

50<sup>th</sup> ANNUAL REPORT

Securities  
and Exchange  
Commission

1984

FISCAL YEAR ENDED SEPTEMBER 30, 1984

U.S. SEC LIBRARY



50614010123534

HG4556  
.U5A3  
1984  
cop. 5

50th Annual Report of the  
**U.S. Securities and Exchange Commission**  
for the fiscal year ended September 30, 1984



1984 marks the 50th anniversary of the Securities and Exchange Commission. Fifty years ago, in the depths of the depression, the nation's securities markets were demoralized. Today, they are by far the best capital markets the world has ever known—the broadest, the most active and efficient, and the fairest.

The Securities and Exchange Commission has played an important role in the restoration of public confidence in the nation's securities markets. With the help and support of the Congress, the executive and the judiciary, the investing public, industry, the financial community, the legal and accounting professions and legal scholars, the Commission has discharged with distinction its mandate to protect investors and maintain fair and orderly markets.

The Commission's illustrious history over the past half century is a testimonial to the generations of exceptional and dedicated individuals who have served in a wide variety of capacities, ranging from clerks, secretaries and staff professionals to Division Directors and Commissioners. They have been widely acknowledged to be among the best in government. They have built the Commission's reputation. They have set the standards of excellence to which we all aspire.

John S.R. Shad  
Chairman

---

---

# 50 Years of Investor Protection

---

DATE	EVENTS OF NOTE
1929	<ul style="list-style-type: none"><li>● Stock Market Crash</li><li>● Pecora Senate Investigation begins</li></ul>
1933	<ul style="list-style-type: none"><li>● Senate "Bear Hunt"</li><li>● Securities Act enacted</li></ul>
1934	<ul style="list-style-type: none"><li>● Securities Exchange Act enacted, establishing SEC</li><li>● Joseph Kennedy appointed first Chairman</li></ul>
1935	<ul style="list-style-type: none"><li>● Public Utility Holding Company Act enacted, but ruled unconstitutional</li><li>● James Landis appointed Chairman</li></ul>
1937	<ul style="list-style-type: none"><li>● William O. Douglas named Chairman</li></ul>
1938	<ul style="list-style-type: none"><li>● Constitutionality of the PUHCA upheld by the Supreme Court</li><li>● New York Stock Exchange reorganized</li></ul>
1939	<ul style="list-style-type: none"><li>● The National Association of Securities Dealers, Inc. is registered by the SEC</li><li>● Trust Indenture Act enacted</li></ul>
1940	<ul style="list-style-type: none"><li>● Jerome Frank takes over as Chairman</li><li>● Investment Company Act enacted</li></ul>
1942	<ul style="list-style-type: none"><li>● U.S. enters World War II; SEC moves to the Penn Athletic Club in Philadelphia</li></ul>
1948	<ul style="list-style-type: none"><li>● SEC returns to Washington</li></ul>
1948-53	<ul style="list-style-type: none"><li>● Edmond Hanrahan, Harry McDonald and Donald Cook hold successive Chairmanships during quiet post-war years</li></ul>
1949	<ul style="list-style-type: none"><li>● Hoover Report on Regulatory Commissions recognizes SEC as outstanding agency</li></ul>
1953	<ul style="list-style-type: none"><li>● Ralph Demmler appointed Chairman</li></ul>
Late '50s	<ul style="list-style-type: none"><li>● Market booms; SEC staff grows 63%</li></ul>
1961	<ul style="list-style-type: none"><li>● William L. Carey named Chairman</li></ul>
1961-63	<ul style="list-style-type: none"><li>● Milton Cohen heads Special Study of the Securities Market</li></ul>
1964	<ul style="list-style-type: none"><li>● The Securities Acts Amendments of 1964 result from Special Study</li><li>● Manuel Cohen becomes Chairman</li></ul>
1965	<ul style="list-style-type: none"><li>● Enforcement Division strengthened under Director Irving Pollack</li></ul>
1968	<ul style="list-style-type: none"><li>● Williams Act enacted to regulate Tender Offers</li></ul>
1969	<ul style="list-style-type: none"><li>● Hamer Budge appointed Chairman</li></ul>
1970	<ul style="list-style-type: none"><li>● Securities Investor Protection Act enacted</li><li>● Investment Company Act Amendments enacted</li></ul>
1971	<ul style="list-style-type: none"><li>● William J. Casey becomes Chairman, begins internal reorganization</li><li>● Institutional Investor Study completed</li></ul>
1972	<ul style="list-style-type: none"><li>● SEC eliminates fixed commission rates on orders above \$300,000</li></ul>
1973	<ul style="list-style-type: none"><li>● G. Bradford Cook appointed Chairman</li></ul>

- Ray Garrett Jr. appointed Chairman
- 1975 ● Securities Acts Amendments enacted
- Fixed commission rates ended May 1
- Roderick Hills appointed Chairman
- 1977 ● Harold Williams named Chairman
- Roberta Karmel is first woman Commissioner
- Foreign Corrupt Practices Act enacted
- SEC Practice Session of AICPA created
- Moratorium on Options Market Expansion begins
- 1978 ● Bankruptcy Reform Act passed
- 1980 ● Small Business Investment Incentive Act passed
- 1981 ● John S.R. Shad becomes Chairman
- 1982 ● 1933 and 1934 Acts Disclosures integrated
- SEC/CFTC Accord and legislation on options and futures
- Swiss Accord on Insider Trading
- 1983 ● Bush Task Group on Regulation of Financial Services
- Shelf Registration Rule adopted
- Electronic Filing, Processing and Information Dissemination System Staff Task Force formed
- 1984 ● Insider Trading Sanctions Act passed
- EDGAR (Electronic Data Gathering, Analysis and Retrieval System) inaugurated



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON D C 20549

December 31, 1984

The Honorable George Bush  
President of the Senate  
Washington, D.C. 20510

The Honorable Thomas P. O'Neill, Jr.  
Speaker of the House of Representatives  
Washington, D.C. 20515

Gentlemen:

Fiscal 1984, the Commission's 50th Anniversary, was another record year. Investor protections and corporations' financing flexibility were *increased*, and unnecessary paperwork and other expenses, ultimately borne by investors, were *reduced*.

Fiscal 1984 highlights include:

- **Results:** Through automation, paperwork reduction and other staff initiatives, record results (or the highest levels in years) were achieved in the volume and efficacy of enforcement actions, investment company and adviser inspections, broker-dealer examinations and reports processed, self-regulatory organization inspections, full disclosure filings processed and appellate and other litigation cases opened. Since fiscal 1981, the annual volume of these activities has been increased by 19% to 78%, with 5% less personnel. Also, the 1981-84 average annual rate of accounting firm peer reviews, under SEC oversight, has been increased more than 100% over the 1978-80 rate.

SEC Fiscal Years Ended September 30th	1981	1982	1983	1984	1981-4 Change
Investment Co. & Adviser Inspections	748	1,065	1,085	1,334*	+ 78%
SRO† Inspections	12	19	18	20*	+ 67%
Appellate and Other Cases	102	115	143	167*	+ 64%
Enforcement Actions Brought	191	254	261	299*	+ 57%
Broker-Dealer Examinations	278	249	324	389*	+ 40%
Broker-Dealer Reports Processed	6,106	6,599	7,067	8,290*	+ 36%
Full Disclosure Filings Processed	56,919	63,423	65,550	67,466*	+ 19%
Staff-Years	1,982	1,881	1,921	1,885	- 5%
Fees as a Percent of Budget	81%	94%	110%	129%*	

\*A record or the highest level in years.

†Self-Regulatory Organization.

- **Edgar:** The pilot high-speed electronic filing system was commenced on schedule (September 24, 1984). It is intended to accelerate dramatically the filing, processing, dissemination and analysis of corporate information; revolutionize the manner in which many investment decisions are made and executed; and contribute to the efficiency of the securities markets.
- **Insider Trading Sanctions Act:** The Commission proposed this Act, which was signed by the President in August. Most inside traders have only been compelled to disgorge their profits, which has not been much of a deterrent. Now they will be subject to fines, up to three times their profits. Criminal fines for securities law violations were also increased—from the \$10,000 established 50 years ago, to \$100,000 per count.
- **Revised Shelf Registration Rule:** This rule has *increased* the largest and most creditworthy corporations' financing flexibility and *reduced* their expenses, for the benefit of their shareholders, by hundreds of millions of dollars per annum, without compromising full disclosures. These large savings are principally due to keener competition among underwriters, and among institutions which purchase the bulk of such issues, whether under shelf or conventional offerings. The Commission is continuing to monitor the effects of the rule and will take appropriate action, if warranted.
- **Proxies And Mutual Fund Prospectuses:** Simplification and improvement of these documents have reduced their cost and increased their utility to investors.
- **New Options:** New options authorized by the Commission permit investors and corporations to hedge stock market, foreign currency and other risks at a fraction of the cost of other means of hedging or reducing such risks.
- **Intermarket Surveillance:** At the Commission's initiative, the exchanges are installing electronic intermarket stock and options surveillance systems and transaction audit trails for the quick identification of inside traders and market manipulators. Audit trails also reduce transaction reconciliation costs, ultimately borne by investors.
- **Shareholder Communications:** Legislation proposed by the Commission will telescope the time and expense of corporations' communications with their shareholders, by requiring banks to provide corporations with the identity of those shareholders, who do not object.
- **Bush Task Group:** The recommendations of Vice President Bush's Task Group on the Regulation of Financial Services include consolidation within the SEC of the filings of all publicly owned banks and thrifts, and other major legislative initiatives for the benefit of investors and depositors, which are expected next year.
- **Budget:** Registration, transfer and other fees exceeded the Commission's budget by 29%. In the past two fiscal years, such fees have exceeded the Commission's budget by over \$35 million.

The 50th Anniversary year results are a tribute to the Commissioners and the fine men and women who serve throughout the agency. In addition to ongoing programs, the future offers the prospect of major improvements in the regulatory structures of the financial service industries and the exciting potential of high speed, electronic dissemination and analysis of corporate information.

Sincerely,

A handwritten signature in black ink, appearing to read "Shad". The signature is stylized with a large loop at the beginning and a long horizontal stroke at the end.

John S.R. Shad





---

---

# Table of Contents

---

<b>Chairman's Letter of Transmittal</b> .....	iii
<b>Enforcement Program</b> .....	1
Key 1984 Results .....	1
Introduction .....	1
Program Areas .....	2
Corporate Reporting and Accounting .....	2
Insider Trading .....	3
Securities Offering Violations .....	4
Regulated Entities and Associated Persons .....	4
Market Manipulation .....	5
Changes in Corporate Control .....	6
Other Developments .....	6
Waiver by Conduct .....	6
Efforts to Obtain Evidence from Abroad .....	7
Beneficial Ownership Reports .....	7
Sources for Further Inquiry .....	7
<b>Full Disclosure System</b> .....	9
Key 1984 Results .....	9
EDGAR and Computer-Assisted Review .....	9
The Proxy Review Program .....	9
Tender Offer Reforms .....	10
SEC Government-Business Forum on Small Business Capital Formation .....	10
SEC/NASAA Cooperation .....	11
Foreign Securities .....	11
Other Rule-Making Initiatives .....	11
Resale of Securities Acquired in Certain Business Combination Transactions .....	11
Option Material .....	11
Suspension of Reporting .....	12
Confidential Treatment .....	12
Electric and Gas Utilities .....	12
Broker-Dealer Research Reports .....	12
Accounting Matters .....	12
Accounting Standards and Principles .....	13
Conceptual Framework Project .....	13
Timely Financial Reporting Guidance .....	13
Accounting for Pensions .....	14
Consolidations .....	14
Other Projects .....	15

Accounting-Related Rules and Interpretations. . . . .	15
Audit and Certification of Financial Statements . . . . .	17
SEC Practice Section. . . . .	17
Peer Review. . . . .	17
Special Investigations Committee. . . . .	18
Review of SECPS . . . . .	18
International Accounting and Reporting . . . . .	19
<b>Regulation of the Securities Markets . . . . .</b>	<b>21</b>
Key 1984 Results . . . . .	21
Securities Markets, Facilities and Trading . . . . .	21
The National Market System. . . . .	21
National System for the Clearance and Settlement of Securities Transactions. . . . .	22
Options. . . . .	22
Short Tendering of Securities. . . . .	23
Exemptions from Short-Sale Rule . . . . .	23
Regulation of Brokers, Dealers, Municipal Securities Dealers, and Transfer Agents. . . . .	23
Broker-Dealer and Transfer Agent Examinations . . . . .	23
Persons Deemed Not to Be Brokers . . . . .	24
Bank Securities Activities . . . . .	24
Customer Protection Rule . . . . .	24
Extension of Credit by Broker-Dealers on Investment Company Shares. . . . .	24
Conforming Amendments to the Net Capital Rule and Reporting Form . . . . .	24
Adoption of Revised Registration and Withdrawal from Registration Forms . . . . .	25
Arbitration. . . . .	25
Transfer Agent Regulation . . . . .	25
Oversight of Self-Regulatory Organizations. . . . .	25
National Securities Exchanges. . . . .	25
National Association of Securities Dealers, Inc . . . . .	26
Clearing Agencies . . . . .	26
SRO Surveillance and Regulatory Compliance Inspections. . . . .	26
Securities Investor Protection Corporation. . . . .	28
Applications for Re-Entry. . . . .	28
Market Oversight and Surveillance System. . . . .	28
<b>Investment Companies and Advisers . . . . .</b>	<b>29</b>
Key 1984 Results . . . . .	30
Regulatory Policy . . . . .	30
Disclosure Requirements. . . . .	31
Investment Advisers . . . . .	31
Insurance Requirements . . . . .	31
Significant Applications and Interpretations . . . . .	31

Savings and Loan Associations .....	32
Financial Planners .....	32
Private Offering by Foreign Investment Companies .....	32
Prudential Series Fund, Inc .....	32
Institutional Disclosure Program .....	32
<b>Other Litigation and Legal Work (General Counsel) .....</b>	<b>35</b>
Key 1984 Results .....	35
Litigation .....	36
Appeals in Commission Enforcement Actions .....	36
Petitions to Review Commission Orders .....	37
Commission Participation in Private Litigation .....	38
Definition of Security .....	39
Challenges to the Commission's Authority Under the Investment Advisers Act .....	40
Commission Action under Rule 2(e) .....	40
Litigation Involving Requests for Access to Commission Records ..	40
Litigation Against the Commission and Its Staff .....	41
Significant Legislation .....	42
Financial Services Industry - Vice Presidential Task Group and Glass-Steagall Legislation .....	42
Mortgage-Backed Securities .....	42
The Hot Issues Report .....	42
The Insider Trading Sanctions Act .....	42
Tender Offer Reform Act .....	43
Shareholder Communications Act .....	43
Corporate Reorganizations .....	44
Committees .....	44
Trustees and Examiners .....	45
Estate Administration .....	45
Plans of Reorganization/Disclosure Statements .....	46
Fee-Related Questions .....	47
Commission Standing to Appear As a Party in Interest .....	48
<b>Public Utility Holding Companies .....</b>	<b>49</b>
Composition .....	49
Financing .....	49
Fuel Programs and Service Companies .....	49
Novel Financings and New Business Activities .....	50
<b>Management, Economic Analysis and Program Support .....</b>	<b>51</b>
Key 1984 Management and Program Developments .....	51
Economic Research and Statistics .....	51
Information Systems Management .....	53
Financial Management .....	53
Facilities Management .....	54
Personnel Management .....	54
Public Affairs .....	55

Consumer Affairs . . . . .	56
Equal Employment Opportunity . . . . .	56
<b>Commissioners and Principal Staff Officers . . . . .</b>	<b>59</b>
<b>Biographies of Commissioners . . . . .</b>	<b>61</b>
John S.R. Shad. . . . .	61
James C. Treadway, Jr. . . . .	61
Charles C. Cox . . . . .	62
Charles L. Marinaccio . . . . .	62
Aulana L. Peters . . . . .	63
<b>Regional and Branch Offices . . . . .</b>	<b>65</b>
<b>Footnotes . . . . .</b>	<b>67</b>
<b>Glossary of Acronyms . . . . .</b>	<b>79</b>
<b>Appendix . . . . .</b>	<b>81</b>

---

---

# Enforcement Program

---

## Key 1984 Results

Enforcement is the largest activity at the Commission, accounting for one-third of the total budget. The Commission commenced 299 enforcement actions during 1984, compared with 261 in 1983 and 254 in 1982.

---

### Total Actions Initiated

---

	FY '81	FY '82	FY '83	FY '84
Total	191	254	261	299
Civil Injunctive Actions	114	136	151	179
Defendants Named	N.A.	418	416	508
Administrative Proceedings	72	106	94	114
Respondents in Proceedings	N.A.	287	189	221
Civil and Criminal Contempt				
Proceedings	N.A.	9	14	4
Defendants	N.A.	16	19	8
Reports of Investigation	N.A.	3	2	2

---

Court orders obtained by the Commission required defendants to divest themselves of illicit profits amounting to more than \$12 million, either as disgorgement or restitution to defrauded investors. The Commission also obtained freeze orders to protect over \$23 million in assets until courts could make appropriate dispositions.

In fiscal 1984, the Commission provided substantial assistance to the Department of Justice and state authorities in connection with criminal cases; 61 criminal indictments or informations were obtained in such cases, compared with 75 in 1983.

## Introduction

The enforcement program seeks to preserve the integrity, efficiency and fairness of the securities markets by enforcing the Federal securities laws. These laws provide civil and administrative remedies designed to rectify past violations and prevent future violations.

