you are aware, we intend to hold hearings in the near future on the venture capital issue, and I think it is one that deserves very careful consideration, actually coming at it from the point of view of trying to do something about it.

Now, I will have to see what the problems are and what the proposals are that come before us. But I think it is a matter that deserves our consideration and one where I am hopeful we can evolve some constructive action. I simply want to alert you in a formal way, because obviously we will expect to hear from the Commission, along with others, at the time that those hearings take place. I hope it will be next month or in a reasonable period of time. We will have to work that out. So we would be interested then.

Mr. WILLIAMS. We have been working on it and have made some progress on that ourselves. There are some problems that we have had some discussion about with the industry and others. We look forward to discussing this with you.

Senator SARBANES. On that subject, there is some legislation that has been introduced affecting the venture capital issue around which the hearings will be focused. It would be helpful to have the Commission's observations prior to the hearing itself, to enable the hearing to focus much more on the question and answer.

Mr. WILLIAMS. H.R. 6723?

Senator SARBANES. There are a number of bills. I don't recall the numbers. We will see that all of the bills around which the hearings will center will be brought to the Commission's attention. There has been more than one proposal. There are two or three different proposals that have been put in, and they reflect a mixture of approaches.

Senator Lugar, who very much wanted to be here this morning, as I indicated at the outset, was not able to be with us. But he

plans to submit some written questions to you, and we will include those questions and your responses in the record.

[The information follows:]

U.S. SENATE,  
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,  
Washington, D.C., April 4, 1980.

Hon. HAROLD M. WILLIAMS,  
*Chairman, Securities and Exchange Commission,*  
*Washington, D.C.*

DEAR CHAIRMAN WILLIAMS: I was unable to attend the hearing of the Subcommittee on Securities on the Commission's authorization request for fiscal years 1981-1983. However, I have several questions related to that request, and I would appreciate your cooperation in submitting answers to the questions set forth below.

1. The Commission requests a three year authorization primarily on the grounds that it would enable its management to engage in long-term planning and resource allocation. However, recent history suggests that decisions on annual appropriations for the Commission do not necessarily parallel the funds authorized. In light of that fact, why is it important to the Commission to operate under multi-year authorizations?

2. The Commission's proposal for the implementation of a Market Oversight Surveillance System ("MOSS") indicates that Level 2 of the implementation is expected to have a "moderate industry impact" and Level 3 will have a "major impact" on the industry. Please describe what these impacts are expected to be, both in terms of costs and other impacts, and explain whether the impacts are expected to be industry-wide or limited to particular segments of the securities industry. In addition, please explain what industry impact if any is expected as a result of the pilot project described in your submission.

3. Do you expect that any costs incurred by the industry as a result of MOSS will be passed through to securities customers? What are these costs expected to be?

4. Will the MOSS system enable the Commission to acquire directly information about individual securities transactions and individual participants in those transactions? If so, would such information be available publicly under the Freedom of Information Act or other procedures? What safeguards, if any, have been developed to protect against the possibility of unwarranted intrusions of the privacy of persons so identified, either by the Commission or by others?

5. To what extent will MOSS duplicate existing market surveillance systems of the self-regulatory organizations? Have you considered the possibility of developing MOSS in cooperation with the self-regulatory organizations, so that problems of duplication and linkage with existing systems would be minimized? Why wouldn't this approach be more consistent with the established correlation between the roles of the Commission and the self-regulatory organizations?

6. Do you propose to begin implementation of MOSS prior to obtaining new office space? If so, what additional costs, if any, will be incurred in transferring the MOSS facilities to a new headquarters?

I look forward to your reply.

Sincerely,

RICHARD G. LUGAR.

SECURITIES AND EXCHANGE COMMISSION,  
Washington, D.C.

Hon. RICHARD LUGAR,  
*U.S. Senate, Washington, D.C.*

DEAR SENATOR LUGAR: Please excuse the lateness of this response to your letter of April 4th which raised several questions relating to the Commission's proposed Market Oversight Surveillance System ("MOSS"). As the result of concerns raised by yourself and others, the Commission has been engaged in an active dialogue with effected segments of the securities industry over the past month in an effort to understand and deal with the concerns raised. This dialogue resulted in an amendment offered by Mr. Rinaldo during the Commission's House subcommittee markup on its authorization, which occurred yesterday. The agreement which resulted in the Rinaldo amendment was not reached until earlier this week and was not assured until the Subcommittee voted yesterday.

It was my sense that your concerns could best be addressed in the context of that agreement; however, I had hoped that there would be longer than a weekend

separating House and Senate markup on the Commission's authorization request. Please be assured that in the time remaining, I intend to make every effort to be as responsive as possible to the concerns which you have raised.

You have raised many questions with respect to MOSS which I think can best be responded to by a clear statement of the Commission's need for and intentions with respect to MOSS. The Commission requires MOSS in order to fulfill its oversight and surveillance responsibilities under the federal securities laws. The proposed system is fully consistent with the traditional and statutorily-mandated self-regulatory scheme, and the Commission has no intention of undercutting the role of the SROs. On the contrary, MOSS is designed to enhance and facilitate the Commission's ability to perform its unique responsibilities, rather than to duplicate those of the self-regulatory organizations, and to strengthen the Commission's ability to discharge responsibilities which are outside the jurisdiction of the SROs. Correspondingly, the cost to the SROs as a result of MOSS will be minimal, both because MOSS will not be linked with SRO information systems in a real time mode and because the Commission does not plan to require the collection of any data which is not otherwise collected. Projected development costs to the Commission of \$12-million over five years is an estimate in which the Commission has confidence and reflects a projected inflation rate of 9 percent during each year of the development of MOSS.

It has become clear that much of the concern about MOSS results from misunderstanding engendered by the document entitled "Market Oversight Surveillance System, Description and Justification," which the Commission distributed several months ago. That document is not a description of what the Commission intends to require of the SROs. Rather, it was intended to outline what a comprehensive surveillance system design would entail and the implications of implementing it in a five-year time frame.

To illustrate, that document states that Level III of MOSS would have a "major impact" on the industry. This could be the case, if the Commission were to require the various innovations discussed. Customer identification and the consolidation of trading and clearing processes, for example, are concepts which the Commission and the industry have been discussing for many years. To the extent that—for reasons unrelated to MOSS—these concepts are developed and implemented at various SROs, MOSS could incorporate such data. These innovations are not, however, necessary to the effectiveness of MOSS, nor are they inevitable consequences of the system.

MOSS is designed to be functional and cost-effective without any additional data from the SROs over and above that which is presently collected. Should the Commission some day impose requirements for new information from the SROs, it would not be because of MOSS, but in order to accomplish specific regulatory objectives. When the Commission considers regulatory measures of this nature, it is always sensitive to issues like the burdens on the industry, Privacy Act considerations, and feasibility. Thus, the record should reflect that Congressional approval of funding for MOSS does not entail Congressional endorsement of any future Commission efforts to require additional data or information from the SROs or other segments of the securities industry.

On the contrary, the Commission has sought to ensure that the burdens and costs of MOSS to the industry will be minimal. In addition to certain start-up costs, the ongoing cost to the SROs will be limited to the cost of transmission of data (which, as I noted, will not be on a real-time basis) and the cost of employee time involved in assembling and organizing data. Because the efficiencies, pay scales, and capacities of the different SROs vary, it is difficult to assess with precision the exact cost of MOSS to the SROs. Nevertheless, the Commission and its consultants have estimated start-up costs to the various stock exchanges, clearing corporations, and the NASD to be approximately \$40,000 for the first year and \$199,000 for the second year. Annual operating costs to those same entities are estimated to be, in the aggregate, in the neighborhood of \$49,000 for the first year, with an additional \$50,000 for the second year—a total of \$99,000 annually for all SROs. Of course, these estimates may not prove entirely accurate, since hourly rates for labor and the exact breakdown of overhead vary for each SRO. Nonetheless, the Commission and its consultants are confident that the order of magnitude of the projected costs is "in the ballpark." Under these circumstances, I would not expect that any costs incurred by the industry, as a result of MOSS, would be passed through to securities customers.

Finally, with respect to your question concerning the relationship of implementing MOSS and the Commission's efforts to obtain a new headquarters, let me note that MOSS will physically consist of four mini-computers and several terminals, all

of which are fairly easy to relocate to any consolidated headquarters building the Commission obtains.

Due to the nature of this project and the understandable sensitivities of the industry with respect to it, the Commission is prepared to cooperate in whatever way the Committee deems appropriate to provide information on the progress of MOSS, including its costs impact on the industry and its impact on the Commission's work. Close Congressional oversight is appropriate, but elimination of MOSS would severely cripple the Commission in its efforts to oversee the integrity of the capital markets and ensure adequate investor protection.

With respect to your question concerning the Commission's request for a three-year authorization, you noted that "recent history suggests that decisions on annual appropriations for the Commission do not necessarily parallel the funds authorized." Since the Commission first obtained a periodic authorization in 1976, in all years except fiscal 1980, the appropriations have, fairly closely, tracked the authorization level provided for the Commission.

	[Fiscal year]				
	1976	1977	1978	1979	1980
Authorization .....	51,000	56,500	63,750	69,000	79,000
Appropriation .....	49,291	56,270	58,100	67,100	68,986

However, even to the extent that appropriations do not exactly track authorization levels, the utility of a multi-year authorization for planning purposes is not significantly diminished. Long-range planning is increasingly being recognized as a vital part of the budget formulation process. This is reflected in the Budget and Impoundment Control Act of 1974 and is consistently echoed by the Congressional Budget Office.

The three-year authorization period requested is especially appropriate as it relates to my present term of service. I have pledged to complete by my full term of office, which will expire in June, 1982. The authorization request for fiscal years 1981, 1982 and 1983 will enable me to chart the utilization of resources for the remainder of my term and then allow a one-year orientation period before my successor will be required to formally present his program to the Congressional oversight committees. If, on the other hand, the Commission were granted only a two-year authorization, then I would be required to present to the Congress the next authorization request of the Commission during the final months of my term in office, and my successor would be denied an opportunity to present his program to the Congress until much later in his term in office.

I hope this letter has been responsive to your questions. Once again, I sincerely regret the lateness of my response and would be pleased to discuss any and all of these matters with you, at your convenience.

With best wishes.

Sincerely,

HAROLD M. WILLIAMS, *Chairman.*

Senator SARBANES. Mr. Chairman, this has been a very helpful session. We have kept you here a long time, but I think it was important to get as much of this material as possible on the record and have an extended examination of this proposal for a 3-year authorization. I have noted the rationale for that in your statement. I think it would obviously give some stability and ability to plan to your own continued leadership of the Commission, and I think we have tried to develop as best we can the rationale which you perceive for these authorization levels.

I commend the Commission for coming forward with a clear statement of what it feels its needs are in order to meet its responsibilities. If the resources are not provided you have at least laid out your requirements on the table in an appropriate forum.

Now we have the Federal hiring freeze, and we have to face that. But I think the Commission at least has to state what it thinks is

necessary. On the other hand, I would underscore, as in our discussion of MOSS and tangentially of other matters, the importance of communication and consultation between the Commission and the private sector.

In fact, I think from the reports I get, when you engage in that communication and consultation, the results are usually quite fruitful. I know the demands on your time are heavy. But I think this aspect of your responsibility as Chairman of the Commission is an extremely important one, given the self-regulation role that we give to the private sector in the securities area. You are a little like us. I don't know where you will find the time and energy, but I would encourage you, if you can, to find a little more for that purpose.

Mr. WILLIAMS. We will do it.

Senator SARBANES. We thank you very much. This is helpful. The committee stands adjourned.

[Whereupon, at 12:28 p.m., the committee was adjourned.]

[Additional material received for the record from the Securities and Exchange Commission follows:]



## SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

May 27, 1980

Mr. Edward Dicks  
Committee on Banking, Housing  
and Urban Affairs  
5300 Dirksen Senate Office  
Building  
Washington, D. C. 20510

Dear Mr. Dicks:

This will provide certain supplementary information requested during Chairman Williams' testimony before the Securities Subcommittee on March 24. Page references below are citations to pages of the preliminary transcript which you previously sent us.

Page 21. The staff memorandum mentioned by Chairman Williams is attached.

Page 33. The attached computer print-out describes the nature of the complaints received during 1977-1979. The headings under "Type of Entity" are BD (broker-dealer), IA (investment adviser), BK (bank), IS (issuer), UK (unknown), GN (general), TA (transfer agent), MF (mutual fund), and Other. We estimate total complaints received during these years as 12,000 in 1977; 14,000 in 1978; and 15,000 in 1979. The computer runs show slightly lower figures, reflecting the fact that we rounded our estimates upward to compensate for complaints which did not find their way into the computer tally.

Page 38. We were able to trace our record of inspection cycles back to 1962. During that period, the most frequent, or best, cycles were in 1965 - 4.2 years for investment companies and 6.2 years for investment advisers. In more recent years, 1977 represents the best cycle for investment companies, at 4.7 years, and 1976 for investment advisers, at 7.6 years.

I hope that this information responds satisfactorily to the questions raised at the hearing. If it does not, please let me know what further I can provide.

I would appreciate receiving 10 copies of the hearing record and any report thereon, when and if they are printed for the Committee. Thank you.

Sincerely,

Peter Kiernan  
Legislative Counsel

Attachment

Staff Memorandum on the Securities and Exchange Commission  
Efforts to Obtain a Consolidated Headquarters

This memorandum outlines the history of the Commission's efforts to obtain a consolidated headquarters, describes the effects of operating from multiple locations and explores the reasons why the Commission is requesting leasing authority.

SUMMARY

It has been nearly a decade since the Commission first sought to secure a consolidated headquarters that would adequately service not only its staff but the over 70,000 investors, attorneys, accountants, registrants and other members of the public who conduct business at the Commission each year as well.

During this time, the Commission has expanded into three satellite locations to accommodate additional personnel needed to fulfill its expanded responsibilities. Attached at Appendix A and B are charts illustrating recent substantial growth in the Commission's responsibilities and in the sectors subject to the Commission's jurisdiction.

The present split between four locations imposes large costs, both direct and indirect, on the Commission, its staff, the business community and the investing public. In spite of the Commission's best management efforts, hundreds of hours of lost time, delayed deliveries, and duplication of facilities and materials have been the inevitable result. The direct dollar cost to the government is estimated at nearly \$500,000 each year, much of which could be recovered if the Commission were housed in a single headquarters. The indirect costs, especially to business, are more difficult to quantify, but they derive from the costly inefficiencies which result from arbitrarily splitting the work of the Commission.

CHRONOLOGY

The Commission moved into its present headquarters at 500 North Capitol Street in June of 1966. With a staff of 887, the 170,000 square feet at 500 North Capitol Street was adequate. There was, however, no provision for additional staff.<sup>1/</sup>

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<sup>1/</sup> Today the Commission has an authorized Washington staff of over 1,300 employees, with nearly 1,000 located at 500 North Capitol Street and 300 additional employees at three satellite locations.

In 1971, the Commission began to outline for GSA its need for additional space. In 1972-1973 the Commission was able to secure an additional 96,000 square feet (including parking spaces) at 1100 L Street. During this period, the Commission urged GSA to consider allowing the Commission to lease all or part of the property at 400 North Capitol Street, adjoining the Commission headquarters. It seemed an ideal solution to the Commission's immediate and long-term needs, particularly since the owners were willing to lease it to the Commission for forty years, after which time it would become the property of the government. GSA rejected this suggestion. In September of 1973, GSA began drafting a prospectus for leasing a consolidated headquarters for the Commission. In June, the prospectus was sent to OMB and approval by both OMB and the Congress was secured by October, 1974.

Between November, 1974 and January 1975, GSA issued its solicitation and received only one bid -- the building at 400 North Capitol. Rejecting 400 North Capitol as unacceptable, GSA unilaterally extended the deadline of the solicitation one year. In June, 1975, the Commission was suddenly advised that GSA had awarded the contract to the owner of a building at Buzzards Point. The Commission appealed that decision to the President through OMB pursuant to Executive Order, and OMB found in favor of the Commission. During this time the space problems at the Commission had reached serious proportions.

Finally, in 1977 an additional 30,000 square feet at 320 First Street was assigned to the Commission. The Commission was not, however, able to move in until January, 1978. This additional location provided the Commission with a total of 270,000 square feet of office space but the pressure was still very great. GSA estimates the Commission's space needs at present staff levels at 320,000 square feet, a full 50,000 square feet more than presently leased.

Recently, GSA began work on yet another draft prospectus for the Commission which also addresses the needs of two other agencies -- the FTC and the National Science Foundation. Attached at Appendix C are copies of recent correspondence between GSA and the Commission concerning this latest draft prospectus. While GSA's latest good faith efforts are welcome, the ten year history and the disagreements reflected in the correspondence suggest that a resolution is not yet in sight.

Below is a detailed chronology of the events between July, 1971 and the present. They reflect the Commission's efforts to work with GSA, a growing sense of frustration after nine years, and the basis for the Commission's belief that it needs its own leasing authority to resolve this problem.

CHRONOLOGY OF SEC EFFORTS TO SECURE CONSOLIDATED HEADQUARTERS

- July, 1971 . Meeting between Commission's Executive Director and GSA Director of Space Management to outline our need for additional space.
- April, 1972 . Letter from Chairman Casey to GSA outlining our space needs.
- May, 1972 . Received 32,662 square feet at 1100 L St. (including parking spaces).
- September, 1972 . Received additional 11,875 square feet (including parking spaces) at 1100 L St.
- November, 1972 . Second letter from Chairman Casey to GSA requesting help for consolidated headquarters.
- December, 1972 . Letter from GSA including a copy of "Purchase Contract Prospectus."  
 . Chairman Casey response urging consideration of 400 North Capitol St. space.
- January, 1973 . GSA letter indicating unwillingness to reconsider initial prospectus.
- February, 1973 . Commission letter to GSA expressing concern.
- March, 1973 . GSA letter rejecting consideration of lease/purchase option in favor of purchase contract. (No reasons given.)
- June, 1973 . Commission memo to OMB requesting prospectus revision.
- September, 1973 . Meeting between Commission Executive Director and GSA. GSA indicated that although Congress was usually unwilling, they might, in our case, accept a prospectus for leasing a building. GSA further stated they thought they could get a prospectus to OMB by mid-November.

- December, 1973 . Additional 57,694 square feet (including parking) at 1100 L St. obtained and 5,403 square feet released.
- March, 1974 . Commission contacted GSA to find out when the prospectus, already four months late, would go to OMB. GSA estimated March 15.
- May, 1974 . Additional 1,025 square feet (including parking) received at 1100 L St.
- June, 1974 . GSA finally sent prospectus to OMB.  
 . At our request, OMB expedited consideration and approved prospectus.
- August, 1974 . GSA submitted prospectus to Congress.
- October, 1974 . Prospectus approved by Congress.
- November, 1974 . GSA submits timetable for competition and award of contract.  
 . Commission receives draft "solicitation" and believes it is inadequate.
- December, 1974 . Commission letter to GSA criticizing "solicitation." GSA warns that delay in signing the solicitation would not be in Commission's best interests; since the solicitation is already delayed, GSA urges Commission to sign and promises to deal with objections later.  
 . The Commission, accepting GSA's pledge to handle our objections later, approved the solicitation.
- January, 1975 . GSA letter advising Commission they had received only one offer (for 400 North Capitol) which was "exorbitant." They unilaterally extend the date one year.
- February, 1975 . Chairman Garrett wrote to GSA explaining concern and requested meeting with GSA Administrator. Letter was followed by several Commission-initiated requests to arrange a meeting. All failed.