The primary civil remedy is a Federal court injunction. An injunction directs the subject to comply with the law in the future. If it is violated, contempt of court proceedings may result in imprisonment or imposition of fines. Courts may also issue orders providing additional equitable relief, including restitution, disgorgement and other appropriate remedies.

Administrative proceedings may be brought against regulated entities: principally broker-dealers, investment companies, investment advisers, and their associated persons, as well as transfer agents. Such administrative proceedings may result in censure, imposition of limitations on activities, or suspension or revocation of registration. (Regulated entities may not conduct business without an effective registration.) Remedies against associated persons include censure, suspension or a bar from association.

Issuers of securities are subject to administrative proceedings for failure to comply with the disclosure requirements and certain other provisions of the Exchange Act. Individuals causing such failures may be named as respondents under legislation enacted on August 10, 1984 as part of the Insider Trading Sanctions Act. Respondents may be ordered to comply with applicable provisions upon specified terms and conditions, or to take steps to effect compliance. Issuers also may be named as respondents in certain proceedings authorized by the Securities Act. In addition, the Commission may publish reports of investigation under Section 21(a) of the Exchange Act.

Criminal sanctions for Federal securities law violations include fines and imprisonment for up to five years for each violation. During fiscal 1984, enactment of the Insider Trading Sanctions Act increased the maximum criminal fine for most Exchange Act violations from \$10,000 to \$100,000.

Close working relationships have been developed with other law enforcement authorities, both in the United States and abroad, to assist in the investigation and prosecution of cases. Such authorities include foreign policy officials, state prosecutors and securities regulators, the Department of Justice and U.S. Attorneys' offices. The Commission also cooperates closely with enforcement efforts of self-regulatory organizations, including the National Association of Securities Dealers (NASD) and the various national securities exchanges.

## Program Areas

One of the strengths of the enforcement program is its breadth and depth. Enforcement activity during fiscal 1984 included cases concerning corporate reporting and accounting;<sup>1</sup> insider trading;<sup>2</sup> securities offerings;<sup>3</sup> regulated entities and associated persons;<sup>4</sup> market manipulation;<sup>5</sup> changes in corporate control;<sup>6</sup> related party transactions;<sup>7</sup> contempt proceedings;<sup>8</sup> and delinquent filing cases against issuers<sup>9</sup> and individuals.<sup>10</sup>

*Corporate Reporting and Accounting*—Financial disclosure cases continued to be a high priority in 1984. For example, in fiscal 1984, the Commission brought 33 cases containing significant allegations of financial disclosure violations against issuers or their employees. This compares with 25 such cases in 1983 and 23 in 1982. The Commission brought 18 cases alleging misconduct on the part of accounting firms, partners or employees in 1984, including four of the issuer disclosure cases set forth above. There were 11 enforcement actions against accountants or accounting firms in 1983 and 3 in 1982.

Classified by their principal violation category, there were 36 injunctive actions and administrative proceedings during 1984 involving issuer fraud or

reporting violations (excluding delinquent filing cases). This compares with 29 such cases reported in 1983. (The classification by principal violation category omits 11 of the 1984 financial disclosure cases reflected in the paragraph above because those cases were classified in other categories.)

Typical financial disclosure cases involve improper valuation of assets or liabilities; improper recognition of revenue or expenses; or failure to provide adequate disclosure concerning the ability of a corporation to meet its obligations. For example, in one case the Commission alleged that although the issuer reported pre-tax earnings of approximately \$33 million over a three year period, earnings in fact were less \$14.5 million.<sup>11</sup> In another case, the Commission brought an injunctive action against a publicly-held bank holding company and two individuals for overstating the holding company's earnings and failing to comply with the reporting requirements with respect to other material developments.<sup>12</sup>

Many cases concerning financial disclosure by reporting companies also involve enforcement of the accounting provisions of the Foreign Corrupt Practices Act (FCPA). In one, a registrant allegedly engaged in improper revenue recognition practices and, as a result, materially overstated its 1981 revenues by approximately \$22.1 million and its net earnings for that year by \$5 million.<sup>13</sup> In fiscal 1984, 10 actions were brought to enforce the accounting provisions of the FCPA, compared with 12 in 1983 and 10 in 1982. These 32 cases represent 78% of all such actions brought since enactment of the FCPA in 1977.

Violations with respect to non-financial information have included material misstatements or omissions concerning corporate operating information, and failure to disclose material facts concerning the remuneration of corporate officers and other related parties. In addition, the Commission brought 15 delinquent filing actions during the fiscal year, compared with 22 in 1983 and 9 in 1982.

*Insider Trading*—In general, insider trading is the purchase or sale of securities by persons in possession of material non-public information relating to such securities in violation of a fiduciary duty or other relationship of trust and confidence. These practices undermine the expectation of fairness and honesty that is the basis of investor confidence in the nation's securities markets. Trading of standardized option contracts, coupled with tender offers and other acquisitions, has increased opportunities for those with material non-public information to reap large profits.

The Commission brought 13 insider trading cases during fiscal 1984. This compares with 24 commenced during fiscal 1983, 20 in 1982 and a total of 132 brought since 1949.

Cases included actions involving information concerning tender offers, mergers, business combinations and other acquisitions of securities, as well as proposed changes to dividend payment policies.<sup>14</sup> Individual defendants included an officer and director of a corporation;<sup>15</sup> employees of law firms representing the involved corporations;<sup>16</sup> an officer of an investment banking firm;<sup>17</sup> and various tippees.<sup>18</sup> In one case, the Commission is alleging, among other things, that an employee of a law firm communicated material non-public information to eight other defendants concerning proposed acquisi-

tions of various corporations.<sup>19</sup> Disgorgement of approximately \$1.9 million is being sought.

In another case, the Commission alleged that a former reporter for the Wall Street Journal misappropriated material, non-public information concerning articles to be published in the Journal's "Heard on the Street" column,<sup>20</sup> and disclosed it to a broker for a major brokerage firm who agreed to split profits from securities transactions with the reporter. Three other individuals are alleged to have traded securities while in possession of the information.

*Securities Offering Violations*—Some issuers fail to register public offerings of their securities, although required to do so by the Securities Act. Some purport to rely on exemptions to registration requirements which are not available. Some violate antifraud provisions of the Federal securities laws by making material misrepresentations or omissions in connection with a securities offering.

During 1984, the Commission brought 48 cases principally involving offering violations by issuers and other persons. That compares with 41 such cases in 1983 and 48 in 1982. The 1984 figure does not include 17 cases involving offering violations by regulated entities. The latter are discussed below under "Regulated Entities and Associated Persons."

In one case, an oil and gas exploration company and its chief executive officer allegedly violated antifraud provisions of the Securities Act in connection with a \$16.5 million public offering of common stock and warrants.<sup>21</sup> The complaint alleged that a registration statement filed with the Commission and a prospectus issued in connection with the offering materially underestimated the amount of the proceeds to be used to repay bank debt, failed to disclose plans to purchase other companies with a portion of the proceeds and materially overstated estimates of proved oil and gas reserves. A related administrative proceeding was brought against an individual associated with the underwriter of the offering<sup>22</sup>

An administrative proceeding was also initiated against a New York broker-dealer firm and three individual respondents alleging violations of antifraud provisions in connection with a \$3 million securities offering. The alleged fraud consisted of closing the offering before all customer purchase price payments had been received and misrepresentation of, or failure to disclose, material facts. The Commission also alleged that the firm failed reasonably to supervise two of the respondents, and persons subject to their supervision.<sup>23</sup>

*Regulated Entities and Associated Persons*—Regulated entities include broker-dealers, investment companies, investment advisers and transfer agents. Fiscal 1984 actions involving regulated entities ranged from books and records violations to attempts to defraud customers. There were 128 cases involving regulated entities compared with 110 in fiscal 1983 and 118 in 1982. Seventeen cases involved securities offering violations by regulated entities. Of the other cases, 65 primarily involved broker-dealers, 28 investment advisers, 6 investment companies and one transfer agent. The total includes 11 actions in which customers or employees were alleged to have defrauded a regulated entity.

During fiscal 1984 the Commission revoked the registration of 12 firms, suspended 10 and censured 14. This compares with 19 revocations, 3 suspen-



sions and 12 censures in fiscal 1983; and 11 revocations, 9 suspensions and 28 censures in 1982.

There were 43 individuals barred, 40 suspended and 12 censured in fiscal 1984. During fiscal 1983 there were 54 bars, 44 suspensions, and 8 censures compared to 44 bars, 82 suspensions and 19 censures in the prior year.

Broker-dealers and underwriters who engage in questionable or improper sales practices are subject to Commission scrutiny. In one proceeding, the Commission's Atlanta, Fort Worth, New York and Washington Regional Offices coordinated an investigation of several offices of a large nation-wide broker-dealer firm.<sup>24</sup> The investigation resulted in institution of an administrative proceeding against the firm charging that certain of its registered representatives engaged in fraudulent practices relating to the sale of options and securities, including conversion of customer funds, and that the firm failed reasonably to supervise its employees in connection with this misconduct. In another proceeding, a broker-dealer firm allegedly engaged in violations of the financial responsibility, bookkeeping and financial reporting requirements, and failed reasonably to supervise persons subject to its supervision who committed the violations.<sup>25</sup> The firm was censured and directed to comply with undertakings concerning the supervision and training of employees, the adoption of written compliance procedures and the establishment of a special audit function.

In a third case, a broker-dealer firm located in New York, and two of its senior officers, were charged with operating a "boiler room" and defrauding purchasers of bonds issued by the Washington Public Power Supply System (WPPSS) and other municipal securities.<sup>26</sup> The Commission's complaint alleged that many customers were charged excessive and unfair prices by the defendants.

*Market Manipulation*—The Commission, the securities exchanges and the NASD engage in surveillance of trading on the national securities exchanges and the over-the-counter markets to ensure their integrity. During 1984, 12 cases involving market manipulation were brought; there were 11 in 1983 and 10 in 1982.

One Commission case alleged that an individual engaged in a fraudulent free-riding scheme to amass and maintain a large portfolio of securities without meeting his obligation to pay for such securities by issuing more than \$2 million in checks on accounts that had insufficient funds. In addition, the Commission alleged that the individual artificially inflated the price of a corporation's common stock in order to profit from its sale and increase his buying power in margin securities accounts holding the stock.<sup>27</sup>

In another case, a corporation and three individual defendants allegedly engaged in a course of conduct to enhance artificially the market value of a corporation's securities and to induce persons to purchase securities of the corporation and its affiliated partnerships. According to the complaint, the defendants created a false impression of the value of the corporation's interests of oil and gas leases and of the identity of its management. The defendants are also alleged to have caused the value of the corporate defendant's common stock and warrants, and securities of another corporation that owned a controlling interest of the corporate defendant, to be artificially in-

created by the dissemination of materially false and misleading information.<sup>28</sup>

A third case involved alleged manipulation of a corporation's initial public offering to cause the stock to sell in the after-market at a premium price. Thereafter, various persons allegedly participated in creating the false appearance of active interest in the security.<sup>29</sup>

*Changes in Corporate Control*—Sections 13 and 14 of the Exchange Act govern proxy solicitations and the filing of reports by persons or groups who make a tender offer or acquire beneficial ownership of more than 5% of a class of equity securities registered with the Commission. The requirements are intended to ensure that investors have the material information needed to make informed investment or voting decisions concerning potential changes in the control of a corporation. Eleven enforcement actions were brought in this area during fiscal 1984, while 5 were brought in 1983 and 9 were commenced in 1982.

In one case, the Commission alleged that a corporation and an individual failed to correct proxy solicitation materials. The defendants allegedly failed to disclose an agreement involving the issuance of a controlling interest in the corporation's common stock and a change in control of its board of directors, and failed to correct statements in the proxy materials which had become materially false and misleading with the passage of time.<sup>30</sup>

In another case, the Commission alleged that a company's proxy solicitation materials did not disclose the facts and circumstances concerning a potential leveraged buyout. In a release regarding this case, the Commission noted that adequate and accurate disclosure with respect to anti-takeover and other proposed defensive measures is necessary. The Commission particularly stressed the need for disclosure of management's interest in proposed transactions; the ultimate effect of proposals upon shareholders; and other material effects of the adoption of antitakeover and other proposed defensive measures.<sup>31</sup>

In another case, three individuals allegedly made false and misleading statements in connection with materials regarding a joint proxy solicitation and tender offer. The materials allegedly failed to disclose the true identity of the soliciting purchasers, the true financial condition of the corporation, and that a primary purpose of the tender offer was to oust the corporation's management.<sup>32</sup>

## Other Developments

*Waiver by Conduct*—The Commission issued a release requesting comments on a concept to address problems encountered in investigations and enforcement actions involving persons who purchase or sell securities in the U.S. markets from foreign countries, particularly when such transactions are effected through institutions in nations with secrecy laws.<sup>33</sup> The concept for analysis is whether the purchase or sale of securities in the U.S., whether directly or indirectly, should serve as a "waiver by conduct" of the applicability of foreign secrecy laws. Under the concept, the purchase or sale would constitute an implied consent to disclosure of information and evidence relevant

to the transaction for purposes of any Commission investigation, administrative proceeding or action for injunctive relief authorized by the Federal securities laws that may arise out of the transaction. The purchase or sale also would constitute the appointment of the U.S. broker that executes the transaction as an agent for service of process or subpoenas and a consent to the exercise of personal jurisdiction by the U.S. courts and the Commission. In addition, the release seeks comments concerning the concept of codifying the authority of U.S. district courts to impose sanctions where the Commission seeks a court order compelling the production of evidence or information related to a purchase or sale of securities within the U.S.

*Efforts to Obtain Evidence From Abroad*—The Commission was successful in three separate efforts to obtain evidence from abroad in connection with an insider trading case filed in 1981.<sup>34</sup> On May 16, 1984, the Swiss Federal Tribunal granted a request for information concerning the identity of certain individuals that allegedly purchased securities while in possession of material non-public information through various Swiss banks. This represents the first instance in which the Commission has successfully employed provisions of the 1977 Treaty Concerning Mutual Assistance in Criminal Matters between the United States and Switzerland in a case involving insider trading. In addition, the Commission successfully employed letters rogatory to obtain assistance in gathering additional evidence located in the United Kingdom and France.

*Beneficial Ownership Reports*—A special effort was launched to assure that corporate officers and directors, and shareholders of more than 10% of a class of registered equity securities, file timely beneficial ownership reports. The Commission brought 31 civil actions pursuant to Section 21(e) of the Exchange Act to obtain orders commanding compliance with the applicable requirements.

*Sources for Further Inquiry*—The Commission publishes litigation releases describing civil injunctive actions and criminal proceedings involving securities-related violations. Among other things, they report the violative conduct alleged by the Commission, or the Department of Justice or found by the court, and the disposition or status of the case. In addition, orders instituting administrative proceedings or providing remedial relief are published.

The enforcement actions brought during fiscal 1984 in each major program area are listed in the footnotes to this report. Appropriate references are made to the litigation releases or orders published in the SEC Docket.

Copies of the SEC Docket may be reviewed at the Commission's headquarters or in a regional office. Further information can be obtained by contacting the Public Reference Branch at (202) 272-7450 or by mail at 450 Fifth Street, N.W., Washington, D.C. 20549.



---

---

# Full Disclosure System

---

## Key 1984 Results

The full disclosure system is administered by the Division of Corporation Finance. The disclosure system is designed to provide investors with full and accurate material information, fostering investor confidence, contributing to the maintenance of fair and orderly markets, facilitating capital formation and inhibiting fraud in public trading, voting and sale of securities. In fiscal year 1984, about 11,000 publicly-held concerns filed 67,466 full disclosure filings with the Commission, an increase of 3% over fiscal 1983.

Filings given a full review continued to be received at record or near record levels. First-time Securities Act registration statements totaled 1,183; merger proxies exceeded the 1983 level (320 vs. 254); and small offerings registered on Form S-18 increased 13% over 1983 to 710 filings.

## EDGAR and Computer-Assisted Review

Since 1980, the staff has increasingly used computers to screen all filings to identify those which present significant disclosure issues and to facilitate review.

During fiscal 1984, the Commission met its goal of establishing a pilot EDGAR system. A group of approximately 150 companies volunteered to participate initially and a pilot branch to process the electronic filings was established in the Division of Corporation Finance. After extensive development and training, the first electronic filing was received by the Commission on September 24, 1984. (See further discussion p. 51, Management Sec.)

## The Proxy Review Program

On May 9, 1984, the Commission proposed for comment a new form to be used to register securities under the Securities Act in connection with certain business combination transactions.<sup>35</sup> Designed to replace two existing, frequently unwieldy registration forms, the proposed form addresses disclosure needs in mergers and exchange offers by applying principles of integrated disclosure, including utilization of the three-tiered registration system and incorporation by reference. This initiative is one of two proposals relating to business combinations to improve the effectiveness of this prospectus by requiring that the information be presented in a more meaningful and accessible format. A second such initiative is the publication for comment of a comparable form designed to be used by and in connection with business combination transactions involving foreign private companies.<sup>36</sup> The proposed forms will provide both transactional and voting information so that, like their predecessors, they will function as both registration and proxy statements. The comment period on these two forms closed on August 17, 1984 and September 14, 1984, respectively. Commission action is anticipated during the next fiscal year.

On August 9, 1984, the Commission adopted amendments governing disclosure of the background of management of registered companies.<sup>37</sup> The amendments, stemming from hearings held in December 1983 by the Subcommittee on Banking, Housing and Urban Affairs on "Fraud and Abuse in the 'Hot Issues' and 'Penny Stock' Markets," will require companies to discuss violations of the Commodity Exchange Act, as well as other legal proceedings now required to be disclosed, in describing the background of directors and executive officers. The amendments require companies not subject to the Exchange Act's periodic reporting requirements for the last 12 months to disclose, with respect to control persons, bankruptcy proceedings, criminal proceedings, securities and commodities violations and certain other legal proceedings material to a voting or investment decision in which such control persons have been involved over the last five years. In addition, companies organized within the last five years must include such disclosure with respect to promoters. The disclosure will be provided in registration statements, proxy statements and annual reports.

Also, in April 1984, the Commission transmitted to Congress proposed legislation seeking an amendment to Section 14(b) of the Exchange Act authorizing the Commission to regulate the proxy processing activities of banks, associations and other entities that exercise fiduciary powers, in the same manner that the Commission currently regulates the activities of broker-dealers. The proposed legislation is based on recommendations contained in the report issued in 1982 by the Commission's Advisory Committee on Shareholder Communications. The bill was introduced in the House on May 22, 1984 and in the Senate on June 20, 1984.

### **Tender Offer Reforms**

In February 1983 the Chairman appointed the Advisory Committee on Tender Offers to review techniques for acquisition of control of public companies and the laws applicable to such transactions. All 50 of the Advisory Committee's recommendations<sup>38</sup> were considered at an open meeting on March 13, 1984. Chairman Shad testified on Commission positions regarding these recommendations on March 28, 1984 before the Subcommittee on Telecommunications, Consumer Protection and Finance of the House Committee on Energy and Commerce. Current activity includes a three-part response to the Advisory Committee Report: (1) proposed reform legislation, introduced in the House on May 22, 1984 and in the Senate on June 20, 1984; (2) further study on certain issues; and (3) proposed rulemaking. As to the second phase, the Commission issued a release soliciting public comment on two-tier tender offers and open market or privately negotiated purchase programs, respectively.<sup>39</sup> Rulemaking initiatives in other areas relating to tender offers are underway.

### **SEC Government-Business Forum On Small Business Capital Formation**

The third annual SEC Government-Business Forum on Small Business Capital Formation was conducted in Washington, D.C. on September 12-14, 1984. Approximately 170 small business executives, accountants, attorneys, financial ana-

lysts, broker-dealers, venture capital investors, financial advisors, bankers and government officials met to discuss issue papers containing recommendations on taxes, securities, and state capital formation programs. Participants also discussed issues raised in a financial services panel featuring leading members of the financial service and business community. The Forum is conducted under the Small Business Investment Incentive Act of 1980 in which Congress directed the Commission to conduct an annual Government-Business Forum "to review the current status of problems and programs relating to small business capital formation" and to include as participants other Federal agencies and leading small business and professional organizations concerned with capital formation.

## **SEC/NASAA Cooperation**

During the year, the Commission worked closely with the North American Securities Administrators Association (NASAA). At NASAA's spring meeting, there was prepared and released a summary report and agenda of areas of joint consideration to increase efficiency of the dual regulatory process through enhanced cooperation and uniformity. A procedure under which Regulation D interpretive letters are reviewed by a NASAA committee to help develop interpretations that will be uniform on both the Federal and state levels is part of that effort. Implementation of the Uniform Limited Offering Exemption (ULOE), designed to coordinate with Regulation D on the state level, is another example of SEC/NASAA cooperation. As of the end of the fiscal year, 29 states had adopted some form of ULOE.

## **Foreign Securities**

On October 6, 1983, the Commission adopted revisions to the exemption from Exchange Act registration for securities of foreign issuers that have not voluntarily sought entry into U.S. markets.<sup>40</sup> The revisions require foreign securities to be registered under the Exchange Act in order to be quoted on the National Association of Securities Dealers Automatic Quotation System (NASDAQ). Canadian securities already on NASDAQ have until January 1986 to either register or withdraw. Other foreign securities already on NASDAQ were grandfathered indefinitely.

## **Other Rulemaking Initiatives**

*Resales of Securities Acquired In Certain Business Combination Transactions*—Resale requirements for persons receiving securities in registered business combination transactions were revised; a release was issued on February 10, 1984.<sup>41</sup> The revisions provide that persons will not be considered to be underwriters and may freely transfer their securities if they are not affiliates of the issuer and either (1) have owned the securities for at least three years, or (2) have owned the securities for at least two years and the issuer satisfies certain public information requirements.

*Option Material*—On March 22, 1984 the Commission adopted amendments to its rule excluding certain instructional or educational materials dis-

seminated about standardized options from the definition of a prospectus.<sup>42</sup> They are intended to permit fuller explication of the nature of newly developed option products in this rapidly evolving field. The revised rule will now apply to advertisements and to other written materials provided that no specific security is identified and that the name and address of a person from whom a copy of any definitive options disclosure document can be obtained is included.

*Suspension of Reporting*—The Commission adopted amendments to its rules permitting the immediate suspension of the Section 15(d) reporting obligation under the Exchange Act on March 22, 1984.<sup>43</sup> The new rules help standardize and simplify the suspension criteria for all issuers and provide additional relief from the reporting burden for small issuers.

*Confidential Treatment*—On March 23, 1984 the Commission adopted an amendment to its rules governing information eligible for confidential treatment under the Securities Act.<sup>44</sup> The revised rule extends availability of confidential treatment under the Securities Act to the same types of information that may be granted confidential treatment in issuers' annual reports under the Exchange Act. It also conforms the procedure for requesting confidential treatment under the Securities Act to that under the Exchange Act.

*Electric and Gas Utilities*—On June 15, 1984, the Commission adopted an amendment to the Electric and Gas Utility Guides under the Securities Act and the Exchange Act.<sup>45</sup> The amendment, based on a rulemaking petition filed by the California Association of Utility Shareholders, will require electric and gas utilities which issue securities at a price below underlying book value per share to disclose, in transactional and periodic reports, where material, the extent of any resulting book value dilution and its effects on their business and financing plans.

*Broker-Dealer Research Reports*—On September 19, 1984, the Commission adopted an amendment to its rule governing distribution of research reports by broker-dealers engaged in the underwriting or distribution of a security discussed in the report.<sup>46</sup> The rule provides safe-harbor protection from registration violations for reports which meet its conditions. The amendments reflect the principles underlying the integrated disclosure system by imposing somewhat different conditions on the availability of that safe-harbor on companies eligible to use short-form registration than on other companies.

## Accounting Matters

Audited financial statements and related financial disclosures form the cornerstone of the Commission's disclosure system under the Federal securities laws, which give the Commission broad authority to prescribe the financial statements to be filed, their form and content, and the accounting standards and procedures to be followed in their preparation. Historically the Commission has relied initially on the private sector to establish and to improve accounting principles and auditing standards, and to develop a self-regulatory mechanism for compliance. Oversight of the private sector activities and accounting-related regulatory initiatives ensures that standards and procedures are met.



## Accounting Standards and Principles

Since 1973, the Financial Accounting Standards Board (FASB) has been recognized by the Commission as the private sector body responsible for setting financial accounting and reporting standards.<sup>47</sup> Oversight of the process involves not only Commission review of the standards set, but also the direct participation of staff members and, in some instances, the Commission itself in the initial setting of standards. Staff members monitor developments closely and are in frequent contact with FASB staff and Board members, participate in meetings, public hearings, and task forces. The Commission monitors progress of FASB projects and meets periodically with the FASB to discuss topical issues. For example, application of the conceptual framework project to the FASB's standard setting activities was discussed in an open Commission meeting in May 1984.

In addition to monitoring FASB activities, the staff identifies emerging accounting problems in the review process and refers these items to the FASB for consideration. In the past year these referrals have resulted in the FASB issuing a technical bulletin on accounting for certain aspects of research and development arrangements and adding to its technical agenda a project to clarify the accounting for conversion of convertible debt. Both of these issues surfaced in the Commission's review process.

Although generally satisfied with FASB's performance, the Commission believes that there is need for more timely guidance on emerging issues. The FASB, in response to the concerns about lack of guidance on emerging issues, has set up a Task Force on Emerging Issues which is discussed below. The Commission has a representative on the Task Force and is hopeful that this will provide adequate mechanism for timely response to emerging issues. Certain significant developments during the past year and current agenda items are discussed below.

*Conceptual Framework Project*—In prior annual reports the Commission has expressed disappointment at the FASB's lack of progress on its Conceptual Framework Project. The Project has been part of the FASB's Technical Agenda for virtually all of its 11-year history. It now appears that the FASB is nearing completion of the Project as its scope is presently defined.

In December 1983, the Board issued an exposure draft of a proposed concepts statement entitled *Recognition and Measurement in Financial Statements of Business Enterprises*. This phase of the project deals with initial recognition of, subsequent changes in, and appropriate measurement of the asset, liability and equity elements in financial statements.

As the Project nears completion, it is still not clear how the concepts developed will ultimately impact the evolution of the financial accounting and reporting model. The FASB believes that the concepts statements developed in this Project are useful in that they provide a common frame of reference in deliberations on new standards. The ultimate success or failure of the Conceptual Framework Project, however, can only be evaluated by assessing the FASB's future standard setting activities.

*Timely Financial Reporting Guidance*—As noted above, the Commission has encouraged the FASB to provide more timely guidance on emerging issues and is supportive of recent initiatives in this area: (a) broadening the

scope of FASB technical bulletins (issued by the FASB staff without formal deliberations by FASB members and without the entire due process procedures required of FASB statements or interpretations), and (b) establishing an advisory group to assist the FASB in identifying emerging accounting and reporting issues.

FASB technical bulletins provide guidance on specific, relatively narrow accounting issues, and have been issued as interpretations of existing accounting literature. By expanding the scope of technical bulletins, they can now address areas not directly covered by existing pronouncements. Technical bulletins will now be exposed for a short comment period to selected knowledgeable individuals and will be discussed at public FASB meetings. The Commission fully agrees with the expanded role of technical bulletins and has encouraged their issuance whenever practicable.

The Commission's Chief Accountant is a participant in the Emerging Issues Task Force, an advisory group composed of accounting practitioners and representatives of major associations of preparers, such as the Financial Executives Institute and the National Association of Accountants. The primary objective of the group is problem identification. The Task Force will not formally resolve issues nor will it be authorized to publish solutions to issues considered, although minutes of its meetings are available. It may, however, indicate that no immediate action by the FASB is needed if consensus from discussion suggests that a diversity in practice is not likely to evolve.

The Emerging Issues Task Force is in its development stage; it is too early to tell if it will effectively fulfill its stated objectives. A key test will be its ability to (a) bring emerging problems to the FASB's attention, and (b) limit the development of divergent practice when a consensus is reached by the group on appropriate accounting for an emerging issue. If a consensus is not reached, the FASB's challenge will be to resolve the issue through issuance of a technical bulletin or otherwise in a timely fashion.

*Accounting for Pensions*—Today, it is difficult for even sophisticated analysts to assess the impact of pensions on companies' financial positions and results of operations and to make valid comparisons between companies. The FASB's current project on pensions, which has proposed substantial changes in the way companies account for pensions, addresses a significant financial reporting matter that requires resolution. The FASB has issued a document entitled *Preliminary Views*, disseminating its inclination on the appropriate accounting for pension plans. Its tentative conclusions on this matter have generated interest and controversy in the business community. This project, more than any other in its history, has demonstrated the difficulty in promulgating "generally accepted" standards which may be unpopular with the FASB's constituents. Clearly, the FASB's leadership role in establishing accounting standards is being tested by this project.

*Consolidations*—The FASB project on consolidations and the equity method was placed on its technical agenda in January 1982. Unfortunately, there has been little progress. The Commission believes that determinations made in the project should help resolve many of the important accounting issues encountered by registrants and their accountants. Resolution of these fundamental issues should lessen the Commission's need to address ancillary

issues through its interpretive process—as was done this year with the issuance of staff accounting bulletins on consolidation-related issues of “push down” accounting and “carveouts” (see subsequent discussions).

*Other Projects*—Last year the FASB issued standards on accounting for extinguishment of debt, transfers of receivables with recourse, and futures contracts.<sup>48</sup> Other important items on the FASB’s technical agenda include accounting for income taxes, employee stock compensation plans, computer software development costs as well as a number of practice problems. The Commission concurs with the FASB’s decision to address these issues, particularly the accounting for employee stock compensation plans and computer software development costs.

## **Accounting-Related Rules and Interpretations**

The Commission’s accounting-related rules and interpretations serve primarily to supplement generally accepted accounting principles (GAAP), as established by the private sector, by addressing areas unique to Commission filings or where GAAP is not sufficiently explicit. Principal accounting requirements are embodied in Regulation S-X governing the form and content of, and requirements for, financial statements filed under the Federal securities laws. The Commission also publicizes its views on various accounting and financial reporting matters in Financial Reporting Releases (FRRs).

During the past year, revised rules for income recognition by oil and gas producers following the full cost method were adopted.<sup>49</sup> Rules which would require the presentation of industry segment data for interim periods were proposed.<sup>50</sup> As part of that proposal, other amendments were proposed, or comment invited, on matters involving interim reporting, segment data and off-balance sheet financing, issues cited by analysts and other users of disclosure documents as important and in need of improvement. Rules calling for increased disclosures about property-casualty insurance reserves also were proposed in response to investors’ and analysts’ concerns.<sup>51</sup>

As the private sector changes financial reporting standards, the Commission evaluates its requirements, modifying or eliminating those that become unnecessary. For example, in December 1983, the Commission rescinded an earlier release prohibiting accounting for “quasi-defeasance” arrangements as extinguishments of debt.<sup>52</sup> In quasi-defeasance arrangements, assets are dedicated to the future servicing and repayment of currently outstanding debt; the debt itself may not have been legally satisfied under the terms of the debt agreement. The FASB addressed this issue and concluded that quasi-defeasance debt extinguishments should be recognized only in limited circumstances involving a “trust” type arrangement. Thereafter, the Commission rescinded its previous release. However, in its release announcing that rescission, the Commission included certain interpretive language to clarify possible ambiguities in the new standard and to emphasize that its provisions should be strictly applied. The Commission and FASB have closely monitored the implementation of the new standard, and the FASB has provided timely response to ensure that its application is limited to a very narrow set of circumstances.

In light of the Commission's integrated disclosure program, the need for an earlier interpretation on the circumstances under which an accountant's report qualified on a "going concern" basis may be acceptable in Securities Act filings was re-evaluated. In February 1984 the Commission rescinded that interpretation, permitting registrants to offer securities, notwithstanding an accountant's report qualified because of uncertainties about an entity's continued existence. Registrants are still required to provide full disclosure of the financial difficulties, and plans to overcome them.<sup>53</sup> Financial statements will continue to be considered defective, however, if these statements are prepared on a going concern assumption but should more appropriately be based on the assumption of liquidation or if the amounts and classifications of assets and liabilities in the statements should be otherwise adjusted.

The staff periodically issues Staff Accounting Bulletins (SABs) to inform the financial community of its views on accounting and disclosure issues.<sup>54</sup> During fiscal 1984, the staff issued SABs on two issues related to the broader issue of consolidations currently being studied by the FASB and which arose during the then "hot issues" market.

SAB 54 was issued in November 1983 to address the application of the "push down" method of accounting. Under push down accounting, the costs of purchasing a business are pushed down to become the new reporting basis in the separate financial statements of the acquired entity. SAB 54 expresses the view that push down accounting should be applied where an acquired subsidiary is substantially wholly owned and has no public debt or preferred stock outstanding.

Also in November, the staff issued SAB 55 to provide its view on appropriate accounting for "carveouts"—situations where a subsidiary, division or lesser business component of a larger entity files a registration statement for purposes of obtaining public financing. In such circumstances, financial statements of these entities are frequently presented on the basis of operating as a subsidiary, division or lesser business component and therefore, may not reflect all costs incurred in operating the business. SAB 55 reflects the staff's views as to the necessity of the allocation of expenses to the financial statements of these separate entities and the required disclosures.

In the area of bank disclosures, the staff issued SAB 56 concerning appropriate disclosures about certain reserves mandated by the Federal banking agencies. The bulletin indicates that registrants are expected to disclose the existence of these mandatory reserves in their Commission filings and that such disclosures should be meaningful in the context of the analysis of the loan loss reserve required by other Commission guidelines. The SAB emphasizes, however, that registrants are responsible for determining the adequacy of reserves under GAAP and that this responsibility is not affected by presence or absence of mandated reserves.

Finally, the staff issued SAB 57 on its views concerning appropriate accounting for contingent warrants issued by a company to certain of its major customers in connection with sales agreements. The bulletin reflects the view that the cost of the warrants contingently issuable under these arrangements should not be measured until the requisite amount of purchases specified in the sales agreement have been made. This cost is the difference between the quoted market price of

the company's stock at the date the customer earns the warrants and the amount the customer is required to pay.

## Audit and Certification of Financial Statements

The American Institute of Certified Public Accountants (AICPA) established the Division for CPA Firms and the Public Oversight Board (POB) in 1977 in response to recommendations for self-initiated reform made by various groups, including Congress. The Division consists of two sections, the SEC Practice Section (SECPS) and the Private Companies Practice Section. The Commission strongly encourages membership in the SECPS, believing that it is evidence of a firm's commitment to quality of practice.

*SEC Practice Section*—The primary objective of the SECPS is to improve the quality of practice of CPA firms before the SEC through various membership requirements, including peer reviews. It provides the organizational structure and processes for the self-regulation of accounting firms with SEC audit practices. The POB, composed of prominent individuals from outside the profession, monitors the activities of the SECPS. According to the POB's Annual Report as of June 30, 1984, 430 firms have voluntarily become members of the SECPS, including all firms with 30 or more public company clients.