- March, 1975

  - . GSA wrote saying a deputy of the Administrator would meet with Chairman Garrett. Commission persisted in trying to meet with Administrator Sampson.
  - . Chairman Garrett wrote to GSA Administrator, designating Commissioner Pollack to represent him at any meeting.
  - . Later that month, Commissioner Pollack met with Administrator's deputy.
- April, 1975

  - . Administrator Sampson wrote to the Commission telling us there was no chance of securing space by the summer of 1975. He proposed making a new offer to us, which does not arrive until the middle of June.
- May, 1975

  - . Sampson calls Chairman Garrett to tell him about Buzzards Point, which Chairman Garrett says is unacceptable.
- June, 1975

  - . GSA Administrator's deputy calls to see Chairman Garrett immediately. They meet hours later and deputy shows Garrett press release announcing that GSA has made an award to the owner of Buzzards Point. Garrett says the Commission will probably exercise its right to request a review of the decision.
  - . Commission writes to OMB Director Lynn indicating its intent to make a formal request for review of the decision.
- July, 1975

  - . Commission makes formal request for reversal of GSA decision.
  - . OMB reverses GSA decision.
- November 1976

  - . Commission Executive Director wrote letter to GSA summarizing need for additional 30,000 square feet.
- May, 1977

  - . Chairman Williams and Executive Director meet with new GSA Administrator, Jay Solomon, and Associate Administrator, Robert Griffin, to outline severity of space needs.
- September, 1977

  - . 30,000 square feet at 320 First Street offered.

- January, 1978 . Commission moves into third satellite facility.
- April, 1979 . Chairman Williams ;and Executive Director meet with GSA Regional Administrator at which time GSA requests Commission prepare a request for consolidated headquarters space.
- September, 1979 . Commission sends memo to GSA with formal request.
- November, 1979 . GSA responds that they are developing a 1,000,000 square foot prospectus for three agencies and that the Commission is one of the three. However, GSA reserves the right to acquire the space in 200,000 square foot parcels, which would be inappropriate for the Commission's 320,000 square foot consolidated space needs.
- December, 1979 . GSA writes to Commission and submits copy of draft prospectus.
- January, 1980 . Commission writes letter to GSA with our comments on the draft prospectus (1) 1983 is too late and (2) 200,000 square foot parcels are inappropriate. Requested response by January 31.
- . January 31 response from GSA, leaving some Commission concerns unresolved.

#### IMPACTS

The Commission is a small, tightly-knit agency with a highly specialized mission to protect investors and insure the integrity of our nation's capital market. Unlike the situation found in many government agencies, the Commission's divisions and offices are not free-standing organizational components; rather, almost all Commission activities require the coordination or participation of several offices and divisions. Historically, the Commission has attracted to its staff high quality lawyers, accountants, economists and other professionals; and the nature of the Commission's work requires a large number of such highly trained professionals. Moreover, the Commission's work requires extensive daily interaction in Washington with the corporate, financial and legal communities and the investing public. Under these circumstances, the present split of the Commission between four Washington-area locations has a particularly serious impact on the Commission's productivity and places substantial burdens on the private sector.

As the Commission's staff has grown over the past 14 years in response to increasing responsibilities, various satellite locations have been obtained as described above. The Commission has made a special effort to minimize the burdens and inefficiencies which have resulted; however, two kinds of direct negative results have been unavoidable.

First, the Commission's Division of Corporation Finance and Directorate of Economic and Policy Research, both of whose work is integral to the capital formation process, are split between two locations; the Division of Corporation Finance has been split between 500 North Capitol Street and 320 First Street, and the Directorate of Economic and Policy Research has been split between 500 North Capitol Street and 1100 L Street. Second, several offices have been moved largely in their entirety from 500 North Capitol Street, such as the Division of Corporate Regulation, the Commission's Administrative Law Judges and Administrative Services.

While the greatest impacts of this situation involves immeasurable burdens and diminished productivity, the direct dollar costs of operating out of several locations are estimated at nearly \$500,000 each year. These costs are listed below. Much of this cost could be recovered if the Commission's activities were consolidated at a single location.

Direct Costs

Drivers (3 at \$15,000)	\$45,000
Vehicles	
Trucks (AVIS)	10,000
Car (3 at \$2,000)	6,000
Fuel	10,000
Duplicate Facilities	
Xerox rooms, personnel and equipment	28,000
Libraries	21,000
Mail rooms and personnel	18,000
Toll Charges and Direct Lines	5,000
Computer Services (e.g., Lexis)	4,000
Overtime for storage and pickup	70,000
Bell boy	1,000
Alterations	130,000
Additional ADP equipment required (annual cost)	30,000
Transit time lost	91,000
Guard Services	30,000
Total	<u>\$499,000</u>

The indirect costs, while not measurable, can be described and illustrated. They involve impacts on the morale and productivity of the Commission's staff and significant burdens on the private sector. Generally, the Commission's present circumstances have resulted in hundreds of hours of lost time, delayed deliveries, excessive duplication of facilities and materials, as well as other inefficiencies. Moreover, despite our best efforts, the present arrangement delays the Commission's decision-making process and imposes substantial inconvenience and cost on the business community.

Specifically, much of the Division of Corporation Finance is housed at 320 First Street in space that is not only sub-standard but has often been hazardous. Renovations approved by GSA have been poorly executed, after considerable delay and substantial staff inconvenience. For example, exposed electrical wire has been left protruding from renovated walls. One workman, who had apparently mis-measured the length of conduit needed for an electrical line, simply hammered away the bare wall and ceiling to force a fit; the chipped, exposed surface was left unrepaired. Other workmen showed up, unannounced, with pneumatic drills to create a stairwell in offices occupied by working staff members. Heating and air conditioning, too, either did not work or could not be controlled for much of two years. Such physical conditions inflict great hardship on the staff and on the public and obviously make for a poor work environment.

Perhaps even more importantly, the Commission receives well over 50,000 filings each year subject to evaluation by the Division of Corporation Finance. The bulk of these filings are received at 500 North Capitol Street, processed initially and then shipped to the satellite location. In spite of vigorous management effort, there are inevitable mis-routings and delays in this process. After consideration at the First Street location, many filings, requiring higher level review, must be returned to 500 North Capitol. Many registrants, aware of the circumstances, incur additional cost and reproduce, voluntarily, non-official copies of their statement. Unfortunately, the staff cannot use the unofficial copies and much time can be wasted locating the original document. These burdens are particularly onerous during proxy contests and tender offers, when time schedules are tighter than usual.

The Commission's Directorate of Economic and Policy Research is also split between two locations, with a large part of that staff at 1100 L Street. Morale here has seriously declined, again because of inter-office mail delays, lost files, additional transportation time and, perhaps most significantly, the necessity of processing a considerable amount of its work through time-sharing computer services.

These indirect costs to the staff, to business and to investors are significant. They represent an unfortunate and avoidable drain on the Commission's resources. This is particularly troublesome at a time of great concern about the need to stimulate the capital formation and increase confidence in government.

#### LEASING AUTHORITY

There are several precedents for agencies obtaining their own leasing authority. It appears that all agencies which are not funded out has appropriations exercise such authority, including other financial regulatory agencies such as the Federal Home Loan Bank Board, the Federal Deposit Insurance Corporation and the Comptroller of the Currency. (It should be noted, parenthetically, that, while the SEC is funded out of appropriations, it has historically collected from 35 to 75 percent of its required budget in fees.) In addition, as part of its fiscal 1980 appropriation bill, the Federal Communications Commission received authority to lease its own office space and the Commodities Futures Trading Commission has had such authority since its inception.

Providing the Commission with its own leasing authority is justifiable for several reasons. First, after nearly a decade of effort to obtain a consolidated headquarters working through GSA, there is real doubt, under present circumstances, that the Commission will obtain a consolidated headquarters in the near term. This is not to impugn GSA's current motives in any way. It is simply a recognition of the fact that in recent years problems at GSA and a difficult Washington real estate market have continued to prevent the attainment of that objective.

Second, in the face of the difficult conditions under which the Commission currently operates, the Commission has a very strong incentive to locate and obtain a suitable consolidated headquarters at the lowest possible cost. Operating under a perennially tight budget, the Commission has no desire to spend any more than is absolutely necessary to provide for its space needs. Moreover, the Commission and its staff are in the best position to identify its space needs and negotiate a lease whose terms accurately address those needs. Finally, in seeking a new headquarters, the Commission would not be encumbered by the competing demands of other agencies. As a result, the Commission would be able to devote concentrated resources to its goal of locating and obtainin a new headquarters.

Third, the Commission's exercise of its own leasing authority would be subjected to several forms of control by the Congress. Initially, Congress, through its House and Senate authorization and appropriations committees, has the opportunity to review the facts and make the initial decision

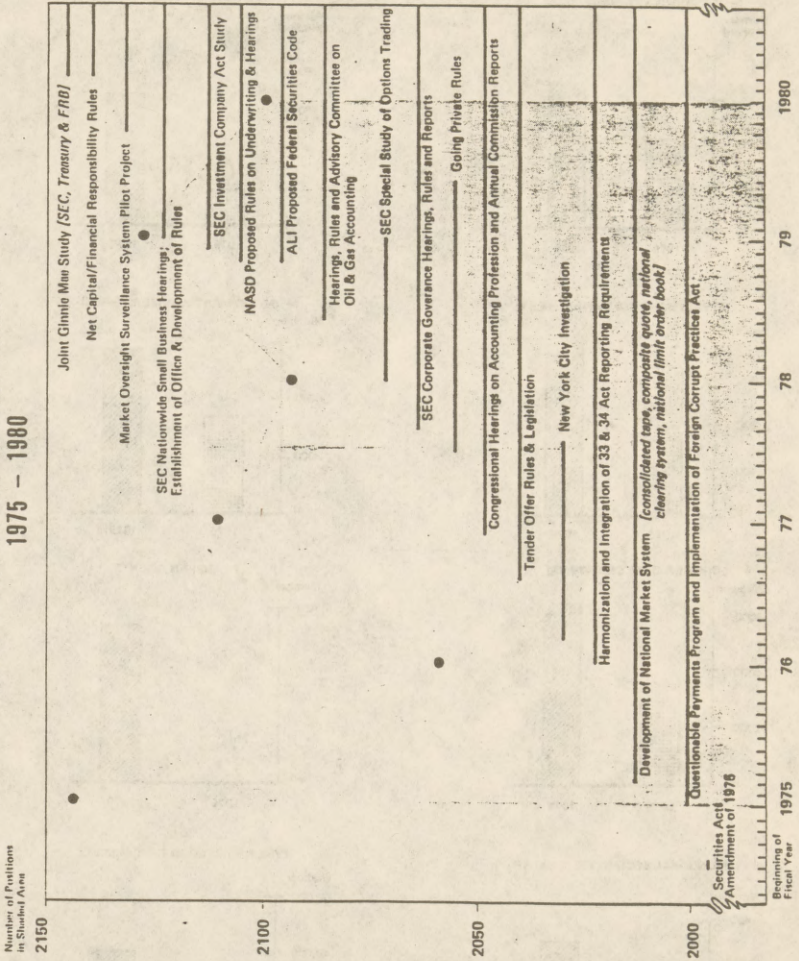
on whether to grant that authority. Subsequently, the appropriations committees would have an annual opportunity to review how well the Commission has used that authority. Similarly, at our periodic reauthorization hearings, as well as at general oversight hearings, the authorization committees would be able to review the Commission's progress. Finally, any draft prospectuses submitted under the Federal Procurement Procedures would have to be approved by both House and Senate Public Works Committees; and the Commission would be required to comply with all additional requirements of the Federal Procurement Procedures.

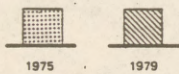
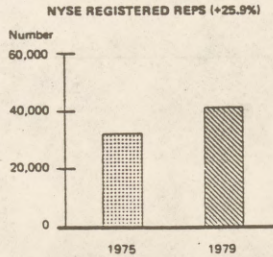
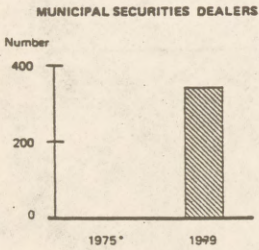
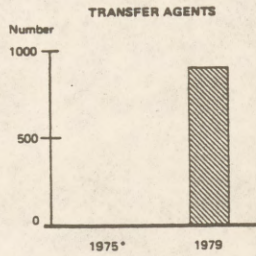
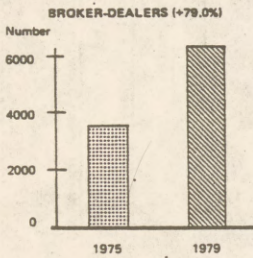
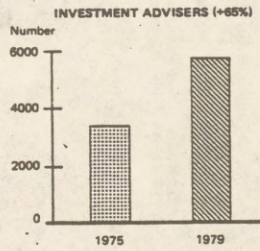
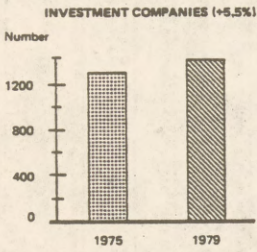
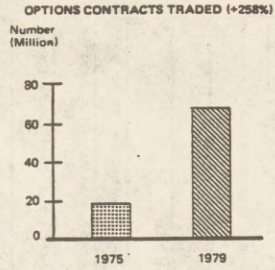
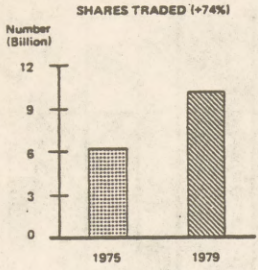
#### CONCLUSION

The inadequacy of the Commission's facilities coupled with being divided between four locations reduces the Commission's productivity, substantially inconveniences the nation's business community and imposes significant dollar costs on both the public and private sectors. The only meaningful remedy is to relocate the Commission in a consolidated headquarters facility.

The result will be reduced burdens on the private sector. Moreover, in the face of greatly-constrained budget resources, minimal pay increases and increasing restrictions and demands on Commission employees, no single event could have a more positive impact on the productivity of the Commission staff than the resolution of the Commission's long-standing space needs through the acquisition of a suitable headquarters. The most efficient and expeditious means of achieving that end is to provide the Commission with leasing authority.

# MAJOR WORKLOAD AND STAFFING CHANGES 1975 - 1980



CHANGES IN SEC REGULATORY RESPONSIBILITIES

## Appendix C

## SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549



SEP 4 1979

Mr. Walter V. Kallaur  
Regional Administrator  
General Services Administration  
7th and D Streets, S. W.  
Room 7022  
Washington, D. C. 20407

Dear Mr. Kallaur:

I am writing to you concerning our meeting of April 26, 1979, and your suggestion that the Commission prepare a request for space in a single location for our headquarters offices.

Attached is our space request, which reflects the requests made by the head of each division and office, tempered by what I feel are manageable reductions to limit any increase to no more than ten percent of our existing allocation.

As I mentioned in our meeting, the Commission's space problems are becoming increasingly costly and demoralizing, and the effects of cramped working space on our personnel are significant. Our overcrowded offices, costly alteration projects, personnel and mail shuttles, duplicated services, and supply storage and distribution problems are all outlined in the attachments to the space request. As I hope you can appreciate, the problems we face are formidable.

The nature of the Commission's work and its reputation as one of the top independent regulatory agencies help attract top law school graduates, economists, accountants, and other professionals to serve in the Federal government. However, as our space problems have worsened, employee morale has dropped to the point where we are losing key personnel because of the poor working environment and overcrowded conditions. I recognize that it may seem difficult to believe that overcrowded conditions could become so serious that persons choose to resign, but the space situation at the Commission has in fact caused many resignations on the part of professional staff members who can both double their salaries and work in a much more professional environment. Indeed, this is one of our most serious problems.

The importance that the Commission places on this matter is reflected by the amount of time and effort that persons in the Commission, including Chairmen Casey, Cook, Garrett and Hills and four successive Executive Directors, have spent negotiating and working with GSA and OMB to obtain additional space. It is because we view the space situation as so pressing that I am submitting the attached SF 81 (and supporting documentation) for a consolidated building, with hope that appropriate action will be taken to solve our problems.

I am looking forward to hearing from you. If you require further information, please contact Benjamin Milk, Executive Director, at 272-2700, or Richard J. Kanyan, Director of the Office of Administrative Services, at 523-5980. If you have questions on the agency's overall space policy which I can answer, please contact me directly at 272-2000.

Thank you very much for your consideration and assistance in ~~this~~ matter.

Sincerely,

Harold M. Williams  
Chairman

Attachment



General  
Services  
Administration

National  
Capital  
Region Washington, DC 20407

---

CHAIRMAN'S OFFICE

RECEIVED

NOV 07 1979

201317  
EXCH. COMM

NOV 5 1979

Honorable Harold M. Williams  
Chairman  
Securities and Exchange Commission  
Washington, DC 20549

Dear Mr. Chairman:

Thank you for your letter of September 4, 1979, requesting consolidation of the headquarters of the Securities and Exchange Commission.

A prospectus is being developed for a 1 million square foot facility for which three agencies have been selected as occupants. The Securities and Exchange Commission is one of the proposed occupants. At this time, the prospectus is awaiting preliminary environmental impact comments prior to being transmitted to our Central Office for submittal to the Congress. Inclusion of your Agency in this prospectus will be the most expeditious means of meeting your space needs.

If you have any further questions, please do not hesitate to contact me.

Sincerely,

WALTER V. KALLAUR  
Regional Administrator



General  
Services  
Administration

National  
Capital  
Region

Washington, DC 20407

DEC 16 1979

Honorable Harold M. Williams  
Chairman  
Securities and Exchange Commission  
Washington, DC 20549

CHAIRMAN'S OFFICE

RECEIVED

DEC 12 1979

SEC. COM.

Dear Mr. Chairman:

I am pleased to inform you that your agency's outstanding request for consolidation is included in a prospectus being prepared by my staff.

Enclosed is a preliminary working draft of the document. Please verify the statistical information on your agency and review the area established for solicitation of the space. I would also welcome additional information that you believe would strengthen the prospectus.

The submission to General Services Administration's Central Office of this prospectus and accompanying draft environmental impact statement is scheduled for February 25, 1980. To ensure inclusion, please send your comments by January 9, 1980. If there are questions on this prospectus, please call Mr. Jerry R. Shiplett, of my staff, on 472-1334.

Sincerely,

WALTER V. KALLAUR  
Regional Administrator

Enclosure



**DRAFT**

LEASE CONSTRUCTION  
WASHINGTON, DC

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GENERAL SERVICES ADMINISTRATION  
NATIONAL CAPITAL REGION

**DRAFT**EXECUTIVE SUMMARYLEASE CONSTRUCTIONWASHINGTON, DCBACKGROUND

In the National Capital Region, the General Services Administration (GSA) controls over 56,000,000 square feet of space with work stations for more than 254,000 employees. Over the last few years, the commercial space market in the region has been unable to keep pace with demand. This demand has resulted in an acceleration of rental rates and a lack of offers to the Government by lessors. This fact coupled with the lack of Federal construction has adversely affected GSA's ability to manage its space resources and meet agency requirements for consolidation. Three agencies with long standing requests for consideration-- the Federal Trade Commission; the Securities and Exchange Commission; and the National Science Foundation -- are tentatively identified to form the core of the proposed occupants for this prospectus project.