As discussed in the POB's Annual Report and a special report on "Audit Quality: The Profession's Program,"<sup>55</sup> peer regulation must be viewed in the context of its relationship with *private* regulation (policies and procedures dictated and enforced by management of accounting firms) and *public* regulation (state entrance and licensing provisions, court actions, and Federal regulatory actions such as SEC's enforcement actions). Regulation of a profession requires the best efforts of all three levels; no one level of regulation is adequate alone, nor can any one of them substitute for any other. The POB has reviewed the accounting profession's program for audit quality, both conceptually and in practice, and found the quality control standards, peer reviews of firms' compliance, and the supporting strength of the special investigative process, with both public and regulatory oversight, combine to provide a sound, comprehensive and effective assurance of audit quality.

*Peer Review*—In its 1984 annual report, the POB concludes that the peer review process is functioning effectively, and notes that there has been a significant percentage decrease in the number of qualified and adverse opinions on member firms' systems of quality control.<sup>56</sup> In firms found to have serious deficiencies, results obtained on subsequent peer reviews provide convincing evidence of a commitment to improve quality of their accounting and auditing services.

The Commission staff oversees the activities of the SECPS through frequent contact with the POB and members of the executive and peer review committees of the SECPS. In addition, the staff reviews POB files and selected working papers of the peer reviewers. The Commission believes the peer review process contributes significantly to improving quality controls of members and thus should enhance the consistency and quality of practice before the Commission.

However, the process is still evolving. The POB, in its Annual Report, comments on several significant changes effected during the past year, including those relating to consideration of litigation alleging audit failures in determining the scope of the peer review. Several were suggested by the Commission's staff in its oversight capacity. The Commission strongly encourages continuing refinements in the program (such as those dealing with uniformity of reporting mentioned by the POB and the recommendation of a special committee dealing with the need for additional guidance in evaluating the scope and effectiveness of the concurring second partner review membership requirement).

*Special Investigations Committee*—Activities of the Special Investigations Committee (SIC) supplement peer review. They determine whether allegations of failure in the conduct of an audit of an SEC registrant indicate need for improvements in, or compliance with, quality control systems of the reporting firms or whether changes in professional standards are required. If specific members of the firm's professional staff may have failed to follow established policies and procedures, the SIC considers whether corrective action taken by the firm is appropriate.

The POB actively monitors the activities of the SIC and has complete access to its files. In its 1984 Annual Report, the POB concludes that the SIC has effective operational procedures, that members take their responsibilities seriously and that its decisions are sound and in the interest of the public and the profession.

In previous years,<sup>57</sup> the Commission has stated that it "has no basis for reaching any conclusions" about the special investigative process or the POB's oversight of that process, and "believes that visible evidence as to specific activities is critical to demonstrate to the public the effectiveness of this aspect of the profession's self-regulation." This continues to be the case.

*Review of SECPS*—In June 1984, an AICPA committee issued a report entitled "Report of the Special Committee on the Review of the Structure and Operations of the SEC Practice Section." The committee, composed of seven distinguished members of the accounting profession and two representatives from outside the profession, reviewed and evaluated the activities of the SECPS since its formation in the light of the SECPS goal to improve the quality of practice before the SEC. The report included an evaluation of the role of the POB, and the SECPS objectives, membership requirements, organizational structure and functions.

The committee's overall evaluation is that the structure of the SECPS is sound and that it is carrying out its major programs in an effective manner. But a series of recommendations were made to further improve the effectiveness of the SECPS. One was to develop a broadbased public information program, including the issuance of periodic reports on the scope and results of its activities so that the SECPS objectives and accomplishments will be better known and understood by various interested audiences.

With respect to the SIC, the committee found that the investigative process complements the peer review process and has operated effectively within the established guidelines for its activities. The committee addressed the question of whether the confidentiality of SIC activities should be modified. It concluded that confidentiality on matters related to specific cases still ap-

pears to be desirable because of the voluntary nature of the SECPS, the possibility of substantial and often unwarranted prejudice against member firms, and the fact that the public interest has been adequately protected by the procedures followed by the SIC and the regulatory and court processes. It nonetheless concluded that some public information about the actions taken in the investigative process is needed to enhance the credibility of the process. Recommendations included the publication of a generalized report at least annually and the publication for educational purposes of information about unusual or recurring problems encountered in the investigative process.

The Committee also recommended that the membership requirements for reporting alleged audit failures to the SIC be extended to cover cases involving all entities in which there is a significant public interest as opposed to only those involving SEC registrants. This recommendation is responsive to the Commission's statements in its 1983 annual report<sup>58</sup> and has been endorsed by the POB.<sup>59</sup> Indeed, the POB annual report indicates that since the inception of the program, some non-SEC registrant cases were voluntarily reported to the SEC in response to a request by the SIC.

The Commission has urged the SECPS to carefully consider the recommendation of the special committee and to take positive steps to enhance the credibility and acceptance of the SECPS; public disclosure of more specific information about the activities of the SIC is imperative. Unless the public is aware of the profession's response to potential problems, the requisite degree of assurance that the profession's program is acting in the public interest by protecting users of financial statements is unlikely.

*International Accounting and Reporting*—Disclosure of information by multinational enterprises continues to be of interest to user groups including investors, creditors, governments and employee organizations. A number of regional and international bodies devote substantial time and resources to improving the quality and comparability of the information.

The Commission monitors certain activities of several regional and international standard setting bodies, including the European Economic Community, the International Accounting Standards Committee and the International Federation of Accountants and is interested in and supportive of development of international standards of accounting and auditing. Closer correspondence between national requirements will result in more useful and understandable information for investors and other users of financial reports and mitigate problems caused by disparate requirements applicable to domestic and foreign private issuers which register securities with the Commission.

The Office of the Chief Accountant maintains communications with various national and international standard-setting bodies and comments on the proposed standards of such bodies from time to time. A staff member from the Office serves as an expert advisor on the United States delegations to regular meetings of working groups on international accounting and reporting standards established by the United Nations and the Organisation for Economic Cooperation and Development (OECD). The OECD will sponsor an international forum, in April 1985, on harmonization of accounting and reporting standards at the international level which could result in an important step in the harmonization process. Harmonization of accounting and reporting stan-

dards is a long term process; these efforts will continue and should favorably affect the efficiency of the world's capital markets.



---

---

# Regulation of the Securities Markets

---

## Key 1984 Results

The Division of Market Regulation, with the assistance of the Regional Offices, is charged with the responsibility of overseeing operations of the nation's securities markets, exchanges and broker-dealers. Over 10,000 broker-dealers, 10 exchanges and 6,000 firms conducting a public business were subject to the Commission's oversight in fiscal 1984.

---

### Market Value of Equity Securities Transactions

*in billions*

---

FY '81	FY '82	FY '83	FY '84
\$564	\$534	\$1,005	\$1,013

---

---

### B/D Oversight Examinations

---

FY '81	FY '82	FY '83	FY '84
278	249	324	389

---

---

### Surveillance and Regulatory Compliance Inspections of SRO's

---

FY '81	FY '82	FY '83	FY '84
12	19	18	20

---

In fiscal year 1984, the Commission continued facilitating efficient markets and undertook important initiatives to protect investors and to reduce costs of regulation—from streamlining the clearing process to simplifying the registration process for broker-dealers. The Commission undertook a major initiative to assure functional regulation of securities activity by banks as well as broker-dealers. Capital and reserve additions of \$83.2 million were secured from broker-dealers in financial difficulty, increasing protection of customer assets in those firms' custody.

Amendments to Municipal Securities Rulemaking Board (MSRB) rules requiring certain financial institutions to compare, confirm, affirm and settle by book-entry trades in municipal securities through the facilities of registered clearing agencies should reduce processing and related costs by \$350 million annually. Adoption of a tender and exchange offer processing rule, requiring tender agents to use book-entry transfer services at securities depositories, should reduce processing costs by \$100 million annually.

## Securities Markets, Facilities and Trading

*The National Market System*—The Intermarket Trading System (ITS), operated by seven national securities exchanges and the National Association of

Securities Dealers, Inc. (NASD), experienced record trading volume in 1984. ITS upgraded facilities completely, expanding its capacity threefold. ITS also facilitated when-issued trading of stock in the seven regional holding companies spun-off from American Telephone & Telegraph.

The Commission continues to monitor trading in Securities Exchange Act (Exchange Act) Rule 19c-3 securities (securities not subject to exchange off-board trading restrictions) and trading through the interface between ITS and the NASD's Computer Assisted Execution System. Although trading through the latter has been light, all Rule 19c-3 securities now are eligible to be traded through the interface.

By year-end over 1,000 actively-traded over-the-counter (OTC) securities were designated as national market system (NMS) securities under Rule 11Aa2-1 of the Exchange Act. That rule requires transactions in NMS securities to be reported in a real-time system, increasing market efficiency and improving execution of customers' orders. In response to a petition submitted by the NASD, the Commission proposed amendments to the rule to increase substantially the number of securities eligible for designation as NMS securities.<sup>60</sup> The petition was granted Nov. 16, 1984.

*National System for the Clearance and Settlement of Securities Transactions*—Rule 17Ad-14 under the Exchange Act was adopted requiring registered transfer agents acting as tender agents for bidders during tender and exchange offers to establish accounts with registered securities depositories to permit book-entry delivery of tendered securities for anticipated annual savings to brokers and agent banks of about \$100 million.<sup>61</sup> Two securities depositories' proposals to offer tender delivery services were approved.<sup>62</sup> (A third depository was approved in early October 1984.)<sup>63</sup>

The Commission approved amendments to MSRB Rules G-12 and G-15 that establish a two-phased timetable for integrating municipal securities brokers and dealers into the National Clearance and Settlement System.<sup>64</sup> Since August 1, 1984, every municipal securities broker and dealer that participates in a registered clearing agency offering automated municipal securities comparison, confirmation and affirmation services (or clears transactions through an agent that is a member of such a clearing agency) has had to use those services. By February 1, 1985, those municipal securities brokers and dealers or their agents also will be required to settle by book-entry, through a registered clearing agency, compared and confirmed transactions in depository-eligible securities. When fully effective, these rule amendments should save the municipal securities industry about \$350 million annually in processing costs. The Commission approved proposed rule changes of several clearing agencies that implement the first phase of the timetable.<sup>65</sup>

Finally, in April 1984, the Commission's Division of Market Regulation hosted a two-day Securities Processing Roundtable with representatives from organizations involved in processing securities transactions. Discussions focused on improving efficiency and safety in the National Clearance and Settlement System, and set an agenda for achieving identified goals during the balance of the 1980's.<sup>66</sup>

*Options*—During fiscal year 1984, the Commission approved issuance and trading of ten new options products, including options on stock market indices<sup>67</sup>

and foreign currencies,<sup>68</sup> and approved 75 other options-related rule filings. The Commission, the Federal Reserve Board and the Commodity Futures Trading Commission (CFTC), have continued work on the Congressionally mandated Special Study of the Futures and Options Markets.

*Short Tendering of Securities*—On March 29, 1984, the Commission adopted amendments to Exchange Act Rule 10b-4, the short tendering rule,<sup>69</sup> prohibiting the practice of hedged tendering, i.e. tendering and then selling a portion of the tendered shares in the market. The amendments also clarify certain provisions of the rule and limit the types of offers to which the rule applies.

On June 15, 1984, additional amendments to Rule 10b-4 were published for comment.<sup>70</sup> The proposals would require persons who tender shares by guarantee to deliver all guaranteed shares to the bidder and would extend the prohibition of hedged tendering to cover the writing of certain exchange-traded call options.

*Exemption from Short Sale Rule*—On March 6, 1984, the Commission adopted an amendment to Exchange Act Rule 10a-1, the short sale rule,<sup>71</sup> to permit a broker-dealer selling a security acquired in the capacity of a block positioner to ignore, for purposes of compliance with the "tick" provisions, a hedged short position in that security arising from arbitrage or hedging activities. The amendment is designed to facilitate block positioning.

## **Regulation of Brokers, Dealers, Municipal Securities Dealers, and Transfer Agents**

*Broker-Dealer and Transfer Agent Examinations*—Over the past two years, the number of broker-dealer registrations increased by 30%. In response, the broker-dealer examination program was streamlined and greater responsibility for "cause" examinations was transferred to self-regulatory organizations (SROs). Examiner resources remained constant. As a result, depth and frequency of oversight examinations and reviews to ensure better inspection programs by the SROs have been increased.

Another reason for improvement in the examination process is that during 1984, the Commission, with assistance from the NASD, continued efforts to phase out the SEC-Only registration (SECO) program. Under amendments to the Exchange Act enacted in 1983, the SECO program terminated on December 6, 1983.

The staff completed 389 oversight examinations of SRO members in fiscal 1984, the highest level of oversight examinations ever reached and more than 50% higher than the number conducted in fiscal year 1981. Only 218 cause examinations were conducted, as compared to 435 in 1981, because of increased referrals to SROs of matters which could appropriately be handled by SRO enforcement and disciplinary procedures. The staff also examined 74 transfer agents, and reviewed 76 transfer agent examination reports prepared by the Federal bank regulators.

Examination programs were augmented by the formation of a joint SEC/NASD task force to analyze "hot issue" distributions and other regulatory concerns. A number of investigations were initiated as a result of this effort.

The Commission also provided training to staff of three SROs on use of the Commission's Customer Account Statement Evaluation System. This should

substantially enhance SRO detection of broker-dealer mishandling of customer accounts.

*Persons Deemed not to be Brokers*—On May 9, 1984, the Commission repropoed for public comment Exchange Act Rule 3a4-1 under the Exchange Act. The rule specifies certain conditions under which persons who are associated with an issuer of securities and participate in sales of the issuer's securities would not be considered to be acting as "brokers" as that term is defined in Section 3(a)(4) and, accordingly, would not be required to register with the Commission under Section 15 of that Act. The rule provides guidance for issuers that sell securities through associated persons.<sup>72</sup>

*Bank Securities Activities*—On November 8, 1983, the Commission published for public comment proposed Exchange Act Rule 3b-9 which provides that a bank cannot rely on the exclusion for banks from the "broker" and "dealer" definitions in Sections 3(a)(4) and (5) of the Exchange Act when it (1) publicly solicits brokerage business, (2) receives transaction-related compensation for certain brokerage services, or (3) deals in or underwrites securities other than exempted or municipal securities. The proposed rule would require that those activities be performed through a registered broker-dealer subject to the same rules and regulations as all others who engage in such activities.<sup>73</sup>

*Customer Protection Rule*—On February 15, 1984, the Commission proposed amendments to Rule 15c3-3 under the Exchange Act affecting a broker-dealer's computation of the Formula for Determination of Reserve Requirement for Brokers and Dealers.<sup>74</sup> The proposed amendments were designed to provide greater protection of customer funds held by broker-dealers against misuse or insolvency and to ensure that customer funds are used only to service bona fide customer accounts.

On May 10, 1984, the Commission approved a rule change proposed by the National Securities Clearing Corporation (NSCC) to reduce substantially borrowings of securities by broker-dealers.<sup>75</sup> In conjunction with the approved rule change, the Division issued a no-action letter to NSCC permitting broker-dealers operating under the new NSCC rule to treat positions represented by money held at NSCC to be within the control of the broker-dealer for a limited period of time for purposes of the Rule 15c3-3 customer securities segregation requirements.

*Extension of Credit by Broker-Dealers on Investment Company Shares*—On April 25, 1984, the Commission proposed for public comment Rule 11d1-2 which would conditionally exempt any security issued by an open-end management investment company or unit investment trust registered under the Investment Company Act from the credit restrictions of Section 11(d)(1) of the Exchange Act. The effect of the proposed rule, when read in conjunction with Regulation T of the Board of Governors of the Federal Reserve System, would be to allow a broker-dealer to extend credit to a customer on fully-paid securities issued by investment companies if the customer purchased the securities held as collateral more than 30 days prior to the extension of credit.<sup>76</sup>

*Conforming Amendments to the Net Capital Rule and Reporting Form*—Consistent with its policy of avoiding duplicative or inconsistent regulation, the

Commission adopted certain amendments to Exchange Act Rule 15c3-1, the net capital rule, to conform it to the net capital rule of the CFTC.<sup>77</sup> The amendments, affecting firms registered with both agencies, related to: (1) the treatment of exchange-traded commodity options purchased or sold for customers and of commodity option transactions in the proprietary accounts of such firms; (2) the prepayment of subordinated loans; and (3) the establishment of financial and recordkeeping requirements for introducing brokers.

In addition, the Commission adopted amendments to Part II of Form X-17A-5 (FOCUS Report) to include the amended CFTC Segregation Schedule which is a component of the FOCUS report. The FOCUS report also was amended to reflect the previously adopted reduction in required net capital for those firms on the alternative method of computing net capital.

*Adoption of Revised Registration and Withdrawal from Registration Forms*—On November 22, 1983, the Commission adopted revised Form BD, the Uniform Application for Broker-Dealer Registration, and revised Form BDW, the Uniform Request for Withdrawal from Registration as a Broker-Dealer.<sup>78</sup> The revised forms enable a broker-dealer to use a single form to register or withdraw from registration with the Commission, the States and SROs. The revisions will make the forms compatible with the Central Registration Depository (CRD), a computer data base maintaining current registration information for broker-dealers that are members of the NASD and/or are registered with a State participating in the CRD program.