PROPOSAL

This prospectus proposes the acquisition by lease of 1,000,000 occupiable square feet of space in the area of Washington, D.C. shown on the attached map. The lease will be for a maximum term of 20 years including renewal options. The space is expected to be available for occupancy in the fall of 1923.

ESTIMATED ANNUAL COST

\$21,750,000

ESTIMATED COST PER SQUARE FOOT

\$21.75

ALTERNATIVES

Utilization of Government owned or leased space -- not available.

Direct Federal construction -- not proposed.

Acquisition of leased space -- selected alternative.

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PROSPECTUS NUMBER: PDC-79015

PROSPECTUS FOR PROPOSED LEASE  
UNDER THE PUBLIC BUILDING ACT OF 1959, AS AMENDED

LEASE CONSTRUCTION:WASHINGTON, DC1. DESCRIPTION:

This prospectus proposes the acquisition by lease of 1,000,000 occupiable square feet of office space and parking spaces for official vehicles in the downtown area of Washington, D.C. Because there are no buildings of this size expected to be available when the solicitation for this space is issued, this prospectus proposes that a commercial developer construct to the Government's specifications and requirements and lease to the Government. The lease will be for a maximum term of 20 years including renewal options. The space is expected to be available for occupancy in the fall of 1983 at which time the lease will commence. The annual rental for the first year of the lease is estimated to be \$21,750,000 including all services and utilities which will be paid by the lessor. Included in the lease will be 50 parking spaces for official vehicles. The lessor also will be required to reserve 375 parking spaces in the building for the use of employees. The lease will contain an escalator clause for increases or decreases in real estate taxes and operating costs. To ensure adequate competition and provide the opportunity for more developers to offer space, the solicitation will seek offers of increments of not less than 200,000 square feet. From all the offers received, GSA will enter into leases for a total of 1,000,000 square feet.

2. FINDINGS:a. Project Need

The total number of Federal employees occupying GSA-controlled space in the National Capital Region has increased substantially. In 1950, 163,000 employees had work stations in GSA-controlled space. By 1973, this number of employees reached 254,000. Coupled with the increase in employees working in GSA-controlled space is a parallel increase in the amount of space.

GSA's management of this space and meeting agency space needs has proceeded along two major lines of effort: (1) satisfying incremental, short-term space needs by acquiring small blocks of space and (2) providing agency consolidations or collocation for long-range space needs. Due to the great demand for space and because of

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PROSPECTUS NUMBER: PDC-79015

2. FINDINGS (CON'T)  
a. Project Need (con't)

limited resources, the emphasis has been on meeting only limited immediate needs which has restrained management flexibility in long-range plans. As a result, relatively few agencies have been consolidated in one building or buildings in the same vicinity.

(1). Agency Dispersal

Agencies originally housed at a single location typically have had to expand incrementally, becoming dispersed as additional space is acquired. Also, when new agencies or departments are established, space in the quantity needed to consolidate the activities forming the base of the new organization is seldom available, and they begin operations in dispersed locations.

The agencies and departments in the National Capital Region are continuously requesting GSA to provide space for their consolidation. Consolidation of agency operations provides significant management and cost benefits from improved agency communications, reduced staff time devoted to travel between locations, eliminated duplication of special requirements -- libraries, copying centers, mailrooms, concession areas -- and improved overall utilization of space.

GSA supports agency consolidations not only because of the benefits to the agency involved but also because of the management benefits to GSA. In consolidation, leases may be cancelled reducing the number of leases to be administered thereby reducing the costs of this activity. The consolidated agency would be in one GSA service area, thereby reducing the number of people which have a need to be familiar with the agency and improving GSA's response to agency needs.

(2). Market Conditions

Although new construction of office buildings is evident throughout the Washington metropolitan area, most of the space has been committed in advance of occupancy. This new construction was absorbed without increasing the vacancy rate, indicating excess demand in the office space market. However, the space was not only absorbed, it was not sufficient to meet demand. During the period when this new space was being completed, the vacancy rate actually went down and preleasing (lease commitments in advance of occupancy) increased. The GSA



PROSPECTUS NUMBER: FDC-79015

## 2. FINDINGS (CON'T)

## a. Project Need (con't)

## (2). Market Conditions (con't)

forecast for 1980 is that the demand for office space will continue at the current level. However, the amount of new space entering the market during 1980 and 1981 will be greater than during 1978 and 1979. The market may improve with rates stabilizing and more space available depending on the continued strength of demand. Space available now is for occupancy in mid to late 1980 if GSA could act immediately to commit for the space.

Rentals recently quoted for new space in the District of Columbia range from \$15.00 to \$20.00 per occupiable square foot fully serviced. GSA expects rentals to increase at a pace greater than the underlining rate of inflation.

These market conditions affect GSA's management of space in three adverse ways:

- o The cost of succeeding leases increases at a high rate thereby significantly increasing the cost of maintaining the space in GSA's inventory.
- o Lessors are unwilling to negotiate long-term leases and in general not willing to negotiate price.
- o The scarcity of available space forecloses the option of moving out of buildings in the near term when negotiations fail to improve the offered price.

These adverse affects are compounded because GSA does not have any space being developed which could relieve this pressure. The acquisition of a block of space into which an agency could be moved if negotiations with a lessor were not concluded successfully would be an incentive for lessors to negotiate in good faith and a disincentive for them to charge the maximum rate under the Economy Act limitations.

## (3). Agency Need

GSA, in its long-range plan for housing Federal agencies in the National Capital Region, has identified eleven agencies for consolidation. The requirements of three of these agencies tentatively forms the core of this 1,000,000 square foot prospectus.

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PROSPECTUS NUMBER: PDC-79015

2. FINDINGS (CON'T)  
 a. Project Needs (con't)  
 (3). Agency Needs (con't)

o Federal Trade Commission

Prospectus Number PDC-75081, approved by the Senate on July 31, 1975 and the House on June 29, 1976, authorized GSA to acquire 160,000 square feet of space at an annual cost of \$1,418,000 for the partial consolidation of FTC activities from five locations.

GSA issued a solicitation on July 2, 1976 for the space to meet FTC's request. Although the most responsive original offeror responding to the solicitation did not exceed the appraised fair annual rental, before negotiations could be concluded the offeror arbitrarily increased the rate. This new rate exceeded the appraised fair annual rental and subsequently negotiations were terminated. In light of the rapidly increasing rental cost and FTC's revised long-range space requirements, authority to consolidate FTC is requested in this prospectus.

The changes from the 1975 prospectus and the current proposal are shown in Exhibit B.

o Securities and Exchange Commission

Prospectus Number PDC-74121 approved by the Senate and House on October 19, 1974 authorized GSA to acquire 460,000 occupiable square feet of space and parking for 271 vehicles at an estimated annual cost of \$2,800,000 for the total consolidation of the Securities and Exchange Commission.

GSA issued a solicitation on December 9, 1974. On June 3, 1975, the lease was awarded to Southwest Joint Venture for a building at 1900 Half Street, S.W., Washington, DC.

SEC examined the space and refused to accept it. Subsequently, GSA directed SEC to move. On July 18, 1975, SEC appealed to the Office of Management and Budget (OMB). OMB ruled on January 3, 1976, that SEC was not required to relocate to the building.

SEC is still requesting consolidation and this prospectus seeks that authority. The changes from the 1974 prospectus and the current proposal are shown in Exhibit C.

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PROSPECTUS NUMBER: PDC-79015

2. FINDINGS (CON'T)a. Project Need (con't)(3). Agency Needs (Con't)o National Science Foundation

The National Science Foundation occupies 341,000 square feet of space at six leased locations, including 268,000 square feet at 1800 G Street, NW. Consolidation of the agency into approximately 315,000 square feet would result in a net reduction of space and would improve operational efficiency and permit GSA to consolidate the Secret Service into the space vacated at 1800 G Street, NW. The consolidation of the Secret Service in the vicinity of the White House is a priority item, and they already occupy space in this building. As a result of the NSF consolidation, a sufficient amount of space near the White House will be available to meet the Secret Service's need.

(4). Unidentified Replacement

As discussed in the section on Market Conditions, GSA is, to a great extent, at the mercy of lessors because there are no alternatives to succeeding leases. In order to provide alternatives, and thereby improve GSA's negotiating posture on succeeding leases, this prospectus includes 168,000 occupiable square feet for the replacement of unidentified problem leases. Furthermore, 726,270 square feet of space currently occupied by the agencies to be consolidated is identified for reuse will provide an additional incentive for serious negotiations along with being available to meet agencies critical requirements and Congressionally mandated new programs.

b. Discussion of Alternatives(1) Utilization of Government-owned or Existing Leased Space

There is no space available in GSA's inventory, either Government-owned or leased, that could satisfy these needs. The purpose of this prospectus is to provide space resources so GSA can meet consolidation needs and have alternatives to remaining in an existing leased building thereby ensuring an incentive for serious negotiations.

(2) Direct Federal Construction

Federal construction from planning through approval, design, and construction would take about five years. A Federal building could not be available under the best of circumstances until 1985, two years after this space would be occupied under the lease alternative. GSA owns sites in the District of Columbia which would accommodate a building of this size and which could be appropriately designated for Federal construction. GSA's long-range plan for housing



PROSPECTUS NUMBER: PDC-79015

Federal agencies in the National Capital Region includes proposed Federal construction projects of this size. GSA will be submitting requests for Federal construction for the completion of the Federal Triangle and the development of the Southeast Federal Center. Within the next 2 years, Master Plans for these installations will be completed and Federal construction proposals for the completion and development of these areas will be proposed.

(3). Acquisition of New Leased Space

This alternative was selected because of the immediate short term need to improve GSA's management of space in the National Capital Region. This alternative provides the solution to immediate critical problems, provides for the consolidation of four agencies and releases the upward pressure on lease costs.

3. ESTIMATED MAXIMUM COST

Estimated net annual rental (\$17.08 per square foot).....	\$17,080,000
Estimated value of services and utilities paid by the lessor (\$4.67 per square foot).....	<u>\$ 4,670,000</u>
Total estimated cost (\$21.75 per square foot).....	\$21,750,000

4. CURRENT HOUSING COST:

All but 156,295 square feet of the existing space is proposed to remain in GSA's space inventory. The estimated maximum cost of this prospectus is not offset by the cancellation of leases; therefore, the current housing costs are not provided. The estimated increase in obligations incurred by GSA through the acquisition of this space, will be about \$21,750,000 annually plus the annual increase in this amount because of escalation for services, utilities and operating costs.

5. SPACE PLAN:

The space plan for this prospectus is included as Exhibit A.

6. PRESENT VALUE ANALYSIS AND OTHER SUPPORT DATA:

A present value life cycle cost analysis comparing this proposal with direct Federal construction is not provided since Federal construction is not an alternative to this proposal. Other support data is attached.

7. COMPREHENSIVE HOUSING PLAN:

A Comprehensive Housing Plan for the National Capital Region because of the magnitude of the space involved is not included.

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DETERMINATION

The space needs of the Government in the National Capital Region cannot be met by the existing space inventory, and the immediate and critical needs can best be met through the acquisition of space constructed for lease to the Government.

Submitted at Washington, D.C. on \_\_\_\_\_

\_\_\_\_\_  
Administrator of General Services

DRAFT

SUPPLEMENTAL DATA  
LEASE CONSTRUCTION  
WASHINGTON, D.C.

I. STANDARD LEVEL USER CHARGE (SLUC) RATE:

The current maximum SLUC rate for first-class office space in Washington, D.C., for Fiscal Year 1983 will be \$14.60 per square foot.

II. CONSIDERATION UNDER THE RURAL DEVELOPMENT ACT OF 1972 (P.L. 92-419):

As required by this Act, consideration was given to relocating agencies to rural areas as defined by the Consolidated Farmers Home Administration Act of 1961, as amended (7 U.S.C. 1926). GSA and the agencies involved have determined that they cannot be relocated to a rural area without impairing their functions and efficiency.

III. ENVIRONMENTAL CONSIDERATIONS:

An analysis of this project's potential impact on the environment has been prepared in order to comply strictly with the purposes and intent of Executive Order 11514, Protection and Enhancement of Environmental Quality; the requirements of Section 102(2)(C) of the National Environmental Policy Act of 1969 (P.L. 91-190), as amended; and the regulations issued by the Council on Environmental Quality. The Environmental Impact Statement prepared as a result of this analysis is submitted with this prospectus.

IV. PUBLIC BUILDINGS COOPERATIVE USE ACT OF 1976 (P.L. 94-541):

Consideration will be given to acquiring space in suitable buildings that are historically, architecturally, or culturally significant, pursuant to the Public Buildings Cooperative Use Act of 1976, Title I of P.L. 94-541.

V. PLANNING COORDINATION:

As required by the Intergovernmental Cooperation Act of 1968 (P.L. 90-577) and Executive Order 12072, the development of the project has been coordinated with Federal, State, and local agencies.



SUPPLEMENTAL DATA (CONT.)  
LEASE CONSTRUCTION  
WASHINGTON, D.C.

VI. ENERGY CONSERVATION FIRE SAFETY AND HANDICAPPED PROVISIONS

In addition to price and other factors, the energy efficiency of competing offers will be considered in the award decisions. The lowest responsive offeror will be required, at a minimum, to construct a building that will meet GSA energy conservation goals. The building leased will meet all applicable fire and safety standards and will provide full accessibility for the handicapped.

VII. PARKING

As part of this project, GSA will lease 50 parking spaces for official vehicles. In addition, the lessor will be required to reserve 375 parking spaces for the use of Government employees.

VIII. FLOOD PLAIN MANAGEMENT

Consistent with the policies of Executive Order 11988, GSA has reviewed appropriate data and verified that the project area is not in a flood hazard zone.



Exhibit B

DRAFT

FEDERAL TRADE COMMISSION  
CONSOLIDATION  
PROPOSED LOCATIONS

Proposed Locations	1975 Prospects		Current Prospects	
	Square Feet	Personnel	Square Feet	Personnel
Government-owned				
111 Building	142,932	602	144,045	750
Leased				
Gelman Building	0	0	11,450 1/	31
New Leased Space	160,000	705	207,000	904
Total	302,932	1,470	363,295 2/	1,765

## Notes:

- 1/ Retained for Administrative Law Judges.  
2/ Includes storage space at two locations: Temple A (6,440 sq. ft.) and 621 North Payne Street (26,534 sq. ft.).

DRAFT

Exhibit D (cont.)

FEDERAL TRADE COMMISSION  
CONSULTATION  
EXISTING LOCATIONS

Existing Locations	1975 Prospects		Disposition	Square Feet	Current Prospects		Disposition
	Square Feet	Personnel			Personnel	Square Feet	
Government-owned							
FIC Building	142,932	749	Retain	144,045	773	Retain	
Leased							
Indiana Building	19,795	02	Reuse	19,445	110	Reuse	
Star Building	10,300	04	Reuse	10,795	134	Reuse	
PA Building	15,093	155	Reuse	36,599	209	Reuse	
Garison Building	32,714	170	Reuse	33,600	236	Retain/Reuse	
Metropolitan Building	0	0		40,035	01	Reuse	
1726 H St., NW	14,265	49	Reuse	14,265	56	Reuse	
Total	262,099	1,297		315,664 1/	1,607		

Notes:

1/ Excludes storage space at two locations: Tempo A (6,440 sq. ft.) and 621 North Payne Street (26,534 sq. ft.).

DRAFT

Exhibit C

SECURITIES AND EXCHANGE COMMISSION  
CONSOLIDATION  
PROPOSED LOCATIONS

Proposed Locations	1974 Prospectus		Current Prospectus	
	Square Feet	Personnel	Square Feet	Personnel
Government-owned				
None	0	0	0	0
Leased				
New Leased Space	460,000	1,500	310,000	1,410
Total	460,000 1/	1,500	310,000 2/	1,410

Notes:

1/ Includes space for the parking of 271 vehicles.

2/ Space for parking not included.

DRAFT

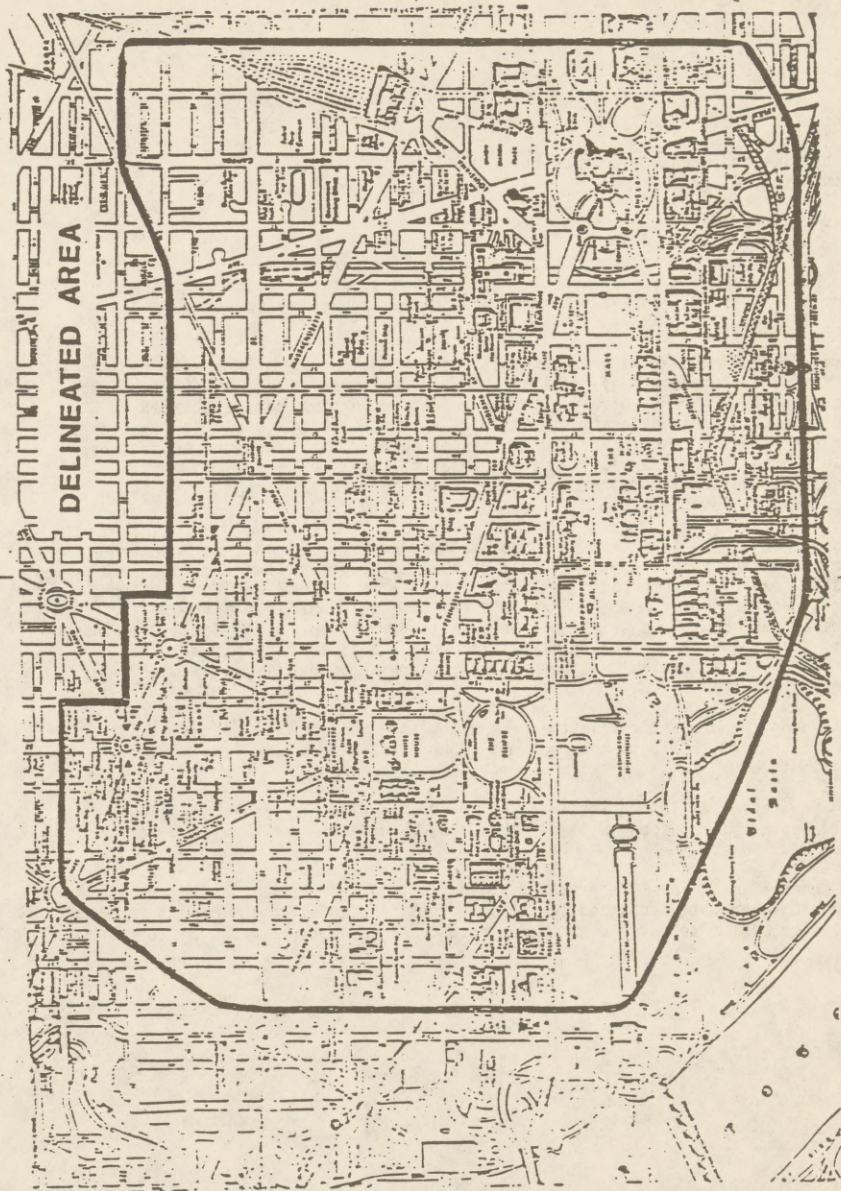
Exhibit C (con't)

SECURITIES AND EXCHANGE COMMISSION  
CONTROL TOWER  
EXISTING LOCATIONS

Existing Locations	1974 Prospective			Current Prospective		
	Square Feet	Personnel	Disposition	Square Feet	Personnel	Disposition
<b>Government-owned</b>						
320 1st Street Washington, D.C.	0	0	-	31,970	150	Reuse
Auditor's Complex Annex 2 Washington, D.C.	3,610	0	Reuse (future demolition)	3,610	0	Reuse
May Yard Annex Building 192 Washington, D.C.	8,330	0	Reuse (future demolition)	8,330	0	Reuse
<b>Subtotal</b>	<u>11,940</u>	<u>0</u>		<u>43,920</u>	<u>150</u>	
<b>Leased</b>						
500 North Capitol Street Washington, D.C.	169,090	977	Reuse/Cancel	169,635	925	Reuse
1000 11th Street Washington, D.C.	66,200	260	Reuse	70,550	255	Reuse
Ballston Center Lower 1 Arlington, VA	7,030	52	Reuse	<u>12,520</u>	<u>64</u>	Reuse
<b>Subtotal</b>	<u>242,320</u>	<u>1,289</u>		<u>252,613</u>	<u>1,234</u>	
<b>Total</b>	<u>254,260 J</u>	<u>1,297</u>		<u>286,433 J</u>	<u>1,384</u>	

Note:

J/ Excludes parking.