*Arbitration*—The Commission adopted Exchange Act Rule 15c2-2 to prohibit broker-dealers from using predispute arbitration clauses in customer agreements that purport to bind customers to the arbitration of claims arising under the Federal securities laws. The rule clarifies investors' options for arbitration and litigation in resolving disputes with their brokers.<sup>79</sup>

*Transfer Agent Regulation*—The Commission adopted amendments to Rule 17Ad-2 under the Exchange Act establishing a minimum certificate turnaround and processing standard for certain transfer agents that handle securities issues that are immobilized in securities depositories. The amendments ensure prompt transfer of record ownership by transfer agents that previously were exempt from the Commission's certificate turnaround and processing performance standard.<sup>80</sup>

## Oversight of Self-Regulatory Organizations

*National Securities Exchanges*—As of September 30, 1984, ten exchanges were registered with the Commission as national securities exchanges.<sup>81</sup> During the fiscal year, applications by exchanges to delist 53 equity, nine debt, and eight options issues were granted, as were applications by issuers requesting withdrawal from listing and registration for 23 equity and two debt issues. In addition, the Commission granted 751 applications by exchanges for unlisted trading privileges.

The exchanges reported 394 final disciplinary actions imposing a variety of sanctions upon member firms and their employees, compared with 475 final disciplinary actions in fiscal 1983. In June 1984, the Commission amended Rule 19d-1 under the Exchange Act to permit SROs to submit to the Commis-

sion plans for abbreviated reporting of minor disciplinary infractions.<sup>82</sup>

During the fiscal year, the Commission received 253 proposed rule changes from exchanges. Among the significant ones approved were: (1) amendments to the American Stock Exchange's (Amex's) stock allocation procedures, on a 12-month pilot basis, to permit newly listed Amex issuers to select the specialist units for their stocks;<sup>83</sup> (2) a New York Stock Exchange (NYSE) regulatory oversight services fee based on NYSE members' gross revenues;<sup>84</sup> and (3) amendments to NYSE rules relating to conflicts of interest involving NYSE listed companies.<sup>85</sup>

*National Association of Securities Dealers, Inc.*—The NASD, with over 5,600 members, is the only national securities association registered with the Commission. In fiscal 1984, the NASD reported the disposition of 218 formal and summary disciplinary actions and 65 formal and summary actions by the NASD Automated Quotation System (NASDAQ) Trading Committee, as compared with 227 and 100, respectively, in fiscal year 1983.

In addition, the Commission received 20 filings of proposed rule changes from the NASD, up three from fiscal year 1983. One of the significant approved rules formally instituted standards and procedures to be observed in a pre-membership interview of applicants for membership.<sup>86</sup> Another significant approved change concerned sales incentive items paid by sponsors of direct participation program securities.<sup>87</sup> The amended rule requires that such be paid in cash to members only and that the member control any distribution of incentive items to its salespersons. The Commission also approved rule filings by the NASD and the MSRB that would permit the NASD to prescribe certain remedial measures for NASD members that experience financial or operational difficulties.<sup>88</sup>

## Clearing Agencies

During the year, the Commission approved 89 proposed rule changes reducing clearing costs and enhancing clearing agency systems for controlling their financial exposure. Other changes enabled clearing agencies to use automated terminal systems to communicate with securities processing systems,<sup>89</sup> and enabled the Pacific Clearing Corporation to refine its clearing fund letter of credit program.<sup>90</sup>

Also, the Commission granted full registration to the Boston Stock Exchange Clearing Corporation under Sections 17A and 19 of the Exchange Act,<sup>91</sup> and granted the withdrawal from, and cancelled the temporary registration of, the New England Securities Depository Trust Company under Section 19 of the Exchange Act.<sup>92</sup>

## SRO Surveillance and Regulatory Compliance Inspections

During the fiscal year, the staff conducted 20 inspections of SRO market surveillance, disciplinary, compliance, and operational programs. Many of these were special inspections to monitor enhancement of programs found deficient the previous year.

The 1984 inspection program continued to emphasize improving automated

surveillance through transaction audit trails, monitoring development at the NYSE, Amex, Chicago Board Options Exchange (CBOE), and NASD. Special inspections of the NYSE disclosed that significant progress had been made by the NYSE in implementing its audit trail, although additional work was necessary to improve the accuracy and completeness of the data submitted by member firms so that the audit trail could be fully effective. By the end of the fiscal year, the NYSE had begun to test its audit trail data to identify problem areas and to take steps to improve compliance by member firms. The Amex, which is developing an equity audit trail similar to the NYSE's and has implemented comparable systems changes, also began late in the year testing the reliability of the information collected from its member firms. The CBOE, in early fiscal 1984, submitted a plan for implementation of an options audit trail by October 1984. A recent inspection confirmed that development of the CBOE audit trail is proceeding as scheduled. During fiscal year 1984, the NASD made a firm commitment to establish an equity audit trail, and in July 1984, submitted a comprehensive plan to develop an audit trail for transactions in all NASDAQ securities. Under this plan, the audit trail would be in place by the end of 1985. Special inspections that preceded this submission reviewed and confirmed the soundness of the NASD's proposal.

The staff also completed an oversight inspection of the NYSE's Stock Watch program. It revealed that the NYSE's capability to detect various forms of price manipulation had improved since the previous inspection. The staff did recommend some additional refinements in surveillance procedures and determined that performance in detecting and disciplining members for trading violations should further improve once the equity audit trail is fully integrated.

A comprehensive inspection of the Pacific Stock Exchange (PSE) options program disclosed that, while its surveillance was strong in a number of areas (such as customer complaints and investigation of insider trading), additional efforts were necessary at the PSE to keep pace with the Exchange's added regulatory responsibilities resulting from increased options volume and the introduction of new options products. The staff recommended a number of improvements in the PSE's options program (particularly in detection and investigation of potential marking the close and frontrunning violations).

Surveillance programs for new options products at the CBOE, Amex, PSE, Philadelphia Stock Exchange (Phlx) and NYSE were also inspected. The inspections focused specifically on intermarket surveillance capability. Programs at each of these exchanges appeared to be generally well constructed and adequate to detect most trading abuses, including manipulation. The staff recommended minor procedural enhancements to surveillance of trading in index options and the stock components of the indexes (particularly at expiration).

The staff also completed a series of inspections of market surveillance and disciplinary procedures concerning equity trading at the PSE, Midwest Stock Exchange (MSE), Phlx, and Boston Stock Exchange (BSE). The procedures were found to be generally adequate; minor improvements were recommended for various aspects on each exchange.

An inspection of the NYSE specialist surveillance program and a special review of recently modified mini-manipulation surveillance procedures at the Phlx is ongoing. The staff also was completing a report on a series of three inspections

of various NASD programs to detect abusive practices in new issues.

The staff conducted inspections of two NASD District Offices to review the financial surveillance, routine examination and disciplinary programs as well as the investigations of customer complaints and terminations from employment of registered representatives for cause. It also began preparation of an inspection to review the handling of certain customer complaints by the NYSE and CBOE.

Inspections of two clearing agencies, the Options Clearing Corporation (OCC) and NSCC, were completed during the fiscal year and a comprehensive review of the Pacific Clearing Corporation commenced.

*Securities Investor Protection Corporation (SIPC)*—After notifying the Commission that the SIPC fund had fallen below the statutory minimum of \$150 million on April 13, 1983, on May 1, 1983, SIPC reimposed its assessment on member broker-dealers at the annual rate of one-fourth of one percent of aggregate gross revenues from the securities business.<sup>93</sup> The SIPC Board of Directors further decided to keep the present SIPC assessments in place until the SIPC Fund totals \$300 million. At September 30, 1984, the SIPC fund totaled \$225.9 million.

During fiscal year 1984, the Commission acted favorably on a number of SIPC filings including rule changes which will improve SIPC liquidation proceedings by generally providing for the liquidation of options held for the accounts of customers by the trustee in a proceeding.<sup>94</sup>

*Applications for Re-entry*—During the fiscal year, the Division of Market Regulation received 93 SRO applications to permit persons subject to statutory disqualifications, as defined in Section 3(a) (39) of the Exchange Act, to become associated with broker-dealers. This represented a 16% increase in applications over fiscal 1983. The distribution of filings among the SROs was NASD (62), NYSE (21) and Amex (10). Of the total filings made, six applications were subsequently withdrawn, 84 were processed and three were pending at year end.

*Market Oversight and Surveillance System*—The Market Oversight and Surveillance System (MOSS), initiated as a pilot in 1980, is designed to automate the Commission's surveillance and oversight capabilities. In August 1981, at the Commission's initiative, the SROs submitted a proposal for an SRO intermarket surveillance program, to which the Commission would have ready access. When fully implemented, the program should result in significantly enhanced intermarket surveillance. Therefore, the Commission, to avoid unnecessary costs and duplication, has deferred major enhancement of MOSS pending implementation and evaluation of the SRO program.

However, the staff continued to refine the existing oversight and research capabilities of MOSS, with particular progress in incorporating data regarding trading in the NASDAQ system and in new products on the options exchanges. During the year, the SROs made substantial progress toward a full implementation of their programs; most significantly, the SROs began producing a consolidated equity audit trail including trading from all markets.



---

---

# Investment Companies and Advisers

---

## Key 1984 Results

The Division of Investment Management oversees the registration and regulation of investment advisers and investment companies—mutual funds, money managers and the like. Currently, 9,000 investment advisers (excluding investment companies) are registered with the Commission, up from 7,000 one year ago.

### Investment Company and Adviser Assets Under Management (in billions)

FY '81	FY '82	FY '83	FY '84
\$561	\$666	\$778	\$872

### Inspection/Examination of Investment Companies and Advisers

FY '81	FY '82	FY '83	FY '84
748	1,065	1,085	1,334

### Number of Active Registered Investment Companies

FY '81	FY '82	FY '83	FY '84
1,683	1,944	2,181	2,208

During the year, a number of measures were adopted to increase staff productivity. Improved inspection procedures resulted in completion of 1,334 examinations of investment companies and investment advisers, an increase of 23% over the 1,085 inspections completed during fiscal 1983. The number of inspections completed per staff-year, which reflects directly productivity improvements made over the past several years, increased by 29% from 12.6 in fiscal 1983 to 16.2 in fiscal 1984. As a result, of its inspection efforts, the Commission recovered \$3.8 million for investment company shareholders and investment advisory clients. The 3,750 registration statements filed by investment companies and advisers and processed by the staff represented an increase of 7% from the 3,490 filed during fiscal 1983. This productivity improvement was caused in part by the selective review procedures adopted during the past several years.

During 1984, the Commission continued its review of rules under the Investment Company Act of 1940 (Investment Company Act) to eliminate restrictions unnecessary for investor protection. During fiscal 1984, the Commission implemented several regulatory changes, modified certain disclosure requirements, continued its review of investment advisers regulation, reviewed a major new initiative in insurance and developed several significant applications and interpretations.

## Regulatory Policy

In July 1984, the Commission adopted a new Rule 12d-1 (renumbered Rule 12d3-1) to permit registered investment companies to acquire, under certain conditions, securities issued by persons engaged directly or indirectly in securities related businesses, such as brokers, dealers, investment advisers and underwriters.<sup>95</sup> The Commission simultaneously rescinded Rule 2a-3 under the Investment Company Act, so that banks acting as investment advisers to investment companies are treated in the same way as other issuers engaged in securities-related businesses.

The Commission, on September 7, 1984, adopted a revised proposal of Rule 17f-5 to permit registered United States and Canadian investment companies to keep their foreign securities, cash and cash equivalents with foreign custodians under certain conditions.<sup>96</sup> At the same time, the Commission issued notices of its intent to modify certain conditions of existing exemptive orders to conform those conditions to Rule 17f-5.<sup>97</sup>

A revised version of Rule 2a-5 (to be renumbered 2a19-1) was issued for public comment on May 2, 1984. As proposed, the amendment to Rule 2a-5 would exempt broker-dealers and their affiliates from the definition of "interested person" under certain conditions. The revisions would expand the pool from which disinterested investment company directors may be chosen.<sup>98</sup> The Commission concurrently proposed Rule 10b-1 that would define the term "regular broker or dealer" which appears in Section 10(b) of the Investment Company Act and in Form N1-R, the annual report form for management investment companies.

On August 6, 1984, the Commission proposed a new semi-annual reporting form, N-SAR, which would replace five existing annual reports forms.<sup>99</sup>

## Disclosure Requirements

During fiscal 1983, the Commission adopted a new simplified registration form, Form N-1A, under the Securities and Investment Company Acts for all open-end management investment companies, other than insurance company separate accounts, required for filings on or after September 21, 1984.<sup>100</sup> Following the approach developed for mutual fund prospectuses, the Commission published for comment, on December 23, 1983, Forms N-3 and N-4 to be used for variable annuities offered by insurance company separate accounts organized as management investment companies and unit investment trusts.<sup>101</sup> New simplified registration forms for unit investment trusts and new disclosure forms for investment company mergers are also under development. The Commission also proposed and adopted amendments to Regulation E (small issue exemption under the Securities Act for securities issued by small business investment companies).<sup>102</sup> The amendments increase the offering limits to \$5 million, revise the offering circular requirements and permit business development companies to use the exemption.

To increase staff efficiency and improve procedures for reviewing investment company filings, the Commission announced that the Division implemented new guidelines for selective review of registration statements, post-effective amendments, and proxy materials.<sup>103</sup> In addition, the Commission amended Rule 24f-2

to simplify the procedures required to register an indefinite number of investment company shares.<sup>104</sup>

On December 7, 1983, the Commission adopted amendments to Rule 482 under the Securities Act.<sup>105</sup> As amended, the rule permits mutual funds to mail advertisements in the form of "omitting prospectuses" directly to investors. Money market mutual funds are permitted to include in such advertisements an effective yield comparable to the compound interest rates advertised by banking institutions.

## **Investment Advisers**

The Commission continued its review of the investment adviser regulatory program to remove unnecessary regulatory burdens and otherwise improve investor protection. Early in the fiscal year, the Commission initiated discussions with state securities administrators, through the North American Securities Administrators Association, to develop a uniform adviser registration system based on the Commission's Form ADV. Because 37 jurisdictions and the Commission require advisers to register, making the registration system more uniform will reduce compliance burdens for advisers significantly. The Commission also rescinded Rule 202-1 relative to internal managers of certain employee benefit plans<sup>106</sup> and proposed amendments to its adviser recordkeeping rules to permit advisers to retain records in other than hard copy form.<sup>107</sup>

## **Insurance Requirements**

In fiscal 1984, the Commission undertook a major initiative relating to a new type of insurance product known as flexible premium variable life insurance. On November 23, 1983, the Commission published for comment a rule, submitted by an insurance industry trade association, that would provide extensive exemptions from provisions of the Investment Company Act and rules thereunder to insurance company separate accounts offering this product.

The Commission adopted three rules and proposed a fourth rule, for insurance company separate accounts offering variable annuity contracts, as part of a continuing effort to simplify their compliance with the Investment Company Act by codifying conditions under which routine exemptive relief has been granted. Rule 6c-7, which was adopted in December 1983, permits separate accounts to offer variable annuity contracts to certain employees of Texas institutions of higher education. Rule 26a-1, concerning deduction of administrative fees, and Rule 26a-2, concerning deduction of other fees and certain custodianship activities, were both adopted in July 1984. An amendment to Rule 22c-1, which would permit certain pricing procedures with respect to initial purchase payments for variable annuity contracts, was proposed for comment on May 1, 1984.

## **Significant Applications and Interpretations**

*Savings and Loan Associations*—In recent years Congress and State legislatures have given savings and loan associations (S&Ls) deposit-taking and trust powers. As a result, questions have arisen as to whether an S&L has the

legal status of a “bank” under the Federal securities laws. During fiscal 1984, the Commission requested public comment on whether it should propose rules or recommend legislation which would treat S&Ls as banks. The effect of a rule or statutory amendment would be to exempt S&Ls from provisions of the Federal securities laws. For example, they could sponsor and manage common and collective trust funds without complying with the Investment Advisers Act or the Investment Company Act. Pending Congressional consideration of the Bush Task Force recommendations, which included a recommendation that the bank exemption under the securities laws be deleted, the Commission has declined to respond to requests for advice on whether S&Ls are banks.

*Financial Planners*—An increasing activity requiring the resources of the Division is the increase in the number of financial planners whose activities bring them under the Advisers Act. The staff has advised that registered representatives of a broker-dealer or insurance salesmen who, on their own as financial planners, (1) give advice more involved than a general discussion of the advisability of investing in general categories of securities or (2) discuss, more frequently than on rare and isolated occasions, the advisability of investing in specific securities or specific categories of securities, must register as investment advisers if they receive any compensation for giving that advice, such as a share of the brokerage or insurance commissions paid by the client to purchase securities or insurance products.

*Private Offering by Foreign Investment Companies*—The Division stated in an interpretive letter that a foreign investment company, which makes a private offering in the United States, would be subject to the Investment Company Act if, after the offering, more than 100 persons residing in the United States beneficially owned its securities. The Division’s position was based on Sections 7(d) and 3(c)(1) of the Investment Company Act.

*Prudential Series Fund, Inc.*—The Commission issued an order granting the application of Prudential Series Fund, Inc. (“Fund”), the underlying investment vehicle for variable annuity contracts, to allow it to use the amortized cost valuation method for the short-term debt obligations held in certain of its portfolios which invest in a mix of money market instruments, corporate bonds, government securities, and common stocks. The Fund was the first non-money market fund to seek an exemption to use amortized cost valuation.

## **Institutional Disclosure Program**

Section 13(f)(5) of the Exchange Act requires certain “institutional investment managers” to file reports on Form 13F on a calendar quarterly basis. Managers required to file 13F reports disclose certain equity holdings of the accounts over which they exercise investment discretion. As of June 30, 1984, Form 13F reports had been filed on behalf of approximately 1,100 managers for holdings totaling \$641 billion.