JAN 31 1980

Honorable Harold M. Williams  
Chairman  
Securities and Exchange Commission  
Washington, DC 20549

CHAIRMAN'S OFFICE

RECEIVED

FEB 05 1980

602172  
SEC. & EXCH. COMM.

Dear Mr. Chairman:

This is in response to your letter of January 9 regarding our joint efforts to obtain consolidated headquarters space for the Securities and Exchange Commission. I will answer your comments in the order they appeared in your letter.

First, regarding the draft prospectus language indicating offers will be solicited in increments of not less than 200,000 square feet, and your concern that your requirements of 319,000 square feet would thus not be located in a single consolidated location: It is my intent to obtain a single location for the full amount of space the Commission needs. The language was intended to give the General Services Administration flexibility in determining the overall actual building increments that would be most advantageous to the needs of the Government.

Second, regarding the proposed consolidation date of 1983 and your concern the prospectus should contain a goal of 1981: The prospectus language states "expected...occupancy"--this is a realistic reflection of the space market in Washington. An earlier delivery is highly unlikely since we do not forecast any buildings which will be under construction or available with uncommitted space in the amount needed for your consolidation. If an offer comes in with an earlier delivery and is otherwise competitive, we will pursue the offer.

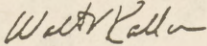
Regarding the projections in the prospectus and the data you submitted; we will review this data and meet with your staff before any final number is submitted.

The Environmental Impact Statement you requested will be completed in late February. As soon as it is completed, a copy will be furnished for your use.

In summary, I believe the proposed prospectus offers the best opportunity under the current fiscal and legislative constraints for the earliest delivery of the space the Commission needs. As we proceed with this project,

you will be kept closely advised so that you can make any necessary interior housing assignments and prepare plans for occupancy in the new building. Mr. Jack Finberg, Director of Planning (Telephone 472-1479) is available to you and your staff at any time further information on this project is needed.

Sincerely,



WALTER V. KALLAUR  
Regional Administrator

SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

CMP16  
RUN-DATE 05/23/80

0177 TO 0177 MONTH TOTAL

TYPE OF COMPLAINT	BD	IA	BK	IS	TYPE OF ENTITY	GN	TA	MF	OTHER	TOTAL
01 - FAIL TO DEL STOCKS	40									40
02 - FAIL TO DEL FUNDS	5									5
03 - DIVIDEND PROBLEMS	10									10
04 - FAIL TO TRANSFER ACCTS	6									6
05 - MISHANDLING OF ACCTS	76									76
06 - EXECUTION OF ORDERS										
07 - FAIL TO SEND CONFIRM	4									4
08 - FAIL TO SEND PROCPCTUS										
09 - FAIL TO OBTN SIGND MGN										
10 - MARGIN PROBLEMS										
11 - SURCHARGES, TAXES CFRGD	1									1
12 - HIGH PRESS-FRONT STMT	3									3
13 - PROTECTION OFFERED INV	1									1
14 - FAILURE TO DEL BONDS	5									5
15 - COMMISSION RATES-CTHR	2									2
16 - CANT OBTAIN RATE SCHED										
17 - CANT UNCSTND RATE SCHED										
18 - RATE DIFF-ACTUAL CHRG	3									3
19 - CONFIRM DIFF-RATE SCHED	5									5
20 - NO NOTICE/RTE INCREASE										
21 - FAIL TO SEND PRXY MTR										
22 - CLEARING OPERATIONS										
23 - PROB/LIQUIDATION										
24 - UNAUTH PUR/SLE CUS/ACC										
25 - IMPROPER OPTN RECMENDS										
26 - EXCESSIVE OPTN COMMSMS										
27 - OPTION ORDER NOT EXEC										
28 - MARGIN FOR OPTIONS										
29 - UNAUTHORIZED OPTN TRAN										
30 - UNABLE TO EXEC TRANS										
31 - FAIL TO EXEC OPTN-ACCT										
32 - FAIL TO RPT PROCPCTUS										
33 - OTH MANIPULATIVE PRACT										
34 - OTHER-MISCELLANEOUS										
40 - EXCN- COMPLAINTS				15						15
41 - COMPLAINTS AGNST NASD										
42 - MATTERS/ARBITRATIONS										
46 - TRANSFER AGNT PROBLEMS			21							21
47 - MISHANDLING MUT/FUNDS			7				8			29
48 - FAIL TO DEL SECURITIES			2				4			7
49 - INTEREST/DIVD/PROBLEMS										
50 - MISHANDLING OF DIVDENS										
51 - MISHAND/MUNICIPLE SECUR										
56 - COMPANY ACTIONS										
57 - CONDUCT/NTURE TEND/UFF										
58 - CONDUCT COMT/OPERATNS				30						30
59 - MISLEADING DISCLOSURE										
60 - FAIL/FILE REQ-REPORTS										
61 - FAIL TO DEL REPORTS				7						7

CMP 16  
RUN-DATE 05/23/80

## SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

0177 TO 0177 MONTH TOTAL

TYPE OF COMPLAINT	BD	IA	BK	IS	TYPE OF ENTITY UK	GN	TA	MF	OTHER	TOTAL
62 - FAILURE TO COMPLY										
63 - REG/PT REQ FOREIGN/IS										
64 - REG/PURSUANT TO REG-A				1						1
65 - GEN COMP OF SEC-MARKET				10						10
66 - FAIL TO PAY DIV OR INT				2						2
67 - FAIL TO DEL SECURITIES										
68 - FAIL/REMOVE RESTRY-LGN				2						2
69 - MISMANAGEMENT										
70 - OIL-GAS AND COAL LEASE										
71 - BANKRUPTCIES										
72 - INSIDER INFO-TRADING										
73 - MUNICIPAL SECURITIES										
74 - ISSUR EMPL REINVEST ACC										
75 - FAIL TO NOTIFY BOND HLDR										
76 - CONCERN INVEST/DIAMONDS										
79 - INVEST ADVISOR PROBLEMS										
80 - HANDLING/ORDER-PURCHASE										
81 - DELAY/RVCY PROC-LIQ/ATN										
82 - EXCESSIVE FEES										
83 - FAIL/RVCY CERT/STAT ACC										
84 - FAIL/RVCY DIVD/CAP-GAIN										
85 - IMPROPER SELLING										
86 - MISLEADING ADVERTISING										
87 - FAILURE TO COMPLY										
88 - QUESTIONABLE ACTIVITIES										
89 - OTHER										
90 - REFERRED/ANOTHER OFFICE										
91 - LGST/STOLEN SECURITIES										
92 - REQUEST/INFORMATION										
93 - REQUEST/INVESTIGATION										
94 - THANK YOU LETTERS										
95 - MISCELLANEOUS										
96 - LETTER PREV COMPLAINT										
97 - NON-SEC MATTERS										
98 - NEED MORE INFORMATION										
99 - PSBL PYRAMID/PONZI										
- UNKNOWN										
- TOTAL	256	7	50	279		51	13	41		697







CMP16  
RUN-DATE 05/23/80

SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

0377 TU 0377 MONTH TOTAL

TYPE OF COMPLAINT	BD	IA	BK	IS	TYPE OF ENTITY UK	GN	TA	MF	OTHER	TOTAL
62 - FAILURE TO COMPLY										1
63 - REG/RPT REQ FOREIGN/IS										9
64 - OFF/PURSUANT TO REG-A										8
65 - GEN COND OF SEC-MARKET				1						1
66 - FAIL TO PAY DIV OR INT				9						2
67 - FAIL TO DEL SECURITIES				8						
68 - FAIL/REMOVE RESTRV-LGN				1						
69 - MISMANAGEMENT				2						
70 - OIL/GAS AND COAL LEASE										
71 - BANKRUPTCIES										
72 - INSIDER INFO-TRADING										
73 - MUNICIPAL SECURITIES										
74 - ISSUR EMPL REINVEST ACC										
75 - FAIL TO NTFY BOND HLD										
76 - CONCERN INVST/DIAMONDS										
79 - INVEST ADVISOR PROBLEMS										
80 - HANDLING/ORDR-PURCHASE										
81 - DELAY/RCV PROCD-LIQCATN										
82 - EXCESSIVE FEES										
83 - FAIL/RCV CERT/STAT ACC										
84 - FAIL/RCV DIVD/CAP-GAIN										
85 - IMPROPER SELLING										
86 - MISLEADING ADVERTISING										
87 - FAILURE TO COMPLY										
88 - QUESTIONABLE ACTIVITIES										
89 - OTHER										
90 - REFERRED/ANOTHER OFFICE										
91 - LOST/STOLEN SECURITIES										
92 - REQUEST/INFORMATION										
93 - REQUEST/INVESTIGATION										
94 - THANK YOU LETTERS										
95 - MISCELLANEOUS										
96 - LETTER PREV COMPLAINT										
97 - NON-SEC MATTERS										
98 - NEED MORE INFORMATION										
99 - PSBL PYRAMID/PONZI										
- UNKNOWN										
- TOTAL	312	10	63	433	2	93	11	64		988

CMP16  
RUN-DATE 05/23/80

SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

04\*77 TO 04\*77 MONTH TOTAL

TYPE OF COMPLAINT	BD	IA	BK	IS	TYPE OF ENTITY	CN	TA	MF	OTHER	TOTAL
01 - FAIL TO DEL STOCKS	50									50
02 - FAIL TO DEL FUNDS	17									17
03 - DIVIDEND PROBLEMS	3									3
04 - FAIL TO TRANSFER ACCTS	9									9
05 - MISHANDLING OF ACCTS	58			1						59
06 - EXECUTING OF ORDERS	6									6
07 - FAIL TO SEND PROXY										
08 - FAIL TO SEND PROSPECTUS										
09 - FAIL TO BKN STONE MGN										
10 - MARGIN PROBLEMS										
11 - SURCHARGES/TAXES CHRGD										
12 - HIGH PRESS-FROLAT STMT	5									5
13 - PROTECTION OFFERED INV	1									1
14 - FAILURE TO DEL BDNGS	10									10
15 - COMMISSION RATES-CI-FER	1									1
16 - CANT OBTAIN RATE SCHED										
17 - CANT UNDSTND RATE SCHED										
18 - RATE DIFF-ACTUAL CHRGE										
19 - CNFRM DIFF-RATE SCHED										
20 - NC NOTICE/RTE INCREASE	2									2
21 - FAIL TO SEND PROXY MTR										
22 - CLEARING OPERATIONS										
23 - PROB/LIQUIDATION										
24 - UNAUTH PUR/SLE CUS/ACC										
25 - IMPROPER OPTN RECMENDS										
26 - EXCESSIVE OPTN CUMMNS										
27 - OPTION ORDER NOT EXEC										
28 - MARGIN FOR OPTNS										
29 - UNAUTHORIZED OPTN TRAN										
30 - UNABLE TO EXEC TRANS										
31 - FAIL TO EXEC OPTN-ACCT										
32 - FAIL TO RCV PROSPECTUS										
33 - OTH MANIPULATIVE PRACT										
34 - OTHER-MISCELLANEOUS										
40 - EXCN- COMPLAINTS										
41 - COMPLAINTS AGNST NASD										
42 - MATTERS/ARBITRATIONS										
46 - TRANSFER AGNT PROBLEMS										
47 - MISHANDLING MUT/FUNDS	15						3			18
48 - FAIL TO DEL SECURITIES	8						2			10
49 - INTEREST/DIVD/PROBLEMS	5						6			11
50 - MISHANDLING OF CIVDNS										
51 - MISHAND/MUNICIPALE SECUR										
56 - COMPANY ACTIONS										
57 - CONDUCT/NATURE TENC/OFF										
58 - CONDUCT CNTY/OPERATNS										
59 - MISLEADING DISCLOSURE										
60 - FAIL/FILE REQ-REPORTS										
61 - FAIL TO DEL REPORTS										
				70						70
				27						27

SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

CMP16  
RUN-DATE 05/23/80

0477 TO 0477 MONTH TOTAL

TYPE OF COMPLAINT	BU	IA	BK	IS	TYPE OF ENTITY UK	GN	TA	MF	OTHER	TOTAL
62 - FAILURE TO COMPLY										4
63 - REG/RPT REQ FOREIGN/IS										20
64 - OFF/PURSUANT TO REG-A										10
65 - GEN CCNC OF SEC-MARKET				4						4
66 - FAIL TO PAY DIV OR INT				20						20
67 - FAIL TO DEL SECURITIES				10						10
68 - FAIL/REMOVE RESTRY-LGN										
69 - MISMANAGEMENT										
70 - OIL GAS AND CUAL LEASE										
71 - BANKRUPTCIES				4						4
72 - INSIDER INFO-TRADING										
73 - MUNICIPAL SECURITIES										
74 - ISSUR EMPL REINVEST ACC										
75 - FAIL TO NOTIFY BOND FLDR										
76 - CONCERN INVST/DIAMGND										
79 - INVEST ADVISOR PRCLBMS		5						5		5
80 - HANDLING/ORDR-PURCHASE								3		3
81 - DELAY/RCV PROC-LICCATN								1		1
82 - EXCESSIVE FEES								4		4
83 - FAIL/RCV CERT/STAT ACC								1		1
84 - FAIL/RCV DIVD/CAP-GAIN								1		1
85 - IMPROPER SELLING								1		1
86 - MISLEADING ADVERTISING								1		1
87 - FAILURE TO COMPLY								1		1
88 - QUESTIONABLE ACTIVITIES								13		13
89 - OTHER										
90 - REFERREC/ANCHER CFGE										
91 - LOST/STLEN SECURITIES										
92 - REQUEST/INFORMATION										
93 - REQUEST/INVESTIGATION										
94 - THANK YOU LETTERS				145						145
95 - MISCELLANEOUS				10						10
96 - LETTER PREV COMPLAINT				3						3
97 - NON-SEC MATTERS				28						28
98 - NEED MORE INFORMATION				34						34
99 - PSBL PYRAMID/PUNZI				9						9
- UNKNOWN										
- TOTAL	290	8	41	377	1	98	15	40		870



SUMMARY OF COMPLAINTS BY TYPE AND ENTITY  
 CMI16  
 RUN-DATE 05/23/80

0577 TO 0577 MONTH TOTAL

TYPE OF COMPLAINT	BU	IA	BK	IS	TYPE OF ENTITY UK	GN	TA	MF	OTHER	TOTAL
62 - FAILURE TO COMPLY										7
63 - REG/RPT REQ FOREIGN/IS				11						11
64 - OFF/PURSUANT TO REG-A				7						7
65 - GEN CUND OF SEC-MARKET				1						1
66 - FAIL TO PAY DIV OR INT				3						3
67 - FAIL TO DEL SECURITIES										
68 - FAIL/REMOVE RESTRV-LGN										
69 - MISMANAGEMENT										
70 - OIL/GAS AND COAL LEASE										
71 - BANKRUPTCIES										
72 - INSIDER INFO-TRADING										
73 - MUNICIPAL SECURITIES										
74 - ISSUR EMPL REINVEST ACC										
75 - FAIL TO NOTIFY BOND HLDR	2							4		2
76 - CONCERN INVT/CIAMCND								3		3
79 - INVEST ADVISOR PROBLEMS								2		2
80 - HANDLING/ORDR-PURCHASE								2		2
81 - DELAY/RCV PROC-LIQUID										
82 - EXCESSIVE FEES										
83 - FAIL/RCV CERT/STAT ACC								8		8
84 - FAIL/RCV DIVID/CAP-GAIN										
85 - IMPROPER SELLING										
86 - MISLEADING ADVERTISING										
87 - FAILURE TO COMPLY										
88 - QUESTIONABLE ACTIVITIES										
89 - REFERRED/ANOTHER OFFICE										
91 - LGST/STOLEN SECURITIES										
92 - REQUEST/INFORMATION										
93 - REQUEST/INVESTIGATION										
94 - THANK YOU LETTERS										
95 - MISCELLANEOUS										
96 - LETTER PREV COMPLAINT										
97 - NON-SEC MATTERS										
98 - NEED MORE INFORMATION										
99 - PSBL PYRAMID/PONZI										
- UNKNOWN										
- TOTAL	298	5	49	378		104	11	33		878



SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

CMP16  
RUN-DATE 05/23/80

0677 TO 0677 MONTH TOTAL

TYPE OF COMPLAINT	BD	IA	BK	IS	TYPE OF ENTITY	GN	TA	MF	OTHER	TOTAL
62 - FAILURE TO COMPLY										1
63 - REG/RPT REQ FOREIGN/IS				1						23
64 - OFF/PURSUANT TO REG-A				23						3
65 - GEN CONC OF SEC-MARKET				3						
66 - FAIL TO PAY DIV OR INT										
67 - FAIL TO DEL SECURITIES										
68 - FAIL/REMOVE RESTRV-LGN										
69 - MISMANAGEMENT										
70 - OIL,GAS AND COAL LEASE				5						5
71 - BANKRUPTCIES										
72 - INSIDER INFO-TRADING										
73 - MISCELLANEOUS SECURITIES										
74 - ISSUANCE OF SECURITIES										
75 - CALL TO NIPST BOND HLDR										
76 - CONCERN OVER SEC/PRCBLMS										
77 - INVEST ADVIS/PRCBLMS										
78 - HANDLING/ORG/PURCHASE										
79 - DELAY/RCV REGC-LIQDTRN										
80 - EXCESSIVE FEES										
81 - FAIL/RCV CERT/STAT ACC								5		5
82 - FAIL/RCV DIVD/CAP-GAIN								2		2
83 - IMPROPER SELLING								1		1
84 - MISLEADING ADVERTISING								1		1
85 - FAILURE TO COMPLY								7		7
86 - QUESTIONABLE ACTIVITIES										
87 - OTHER								1		1
88 - REFERRED/ANOTHER OFFICE								8		8
89 - LGST/STCLN SECURITIES										
90 - REQUEST/INFORMATION	30									140
91 - REQUEST/INVESTIGATION	4			91		8	1	2		114
92 - THANK YOU LETTERS	44	1		7						55
93 - MISCELLANEOUS	30	1	9	26		70		4		136
94 - LETTER PREV COMPLAINT	41	1	6	32		5		1		86
95 - NEED MORE INFORMATION			1	9		11		1		22
96 - PSBL PYRAMID/PONZI				2		2				4
97 - UNKNOWN										
98 - TOTAL	313	3	43	322		96	6	33		816



SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

CMP 16  
RUN-DATE 05/23/80

0777 TO 0777 MONTH TOTAL

TYPE OF COMPLAINT	BD	IA	BK	IS	TYPE OF ENTITY	GN	TA	MF	OTHER	TOTAL
62 - FAILURE TO COMPLY										
63 - REG/RPT REQ FOREIGN/IS										
64 - OFF/PURSUANT TO REG-A										
65 - GEN CCND OF SEC-MARKET				15						15
66 - FAIL TO PAY DIV OR INT				6						6
67 - FAIL TO DEL SECURITIES										
68 - FAIL/REMOVE RESTRV-LGN										
69 - MISMANAGEMENT				3						3
70 - OIL/GAS AND COAL LEASE										
71 - BANKRUPTCIES										
72 - INSIDER INFO-TRADING										
73 - MUNICIPAL SECURITIES										
74 - ISSUR EMPL REINVEST ACC										
75 - FAIL TO NOTIFY BOND FLDR										
76 - CONCERN INVEST/DIAMONDS		4								4
79 - INVEST ADVISOR PROBLEMS								4		4
80 - HANDLING/ORDER-PURCHASE								1		1
81 - DELAY/RCV PRCC-LIQUIDATE								2		2
82 - EXCESSIVE FEES								2		2
83 - FAIL/RCV CERT/STAT ACC										
84 - FAIL/RCV DIVID/CAP-GAIN										
85 - IMPROPER SELLING										
86 - MISLEADING ADVERTISING										
87 - FALSIFYING COMPL										
88 - OTHER								1		1
89 - OTHER								12		12
90 - REFERRED/ANOTHER OFFICE										
91 - LCST/STOLEN SECURITIES										
92 - REQUEST/INFORMATION	21		3	117		6	1	7		155
93 - REQUEST/INVESTIGATION	1		1	13				1		16
94 - THANK YOU LETTERS	47		2	5				1		55
95 - MISCELLANEOUS	29		4	33		72	1	2		141
96 - LETTER PREV COMPLAINT	40	1	7	37		13		8		106
97 - NON-SEC MATTERS				1		4	1			6
98 - NEED MORE INFORMATION	1					1		1		3
99 - PSBL PYRAMID/PONZI										
- UNKNOWN										
- TOTAL	293	5	46	362		96	11	42		855



SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

CMP 16  
RUN-DATE 05/23/80

0877 TU 0877 MONTH TOTAL

BU	IA	BK	IS	TYPE OF ENTITY UK	GN	TA	MF	OTHER	TOTAL
									1
			1						14
			9						9
									11
			11						11
									4
	4						6		6
							5		5
							3		3
							1		1
							1		1
									6
							6		6
									138
			101		12	4	6		12
			7				1		64
			23						164
			33		83	1	3		93
			46	2	10		1		22
			6		10				8
			1		1				8
									920
									33
			387	2	116	10			920
									306
	5	61							306
									306

- 62 - FAILURE TO COMPLY
- 63 - REG/RPT REQ FOREIGN/IS
- 64 - UFF/PURSUANT TO REG-A
- 65 - GEN CONC OF SEC-MARKET
- 66 - FAIL TO PAY DIV DR INT
- 67 - FAIL TO DEL SECURITIES
- 68 - FAIL/REMOVE RESTRV-LGN
- 69 - MISMANAGEMENT
- 70 - OIL,GAS AND COAL LEASE
- 71 - BANKRUPTCIES
- 72 - INSIDER INFO-TRAINING
- 73 - MUNICIPAL SECURITIES
- 74 - ISSUR EMPLOYMENT ACC
- 75 - FAIL TO FILE FINVD HLDR
- 76 - CONCERN INVEST/DIAMCHRS
- 77 - INNES INC/ORBOR-PURCHASE
- 78 - HANGL/RCV PRCC-LIQDATN
- 79 - EXCESSIVE FEES
- 80 - FAIL/RCV CERT/STAT ACC
- 81 - FAIL/RCV DIV/D/CAP-GAIN
- 82 - IMPROPER SELLING
- 83 - MISLEADING ADVERTISING
- 84 - FAILURE TO COMPLY
- 85 - QUESTIONABLE ACTIVITIES
- 86 - OTHER
- 87 - REFERRED/ANOTHER OFFCE
- 88 - LUST/STOLEN SECURITIES
- 89 - REQUEST/INFORMATION
- 90 - REQUEST/INVESTIGATION
- 91 - THANK YOU LETTERS
- 92 - MISCELLANEOUS
- 93 - LETTER PREV COMPLAINT
- 94 - NON-SEC MATTERS
- 95 - NEED MORE INFORMATION
- 96 - PSBL PYRAMIC/PONZI
- 97 - UNKNOWN
- 98 - TOTAL



SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

CMPL6  
RUN-DATE 05/23/80

J977 TO 0977 MONTH TOTAL

TYPE OF COMPLAINT	BD	IA	BK	IS	TYPE OF ENTITY	GN	TA	MF	OTHER	TOTAL
62 - FAILURE TO COMPLY										3
63 - REG/RTI REQ FOREIGN/IS				3						12
64 - OFF/PURSUANT TO REG-PT				12						5
65 - GEN CONC OF SEC-MRKT				5						1
66 - FAIL TO DEV SECURITIES				1						1
67 - FAIL TO DEV SECURITIES				26						26
68 - FAIL TO DEV RESTRY-LGN										
69 - MISMANAGEMENT										
70 - MISMANAGEMENT COAL LEASE										
71 - MISMANAGEMENT										
72 - INSIDER INEQ-TRADING										
73 - MUNICIPAL SECURITIES										
74 - ISSUR-EMPL REINVEST ACC										
75 - FAIL TO MTFY BOND FLDR										
76 - CONCERN INVST/DIAMONDS										
79 - INVEST ADVISDR PROBLMS		5								5
80 - HANDLING/ORDR-PURCHASE										
81 - DELAY/RCV PROC-LIQCATN										
82 - EXCESSIVE FEES										
83 - FAIL/RCV CERT/STAT ACC										
84 - FAIL/RCV DIVD/CAP-GAIN										
85 - IMPROPER SELLING										
86 - MISLEADING ADVERTISING										
87 - FAILURE TO COMPLY										
88 - QUESTIONABLE ACTIVITIES										
89 - OTHER										
90 - REFERRED/ANOTHER OFFICE										
91 - LOST/STOLEN SECURITIES	20	1	7	104		24	2	4		162
92 - REQUEST/INFORMATION	6		1	7			1			15
93 - REQUEST/INVESTIGATION	26	1	5	13		3				48
94 - THANK YOU LETTERS	23		9	37	1	97		3		170
95 - MISCELLANEOUS	13		6	36		2		6		63
96 - LETTER PREV COMPLAINT				5	1	8				14
97 - NON-SEC MATTERS				1		2				5
98 - NEED MORE INFORMATION	2									
99 - UNKNOWN										
- TOTAL	262	7	65	315	2	136	11	31		829



SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

CMP16  
RUN-DATE 05/23/80

1077 TC 1077 MONTH TOTAL

TYPE OF COMPLAINT	BD	IA	BK	IS	TYPE OF ENTITY UK	GN	TA	MF	OTHER	TOTAL
62 - FAILURE TO COMPLY										
63 - REG/RPT REQ FOREIGN/IS										6
64 - OFF/PURSUANT TO REG-A										8
65 - GEN CCND OF SEC-MARKET				6						8
66 - FAIL TO PAY DIV OR INT				8						8
67 - FAIL TO DEL SECURITIES										
68 - FAIL/REMOVE RESTRV-LGN										19
69 - MISMANAGEMENT				19						
70 - OIL,GAS AND COAL LEASE										
71 - BANKRUPTCIES										
72 - INSIDER INFC-TRADING										
73 - MUNICIPAL SECURITIES										
74 - ISSUR EMPL REINVEST ACC										
75 - FAIL TO NOTIFY FLD R										
76 - CONCERN INVEST/DIAMONDS										
79 - INVEST ADVISOR PROBLEMS										
80 - HANDLING/ORDER-PURCHASE										
81 - DELAY/RCV PROC-LIQUID										
82 - EXCESSIVE FEES										
83 - FAIL/RCV CERT/STAT ACC										
84 - FAIL/RCV DIVID/CAP-GAIN										
85 - IMPROPER SELLING										
86 - MISLEADING ADVERTISING										
87 - FAILURE TO COMPLY										
88 - QUESTIONABLE ACTIVITIES										
89 - OTHER										
90 - REFINERED/ANOTHER GEFFE										
91 - RESTRICTIONS SECURITIES										
92 - REQUEST/INFORMATION										
92 - REQUEST/INVESTIGATION										
92 - THANK YOU LETTERS										
95 - MISCELLANEOUS										
96 - LETTER PREV COMPLAINT										
97 - NON-SEC MATTERS										
98 - NEED MORE INFORMATION										
99 - PSBL PYRAMID/PONZI										
99 - UNKNOWN										
- TOTAL	20	11	2	111		17	4	3		157
	22	2	1	1		7				41
	17		7	9	1	105		1		159
	23		6	25		9		2		65
	1		2	2		4				7
						2				2
	237	13	42	282	1	144	8	35		762



CMP 16  
RUN-DATE 05/23/80

SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

1177 TO 1177 MONTH TOTAL

TYPE OF COMPLAINT	BD	1A	BK	IS	TYPE OF ENTITY UK	GN	TA	MF	OTHER	TOTAL
62 - FAILURE TO COMPLY										3
63 - REG/RPT REQ FOREIGN/IS				3						11
64 - OFF/PURSUA NT TO REG-A				11						9
65 - GEN CONCD OF SEC-MARKET				9						1
66 - FAIL TO PAY DIV OR INT				1						25
67 - FAIL TO DEL SECURITIES				25						
68 - FAIL/REMOVE RESTRV-LGN										
69 - MISMANAGEMENT										
70 - OIL*GAS AND COAL LEASE										
71 - BANKRUPTCIES										
72 - INSIDER INFO-TRADING										
73 - MUNICIPAL SECURITIES										
74 - ISSUR EMPL REINYST ACC										
75 - FAIL TO NTFY BOND HLDR										
76 - CONCERN INVST/DIAMONDS										
79 - INVEST ADVISCR PRGBLMS										
80 - HANDLING/ORDR-PURCHASE										
81 - DELAY/RCV PROC-LIQLCATN										
82 - EXCESSIVE FEES										
83 - FAIL/RCV CERT/STAT ACC										
84 - FAIL/RCV DIVD/CAP-GAIN										
85 - IMPROPER SELLING										
86 - MISLEADING ADVERTISING										
87 - FAILURE TO COMPLY										
88 - QUESTIONABLE ACTIVITIES										
89 - OTHER										
90 - REFERRED/ANOTHER OFFICE										
91 - LOST/STOLEN SECURITIES										
92 - REQUEST/INFORMATION										
93 - REQUEST/INVESTIGATION										
94 - THANK YOU LETTERS										
95 - MISCELLANEOUS										
96 - LETTER PRETENSES										
97 - NON-SECURITIES COMPLAINT										
98 - NEED JURISDICTIONAL INFORMATION										
99 - USBA PYRAMID/PONZI										
- UNKNOWN										
- TOTAL	371	7	61	348		139	13	21		960



CMP16  
RUN-DATE 05/23/80

SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

1277 TO 1277 MONTH TOTAL

TYPE OF COMPLAINT	BO	IA	BK	IS	TYPE OF ENTITY UK	GN	TA	MF	OTHER	TOTAL
62 - FAILURE TO COMPLY				6						6
63 - REG/RPT REQ FOREIGN/IS				7						7
64 - OFF/PURSUANT TO REG-A				4						4
65 - GEN CONC OF SEC-MARKET				4						4
66 - FAIL TO PAY DIV OR INT										
67 - FAIL TO DEL SECURITIES										
68 - FAIL/REMOVE RESTRY-LGN										
69 - MISMAGEMENT COAL LEASE				38						38
70 - OIL/GAS TANKS										
71 - BANKRUPTCY										
72 - BANKRUPTCY-TRADING										
73 - MUNICIPAL SECURITIES										
74 - ISSUR EMPL REINVEST ACC										
75 - F31 TO NTFY BOND FLDR										
76 - CONCERN INVTST/DIAMCRDS										
79 - INVEST ADVISOR PRCBULMS										
80 - HANDLING/ORDR-PURCHASE										
81 - DELAY/RCV PROC-LIQCATN										
82 - EXCESSIVE FEES										
83 - FAIL/RCV CERT/STAT ACC		5						4		5
84 - FAIL/RCV DIVD/CAP-GAIN								1		1
85 - IMPROPER SELLING								2		2
86 - MISLEADING ADVERTISING								3		3
87 - FAILURE TO COMPLY								1		1
88 - QUESTIONABLE ACTIVITES								9		9
89 - OTHER										
90 - REFERREG/ANCHER OFFCE										
91 - LOST/STOLEN SECURITIES										
92 - REQUEST/INFORMATION				93		19	2	1		148
93 - REQUEST/INVESTIGATION				2						2
94 - THANK YEU LETTERS		1	4	6		3				41
95 - MISCELLANEOUS		4	5	19	1	97		2		131
96 - LETTER PREV COMPLAINT			7	36		6		2		84
97 - NGN-SEC MATTERS		4		2		1				3
98 - NEED MORE INFORMATION										
99 - PSBL PYRAMID/PONZI										
- UNKNOWN										
- TOTAL	277	10	38	290	1	126	11	25		778



SUMMARY OF COMPLAINTS BY TYPE AND ENTITY  
 CMP16  
 RUN-DATE 05/23/80

0177 TO 1277 YEAR TOTALS

TYPE OF COMPLAINT	BO	IA	BK	IS	TYPE OF ENTITY			TA	MF	OTHER	TOTAL
					UK	GN	UK				
62 - FAILURE TO COMPLY											
63 - REG/REP REQ FOREIGN/IS											35
64 - OFF/PURSUANT TO REG-A											149
65 - GEN CONC OF SEC-MARKET				35							73
66 - FAIL TO PAY DIV OR INT				73							5
67 - FAIL TO DEL SECURITIES				5							144
68 - FAIL/REMOVE RESTRY-LGN				144							
69 - MISMANAGEMENT											
70 - OIL-GAS AND COAL LEASE											
71 - BANKRUPTCIES											
72 - INSIDER INFO-TRADING											
73 - MUNICIPAL SECURITIES											
74 - ISSUR EMPL REINVEST ACC											
75 - FAIL TO NOTIFY BOND HLDR											
76 - CONCERN INVEST/DIAMONDS											
79 - INVEST ADVISOR PROBLEMS											
80 - HANDLING/ORDER-PURCHASE											
81 - DELAY/RCV PROC-LIQCATN											
82 - EXCESSIVE FEES											
83 - FAIL/RCV CERT/STAT ACC											
84 - FAIL/RCV DIVD/CAP-GAIN											
85 - IMPROPER SELLING											
86 - MISLEADING ADVERTISING											
87 - FAILURE TO COMPLY											
88 - QUESTIONABLE ACTIVITIES											
89 - OTHER											
90 - REFERRED/ANOTHER OFFICE											
91 - LOST/STOLEN SECURITIES											
92 - REQUEST/INFORMATION											
93 - REQUEST/INVESTIGATION											
94 - THANK YOU LETTERS											
95 - MISCELLANEOUS											
96 - LETTER PREV COMPLAINT											
97 - NON-SEC MATTERS											
98 - NEED MORE INFORMATION											
99 - PSBL PYRAMID/PUNZI											
- UNKNOWN											
- TOTAL	3538	82	609	4055	9	1263	129	448			10133



SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

CMP16  
RUN-DATE 05/23/80

0177 TO 1217 GRAND TOTAL

TYPE OF COMPLAINT	BD	IA	BK	IS	TYPE UF ENTITY UK	GN	TA	MF	OTHER	TOTAL
62 - FAILURE TO COMPLY				35						35
63 - REG/RPT REQ FOREIGN/IS				149						149
64 - OFF/PURSUANT TO REC-A				73						73
65 - GEN COND OF SEC-MARKET				5						5
66 - FAIL TO PAY DIV OR INT				144						144
67 - FAIL TO DEL SECURITIES										
68 - FAIL/REMOVE RESTRV-LGN										
69 - MISMANAGEMENT										
70 - OIL/GAS AND COAL LEASE										
71 - BANKRUPTCIES										
72 - INSIDER INFO-TRADING										
73 - MUNICIPAL SECURITIES										
74 - ISSUR EPLP REINVEST ACC										
75 - FAIL TO NOTIFY BOND HLDR										
76 - CONCERN INVEST/DIAMONDS										
79 - INVEST ADVISOR PROBLEMS										
80 - HANDLING/ORDR-PURCHASE										
81 - DELAY/RCV PROC-LIQUIDATN										
82 - EXCESSIVE FEES										
83 - FAIL/RCV CERT/STAT ACC										
84 - FAIL/RCV DIVD/CAP-GAIN										
85 - IMPROPER SELLING										
86 - MISLEADING ADVERTISING										
87 - FAILURE TO COMPLY										
88 - OTHER										
89 - OTHER										
90 - REFEREE/ANOTHER OFFICE										
91 - LOSST/STLEN SECURITIES										
92 - REQUEST/INFORMATION										
93 - REQUEST/INVESTIGATION										
94 - THANK YOU LETTERS										
95 - MISCELLANEOUS										
96 - LETTER PREV COMPLAINT										
97 - NON-SEC MATTERS										
98 - NEED MORE INFORMATION										
99 - PSBL PYRAMID/PONZI										
- UNKNOWN										
- TOTAL	3538	82	609	4055	9	1263	129	448		10133



SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

CMP 16  
RUN-DATE 05/23/80

0178 TO 0178 MONTH TOTAL	BO	IA	BK	IS	TYPE OF ENTITY UK	GN	TA	MF	OTHER	TOTAL
62 - FAILURE TO COMPLY										6
63 - REG/RPT REQ FOREIGN/IS				5		1				18
64 - OFF/PURSUANT TO REG-A				18						7
65 - GEN COND OF SEC-MARKET				7						3
66 - FAIL TO PAY DIV OR INT				3						30
67 - FAIL TO DEL SECURITIES				29						
68 - FAIL/REMOVE, RESTRV-LGN				1						
69 - MISMANAGEMENT										
70 - OIL,GAS AND COAL LEASE										
71 - BANKRUPTCIES				1						1
72 - INSIDER INFO-TRADING										
73 - MUNICIPAL SECURITIES										
74 - ISSUR EMPL REINVEST ACC										
75 - FAIL TO NOTIFY BOND HLDR										
76 - CONCERN INVEST/DIAPRND										
79 - INVEST ADVISOR PROBLEMS										
80 - HANDLING/ORDR-PURCHASE		10						10		10
81 - BELLYFACE FEES-LIQUIDATN								2		2
82 - PAGES/COPIES										
83 - FAIL/RCV CERE/STAT ACC										
84 - FAIL/RCV DIVD/CAP-GAIN										
85 - IMPROPER SELLING										
86 - MISLEADING ADVERTISING										
87 - FAILURE TO COMPLY										
88 - QUESTIONABLE ACTIVITES										
89 - OTHER										
90 - REFERRED/ANOTHER OFFCE	4									2
91 - LOST/STOLEN SECURITIES	24	1		147		18	5	3		198
92 - REQUEST/INFORMATION	2			3		1				6
93 - REQUEST/INVESTIGATION	21			4		5				30
94 - THANK YOU LETTERS	28			13		71				118
95 - MISCELLANEOUS	41	3	6	39		5	2			102
96 - LETTER PREV COMPLAINT	3		10	2		10				16
97 - NON-SEC MATTERS	3				1	2	1			6
98 - NEED MORE INFORMATION										
99 - PSBL PYRAMIC/PONZI										
- UNKNOWN	313	14	42	357	1	114	27	30		898
- TOTAL										

SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

CMP16  
RUN-DATE 05/23/80

0278 TO 0278 MONTH TOTAL

TYPE OF COMPLAINT	BD	IA	BK	IS	UK	GN	TA	MF	OTHER	TOTAL
01 - FAIL TO DEL STOCKS	35									39
02 - FAIL TO DEL BONDS	19									19
03 - DIVIDEND PROBLEMS	7									7
04 - FAIL TO TRANSFER ACCTS	7									7
05 - MISHANDLING OF ACCTS	73									73
06 - EXECUTION OF ORDERS										
07 - FAIL TO SEND CONFIRM	6									6
08 - FAIL TO SEND PROSPECTUS										
09 - FAIL TO OBTN SIGN'D MGN										
10 - MARGIN PROBLEMS										
11 - SURCHARGES/TAXES CHRGD	2									2
12 - HIGH PRESS-FRDLNT SIMT	11									11
13 - PROTECTION OFFERED INV	3									3
14 - FAILURE TO DEL BONDS	10									10
15 - GUMMISSION RATES-OTHER	3									3
16 - CANT OBTAIN RATE SCHED	2									2
17 - CANT UNSTND RATE SCHED										
18 - RATE CLFF-ACTUAL CHRGE										
19 - CUNFRM CLFF-RATE SCHED										
20 - NC NOTICE/RTG INCREASE										
21 - FAIL TO SEND PROXY MTR										
22 - CLEARING OPERATIONS										
23 - PROB/LIQUIDATION										
24 - UNAUTH PUR/SLE CUS/ACC										
25 - IMPROPER OPTN RECMENTS										
26 - EXCESSIVE OPTN COMPSNS										
27 - OPTION ORDER NOT EXEC										
28 - MARGIN FOR OPTIONS										
29 - UNAUTHORIZED OPTN TRAN										
30 - UNABLE TO EXEC TRANS										
31 - FAIL TO EXEC OPTN-ACCT										
32 - FAIL TO RCV PROSPECTUS										
33 - UTH MANIPULATIVE PRACT										
34 - OTHER-MISCELLANEOUS										
40 - EXCN- COMPLAINTS										
41 - COMPLAINTS AGNST NASD										
42 - MATTERS/ARBITRATIONS										
45 - TRANSFER AGNT PROBLEMS										
47 - MISHANDLING MUT/FUNDS										
48 - FAIL TO DEL SECURITIES										
49 - INTEREST/DIVID/PROBLEMS										
50 - MISHANDLING OF DIVS										
51 - MISHANDLING OF SECUR										
52 - CONTRACTUAL TEND/OFF										
53 - CONDUCT CONT/OPERATE										
58 - MISHANDLING DISCLOSRE										
59 - MISHANDLING DISCLOSRE										
60 - FAIL/FILE REQ-RECRSTS										
61 - FAIL TO DEL REPORTS										
				19						19
			7				9			16
			15				2			17
			11				1			12
				1						1
				23						23
				28						28

SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

TYPE OF COMPLAINT	BU	IA	BK	IS	TYPE OF ENTITY			TA	MF	OTHER	TOTAL
					UK	GN	UK				
0278 TO 0278 MONTH TOTAL											
62 - FAILURE TO COMPLY											6
63 - REG/RPT REQ FOREIGN/IS											11
64 - OFF/PURSUAUNT TO-REG-A											10
65 - GEN CONC OF SEC-MARKET											35
66 - FAIL TU PAY DIV OR INT											1
67 - FAIL TO DEL SECURITIES											10
68 - FAIL/REMOVE RESTRV-LGN											35
69 - MISMANAGEMENT											
70 - OIL/GAS AND COAL LEASE											
71 - BANKRUPTCIES											
72 - INSIDER INFO-TRADING											
73 - MUNICIPAL SECURITIES											
74 - ISSUR EPL PEINMST ACC											
75 - FAIL TU NTFY BOND HLDR											
76 - CONCERN INVST/DIAMONDS											
79 - INVEST ADVISDR PRCLBMS											
80 - HANDLING/ORDR-PURCHASE											
81 - DELAY/RCV PROC-LIQDATN											
82 - EXCESSIVE FEES											
83 - FAIL/RCV CERT/STAT ACC											
84 - FAIL/RCV DIVD/CAP-GAIN											
85 - IMPROPER SELLING											
86 - MISLEADING ADVERTISING											
87 - FAILURE TO COMPLY											
88 - QUESTIONABLE ACTIVITIES											
89 - OTHER											
90 - REFERRED/ANOTHER OFFICE											
91 - LOST/STOLEN SECURITIES											
92 - REQUEST/INFORMATION											
93 - REQUEST/INVESTIGATION											
94 - THANK YOU LETTERS											
95 - MISCELLANEOUS											
96 - LETTER PREV COMPLAINT											
97 - NON-SEC MATTERS											
98 - NEED MORE INFORMATION											
99 - PSBL PYRAMID/PONZI											
- UNKNOWN											
- TOTAL	303	6	50	318	1	166	15	30			889

SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

0378 TO 0378 MONTH TOTAL	TYPE OF COMPLAINT	BD	IA	BK	IS	TYPE OF ENTITY			TA	MF	OTHER	TOTAL
						UK	GN	GN				
01 - FAIL TO DEL STOCKS	70											70
02 - FAIL TO DEL FUNDS	19											19
03 - DIVIDEND PROBLEMS	8											8
04 - FAIL TO TRANSFER ACCTS	13											13
05 - MISHANDLING OF ACCTS	63											63
06 - EXECUTION OF ORDERS												
07 - FAIL TO SEND CONFIRMTN	8											8
08 - FAIL TO SEND PROSPECTUS												
09 - FAIL TO UBTN SIGNC MGN												
10 - MARGIN PROBLEMS												
11 - SURCHARGES, TAXES CFRGD	5											5
12 - HIGH PRESS-FROLINT STMT	14											14
13 - PROTECTION OFFERED INV	3											3
14 - FAILURE TO DEL BONDS	18											18
15 - COMMISSION RATES-CITIZ	3											3
16 - CANT OBTAIN RATE SCHED												
17 - CANT OBTAIN RATE SCHED	1											1
18 - RATE DIFFERENTIAL CHRG	2											2
19 - CONFIRM DIFFERENTIAL CHRG	2											2
20 - NO NOTICE/STATE SCHED	1											1
21 - FAIL TO SEND PROXY MTR												
22 - CLEARING OPERATIONS												
23 - PROB/LIQUIDATION												
24 - UNAUTH PUR/SLE CUS/ACC												
25 - IMPROPER OPTN RECMDS												
26 - EXCESSIVE OPTN COMMSNS												
27 - OPTION ORDER NOT EXEC												
28 - MARGIN FOR OPTIONS												
29 - UNAUTHORIZED OPTN TRAN												
30 - UNABLE TO EXEC TRANS												
31 - FAIL TO EXEC OPTN-ACCT												
32 - FAIL TO RCV PROSPECTUS												
33 - OTH MANIPULATIVE PRACT												
34 - OTHER-MISCELLANEOUS												
40 - EXCN- COMPLAINTS												
41 - COMPLAINTS AGNST NASD												
42 - MATTERS/ARBITRATICKS												
46 - TRANSFER AGNT PROBLEMS												
47 - MISHANDLING MUT/FUNDS												
48 - FAIL TO DEL SECURITIES												
49 - INTEREST/DIVID/PROBLEMS												
50 - MISHANDLING OF DIVDMS												
51 - MISHAND/MUNICIPLE SECUR												
56 - COMPANY ACTIONS												
57 - CONDUCT/NTURE TEND/OFF												
58 - CONDUCT CONT/OPERATMS												
59 - MISLEADING DISCLOSURE												
60 - FAIL/FILE REQ-REPRTS												
61 - FAIL TO DEL REPRCTS												

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IS	UK	GN	TA	MF	OTHER	TOTAL
37	1					37
						1
					1	1
			2			11
			1			18
			6			8
						8
						26













SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

0678 TO 0678 MONTH TOTAL

CMPL6  
RUN-DATE 05/23/80

TYPE OF COMPLAINT	BU	IA	BK	IS	TYPE OF ENTITY UK	GN	TA	MF	OTHER	TOTAL
62 - FAILURE TO COMPLY										
63 - REG/RPT REQ FOREIGN/IS										2
64 - OFF/PURSUANT TO REG-A										15
65 - GEN COND OF SEC-MARKET				2						8
66 - FAIL TO PAY DIV OR INT				8						37
67 - FAIL TO DEL SECURITIES										
68 - FAIL/REMOVE RESTRV-LGN										
69 - MISMANAGEMENT				36		1				
70 - OIL, GAS AND COAL LEASE										
71 - BANKRUPTCIES										
72 - INSIDER INFO-TRADING										
73 - MUNICIPAL SECURITIES										
74 - ISSUR EMPL REINVEST ACC										
75 - FAIL TO NOTIFY BOND HLDR										
76 - CONCERN INVEST/DIAMONDS		9								9
79 - INVEST ADVISOR PROBLEMS										9
80 - HANDLING/ORDER-PURCHASE										4
81 - DELAY/RCV PROC-LIQCATN										2
82 - EXCESSIVE FEES										4
83 - FAIL/RCV CERT/STAT ACC										2
84 - FAIL/RCV DIVID/CAP-GAIN										
85 - IMPROPER SELLING										
86 - MISLEADING ADVERTISING										
87 - FAILURE TO COMPLY										
88 - QUESTIONABLE ACTIVITIES										
89 - OTHER										
90 - REFERRED/ANOTHER OFFICE	1							5		5
91 - LOST/STOLEN SECURITIES										1
92 - REQUEST/INFORMATION	23	20	2	125		55	1	15		241
93 - REQUEST/INVESTIGATION	2			7		1				10
94 - THANK YOU LETTERS	41	1		2		7				51
95 - MISCELLANEOUS	22		2	7	1	36	1	2		71
97 - NEW/REV COMPLAINT	49		7	29		9	1	7		102
97 - NEW MATTERS	2		1	2		16	1	1		21
98 - NEED SEC INFORMATION	1					1				4
99 - PSEB PYRAMID/PONZI										
- UNKNOWN										
- TOTAL	405	30	32	310	3	127	23	51		985



SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

TYPE OF COMPLAINT	BD	IA	BK	TYPE OF ENTITY		GN	TA	MF	OTHER	TOTAL
				IS	UK					
62 - FAILURE TO COMPLY				1						1
63 - REG/PT REQ FOREIGN/IS										7
64 - OFF/PURSUANT TO REG-A										17
65 - GEN CUND OF SEC-MARKET			1	16						6
66 - FAIL TO PAY DIV OR INT				6						1
67 - FAIL TO DEL SECURITIES				1						23
68 - FAIL/INFORM RESRV-LGN				23						4
69 - MISMANAGEMENT				4						3
70 - OIL/GAS AND COAL LEASE				3						4
71 - BANKRUPTCIES										3
72 - INSIDER INFO-TRADING										4
73 - MUNICIPAL SECURITIES				4						4
74 - ISSUR EMPL REINVEST ACC										2
75 - FAIL TO NTFY BOND HDR										9
76 - CONCERN INVST/DIAMONDS	2							9		9
79 - INVEST ADVISOR PRICBLMS								5		5
80 - HANDELING/ORDR-PURCHASE								2		2
81 - DELAY/RCV PROG-LIQUATN								1		1
82 - EXCESSIVE FEES								1		1
83 - FAIL/RCV CERT/STAT ACC								1		1
84 - FAIL/RCV DIVID/CAP-GAIN								1		1
85 - IMPROPER SELLING								1		1
86 - MISLEADING ADVERTISING								1		1
87 - FAILURE TO COMPLY								1		1
88 - QUESTIONABLE ACTIVITIES								1		1
89 - OTHER								1		1
90 - REFERRED/ANOTHER OFFICE	37			2						11
91 - LOST/STOLEN SECURITIES				1						43
92 - REQUEST/INFORMATION	23			78						190
93 - REQUEST/INVESTIGATION	4		1	5						11
94 - THANK YOU LETTERS	31	1	2	2	1					46
95 - MISCELLANEOUS	39		6	15	3					69
96 - LETTER PREV COMPLAINT	47	2	4	36	2				2	126
97 - NON-SEC MATTERS	1			2						5
98 - NEED MORE INFORMATION	3									10
99 - PSBL PYRAMID/PONZI										1
- UNKNOWN										1
- TOTAL	474	5	39	276	6	158	18	47	10	1033

0778 TO 0778 MONTH TOTAL

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SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

0978 TO 0978 MONTH TOTAL

TYPE OF COMPLAINT	BU	IA	BK	IS	TYPE OF ENTITY UK	GN	TA	MF	OTHER	TOTAL
62 - FAILURE TO COMPLY				1				1		2
63 - REG/PRT REQ FOR FEIGN/IS										
64 - DEF/PURSUANT TO REG-A										
65 - GEN COND OF SEC-MARKET				7						7
66 - FAIL TO PAY DIV OR INT				12						13
67 - FAIL TO DEL SECURITIES				5						5
68 - FAIL/REMOVE RESTRV-LGN										
69 - MISMANAGEMENT				25						25
70 - OIL+GAS AND COAL LEASE										
71 - BANKRUPTCIES				10						10
72 - INSIDER INFO-TRADING				2						6
73 - MUNICIPAL SECURITIES				2						2
74 - ISSUR EPL REINVEST ACC				2						2
75 - FAIL TO NOTIFY BOND HLDR										
76 - CONCERN INVEST/DIAMONDS		5								
79 - INVEST ADVISOR PROBLMS								16		16
80 - HANDLING/ORDR-PURCHASE								3		3
81 - DELAY/RCV PROG-LIQCATN								1		1
82 - EXCESSIVE FEES								1		1
83 - FAIL/RCV CERT/STAT ACC								2		2
84 - FAIL/RCV DIVD/CAP-GAIN								2		2
85 - IMPROPER SELLING								1		1
86 - MISLEADING ADVERTISING								1		1
87 - FAILURE TO COMPLY								4		4
88 - QUESTIONABLE ACTIVITIES								10		143
89 - OTHER										
90 - REFERRED/ANOTHER OFFICE	113	3	2	7		4	4			6
91 - LUST/STOLEN SECURITIES	3			2			1			220
92 - REQUEST/INFORMATION	13	1	3	116	3	77	1	6		11
93 - REQUEST/INVESTIGATION	2			8		1				7
94 - THANK YOU LETTERS	1					6				90
95 - MISCELLANEOUS	36		4	18	1	30		1		130
96 - LETTER PREV COMPLAINT	65		7	44		9	1	4		23
97 - NON-SEC MATTERS	1		1	1		20				10
98 - NEED MORE INFORMATION	5		1			4				
99 - PSBL PYRAMID/PUNZI										
- UNKNOWN	579	9	38	331	5	151	21	60	18	1212
- TOTAL										







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SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

1178 TO 1178 MONTH TOTAL

TYPE OF COMPLAINT	BO	IA	BK	TYPE OF ENTITY				TA	MF	OTHER	TOTAL
				IS	UK	GN	UK				
62 - FAILURE TO COMPLY											3
63 - REG/PT REQ FOREIGN/IS				3							1
64 - DEF/PURSUANT TO REG-A				1							19
65 - GEN CONC OF SEC-MARKET			1	17							9
66 - FAIL TO PAY DEL' SECURTY INT				9							11
67 - FAIL TO DEL' SECURTY INT	1										14
68 - FAIL/REMOVE RESTRY-LGN											4
69 - MISMANAGEMENT				11							1
70 - OIL-GAS AND COAL LEASE											14
71 - BANKRUPTCIES				14							4
72 - INSIDER INFO-TRADING				4							1
73 - MUNICIPAL SECURITIES				1							4
74 - ISSUR EMP REINVEST ACC				1							1
75 - FAIL TO MTFY BOND HDR				4							4
76 - CONCERN INVEST/DIAMONDS											6
79 - INVEST ADVISDR PROBLMS		6									14
80 - HANDLING/ORDR-PURCHASE										14	2
81 - DELAY/RCV PROC-LIQDATN											7
82 - EXCESSIVE FEES											3
83 - FAIL/RCV CERT/STAT ACC											3
84 - FAIL/RCV DIVD/CAP-GAIN											4
85 - IMPROPER SELLING											159
86 - MISLEADING ADVERTISING											1
87 - FAILURE TO COMPLY											222
88 - QUESTIONABLE ACTIVITIES											6
89 - OTHER											6
90 - REFERRED/ANOTHER OFFCE	126	3	15	4		3	4				4
91 - LOST/STOLEN SECURITIES	1	1									159
92 - REQUEST/INFORMATION	21			122		72	1				1
93 - REQUEST/INVESTIGATION	1			2		3					222
94 - THANK YOU LETTERS	2										6
95 - MISCELLANEOUS	52		1	20		6					6
96 - LETTER PREV COMPLAINT	63		14	43		20	1				112
97 - NON-SEC MATTERS	5		5	6		5	2				12
98 - NEED MORE INFORMATION	10		2	2		20					39
99 - PSBL PYRAMID/PUNZI	1			1		1					12
- UNKNOWN	1			2		4					2
- TOTAL	753	10	68	329	8	133	23	43	9		1376

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SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

1278 TO 1278 MONTH TOTAL

TYPE OF COMPLAINT	BD	TYPE OF ENTITY					TA	MF	OTHER	TOTAL
		IA	BK	IS	UK	GN				
01 - FAIL TO DEL STOCKS	102								102	
02 - FAIL TO DEL FUNDS	36	1							37	
03 - DIVIDEND PROBLEMS	30								30	
04 - FAIL TO TRANSFER ACCTS	21								21	
05 - MISHANDLING OF ACCTS	32								32	
06 - EXECUTION OF ORDERS	21								21	
07 - FAIL TO SEND CONFIRM	4								4	
08 - FAIL TO SEND PROSPECTUS	1								1	
09 - FAIL TO OBTN SIGND MGN	1								1	
10 - MARGIN PROBLEMS	6								6	
11 - SURCHARGES TAKEN CHRGD	5								5	
12 - PROTECTION DEFERRED INV	11								11	
13 - FAILURE TO DEL BONDS	13								13	
14 - COMMISSION RATES-OTHER	3								3	
15 - CANT OBTAIN RATE SCHED	1								1	
17 - CANT UNCSTND RATE SCHED	1								1	
18 - RATE DIFF-ACTUAL CHRGD	2								2	
19 - GCNFRM DIFF-RATE SCHED	1								1	
20 - NO NOTICE/RTG INCREASE	1								1	
21 - FAIL TO SEND PROXY MTR	1								1	
22 - CLEARING OPERATIONS	2								2	
23 - PROB/LIQUIDATION	2								2	
24 - UNAUTH PUR/SLE CUS/ACC	4								4	
25 - IMPROPER OPTN RECMENDS	4								4	
26 - EXCESSIVE OPTN COMMSNS	1								1	
27 - OPTIUN ORDER NOT EXEC	1								1	
28 - MARGIN FOR OPTIUNS	2								2	
29 - UNAUTHORIZED OPTN TRAN	2								2	
30 - UNABLE TO EXEC TRANS	1								1	
31 - FAIL TO EXEC OPTN-ACCT	2								2	
32 - FAIL TO RCV PROSPECTUS	1								1	
33 - OTH MANIPULATIVE PRACT	1								1	
34 - OTHER-MISCELLANEOUS	1								1	
40 - EXCN- COMPLAINTS								4	4	
41 - COMPLAINTS AGNST NASD										
42 - MATTERS/ARBITRATIONS										
46 - TRANSFER AGMT PROBLEMS										
47 - MISHANDLING MUT/FUNDS						3			3	
48 - FAIL TO DEL SECURITIES										
49 - INTEREST/DIVID/PROBLEMS						2			2	
50 - MISHANDLING OF DIVDNS										
51 - MISHAND/MUNICIPLE SECUR										
56 - COMPANY ACTIONS										
57 - CONDUCT/NATURE TEND/UFF										
58 - CONDUCT CONTY/OPERATNS										
59 - MISLEADING DISCLOSURE										
60 - FAIL/FILE REQ-REPORTS										
61 - FAIL TO DEL REPORTS										
				14					14	
				12					12	
				2					2	
				9					9	
				9					9	
				17					17	
				5					5	
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SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