Form 13F reports are available to the public at the Commission’s Public Reference Room promptly after filing. Two tabulations of the information contained in the Form 13F reports are available for inspection at the Public Reference Room:

(1) a listing, arranged according to the individual security, showing the number of shares held and the name of the money manager reporting the holding; and (2) a summary listing showing the number of shares of a security reported by all institutional investment managers filing reports. Both tabulations normally are available approximately two weeks from the filing of the Form 13F.

The tabulations are produced by an independent contractor selected through the competitive bidding process. The contractor provides its services to the Commission without charge, and is required to make a variety of specified tabulations available to the public at reasonable prices within ten days after receipt of the reports.



# Other Litigation and Legal Work

## Key 1984 Results

	FY '81	FY '82	FY '83			FY '84		
			Win	Loss	Other	Win	Loss	Other
Supreme Court and Appellate Courts	n.a.	n.a.	38	6	3	42	7	7
District Court	n.a.	n.a.	40	4	4	42	1	3
Other **	n.a.	n.a.	6	1	6	13	0	---

\*\*State Courts and Administrative Tribunals

The General Counsel represents the Commission in all litigation in the United States Supreme Court and the courts of appeals, defends the Commission and its employees when sued, prosecutes administrative disciplinary proceedings against professional persons under Rule 2(e) of the Commission's Rules of Practice, and appears amicus curiae on behalf of the Commission in significant private litigation involving the Federal securities laws. In addition, under the supervision and direction of the General Counsel, the Regional Offices represent the Commission in corporate reorganization cases which have a substantial public investor interest under the Bankruptcy Code. The General Counsel also seeks to ensure that objectives of the Commission's enforcement and regulatory programs are supported, that judicial interpretations of the Federal securities laws afford adequate protection to investors, and that the Commission is able to discharge its statutory responsibilities, unimpeded by lawsuits against the agency or its staff.

The General Counsel represented the Commission in 276 litigation matters during the past fiscal year, more than half of which are still pending. Fifty Court of Appeals and Supreme Court cases were concluded, 43 favorably to the Commission. There were 42 appeals before the Supreme Court and Federal courts of appeals cases brought by the Commission to obtain injunctive relief for violation of the securities laws. Of these appeals, 19 were concluded, with only two outcomes unfavorable to the Commission. The foregoing compares with the following cases in fiscal 1983: a total of 239 matters, of which 52 were appeals or cases brought by the Commission to obtain injunctive relief. Of those appellate cases, 16 were concluded, 14 of which were favorable to the Commission.

There also were 16 appellate actions seeking to overturn Commission orders, primarily those issued in Commission administrative proceedings or affirming self-regulatory organization disciplinary proceedings against regulated entities such as broker-dealers. Seven of these appeals were concluded, with no adverse results. In fiscal year 1983, there were 19 actions, 13 of which were concluded with only one adverse result.

The Commission filed amicus curiae briefs in 52 cases during the year (compared to 53 such instances in fiscal year 1983). Fifteen private cases in which the Commission participated were decided; only four of these resulted in a decision adverse to views advocated by the Commission.

The General Counsel also handled more than 180 other proceedings before the Commission or in the Federal district courts, compared to 115 in fiscal year 1983. These included 31 suits brought against the Commission or its staff, and 81 suits, including actions under various public information statutes, seeking access to Commission documents. Fifty-nine of the latter involved discovery subpoenas in private actions in which the Commission is not a party. In fiscal year 1983, there were 35 suits brought against the Commissioners or the Commission's staff, and 46 suits (including 37 third-party subpoenas) under the various public information statutes.

In addition to litigation, the Office of the General Counsel is involved in significant legislative and regulatory work. For example, the Office assisted the Chairman in his participation as a member of the Task Group on Regulation of Financial Services, assisted the Commission in proposing the Insider Trading Sanctions Act, the Tender Offer Reform Act, and the Shareholder Communications Act, and supported legislation to facilitate development of the private secondary mortgage market.

During the fiscal year, 64 debtors with securities registered under the Securities Exchange Act of 1934 (Exchange Act) commenced Chapter 11 reorganizations. The Commission entered its appearance in 26 of these cases involving aggregate assets of \$13.2 billion and about 150,000 public investors. In addition, the Commission entered an appearance in five cases to pursue a specific law enforcement interest. A list of these cases is set forth in Table 38 in the Appendix to this Report.

## Litigation

*Appeals in Commission Enforcement Actions*—This litigation consists primarily of attempts by defendants in Commission injunctive actions to obtain reversal by a court of appeals of district court decisions finding that they have violated the law, enjoining them, and/or ordering other ancillary relief such as disgorgement. In addition, there are occasionally cases where the Commission is denied relief and takes an appeal.

In *SEC v Materia*, an employee of a financial printer challenged the district court's determination that he had committed antifraud violations by tipping and trading on material nonpublic information he had misappropriated from his employer and its clients concerning the clients' plans to tender offers for other corporations.<sup>108</sup> The lower court had enjoined the defendant from further violations of the antifraud provisions of Sections 10(b) and 14(e) of the Exchange Act and Commission Rules 10b-5 and 14e-3, and ordered him to disgorge approximately \$100,000 in profits from his illegal trading activities. On appeal, the defendant argued that Rule 14e-3, prohibiting the misuse of nonpublic information concerning tender offers, exceeds the Commission's rulemaking authority, and that *United States v Newman*,<sup>109</sup> which held that tipping and trading on misappropriated material nonpublic information concerning proposed tender offers violated Rule 10b-5, was contrary to recent Supreme Court decisions. In response, the Commission urged that Rule 14e-3 came within the scope of Section 14(e), a provision directed at the prevention of abuses in connection with tender offers, and that *Newman* was not contrary to the teachings of the Supreme Court. On October 1, 1984, the United States Court of Appeals for the



Second Circuit affirmed the lower court and held that by trading on information misappropriated from his employer, the defendant had violated Section 10(b) and Rule 10b-5.

In *SEC v World Gambling Corp.*,<sup>110</sup> the same court upheld an injunction against a securities salesman charged with participating in a shell corporation fraud, and an order requiring him to disgorge \$11,700 in unlawful profits. The court rejected the contention that the Commission must prove scienter as an element of a violation of the registration provision of the Securities Act of 1933 (Securities Act), agreeing with the Commission that the public is entitled to protection under that section against even negligent conduct.

In *SEC v Youmans*,<sup>111</sup> the United States Court of Appeals for the Sixth Circuit held that the district court had ruled improperly when it refused to enter an injunction against a former bank holding company officer who had committed repeated and serious antifraud, reporting and proxy violations. The appellate court agreed with the Commission that a change of occupation alone is not determinative of whether a person is likely to commit future securities laws violations and, therefore, that he should be enjoined. Rather, consistent with the protection of the investing public, a court should consider several factors, including the seriousness of past violations and their isolated or repeated nature. Another court of appeals, however, in *SEC v Cayman Islands Reinsurance Corp.*, found it unnecessary to reach the Commission's argument that the district court had erred in considering the collateral administrative consequences of an injunction when it refused to enjoin the defendant, a partner in a securities firm.<sup>112</sup> In that case, on the cross-appeal of the defendant, the court refused to set aside findings that the defendant had violated the securities laws.

In *SEC v Randolph and Blackard*,<sup>113</sup> the United States Court of Appeals for the Ninth Circuit reversed the judgment of the district court, which had refused to enter a consent decree proposed by the Commission, and directed the court to enter the decree. The appellate court held, as urged by the Commission, that a district court has "case or controversy" jurisdiction to enter court orders approving consent decrees, and that a supposed contract remedy available to the Commission—suing the defendants later if they did not comply with the settlement agreement—was not an adequate substitute for an injunction. The court emphasized that the district court "should have deferred to the [Commission's] decision that the decree is appropriate and simply ensured that the proposed judgment is reasonable," instead of considering what it thought it to be in "the public's best interest."

*Petitions to Review Commission Orders*—Petitions to review Commission orders arise from Commission administrative proceedings and from Commission orders on review of disciplinary action by national securities exchanges and the National Association of Securities Dealers, Inc. (NASD). Like appeals in injunctive actions, administrative appeals frequently involve issues central to the Commission's enforcement program and thus to the integrity of the securities markets. For example, in the last year, courts upheld Commission orders finding violations of NASD rules and imposing sanctions where securities salesmen sold unregistered securities to the public without the knowledge of their employer,<sup>114</sup> or made unsuitable recommendations and engaged in excessive trading of a client's account.<sup>115</sup>

*Commission Participation in Private Litigation*—The Commission also participates as a friend of the court in selected private litigation that involves significant securities law issues. This is an important supplement to the enforcement program. Because the Federal securities laws provide for private remedies as well as governmental enforcement actions, decisions in private cases may have precedential effect in the Commission's own regulatory activities.

In January 1984, the Supreme Court, in *Daily Income Trust, Inc. v. Fox*, adopted the position urged by the Commission and held that a security holder in an investment company is not required to make a demand on the directors of that company before bringing suit under Section 36(b) of the Investment Company Act. The court agreed that suits under Section 36(b) are an important mechanism allowing security holders to challenge fairness of compensation paid by an investment company to its investment adviser.<sup>116</sup>

The Commission also expressed its views in two cases at the specific invitation of the United States Court of Appeals for the Second Circuit. In *Psimenos v. E.F. Hutton & Co.*, the court held that a Federal court had jurisdiction over a commodities transaction initiated by the plaintiff, a foreign national, outside of the United States, but consummated on an American market.<sup>117</sup> The court stated that execution of the transaction (involving a domestic futures contract) on an American commodities exchange, which it described as the culminating act of a fraudulent scheme that directly caused loss to the foreign national, was conduct sufficient to warrant the assertion of jurisdiction and the application of United States law. In *C.R.A. Realty Corporation v. Tri-South Investments*,<sup>118</sup> the Commission urged that trading by a brokerage firm in an issuer's common stock does not give rise to short-swing trading liability under Section 16(b) of the Exchange Act if that trading is incidental to the brokerage firm's market-making activity in debentures which are convertible into the issuer's common stock. The court agreed, stating that such a construction of the statute will encourage market-making activity in debentures, thus enhancing the depth and liquidity of the market for those securities.

The Commission urged the court in *Salcer v. Ervicon Equities Corp.*,<sup>119</sup> which involved allegations of fraud in the sale of tax shelter investments, to hold that the amount of damages recoverable by investors should not be reduced by the amount of tax savings previously realized by the investors. The court disagreed with the position urged by the Commission and concluded that the "actual damages" language of Section 28(a) of the Exchange Act requires that any tax savings realized by investors in a tax shelter investment must be deducted from damages.

In *Berner v. Lazzarro*,<sup>120</sup> the United States Court of Appeals for the Ninth Circuit held, as urged by the Commission, that, by reason of their fiduciary obligations, securities professionals and corporate officers who have allegedly engaged in fraud may not shield themselves from liability by claiming that the investors they defrauded were equally at fault. In that case a stockbroker and the president of a corporate issuer conspired to manipulate the price of the issuer's stock by issuing false information concerning the issuer. The defendants argued that the plaintiffs should not be allowed to recover because the plaintiffs believed they were trading on inside information, an act which could have been illegal itself had the information been true. The court held that an equal fault ("in pari de-

licto”) defense does not apply where the facts show that the plaintiff is not equally responsible for his own injury. The court was not persuaded “that a duped investor is equally at fault in the fraud perpetuated against him by his broker or an insider.” The court reasoned that the deterrent effect of the threat of private investor actions against brokers or corporate insiders in these circumstances protects the investing public against abuses by those persons.

In a case reversed and remanded by the Supreme Court to the United States Court of Appeals for the Fifth Circuit,<sup>121</sup> the Commission urged on remand, as it had earlier, that an injured investor may recover damages under Section 10(b) of the Exchange Act and Rule 10b-5 for market manipulation of an exchange-listed security, even though Section 9 of the Act, under which the investor was precluded from recovering, also prohibits manipulative conduct involving exchange-listed securities. The Commission argued that this conclusion gives controlling weight to the dominant policy of Congress to provide complete and effective sanctions under the Federal securities laws and prevents a gap in investor protection by avoiding a disparity of treatment between victims of manipulation depending on whether they are injured through manipulation of exchange-listed or over-the-counter securities. The case is still pending.

The Commission also continued its policy of supporting the availability of private equitable relief under the Williams Act. In *Gearhart Industries Inc. v Smith International Inc.*,<sup>122</sup> the United States Court of Appeals for the Fifth Circuit held that a private right of action is available to an issuer corporation to obtain equitable relief for violations of Sections 13(d) and 14(e) of the Exchange Act. The court agreed with the Commission that district courts have the equitable discretion to order remedies beyond corrective disclosure in appropriate circumstances. The Commission had argued that such equitable relief can be necessary to afford shareholders adequate protection against harm from violations of the Williams Act.

In *Austin Municipal Securities, Inc. v National Association of Securities Dealers, Inc.*,<sup>123</sup> the United States Court of Appeals for the Fifth Circuit is considering whether the NASD and its officials are absolutely immune from damages suits alleging torts committed during the NASD disciplinary process. The court also is considering whether Federal antitrust laws apply to the NASD’s disciplinary process in view of the pervasive regulatory structure created by the Exchange Act. The Commission has filed a brief urging the court to hold that the NASD and its officials are absolutely immune from damages suits and that the antitrust laws are impliedly repealed as to the NASD disciplinary process.

*Definition of a Security*—The questions of what constitutes a security continues to be litigated. This year, in *SEC v Professional Associates*, the Commission prevailed in upholding on appeal the entry of a preliminary injunction against an association and its principal that had sold to the public more than \$15 million in unregistered investments denominated individual trust accounts, units in an escrow account, and interests in joint ventures.<sup>124</sup> The United States Court of Appeals for the Sixth Circuit agreed with the Commission that, notwithstanding their labels, the three types of instruments were in reality securities in the form of investment contracts.

The United States Courts of Appeals are currently split on whether the sale of a controlling or 100% stock interest in a corporation is a securities transaction. This

year the Supreme Court granted review on this issue<sup>125</sup> consistent with the Commission's position expressed in response to the court's invitation for the views of the government. Although that case subsequently was settled, review by the Supreme Court is now being sought in two other cases raising the same issue. In one of these cases,<sup>126</sup> the court of appeals agreed with the Commission's argument as *amicus curiae* that, where conventional common stock is transferred, the protection of the antifraud provision of the securities laws should not depend on whether the defrauded purchaser bought a small or large percentage of the corporation's stock. In the other case, the court of appeals reached the opposite conclusion.<sup>127</sup>

*Challenges to the Commission's Authority Under the Investment Advisers Act*—In three separate challenges to the Commission's authority under the Investment Advisers Act to protect the investing public from abusive practices by publishers of investment advisory services, the courts have upheld the Commission's statutory authority as not inconsistent with the First Amendment guarantees of free speech and free press.

In *SEC v Lowe*,<sup>128</sup> the United States Court of Appeals for the Second Circuit held that the Commission may revoke the registration of an advisory publisher who had repeatedly been criminally convicted for misconduct in connection with his advisory business. The court held that the registration provision of the Act constitute a valid regulation of a profession and also that the publication of investment advice constitutes commercial speech entitled to only limited protection under the First Amendment. In *SEC v Suter*,<sup>129</sup> the Seventh Circuit likewise held that a securities advisory publication was commercial speech not subject to full First Amendment protection. The adviser in *Suter* had engaged in such fraudulent conduct as fabricating testimonials, misrepresenting his education and securities background, and repeatedly double billing his customers. The Commission also revoked the same adviser's registration, and the adviser has petitioned the Seventh Circuit for review of that order.<sup>130</sup> In *SEC v Wall Street Publishers' Institute, Inc.*,<sup>131</sup> the district court entered an order requiring the defendant to register with the Commission as an investment adviser and enjoining further violations of antifraud provisions of the Federal securities laws.

*Commission Action Under Rule 2(e)*—Under Rule 2(e) of its Rules of Practice, the Commission may suspend or bar from practicing before it professionals who have willfully violated the Federal securities laws or engaged in improper professional conduct. Accountants and lawyers play a critical role in the disclosure of full and accurate information to the investing public, and the ability to discipline those who have engaged in violative conduct is necessary to protect the Commission's processes.

In the last year, the Commission instituted nine Rule 2(e) proceedings against 18 individual accountants and three accounting firms. Respondents in seven proceedings resigned or have been suspended from practice before the Commission. Under the Commission's orders in these proceedings, before these professionals may be readmitted to practice, they must demonstrate that they will be subject to adequate supervision and that they have undertaken further professional education. The two remaining proceedings are pending.

*Litigation Involving Requests for Access to Commission Records*—Although the Commission received numerous Freedom of Information Act (FOIA) and

confidential treatment requests in fiscal 1984, only one of those requests resulted in the filing of a court action against the Commission. The Commission received 1,743 requests under the FOIA for access to Commission records, an increase of 21% over fiscal 1983. Approximately half of the 1984 requests were for investigatory files. The commission also received 2,391 requests for confidential treatment from persons who submitted information, an increase of 30% over fiscal 1983. In fiscal 1984, 89 requestors appealed the denial or partial denial of FOIA requests to the Commission's General Counsel, who has delegated authority to decide such appeals. Additionally, 14 confidential treatment requesters appealed the denial of their requests. In the only court action filed against the Commission in 1984 seeking the information denied under the FOIA, the district court upheld the Commission's denial of access.

The Commission was served with 40 discovery subpoenas in fiscal 1984, twice the number served in 1983, in private actions in which the Commission is not a party. These private parties seek information from Commission investigatory files or testimony from present or former Commission employees related to their pending litigation.