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1278 TO 1278 MONTH TOTAL

TYPE OF COMPLAINT	80	IA	BK	IS	TYPE OF ENTITY UK	GN	TA	MF	OTHER	TOTAL
62 - FAILURE TO COMPLY				1						1
63 - REG/RPT REQ FOREIGN/IS				1			1			1
64 - OFF/PURSUANT TO REG-A										1
65 - GEN COND OF SEC-MARKET										1
66 - FAIL TO PAY DIV OR INT				10						10
67 - FAIL TO DEL SECURITIES				6						6
68 - FAIL/REMOVE RESTRV-LGN				17						17
69 - MISMANAGEMENT				4						4
70 - OIL, GAS AND COAL LEASE				4						4
71 - BANKRUPTCIES				3						3
72 - INSIDER INFO-TRADING				1						1
73 - MUNICIPAL SECURITIES				1						1
74 - ISSUR ENPL REINVT ACC				4						4
75 - FAIL TO NTFY BOND HLDR				1						1
76 - CONCERN INVT/DIAMNDS				4						4
79 - INVEST ADVISOR PROBLMS				1						1
80 - HANDLING/ORDER-PURCHASE		4								4
81 - DELAY/RCV PROC-LIQCATN										4
82 - EXCESSIVE FEES										4
83 - FAIL/RCV CERT/STAT ACC								13		13
84 - FAIL/RCV DIVD/CAP-GAIN								3		3
85 - IMPROPER SELLING								1		1
86 - MISLEADING ADVERTISING								3		3
87 - FAILURE TO COMPLY								1		1
88 - QUESTIONABLE ACTIVITES										1
89 - OTHER										1
90 - REFERRED/ANOTHER OFFCE	107	2	9	8		1	2	2		2
91 - LUSTY/STOLEN SECURITIES								2		131
92 - REQUEST/INFORMATION	18	1	2	116		55	1	1		1
93 - REQUEST/INVESTIGATION				3						193
94 - THANK YOU LETTERS										3
95 - MISCELLANEOUS	35	1	4	19		6				7
96 - LETTERS REV COMPLAINT	49		3	31		16	2	2		79
97 - NEW SEC LETTERS	2			1		10	2	3		98
98 - NEED MORE INFORMATION	3			1		18				22
99 - PSBL PYRAMID/PONZI				1		8				13
- UNKNOWN										1
- TOTAL	530	9	51	278	2	114	14	31	4	1033

SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

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0178 TO 1278 YEAR TOTALS

TYPE OF COMPLAINT	BD	IA	BK	IS	UK	GN	TA	MF	OTHER	TOTAL
01 - FAIL TO DEL STOCKS	1006						1			1007
02 - FAIL TO DEL FUNDS	347	1		1			1			350
03 - DIVIDEND PROBLEMS	249						1			250
04 - FAIL TO TRANSFER ACCTS	195						1			195
05 - MISHANDLING OF ACCTS	800						1			800
06 - EXECUTION OF ORDERS	148									149
07 - FAIL TO SEND CONFIRM	80									80
08 - FAIL TO SEND PROSPECTUS	2				1					3
09 - FAIL TO RETURN LONG MGN	3									3
10 - MAILING PROBLEMS	45									45
11 - SUBMARGES/TXS CHRGD	75									75
12 - HIGH PRESS-FRONT STMT	153				1					154
13 - PROTECTION OFFERED INV	49									49
14 - FAILURE TO DEL BONDS	221									221
15 - COMMISSION RATES-OTHER	45		1			6				52
16 - CANT OBTAIN RATE SCHED	2									2
17 - CANT UNDSND RATE SCHED	4									4
18 - RATE DIFF-ACTUAL CHRG	23									23
19 - CONFRM DIFF-RATE SCHED	11									11
20 - NC NOTICE/RTE INCREASE	3									3
21 - FAIL TO SEND PROXY MTR	7									7
22 - CLEARING OPERATIONS	7									7
23 - PROBLIQUIDATION	19									19
24 - UNAUTH PUR/SLE CUS/ACC										
25 - IMPROPER OPTN RECMMDS	16									16
26 - EXCESSIVE OPTN COMMNS	2									2
27 - OPTION ORDER NOT EXEC	15									15
28 - MARGIN FOR OPTIONS	4									4
29 - UNAUTHORIZED OPTN TRAN	21									21
30 - UNABLE TO EXEC TRANS				166		2				168
31 - FAIL TO EXEC OPTN-ACCT	1			1						2
32 - FAIL TO RCV PROSPECTUS	5			1		1				5
33 - OTH MANIPULATIVE PRACT	31			2						33
34 - OTHER-MISCELLANEOUS	1			2					53	56
40 - EXCN- COMPLAINTS	1			1						2
41 - COMPLAINTS AGNST NASD	2			1		6				11
42 - MATTERS/ARBITRATIONS										
46 - TRANSFER AGNT PROBLEMS	3		46							49
47 - MISHANDLING MUT/FUNDS	117		117							234
48 - FAIL TO DEL SECURITIES	68		68							136
49 - INTEREST/DIVID/PROBLEMS	1		67							68
50 - MISHANDLING OF DIVDNS	1		16		1					18
51 - MISHAND/MUNICIPLE SECUR			3							3
56 - COMPANY ACTIONS				116						116
57 - CONDUCT/NATURE TEND/UFF				51						51
58 - CONDUCT CONT/OPERATNS	1		1	149						150
59 - MISLEADING DISCLOSURE				47						47
60 - FAIL/FILE REQ-REPORTS				6						6
61 - FAIL TO DEL REPORTS				331						331

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SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

0178 TO 1278 YEAR TOTALS

TYPE OF COMPLAINT	BU	IA	BK	TYPE OF ENTITY			TA	MF	OTHER	TOTAL
				IS	UK	GN				
62 - FAILURE TO COMPLY				7				1		8
63 - REG/RPT REQ FOREIGN/IS				1						1
64 - OFF/PURSUANT TO REG-A				3			1			4
65 - GEN COND OF SEC-MARKET				44		1				45
66 - FAIL TO PAY DIV OR INT			2	184		1				189
67 - FAIL TO DEL SECURITIES				94		1				95
68 - FAIL/REMOVE RESTRV-LGN				10						10
69 - MISMANAGEMENT				349		2				351
70 - OIL/GAS AND COAL LEASE				11						11
71 - BANKRUPTCIES				46						46
72 - INSIDER INFO-TRADING				36						36
73 - MUNICIPAL SECURITIES				8						8
74 - EMPLOY REINVEST ACC				23						23
75 - CALL TO NOTIFY BOND HLDR										
76 - INVEST ADVISOR DAMAGES										
79 - INVEST ADVISOR FEEBELLS										
80 - HANGING/ORDR PURCHASE										
81 - DELAY/RCV PROCD-LIQEATN										
82 - EXCESSIVE FEES										
83 - FAIL/RCV CERT/STAT ACC										
84 - FAIL/RCV DIVID/CAP-GAIN										
85 - IMPROPER SELLING										
86 - MISLEADING ADVERTISING										
87 - FAILURE TO COMPLY	1	65			1					66
88 - QUESTIONABLE ACTIVITIES										
89 - OTHER										
90 - REFERRED/ANOTHER OFFICE	656	10	45	57		1	15			114
91 - LOST/STOLEN SECURITIES	8			4			2			35
92 - REQUEST/INFORMATION	277	30	19	1477	5	882	9			2753
93 - REQUEST/INVESTIGATION	28			58	2	22	2			113
94 - THANK YOU LETTERS	225	2	12	33		102	1			381
95 - MISCELLANEOUS	398	4	70	221	18	436	11	1		1178
96 - LETTER PREV COMPLAINT	638	17	79	440	7	124	15	3		1363
97 - NUM-SEC MATTERS	27		9	39		236	2			318
98 - NEED MORE INFORMATION	43	1	2	4	10	60	2			125
99 - PSBL PYRAMID/PUNZI	2			2		2				4
- UNKNOWN	5902	130	558	4024	47	1901	232	60	482	13336
- TOTAL										

SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

CMP16  
RUN-DATE 05/23/80

0178 TO 1278 GRAND TOTAL

TYPE OF COMPLAINT	BD	IA	BK	IS	TYPE OF ENTITY	GN	TA	MF	OTHER	TOTAL
01 - FAIL TO DEL STOCKS	1006									1007
02 - FAIL TO DEL FUNDS	347	1				1				350
03 - DIVIDEND PROBLEMS	249			1		1				250
04 - FAIL TO TRANSFER ACCTS	195					1				195
05 - MISHANDLING OF ACCTS	800									800
06 - EXECUTION OF ORDERS	148									149
07 - FAIL TO SEND CONFIRM	80					1				80
08 - FAIL TO SEND PROPECTUS	2									3
09 - FAIL TO OBTN SIGND MGN	3					1				3
10 - MARGIN PROBLEMS	40									40
11 - SURCHARGES, TAXES CFRGD	75									75
12 - HIGH PRESS-FRDLNT STMT	153					1				154
13 - PROTECTION OFFERED INV	49									49
14 - FAILURE TO DEL BONDS	221									221
15 - COMMISSION RATES-OTHER	45		1			6				52
16 - CANT OBTAIN RATE SCHED	2									2
17 - CANT UNDSNCR RATE SCHED	4									4
18 - RATE DIFF-ACTUAL CHRGE	23									23
19 - CONFRM DIFF-RATE SCHED	11									11
20 - NC NOTICE/RTE INCREASE	3									3
21 - FAIL TO SEND PROXY MTR	7									7
22 - CLEARING OPERATIONS	7									7
23 - PROB/LIQUIDATION	19									19
24 - UNAUTH PUR/SLE CUS/ACC	16									16
25 - IMPROPER UPIN RECHNGS	16									16
26 - EXCESSIVE UPIN COMMSNS	2									2
27 - OPTION ORDER/NO EXEC	15									15
28 - MARGIN FOR OPEN EXEC	4									4
29 - UNABLE TO EXEC TRNS	21									21
30 - FAIL TO EXEC OPTN-ACCT	1			166		2				168
31 - FAIL TO RCV PROSPECTUS	5			1						5
32 - OTH MANIPULATIVE PRACT	31			2		1				33
33 - OTHER-MISCELLANEOUS	1			1						2
34 - EXCH- COMPLAINTS	2			1		6				11
40 - COMPLAINTS AGNST NASD	3									3
41 - MATTERS/ARBITRATIONS	46									46
42 - TRANSFER AGNT PROBLEMS	117									117
43 - MISHANDLING MUT/FUNDS	68									68
44 - FAIL TO DEL SECURITIES	67									67
45 - INTERST/DIVID/PROBLEMS	50									50
46 - MISHANDLING OF CIVDNS	16									16
47 - MISHAND/MUNICIPLE SECUR	51									51
48 - COMPANY ACTIONS	3									3
49 - CONDUCT/INTURE TENC/OFF	57			116						116
50 - CONDUCT CONT/OPERATNS	51			51						51
51 - MISLEADING DISCLOSURE	149			149						149
52 - FAIL/FILE REQ-REPORTS	47			6						47
53 - FAIL TO DEL REPORTS	61			331						331





SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

CMP16  
RUN-DATE 05/23/80

0179 TO 0179 MONTH TOTAL

TYPE OF COMPLAINT	BU	IA	BK	TYPE OF ENTITY			TA	MF	OTHER	TOTAL
				IS	UK	GN				
62 - FAILURE TO COMPLY				1						1
63 - REG/PT REQ FOREIGN/IS										18
64 - OFF/PURSUANT TO REG-A				2						2
65 - GEN COND OF SEC-MARKET				1						1
66 - FAIL TO PAY DIV OR INT				19						19
67 - FAIL TO DEL SECURITIES				3						3
68 - FAIL/RENEW RESTRV-LGN				9						9
69 - MISMANAGEMENT				1						1
70 - OIL-GAS				2						2
71 - BANKRUPTCIES										2
72 - INSIDER INFO-TRADING										2
73 - MUNICIPAL SECURITIES										10
74 - ISSUR EML BEINVT ACC									1	1
75 - FAIL TO NTFY BOND HLDR										2
76 - CONCERN INVST/DIAMNDR										3
79 - INVEST ADVISOR PROBLMS										1
80 - HANDLING/ORDER-PURCHASE		2								1
81 - DELAY/RCV PRCC-LIQEATN										4
82 - EXCESSIVE FEES										2
83 - FAIL/RCV CERT/STAT ACC	1								10	10
84 - FAIL/RCV DIVD/CAP-GAIN									2	2
85 - IMPROPER SELLING										3
86 - MISLEADING ADVERTISING										1
87 - FAILURE TO COMPLY										4
88 - QUESTIONABLE ACTIVITIES										7
89 - OTHER										4
90 - REFERRED/ANOTHER OFFCE	136	3	9	9		1	4			166
91 - LOST/STOLEN SECURITIES	17	3	1	1						22
92 - REQUEST/INFORMATION	17	3	3	13	1	51				214
93 - REQUEST/INVESTIGATION	5			4		2		1		6
94 - THANK YOU LETTERS	49					3				8
95 - MISCELLANEOUS	88		6	12		23	2			93
96 - LETTER PREV COMPLAINT	3		8	36		5	1			141
97 - NON-SEC MATTERS	1			2		17				24
98 - NEED MORE INFORMATION						10				13
99 - PSBL PYRAMID/PONZI										
- UNKNOWN										
- TOTAL	683	9	56	303	1	113	15	38	4	1222





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SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

0379 TO 0379 MONTH TOTAL

TYPE OF COMPLAINT	BU	IA	BK	IS	TYPE OF ENTITY	GN	TA	MF	OTHER	TOTAL
01 - FAIL TO DEL STOCKS	119									119
02 - FAIL TO DEL FUNDS	26									26
03 - DIVIDEND PROBLEMS	37									37
04 - FAIL TO TRANSFER ACCTS	19									19
05 - MISHANDLING OF ACCTS	59									59
06 - EXECUTION OF ORDERS	32		1							33
07 - FAIL TO SEND CONFIRMTN	5									5
08 - FAIL TO SEND PROSPECTUS	2									2
09 - FAIL TO OBTN SIGND MGN	2									2
10 - MARGIN PROBLEMS	11									11
11 - SURCHARGES, TAXES CHRGD	2									2
12 - HIGH PRESS-FROLNT STMT	15									15
13 - PROTECTION OFFERED INV	8									8
14 - FAILURE TO DEL BONDS	14		1	1						16
15 - COMMISSION RATES-OTHER	5				1					6
16 - CANT OBTAIN RATE SCHD										
17 - CANT UNGSTND RATE SCHD	3									3
18 - RATE DIFF-ACTUAL CHRG										
19 - CNFRM DIFF-RATE SCHD	2									2
20 - NC NOTICE/RATE INCREASE	2									2
21 - FAIL TO SEND PROXY MTR	3									3
22 - CLEARING OPERATIONS	6									6
23 - PROB/LIQUIDATION	8									8
24 - UNAUTH PUR/SLE CUS/ACC	17									17
25 - IMPROPER OPTN RECENUS	2									2
26 - EXCESSIVE OPTN COMMSNS	2									2
27 - OPTIION ORDER NOT EXEC	3									3
28 - MARGIN FOR OPTIIONS	4									4
29 - UNAUTHORIZED OPTN TRAN	9									9
30 - UNABLE TO EXEC TRANS										
31 - FAIL TO EXECUTE IN-ACT										
32 - FAIL TO RVN PROSPECTUS	2									2
33 - OTH MANIPULATIION/FACT										
34 - OTHER-MISCELLANEOUS	16									16
40 - EXCN- COMPLAINTS										
41 - COMPLAINTS AGNS										
42 - MATTERS/ARBITRATIONS										
46 - TRANSFER AGNT PROBLEMS										
47 - MISHANDLING MUT/FUNDS	1		4				4			10
48 - FAIL TO DEL SECURITIES	6		2				1			9
49 - INTEREST/DIVID/PROBLEMS	12		6				4			22
50 - MISHANDLING OF CIVDNS	9		12				1			22
51 - MISHAND/MUNICIPAL SECUR	1		1							2
56 - COMPANY ACTIONS										
57 - CONDUCT/NTURE TEND/OFF	1			13						14
58 - CONDUCT CONT/OPERATNS	1			15						16
59 - MISLEADING DISCLOSURE				2						2
60 - FAIL/FILE REQ-REPORTS				1						1
61 - FAIL TO DEL REPORTS				18						18



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SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

04-79 TO 04-79 MONTH TOTAL

TYPE OF COMPLAINT	BU	IA	BK	IS	TYPE OF ENTITY UK	GN	TA	MF	OTHER	TOTAL
01 - FAIL TO DEL STOCKS	68									69
02 - FAIL TO DEL FUNDS	27			1						28
03 - DIVIDEND PROBLEMS	20					1				29
04 - FAIL TO TRANSFER ACCTS	17		1							17
05 - MISHANDLING OF ACCTS	83									85
06 - EXECUTION OF ORDERS	30			1						31
07 - FAIL TO SEND CONFIRM	3					1				3
08 - FAIL TO SEND PROSPECTUS										
09 - FAIL TO OBTN SIGN'D MGN										
10 - MARGIN PROBLEMS	5									5
11 - SURCHARGES+TAXES CFKGD	4									4
12 - HIGH PRESS-FROUNT STMT	10									10
13 - PROTECTION OFFERED INV	11						1			13
14 - FAILURE TO DEL BONDS	10		1							10
15 - COMMISSION RATES-OTHER	7									7
16 - CANT OBTAIN RATE SCHED										
17 - RATE UNCLSTNG RATE SCHED	1									1
18 - RATE DIFF-ACTUAL CHRG										
19 - CONFIRM DIFF-RATE SCHED										
20 - NO NOTICE/RTE INCREASE										
21 - FAIL TO SEND PROXY MTR										
22 - CLEARING OPERATIONS	6									6
23 - PROB/LIQUIDATION	3									3
24 - UNAUTH PUR/SLE CUS/ACC	9									9
25 - IMPROPER OPTN RECMDS	5									5
26 - EXCESSIVE OPTN COMMSNS										
27 - OPTN ORDER NOT EXEC	2									2
28 - MARGIN FOR OPTNS	1									1
29 - UNAUTHORIZED OPTN TRAN	5									5
30 - UNABLE TO EXEC TRANS										
31 - FAIL TO EXEC OPTN-ACCT										
32 - FAIL TO RCV PROSPECTUS	2									2
33 - OTH MANIPULATIVE PRACT										
34 - OTHER-MISCELLANEDUS	5									5
40 - EXCA- COMPLAINTS										
41 - COMPLAINTS AGNST NASD										
42 - MATTERS/ARBITRATIONS										
46 - TRANSFER AGNT PROBLEMS	2									2
47 - MISHANDLING MUT/FUNDS	3									3
48 - FAIL TO DEL SECURITIES	10									10
49 - INTEREST/DIVID/PROBLEMS	13									13
50 - MISHANDLING PL LIVENS	3									3
51 - COMPANY ACTIONS	1									1
59 - CONDUCT/NATURE TENG/OFF				16						16
58 - CONDUCT CONT/OPERATNS				8						8
59 - MISLEADING DISCLOSURE				10						10
60 - FAIL/FILE REQ-REPORTS				7						7
61 - FAIL TO DEL REPORTS				23						23