*Litigation Against the Commission and Its Staff*—During 1984, the Commission and its staff were defendants in 12 district court actions in which persons sought to enjoin Commission law enforcement efforts or to obtain damages awards. The Commission prevailed in each decided case; two cases are still pending.

In *O'Brien v SEC*,<sup>132</sup> an action instituted against the Commission and its employees in fiscal year 1982, the Supreme Court reversed a court of appeals decision which held that, absent special circumstances, the Commission must notify "targets" of its non-public investigations whenever it issues subpoenas to third parties. In a unanimous decision, the Supreme Court held that notice to "targets" is not required by the Constitution, the statutes governing the Commission's investigative power, or prior decisions of the Supreme Court. In its opinion, the Court expressly recognized the Commission's broad authority to investigate possible violations of the securities laws.

During fiscal 1984, the Commission's joint authority with the Commodity Futures Trading Commission (CFTC) over futures on stock indices under legislation enacted in fiscal 1983<sup>133</sup> was challenged for the first time. The Chicago Board of Trade (CBT)<sup>134</sup> challenged the joint action of the CFTC and SEC in publishing an interpretation relating to applications for designation as contract markets for futures contracts on nondiversified stock indices composed of securities of domestic issuers (or options on such futures contracts) under the standards of Section 2(a) (1)(B) of the Commodity Exchange Act (CEA).<sup>135</sup> The CBT argued that the guidelines are contrary to the express statutory provisions of the CEA and were promulgated in violation of the Administrative Procedure Act. Urged by the Commission and the CFTC, the district court dismissed the case under the doctrines of exhaustion and ripeness. A motion for reconsideration filed by the Chicago Board of Trade is currently pending.

In addition, 15 actions were filed under the Right to Financial Privacy Act seeking to block the Commission from obtaining access to customer records at banks and other financial institutions. In fiscal 1983, only five such actions had been filed. In 13 of the cases, the district court found that the Commission was

properly seeking the subpoenaed records for a legitimate law enforcement inquiry and enforced the Commission's subpoenas. The two remaining actions were settled in the Commission's favor prior to judgment.

Finally, four motions were filed in the district courts and the courts of appeal under the Equal Access to Justice Act seeking attorneys fees and expenses. Three of those motions were decided in the Commission's favor; one is pending.

## Significant Legislation

*Financial Services Industry—Vice Presidential Task Group and Glass-Steagall Legislation*—During fiscal year 1984, the Chairman participated as a member of the Task Group on Regulation of Financial Services, chaired by Vice President Bush. The Task Group resulted in part from the Chairman's proposal that a one-year task force be formed to review the regulatory structure for the securities, banking, thrift, and insurance industries; that financial services be regulated by functional activities rather than by outmoded industry classification; that overlapping, duplicative, and conflicting regulatory activities be consolidated; and that excessive regulations within and between agencies be eliminated.

Early in the fiscal year, the Task Group announced that it would endorse proposals to substantially reorganize the Federal regulatory system for depository institutions. The proposals would repeal the exemptions in the Securities Act for registration of securities issued by banks and savings and loan associations and transfer to the SEC administration of the periodic reporting, proxy solicitation, and short-swing profits provisions of the Exchange Act as they relate to such institutions. These initiatives would consolidate administration of securities disclosures requirements for banks and savings and loan associations, resulting in more uniform financial disclosure to public shareholders and securities analysts and facilitating evaluation of comparative investment risks. Delays in conforming regulations governing banks and savings and loan association filings with those applicable to other issuers would be eliminated and duplication of agency staff requirements would be reduced. The Commission would become the repository for filings of all publicly held banks, savings and loan associations, and holding companies, as it is for all other publicly owned companies.

*Mortgage-Backed Securities*—The Commission testified in support of legislation to facilitate the development of the private secondary mortgage market. The Commission staff also provided technical assistance to Congress in this area. The legislation was signed by the President on October 3, 1984. The legislation is designed to encourage offerings of mortgage-backed securities by private issuers, and could have a significant impact on the long-term capital markets.

*The Hot Issues Report*—On December 15, 1983, the Chairman and the Director of the Division of Enforcement testified before the Subcommittee on Securities of the Senate Committee on Banking, Housing and Urban Affairs, on the subject of problem hot issues. At the request of Chairman Timothy E. Wirth of the Subcommittee on Telecommunications, Consumer Protection, and Finance of the House Committee on Energy and Commerce, the staff prepared an extensive report on this area. The report was transmitted to Congress in August 1984.

*The Insider Trading Sanctions Act*—As proposed by the Commission, the Insider Trading Sanctions Act (ITSA), developed by the Office of the General

Counsel with assistance of the Division of Enforcement, authorizes the Commission to seek a civil penalty of up to three times the profit gained or loss avoided as a result of insider trading transactions. (Authority to obtain injunctive and other equitable relief against such conduct is not affected.) ITSA also increased the maximum fine for a criminal violation of the Act from \$10,000 (established in 1934) to \$100,000.

As amended by the Congress, ITSA, in addition to the above, (1) prevents circumvention of existing prohibitions of insider trading by explicitly prohibiting unlawful conduct in derivative securities such as options; (2) adds commodities law violations as a basis for statutory disqualification under the Exchange Act; (3) extends the Commission's authority to bring administrative proceedings to remedy violations of Section 14 of the Exchange Act; and (4) amends Section 15(c)(4) of the Exchange Act to clarify the Commission's authority to proceed administratively against officers or directors or other individuals who cause a failure to comply with Sections 12, 13, 14, or 15(d) of that Act, as well as against the issuer. ITSA was signed by President Reagan on August 10, 1984.

*Tender Offer Reform Act*—As proposed by the Commission, the Tender Offer Reform Act, developed by the Office of the General Counsel with the Division of Corporation Finance would, during certain tender offers, restrict certain activities of tender offers, including the granting of "golden parachute" compensation agreements; the defensive reacquisition by an issuer of its own securities; and the defensive issuance of securities constituting more than 5% of a class of securities or more than 5% of the issuer's aggregate voting power.

The Commission's proposal also would amend the beneficial ownership reporting requirements of Section 13(d) of the Exchange Act. Finally, it would prohibit the purchase by an issuer of any of its securities at a price above the market from a greater than 3% holder of such class who has held such securities for less than two years, unless prior security holder approval is obtained or an offer of at least equal value is made to all security holders. This latter provision is designed to curb the so-called "greenmail" practice.

The Commission's proposal was introduced in both the Senate and the House of Representatives. Portions of the Commission's proposal were added to the banking bill (The Financial Services Competitive Equity Act), passed by the Senate in September 1984. The Commission's proposal, as amended by the Committee on Energy and Commerce, was, in August 1984, ordered reported to the full House of Representatives.

*Shareholder Communications Act*—As proposed by the Commission, the Shareholder Communications Act, developed by the Office of the General Counsel and the Division of Corporation Finance, would amend Section 14(b) of the Exchange Act to authorize the Commission to regulate the dissemination of proxy materials by banks, associations and other entities in the same fashion as the Commission now regulates the dissemination of proxy materials by broker-dealers. This proposal contains a one-year delayed effective date. It was introduced in both houses of Congress and was added to the Tender Offer Reform Act by the House Committee on Energy and Commerce.

## Corporate Reorganizations

The Commission acts in a statutory adviser's role in reorganization cases under Chapter 11 of the Bankruptcy Code to ensure that interests of public investors are adequately represented. In these cases, administered in Federal court, a debtor usually continues to operate under the court's protection while it attempts to rehabilitate its business and work out a plan to pay its debts. Reorganization plans often provide for the issuance to creditors and shareholders of new securities in exchange for part of all of their claims or interest in the debtor under an exemption from registration under the Securities Act provided by the Bankruptcy Code.

The Commission may raise or present its views on any issues in a Chapter 11 case, but it may not initiate an appeal. Although Chapter 11 relief is available to businesses of all sizes, the Commission generally limits its participation to cases involving debtors that have securities registered under the Securities Act.

In these cases, and in those pending from prior years, the Commission presented its views on a variety of issues including: (1) the need for appointment of additional committees to represent classes of public debt holders or equity security holders; (2) the need for appointment of a trustee to direct the debtor's affairs or an examiner to investigate prior conduct of management and the scope of the examiner's investigation; (3) questions concerning the administration of the estate including proposed sales of major assets; (4) the adequacy of disclosure statements required to be transmitted to creditors and investors when their votes on a plan are solicited; (5) the interpretation of provisions of the Code relating to the payment of fees sought by counsel and other professionals; (6) interpretive questions concerning applicability of the securities laws to bankruptcy proceedings.

*Committees*—Committees are empowered to consult with a debtor in possession in the administration of a case and to participate in the formulation of a plan. With court approval, official committees are permitted to employ, as a cost of administration, one or more attorneys, accountants, or other agents to assist the committee in performing its duties. In addition to a committee to represent creditors holding unsecured claims, the Code also allows the court to appoint additional committees for stockholders and others where necessary to assure adequate representation of their interests in a case. During the fiscal year, the Commission moved or supported motions for the appointment of committees to represent investors in 12 Chapter 11 cases. Committees were appointed in all but one.

In a case having significance for the representation of publicly held debt securities, *In re The Charter Co., et al.*,<sup>136</sup> the bankruptcy court agreed with the Commission that indenture trustees are eligible to sit as voting members of a committee where the indenture trustee determines that such participation is necessary to represent the interests of debenture holders. The Commission had opposed a motion seeking their removal, on grounds of conflict of interest, arguing that there was no inherent conflict between fiduciary responsibilities of a trustee to represent indenture debtholders and fiduciary responsibilities of a member of the committee also to represent other creditors of the estate. The Commission pointed out that, like other members of a committee, if an actual conflict arose on a particular matter, the indenture trustee may simply recuse



itself, relinquish its voting rights or resign.

*Trustees and Examiners*—Under the Bankruptcy Code, the court may appoint a trustee either “for cause,” including fraud, dishonesty, or gross mismanagement of the debtor’s affairs by current management, or in the interests of creditors or equity security holders, or other interests of the estate. The trustee’s primary duties are to operate the debtor’s business, conduct and report to the court the results of the investigation of the debtor and file a plan. Where there is no trustee, an examiner may be appointed, on request of a party in interest, if the appointment is in the best interest of the estate, and shall be appointed where, in general, unsecured debts exceed \$5 million. Generally, an examiner’s duties are limited to conducting and reporting to the court the results of his investigation. The Commission participates on questions concerning the appointment of trustees and examiners and the scope of their duties because of the important role that these independent fiduciaries play in protecting the interests of public investors. This fiscal year, the Commission supported successful motions to appoint a trustee in one case and an examiner in one case.

In *In re Dreco, Inc.*,<sup>137</sup> a case having significant implications for the Commission in this area, the Commission moved for the “mandatory” appointment of an examiner because of, among other allegations, claims against the debtor’s current management made in a private securities fraud litigation. The bankruptcy court denied the motion on the ground that the Commission lacked standing to move for the appointment of an examiner. A petition for writ of mandamus by the Commission seeking review of the denial of its standing was denied by the district court, which concluded that while the Commission could raise the issue of the need for the examiner, it lacked standing to invoke the mandatory provision. The Commission determined not to seek further appellate review at this time based on the facts of the case, and deferred consideration for a more appropriate case in which to test its standing.

Under the Bankruptcy Code, the scope of an examiner’s investigation is left to the court’s discretion. In a case raising significant issues concerning the judicial approach to determining the scope of that investigation,<sup>138</sup> the Commission argued that, at the outset of an examiner’s appointment, it is premature to limit the scope of inquiry. Rather, the Commission urged that the court should direct the examiner to file a preliminary report within 120 days making recommendations concerning the appropriate scope of his investigation and its projected cost. The bankruptcy court rejected this approach and ordered limited inquiry.

*Estate Administration*—In *In re Baldwin-United Corporation*,<sup>139</sup> the bankruptcy court issued orders authorizing the debtors to honor indemnification provisions of corporate by-laws and to advance expenses for legal representation, as an administrative expense, for certain present and former directors and former officers named as defendants in class action securities litigation. In appeals taken from these orders, at the request of the district court, the Commission filed a brief on this issue.

The position urged by the Commission attempted to reconcile two competing public policy concerns—the importance of outside directors to publicly held corporations and the longstanding policy of the bankruptcy laws of equality of

treatment among creditors of the same class, except when expressly authorized by statute. The Commission argued that indemnification claims for pre-petition conduct of officers and directors must be treated like all other unsecured claims and therefore any post petition indemnification payments must be justified on findings that such payments were in the best interests of the estate.

The district court adopted the Commission's legal analysis of the Bankruptcy Code and remanded to the bankruptcy court for an evidentiary hearing to determine, with respect to the current directors, whether the estate derived sufficient benefit from the continued services of the directors to justify the anticipated amount of advances for legal fees. With respect to former officers and directors who no longer serve the debtors, the district court disagreed with the Commission's position that the bankruptcy court could, if the court determined that a consolidated defense was in the best interests of the estate, authorize the advance of legal fees as loans provided that the adequate protections were afforded in order to assure that these persons are ultimately treated the same as other unsecured creditors.

Also in the *Baldwin-United* case, the debtor sought to enjoin the Commission's law enforcement investigation until the court-appointed examiner filed his final investigation report. The debtor claimed that the Commission's investigation would unduly burden the estate with costs of responding to the Commission's request for testimony and documents, would divert attention of the company's executives from working on a plan to reorganize the company, and would duplicate the examiner's investigation. The Commission disputed the factual assertions and the jurisdiction of the bankruptcy court to stay its investigation. Subsequently, the Commission entered into a settlement with the debtor which permitted the investigation to continue.

In *Lionel Corporation*,<sup>140</sup> the Commission urged that legal standards permitting sale of a major asset of the estate outside of a plan of reorganization must not undercut the disclosure, voting and confirmation standards in Chapter 11 designed to protect the interests of creditors and public investors. The Court of Appeals for the Second Circuit agreed with the position urged by the Commission that, without an adequate business justification, major assets may not be sold outside the context of a reorganization plan.

*Plans of Reorganization/Disclosure Statements*—A disclosure statement is a combination proxy and offering statement used in connection with the acceptance of a plan of reorganization which often includes the exchange of new securities for claims and interests of creditors and shareholders in the debtor. The Bankruptcy Code provides that adequate disclosure is to be made without regard to whether or not the information provided would otherwise comply with the disclosure requirements of the Federal securities laws. But, in recognition of the Commission's special expertise on disclosure, bankruptcy rules require the service of the Commission on all disclosure statements and the Bankruptcy Code expressly recognizes the Commission's right to be heard on the adequacy of disclosure, although denying the Commission the right to appeal disclosure issues.

Bankruptcy rules require that disclosure statements filed by corporate debtors be transmitted to the Commission. During the fiscal year, the Commission received approximately 3,000 disclosure statements filed in Chapter 11 cases in-

volving both privately held and publicly held corporations. The Commission staff reviews disclosure statements to determine whether the plan proposed involves the issuance of securities consistent with the exemption from registration in the Bankruptcy Code or compliance with the Federal securities laws. The Commission also reviews disclosure statements to determine whether there is adequate disclosure concerning the proposed plan. During the fiscal year the Commission reviewed 1,200 disclosure statements, the great majority of them only cursorily. Generally, the Commission seeks to resolve questions concerning disclosure through staff comments to the plan proponent. If those cannot be resolved through this process the Commission may object to the disclosure statement in the bankruptcy court.

During the fiscal year the Commission commented on disclosure statements cited in 31 cases, ten of which resulted in objections filed in the bankruptcy court. One significant objection the Commission has pressed this year in two cases, *In re Lionel Corporation*<sup>141</sup> and *In re Shelter Resources Corp.*<sup>142</sup> is the failure to include financial projections to support opinions that the plan of reorganization is economically feasible. Both cases are still pending.

In two cases the Commission objected to plan confirmation because of Commission law enforcement concerns. In *In re Taurus Oil Co.*,<sup>143</sup> the Commission objected to confirmation of the debtor's plan on the grounds that a proposed securities transaction was not exempt from Securities Act registration by virtue of the exemption from registration found in the Bankruptcy Code. The court agreed with the Commission and directed registration of the securities as a prerequisite to plan confirmation.

In *Woods Communication Corp.*,<sup>144</sup> the Commission objected to confirmation of a plan of an assetless publicly held shell corporation which contemplated no business operations but sought to employ the discharge provisions of Chapter 11 to discharge claims of creditors through a *de minimis* payment. The stated purpose of the plan was to emerge from Chapter 11 as a publicly traded company without assets or liabilities, and to acquire operating businesses through the issuance of securities. The Commission's objection was premised on a concern that adequate information would not be available to the market by virtue of the court's confirmation of the plan. Further, the Commission viewed the use of Chapter 11 by corporate shells to cleanse themselves of liabilities as an abuse of the reorganization process. (After the close of the fiscal year, the court agreed with the position urged by the Commission and denied confirmation of the plan.)

*Fee-Related Questions*—From time to time the Commission expresses views on particular legal and policy questions relating to fees in order to assure that administrative costs of bankruptcy, borne by public investors, are consistent with the provisions of the Bankruptcy Code. For example, in *In re Victor Technologies, Inc.*,<sup>145</sup> the Commission argued, and the court agreed, to adhere to the long standing policy, developed under the former Bankruptcy Act, of paying only a portion of the requested interim allowances because of the inability of the court to determine the necessity and value of the services rendered prior to the conclusion of the case. The Commission urged that absent special circumstances, the award should be limited to 75% of the request, based on normal billing rates.