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## SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

0579 TO 0579 MONTH TOTAL

TYPE OF COMPLAINT	BD	IA	BK	TYPE OF ENTITY			TA	MF	OTHER	TOTAL
				IS	UK	GN				
62 - FAILURE TO COMPLY				1						1
63 - REG/RPT REQ FOREIGN/IS								1		1
64 - OFF/PURSUANT TO REG-A				1						1
65 - GEN CGND OF SEC-MARKET				13						13
66 - FAIL TO PAY DIV OR INT				8						8
67 - FAIL TO DEL SECURITIES				1						1
68 - FAIL/REMOVE RESTRV-LGN				11						11
69 - MISMANAGEMENT				4						4
70 - OIL,GAS AND COAL LEASE				4						4
71 - BANKRUPTCIES				4						4
72 - INSIDER INFO-TRADING				2						2
73 - MUNICIPAL SECURITIES				2						2
74 - ISSUR EML REINVEST ACC				2						2
75 - FAIL TO NTFY BOND FLDR				2						2
76 - CONCERN INVT/DIAMONDS				2						2
79 - INVEST ADVISOR PROBLEMS										
80 - HANDLING/ORDER-PURCHASE		4								4
81 - DELAY/RCV PROC-LIQ/LATN										
82 - EXCESSIVE FEES										
83 - FAIL/RCV CERT/STAT ACC										
84 - FAIL/RCV DIVID/CAP-GAIN										
85 - IMPROPER SELLING										
86 - MISLEADING ADVERTISING										
87 - FAILURE TO COMPLY										
88 - QUESTIONABLE ACTIVITIES										
89 - OTHER										
90 - REFERRED/ANOTHER OFFICE	103									9
91 - LGST/STOLEN SECURITIES	3									142
92 - REQUEST/INFORMATION	15									202
93 - REQUEST/INVESTIGATION	2									21
94 - THANK YOU LETTERS	1									15
95 - MISCELLANEOUS	20									83
96 - LETTER PREV COMPLAINT	87									173
97 - NON-SEC MATTERS	4								3	34
98 - NEED MORE INFORMATION	1									17
99 - PSBL PYRAMID/PONZI	7									4
- UNKNOWN	2									6
- TOTAL	603	9	57	353	10	124	21	49	6	1232







SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

CMP16  
RUN-DATE 05/23/80

0779 TO 0779 MONTH TOTAL

TYPE OF COMPLAINT	BD	IA	BK	IS	TYPE OF ENTITY UK	GN	TA	MF	OTHER	TOTAL
62 - FAILURE TO COMPLY				2						2
63 - REG/RPT REQ FOREIGN/IS				1						1
64 - OFF/PURSUANT TO REG-A				12						12
65 - GEN CCND OF SEC-MARKET				7						7
66 - FAIL TO PAY DIV OR INT				1						1
67 - FAIL TO DEL SECURITIES				13						13
68 - FAIL/REMOVE RESTRV-LGN				1						1
69 - MISMANAGEMENT				4		1				4
70 - OIL,GAS AND COAL LEASE				5						5
71 - BANKRUPTCIES				1						1
72 - INSIDER INFO-TRADING				1						1
73 - MUNICIPAL SECURITIES				1						1
74 - ISSUANCE REINVT ACC				1						1
75 - CALLERN INVT/DIVIDNDS			1							1
79 - INVEST ADVISOR PROBLMS		5								5
80 - HANDLING/ORDER-PURCHASE								3		3
81 - DELAY/RCV PROC-LIQDATN								1		1
82 - EXCESSIVE FEES								2		2
83 - FAIL/RCV CERT/STAT ACC								1		1
84 - FAIL/RCV DIVD/CAP-GAIN								2		2
85 - IMPROPER SELLING								1		1
86 - MISLEADING ADVERTISING								1		1
87 - FAILURE TO COMPLY								8		8
88 - QUESTIONABLE ACTIVITIES								6		6
89 - OTHER							1			1
90 - REFERRED/ANOTHER OFFICE	86		23	6	1					123
91 - LOST/STOLEN SECURITIES	11		3	5			1			20
92 - REQUEST/INFORMATION	30	1	5	121		42		5		204
93 - REQUEST/INVESTIGATION	1	1		7		4				13
94 - THANK YOU LETTERS	2			1		3				6
95 - MISCELLANEOUS	18	1	10	24	3	37		1		94
96 - LETTER PREV COMPLAINT	77		7	56		5		8		153
97 - NON-SEC MATTERS	2			1		33				37
98 - NEED MORE INFORMATION	1			1		1				2
99 - PSBL PYRAMID/PONZI	1					1				1
- UNKNOWN	1	8	95	334	6	130	9	43	6	1193
- TOTAL	562									



SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

CMP16  
RUN-DATE 05/23/80

0879 TO 0879 MONTH TOTAL

TYPE OF COMPLAINT	BD	IA	BK	IS	TYPE OF ENTITY	GN	TA	MF	OTHER	TOTAL
62 - FAILURE TO COMPLY				2						2
63 - REG/RPT REQ FOREIGN/IS										2
64 - OFF/PURSUANT TO REG-A				2						10
65 - GEN CONC OF SEC-MARKET				10						3
66 - FAIL TO PAY DIV OR INT				3						15
67 - FAIL TO DEL SECURITIES				15						2
68 - FAIL/REMOVE RESTRV-LGN				2						9
69 - MISMANAGEMENT				6						6
70 - OIL,GAS AND COAL LEASE				2						2
71 - BANKRUPTCIES				1						1
72 - INSIDER INFO-TRADING				1						1
73 - MUNICIPAL SECURITIES										7
74 - ISSUR ERPL REINVEST ACC										16
75 - FAIL TO NFP BOND FLDR										1
76 - CONCERN INVT/OBJANGDS										1
77 - INVEST ADVISOR PRACTICE										5
78 - ANAL INGV/PURCHASE										3
79 - DELISTING PROC-LIQUIDATN										5
80 - EXCESSIVE FEES										3
81 - FAILURE TO COMPLY										5
82 - FAIL/RCV DIVID/CAP-GAIN										5
83 - IMPROPER SELLING										5
84 - MISLEADING ADVERTISING										5
85 - FAILURE TO COMPLY										5
86 - MISLEADING ADVERTISING										5
87 - FAILURE TO COMPLY										5
88 - QUESTIONABLE ACTIVITIES										5
89 - OTHER										5
90 - REFERRED/ANOTHER OFFICE	116	2	19	16		1	7	5		166
91 - LOST/STOLEN SECURITIES	5			4						9
92 - REQUEST/INFORMATION	23	2	4	154		42	3	9		237
93 - REQUEST/INVESTIGATION	2	1		21		2				24
94 - THANK YOU LETTERS	3		1	1		2				6
95 - MISCELLANEOUS	33	2	12	22		45	1	1		105
96 - LETTER PREV COMPLAINT	80	2	1	57		10	1	1	4	167
97 - NON-SEC MATTERS	7		1	1		30				33
98 - NEED MORE INFORMATION						1				1
99 - PSBL PYRAMID/PONZI						4				4
- UNKNOWN										
- TOTAL	578	14	82	368	8	136	18	52	9	1265



## SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

0979 TO 0979 MONTH TOTAL	TYPE OF COMPLAINT	BD	IA	BK	IS	TYPE OF ENTITY			TA	MF	OTHER	TOTAL
						UK	GN	TA				
62	FAILURE TO COMPLY				1							1
63	REG/PT REQ FOREIGN/IS				19							19
64	OFF/PUNSUANT TO REG-A				11							11
65	BEN CONC OF SEC-MARKET											
66	FAIL TO GET CLEAR INT											
67	FAIL TO GET CLEAR INT											
68	FAIL/REMOVE RESTRY-LGN				16							16
69	MISMANAGEMENT				3							3
70	OIL/GAS AND COAL LEASE				6							6
71	BANKRUPTCIES				4							4
72	INSIDER INFO-TRADING				1							1
73	MUNICIPAL SECURITIES											
74	ISSUR. EML REINVEST ACC			1								1
75	FAIL TO MTEY BOND HLDR				5							5
76	CONCERN INVST/DIAMONDS											
79	INVEST ADVISOR PROBLMS		3									3
80	HANDLING/URCR-PURCHASE									13		13
81	DELAY/RCV PROC-LIQCATN											
82	EXCESSIVE FEES											
83	FAIL/RCV CERT/STAT ACC									6		6
84	FAIL/RCV DIVD/CAP-GAIN									4		4
85	IMPROPER SELLING	1										1
86	MISLEADING ADVERTISING											
87	FAILURE TO COMPLY											
88	QUESTIONABLE ACTIVITIES											
89	OTHER											
90	REFERREC/ANOTHER OFFCE	73	1	18	17				2	17		18
91	LOST/STOLEN SECURITIES	10			5					17		13
92	REQUEST/INFORMATION	29	2	2	112				2	5		15
93	REQUEST/INVESTIGATION	3		1	4							202
94	THANK YOU LETTERS											11
95	MISCELLANEOUS	24										5
96	LETTER PREV COMPLAINT	77		4	42				1	1		62
97	NUM-SEC MATTERS	5										140
98	NEED MORE INFORMATION	6		2	2							36
99	PSBL PYRAMID/PONZI				1							15
	UNKNOW											1
	TOTAL	550	6	56	312	19	121	12	70	5		1151









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SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

1279 TO 1279 MONTH TOTAL

TYPE OF COMPLAINT	BD	IA	BK	IS	UK	GN	TA	MF	OTHER	TOTAL
01 - FAIL TO DEL STOCKS	89									89
02 - FAIL TO DEL FUNDS	28									29
03 - DIVIDEND PROBLEMS	32				1					32
04 - FAIL TO TRANSFER ACCTS	25									25
05 - MISHANDLING OF ACCTS	57									57
06 - EXECUTION OF ORDERS	19							1		20
07 - FAIL TO SEND CONFIRM	2									2
08 - FAIL TO SEND PROSPECTUS	2									2
09 - FAIL TO ADVISE SLEND MGN	1									1
10 - MAILING PROBLEMS	3									3
11 - SURCHARGE PROBLEMS	7									7
12 - HIGH PRESS-FRONT STM	1									1
13 - PROTECTION DEFERRED INV	1									1
14 - FAILURE TO DEL BONDS	25					1				26
15 - COMMISSION RATES-OTHER	6		1							7
16 - CANT OBTAIN RATE SCHED										
17 - CANT UNESTIMC RATE SCHED	1									1
18 - RATE DIFF-ACTUAL CHRG										
19 - CNFRM DIFF-RATE SCHED										
20 - NG NOTICE/RTG INCREASE										
21 - FAIL TO SEND PROXY MTR										
22 - CLEARING OPERATIONS	6									6
23 - PROB/LIQUICATION	1									1
24 - UNAUTH PUR/SLE CUS/ACC	11									11
25 - IMPROPER OPTN RECMENDS	5									5
26 - EXCESSIVE OPTN COMMSNS										
27 - OPTION ORDER NOT EXEC	2									2
28 - MARGIN FOR OPTIONS										
29 - UNAUTHORIZED OPTN TRAN	3									3
30 - UNABLE TO EXEC TRANS										
31 - FAIL TO EXEC OPTN-ACCT	2									2
32 - FAIL TO RCV PROSPECTUS										
33 - OTH MANIPULATIVE PRACT										
34 - OTHER-MISCELLANEOUS	5									5
40 - EXCN- COMPLAINTS										
41 - COMPLAINTS AGNST NASD										
42 - MATTERS/ARBITRATIONS										
46 - TRANSFER AGNT PROBLEMS			3							3
47 - MISHANDLING MUT/FUNDS			6							6
48 - FAIL TO DEL SECURITIES			6							6
49 - INTEREST/DIVID/PROBLEMS			15							15
50 - MISHANDLING OF DIVDNS			4							4
51 - MISHAND/MUNICIPLE SECUR										
56 - COMPANY ACTIONS										
57 - CONDUCT/NTURE TENC/OFF				9						9
58 - CONDUCT CNTY/OPERATNS				9						9
59 - MISLEADING DISCLOSURE				3						3
60 - FAIL/FILE REQ-REPORTS				4						4
61 - FAIL TO DEL REPORTS				16						16







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SUMMARY OF COMPLAINTS BY TYPE AND ENTITY

0179 TO 1279 GRAND TOTAL

TYPE OF COMPLAINT	BU	IA	BK	IS	TYPE OF ENTITY UK	GN	TA	MF	OTHER	TOTAL
01 - FAIL TO DEL STOCKS	1029		1	2			2			1106
02 - FAIL TO DEL FUNDS	340		1	1		2				346
03 - FAIL TO DEL SECURITIES	346		2	1						348
04 - MISHANDLING OF ACTS	283									283
05 - MISHANDLING OF ORDERS	870		1	1		1				875
06 - EXECUTION OF ORDERS	339		1	2		1		1		344
07 - FAIL TO SEND CONFIRM	53									53
08 - FAIL TO SEND PROSPECTUS	10									10
09 - FAIL TO OBTN SIGN MGN	12									12
10 - MARGIN PROBLEMS	71				1					72
11 - SURCHARGES/TAXES CHRGD	55			1						56
12 - HIGH PRESS-FROUNT STMT	150		1							151
13 - PROTECTION OFFERED INV	71		3	1		2				78
14 - FAILURE TO DEL BONDS	180		1	1						182
15 - COMMISSION RATES-OTHER	55		1		1					58
16 - CANT OBTAIN RATE SCHED	1									1
17 - CANT UNSTND RATE SFC	2									2
18 - RATE DIFF-ACTUAL CHRG	11									11
19 - CONFIRM DIFF-RATE SCHED	2									2
20 - NC NOTICE/RATE INCREASE	3									3
21 - FAIL TO SEND PRUXTY MTR	14			1						14
22 - CLEARING OPERATIONS	74									74
23 - PROB/LIQUIDATION	33									33
24 - UNAUTH PUR/SLE CUS/ACC	109							1		109
25 - IMPROPER OPTN RECHMS	89									89
26 - EXCESSIVE OPTN COMMSNS	6									6
27 - OPTION ORDER NOT EXEC	23									23
28 - MARGIN FOR OPTIONS	11									11
29 - UNAUTHORIZED OPTN TRAN	46									46
30 - UNABLE TO EXEC TRANS	2									2
31 - FAIL TO EXEC OPTN-ACCT	5									5
32 - FAIL TO RCV PROSPECTUS	5									5
33 - OTH MANIPULATIVE PRACT	11									11
34 - OTHER-MISCELLANEOUS	109					1				110
40 - EXCN- COMPLAINTS										
41 - COMPLAINTS AGNST NASD										
42 - MATTERS/ARBITRATIONS										
46 - TRANSFER AGNT PROBLEMS	2		57				47		38	66
47 - MISHANDLING MUT/FUNDS	1		41		1		5		16	47
48 - FAIL TO DEL SECURITIES	74		74				40			114
49 - INTERST/DIVID/PROBLEMS	169		169	2			19			181
50 - MISHANDLING PIPE SECUR	56		56				5			61
51 - MISHANDLING PIPE SECUR	9		9							9
52 - CONDUCT ANTURE TENC/OFF	194		194							194
53 - CONDUCT ANTURE TENC/OFF	72		72				2			74
58 - CONDUCT UNTO/OPERATNS	68		68				69			137
59 - MISLEADING DISCLOSURE	67		67				67			134
60 - FAIL/FILE REQ-REPORTS	8		8				8			16
61 - FAIL TO DEL REPRCTS	1		219							220

SUMMARY OF COMPLAINTS BY TYPE AND ENTITY  
 CMP16  
 RUN-DATE 05/23/80

0179 TO 1279 GRAND TOTAL

TYPE OF COMPLAINT	BD	IA	BK	IS	TYPE OF ENTITY			TA	MF	OTHER	TOTAL
					UK	GN					
62 - FAILURE TO COMPLY				19							19
63 - REG/RPT REG FOREIGN/IS				9	1			1			1
64 - OFF/PURSUANT TO REG-A			2	182							184
65 - GEN COND OF SEC-MARKET				69							69
66 - FAIL TO PAY DIV OR INT				4							4
67 - FAIL TO DEL SECURITIES				161							161
68 - FAIL/REMOVE RESTRV-LGN				21		2					23
69 - MISMANAGEMENT				64							64
70 - OIL/GAS AND COAL LEASE				68			1				71
71 - BANKRUPTCIES				8							8
72 - MISLEADING TRADING	2			19							13
73 - UNLAWFUL SECURITIES				19			2				23
74 - ISSUING UNPL SECURITIES				1							1
75 - FAIL TO REF BOND HLDG		75									71
76 - CONCERN INVEST/DIAMONDS		1									157
79 - INVEST ADVISOR PROBLEMS		1							155		155
80 - HANDL INC/ORDR-PURCHASE	1	1							34		34
81 - DELAY/RCV PROG-LIQCATN									6		6
82 - EXCESSIVE FEES									52		54
83 - FAIL/RCV CERT/STAT ACC	1								8		8
84 - FAIL/RCV DIVD/CAP-GAIN	1								14		14
85 - IMPROPER SELLING	1								22		23
86 - MISLEADING ADVERTISING									3		3
87 - FAILURE TO COMPLY									124		124
88 - QUESTIONABLE ACTIVITIES									117		117
89 - OTHER											
90 - REFERRED/ANOTHER OFFCE	1248	13	196	126	1	19	37			1	1764
91 - LUST/STOLEN SECURITIES	60		8	25		2	6				101
92 - REQUEST/INFORMATION	273	16	36	1535	28	548	9		2	2	2521
93 - REQUEST/INVESTIGATION	20	5	2	101	7	26			1	1	164
94 - THANK YOU LETTERS	21		4	9		55					90
95 - MISCELLANEOUS	319	4	48	216	26	330	14		15	2	974
96 - LETTER PREV COMPLAINT	839	8	88	546	11	91	12		16		1656
97 - NON-SEC MATTERS	30	1	9	28		324					405
98 - NEED MORE INFORMATION	44	2	4	14	1.4	86					164
99 - PSBL PYRAMID/PONZI	7			10	1	6					18
- UNKNOWN	1			3		1					11
- TOTAL	7326	126	797	3895	110	1500	213		730	82	14779