In two other cases, the Commission expressed its views on fee questions, in response to judicial requests for assistance. In *In re North America Coin &*

*Currency*,<sup>146</sup> the bankruptcy court, as urged by the Commission, denied counsels' requests for the payment of a "bonus" in addition to reasonable compensation. In *Southern Industrial Banking Corporation*,<sup>147</sup> the bankruptcy court, as urged by the Commission, concluded that the Bankruptcy Code confers jurisdiction on the court to determine the reasonableness of fees to be paid, not by the estate, but by the debtor's successor for legal and accounting services rendered to the outside investor group which proposed and funded the debtor's reorganization. The court also concluded that the standard for review of the fees is the same "reasonable compensation" standard governing awards from the estate.

*Commission Standing to Appear as a Party in Interest*—Occasionally the Commission has determined that pursuit of certain ancillary equitable relief for violations of the Federal securities laws against companies undergoing reorganization is more appropriate in bankruptcy court than in a separate district court proceeding. On those occasions the Commission seeks to intervene as a party in interest under Section 1109(b) of the Bankruptcy Code with the right to appeal, rather than in its advisory status under Section 1109(a).

The Commission sought to assert such standing in two cases during the past fiscal year. In *Taurus Oil Co.*, noted above, the Commission sought to intervene under Section 1109(b) to object to confirmation of a plan because the plan contemplated a securities transaction in violation of Securities Act registration provisions. The court denied the Commission party in interest standing but granted the relief requested by the Commission.

In another case,<sup>148</sup> the Commission, in its own law enforcement action, had frozen \$4 million and had sought imposition of a constructive trust on these monies, which it alleged had been obtained by fraudulent sale of unregistered securities. While the enforcement action was still pending the defendants filed petitions for reorganization under Chapter 11. The Commission subsequently sought to intervene in the bankruptcy court in order to have standing to pursue the constructive trust. The bankruptcy court denied the Commission's right to intervene, stating that the Commission's exclusive role in reorganization cases is limited to its advisory role under Section 1109(a). An appeal to the United States Court of Appeals for the Ninth Circuit on this ruling is pending. Subsequent to this appeal the Commission has commenced an adversary proceeding in the bankruptcy court against the bankruptcy trustees seeking to impose a constructive trust for the benefit of defrauded investors.

---

---

# Public Utility Holding Companies

---

## Composition

Under the Public Utility Holding Company Act of 1935 (Holding Company Act), the Commission regulates interstate public utility holding company systems engaged in the electric utility business or in the retail distribution of gas and the natural gas pipeline companies and nonutility companies within a registered holding company system.

There are presently 13 registered holding companies with aggregate assets, as of June 30, 1984, of \$72.7 billion representing an increase of \$6.6 billion, or 10%, over the previous 12-month period. Total operating revenues, as of June 30, 1984, were \$34.6 billion, a \$3.3 billion or 10-1/2% increase over the previous year. In the 13 systems, there are 65 electric and/or gas utility subsidiaries, 74 nonutility subsidiaries and 20 inactive companies, for a total of 172 system companies operating in 24 states, including the parent companies but excluding seven power supply company subsidiaries. Table 32 in the Appendix lists the systems and Table 33 lists their aggregate assets and operating revenues.

## Financing

During fiscal year 1984, the Commission approved approximately \$2.8 billion of senior securities and common stock financing of the 13 registered systems. Of this amount, approximately \$2.4 billion was long-term debt financing, the remaining \$400 million was common and preferred stock. Over \$1.4 billion of pollution control financing and \$4.3 billion of short-term debt financing for the registered holding company systems was approved. The pollution control financing exceeded the cumulative pollution control financings approved by the Commission between fiscal year 1980 and 1983. The short-term debt, on the other hand, reflected a 15% decrease over the authorized amounts in fiscal year 1983. Table 34 in the Appendix presents the amounts and types of securities issued by the holding company systems under the Holding Company Act.

## Fuel Programs and Service Companies

During fiscal year 1984, the Commission authorized \$740 million for fuel exploration and development activities of the holding company systems. Since 1971, the Commission has authorized expenditures of over \$7.3 billion for fuel programs of holding companies subject to the Holding Company Act (see Table 36 and 37 in the Appendix).

At the end of calendar year 1983, 12 subsidiary service companies provided managerial, accounting, administrative and engineering service to 11 of the 13 holding companies registered under the Holding Company Act. Billings for services rendered to the holding company systems amounted to \$1.2 billion or 3.54% of the total revenues generated by the electric and gas operating utilities.

The subsidiary service companies are heavily labor-intensive, employing 17,147 people, and have assets of over \$630 million. Table 35 in the Appendix lists the subsidiary service companies with billings, total assets, total personnel, and the number of operating utility companies served.

The Commission's examination of service company and fuel procurement activities through the accounting jurisdiction under the Holding Company Act of nonutility businesses has resulted in savings to consumers during the fiscal year of approximately \$22.7 million.

### **Novel Financings and New Business Activities**

During fiscal year 1984, the Commission authorized Central Power and Light to enter into a leveraged preferred stock financing.<sup>149</sup> This is a new series of sinking fund preferred which is sold to a special-purpose trust to be established and financed by, and for the benefit of, a group of corporate investors. The trust purchases the preferred stock with funds raised by equity contributions from the corporate investors and loans from institutional lenders (in a ratio of approximately 25% equity to 75% debt). The loans are without recourse to the investors and are secured by the preferred stock. The corporate investors, as beneficiaries, receive all preferred stock dividends, less amounts required to service the trust's debt.

Connecticut Light and Power Company and Western Massachusetts Electric Company have been given Commission approval to issue a new variety of pollution control bond called a variable rate demand bond or a low floater bond.<sup>150</sup> After an initial period, the interest rate is determined weekly by a remarketing agent based on an agreed upon index. Bond holders have the right to tender their bonds at principal, prior to a new rate period. The *quid pro quo* for the company for accepting a variable interest rate is that the initial interest rate will be substantially less (300–500 basis points) than for a fixed interest rate pollution control bond.

Central and SouthWest Corporation also has filed an application (File No. 70-6997) to create a factoring subsidiary that would purchase the accounts receivable (factoring) of the System's operating subsidiaries. These accounts receivable would be purchased at a discount and CSW Credit will obtain financing for these transactions from the parent and bank credit. Profits from the factoring of the subsidiaries would accrue directly to the parent holding company.

---

---

# Management, Economic Analysis and Program Support

---

## Key 1984 Management and Program Developments

Fiscal 1984 marked an important milestone for the Commission, the securities industry, and public investors. In May, after competitive bidding, the Commission awarded a contract to Arthur Andersen and Company to conduct a pilot program (EDGAR) to test the receipt and analysis of a limited number of corporate filings electronically—the first step toward realization of an operational electronic disclosure program.

Emphasis in 1985 will be on expanding and improving EDGAR's analytic capabilities. During 1985, the Commission expects to solicit proposals on the contract for the long-term, operational system.

In a related effort, the Executive Director's Office conducted a study to determine the potential impact of EDGAR on the market for securities information. The study revealed substantial financial benefits for investors, issuers, and the securities industry. In addition, the study found a sizable and potentially lucrative market for the range of services to be provided by EDGAR. Data generated by the study are being used in support of the Commission's deliberations on financing EDGAR and in preparing a Request for Proposal for the operational program.

In June, the Commission celebrated its 50th Anniversary. This included a reception for alumni and staff at 450 5th Street and a dinner for 1,500 present and former staff that featured presentations by all living former Chairmen. At the dinner, the Commission's official 50-year history was formally presented. In conjunction with the Anniversary, the Commission sponsored its second Major Issues Conference dealing with a range of topics regarding the operation of the nation's financial markets in the 1980's. Among the issues discussed were the convergence of the financial service industries, the impact of technology on the securities markets, and regulation of corporate mergers and acquisitions. Over 700 people attended the Conference.

During the year, the Executive Director's Office conducted management reviews of the Office of the General Counsel, the Office of the Administrative Law Judges, and the Commission's personnel procedures. In addition, the staff prepared a cost-benefit study on proceedings under Chapter 11 of the Bankruptcy Code, redesigned the Name Relationship Search System, and conducted a comprehensive analysis of regional office productivity.

## Economic Research and Statistics

Changes in the marketplace have increased the number and complexity of economic issues coming before the Commission and have greatly complicated analysis of impacts of SEC regulation.

Research and technical support are required to evaluate the economic aspects

of the Commission's regulatory program. This task is carried out by the Office of the Chief Economist and the Directorate of Economic and Policy Analysis. The economics staff evaluates rule proposals, established policy and the capital markets. Staff economists also conduct statistical monitoring of major programs affecting the securities industry and markets and publish findings in the SEC's Monthly Statistical Review.

During fiscal 1984, proposals to introduce more than two dozen new products were reviewed, including options and futures on stock market indices and industry stock groups. The number of new products and services is expected to grow. New and more complex market structures and trading systems are expected to evolve. The economics staff helps the Commission assess the economic aspects of major policy issues relating to these evolutions and develops monitoring procedures to evaluate the operations of the markets.

During fiscal 1984, the economic staff reviewed 80 rules and rule proposals. Rule reviews emphasized the economic costs and benefits of alternative approaches to regulation. In addition, advice was given to the operating divisions on requirements of the Regulatory Flexibility Act (RFA), particularly focused on economic effects of proposed rules and alternatives for reducing regulatory burdens on small business entities. In fiscal 1984, the economic staff reviewed 21 RFA analyses and 25 RFA certifications.

Economic research projects completed during fiscal year 1984 included an examination of the effects of the net capital and the reserve/segregation rules (financial responsibility rules) on the capital structures of broker-dealers. This study analyzed factors affecting long-term trends in the capital structure and capital needs of broker-dealers, and assessed the impact of recent amendments to the financial responsibility rules, showing \$550 million in freed-up capital during the first year.

The economics staff continued to monitor the effects of trading in Rule 19c-3 securities (those securities not subject to exchange off-board trading restrictions) and the development of automated trading facilities in the OTC and exchange markets. Another major review calculated that \$15.5 billion of securities had been offered under the recently restructured private and limited offering exemptions from Federal registration (Regulation D). The study indicated that certain changes introduced by Regulation D have substantially aided issuers in raising capital.

Staff economists analyzed the Tender Offer Advisory Committee's recommendations, the Commission's response to the recommendations and the ensuing legislative package. Three major studies resulted. One, a study of two-tier and partial tender offers, focused on the empirical evidence concerning these types of tender offers. Another study examined the impact of targeted share repurchases (greenmail) on stock prices. In the third study, the staff surveyed the extent of beneficial block ownership in U.S. corporations and examined possible changes to beneficial ownership reporting based upon the Advisory Committee Report.

Other issues analyzed during fiscal 1984 included proxy initiatives, shelf-registration of corporate securities, and the impact of corporate charter amendments to thwart takeovers. In a study to determine the effects of optional variable sales loads the staff examined mutual fund performance, the relative growth of



load and no-load funds, sales and distribution expenses and revenues from fund sales by broker-dealers.

## Information Systems Management

EDGAR is only one aspect of the Commission's continuing effort to accommodate its increasing workload through technological innovation. Under its Productivity Improvement by Computer (PIC) program, the number of microcomputers employed by the staff was expanded from 30 to 100 during 1984, a dramatic expansion accompanied by an intensive training program that reached nearly 500 staff members over the year. The Commission's User Support Information Center continued to provide the staff with technical assistance in adapting computer technology to an ever increasing number of operational activities. The benefits of microcomputer technology have been highly visible: improved litigation support, market analyses, and support to regional personnel monitoring the "hot issues" markets.

During 1984, the Commission completed work on a fully interactive and integrated payroll system. The culmination of three years of developmental work, this system is being considered by the Office of Management and Budget (OMB) as a government-wide prototype. Also during 1984, the staff developed a computerized complaint letter system and automated the agency's *Securities Violation Bulletin*, facilitating monthly, rather than quarterly, publication. Finally, the staff developed a system to provide daily market transaction data to the Division of Enforcement. Because this in-house system now provides data previously acquired from a private vendor, the Commission is saving approximately \$72,000 per annum.

## Financial Management

During fiscal 1984, the Commission collected a record \$121 million in fees for deposit to the General Fund of the Treasury. This is the second year in succession and only the third year in its history that the Commission has collected fees in excess of its annual appropriation. The 1984 figure represents 129% of the agency's appropriation and eclipses by \$23.4 million the previous record amount, collected in 1983. Fees were derived from four sources: securities registered under the Securities Act of 1933 (49%), transactions on securities exchanges (31%), miscellaneous filings and reporting fees (19%), and registration of broker-dealers (1%).

The agency continued to improve its financial management procedures in furtherance of the government-wide Reform 88 initiative and the recommendations of the President's Private Sector Commission on Cost Control. Through an electronic funds transfer system (EFTS) for the transmission of fees from the securities exchanges, nearly \$37 million in fees were transmitted to interest bearing Treasury accounts in 1984, saving the Federal government over \$50,000 in interest revenues.

The staff processed over 39,000 checks from filers and approximately 17,500 invoices, the latter a 6% increase over 1983. In addition, the agency continued its excellent record in meeting the requirements of the Prompt Payment Act, incur-

ring only one interest penalty.

Steps were taken to improve the financial management capabilities of line divisions. In particular, the staff redesigned the series of financial management reports provided to division directors and office heads to better meet their need for periodic summary data on various resource allocations. Another internal management improvement, initiated by the Comptroller, was the introduction of General Accounting Office-approved statistical sampling techniques to streamline audits of travel documentation.

## **Facilities Management**

During fiscal 1984, administrative personnel achieved compliance with the space reduction requirements of Executive Order 12411. Under a plan approved by the General Services Administration (GSA), physical alterations necessary to bring the Commission's headquarters and regional offices into compliance with the order's 135 square foot per employee standard were completed. By year end, 15,600 square feet of space had been eliminated, resulting in a saving of \$200,000. Completion of all alterations will occur during 1985.

Since 1982, when the Commission first occupied its consolidated headquarters building, the staff has continued to upgrade and refine safety and security procedures. During fiscal 1984, the Commission acquired state-of-the-art motion detection and alarm systems to better secure proprietary and sensitive information at the headquarters building. The Commission also acquired equipment and developed procedures to assist in the emergency evacuation of handicapped employees.

Operating expenses were reduced during the year by replacing and eliminating obsolete equipment, acquiring surplus printing equipment and furniture from other agencies at no cost, and substituting external contracting services for certain costly in-house operations. In all, these steps have saved an estimated \$150,000 during fiscal 1984.

A 1984 OMB survey of government printing operations rated the Commission's printing plant as one of the best among Federal agencies. During 1984, the printing staff produced nearly 43 million printed pages, and increased productivity by 5% over 1983. Administrative personnel also handled 1.5 million pieces of mail during the year.

Finally, the staff continued to improve administrative support for the regional offices. In particular, nationwide telecopying capability was improved with the installation of new equipment in three regional offices.

## **Personnel Management**

Faced with a rapidly expanding workload, high priority on productivity improvements continues. Personnel actions are executed only after careful analysis of their ultimate impact on overall division or office operations. During fiscal 1984, over 7,200 personnel actions were processed. The Commission renewed efforts to minimize the adverse effects of "grade creep," particularly through a program to comply with OMB's directive that Federal agencies reduce staff at the GS 11-15 levels by 2% in 1985 and 1986. Further, the Commission has pursued an aggres-

sive policy of position management by reviewing the classifications of 210 positions during fiscal 1984.

In fiscal 1984, the performance appraisal system was fully redesigned. Staff was familiarized with the more demanding written standards through a comprehensive instruction program.

The personnel staff performed a comprehensive review of the position management and classification practices of the Division of Investment Management, and abbreviated on-site reviews of all regional and branch offices. Where necessary, practices were modified to conform with Commission-wide personnel standards.

Consistent with the commitment to improving the skills and abilities of the staff, training was provided to 1,020 individuals. In addition, the program of employee assistance continued during fiscal 1984 with seminars on health care and retirement.

## **Public Affairs**

The objective of the Office of Public Affairs is to communicate information on Commission activities to those interested in or affected by Commission actions. Both on-going programs and special projects were used to achieve the objective during 1984.

The SEC News Digest, published every business day, provides information on virtually all SEC actions: issuer filings, acquisition reports, rule changes, actions against individuals or corporate entities, releases, events of interest and upcoming Commission meetings. It is available in the Public Reference Room, and is published commercially. Press releases prior to, and press briefings after, Commission meetings provide insight into proposed and adopted changes in policies and regulation, and are also issued on upcoming events, on-going programs and/or special projects. In all, 58 news releases were issued during the year. Information on Commission actions is disseminated every business day through compilation of Digest notices of administrative actions, litigation releases and other appropriate material. Where appropriate, Commission actions are brought to the attention of the national and regional press.

Publication of an annual report provides information on Commission activities to Congress, the securities bar and other interested parties. Through the Depository Library System, the report is made available to selected colleges and universities throughout the country. A regular newsletter was published for Commission employees, and approximately 63,000 requests for information from members of the public were handled in 1984. More than 300 foreign visitors learned about the SEC during the year, in programs coordinated by the Office.

Special projects during the year included support for the 50th Anniversary of the Commission, especially the conception, coordination and publication of a history entitled "Good People, Important Problems and Workable Laws, 50 Years of the U.S. Securities and Exchange Commission." The office also assisted on the Major Issues Conference, the third SEC Forum on Small Business Capital Formation, and the Practicing Law Institute, and updated "Eagle on the Street," an audiovisual presentation on the Commission. Finally, the Office began the transition to the EDGAR system.

## **Consumer Affairs**

During fiscal 1984, the Commission's consumer affairs staff handled more than 30,000 complaints and inquiries, an increase of more than 8% over 1983. Of these, 48% involved investor conflicts with registered broker-dealers, 30% concerned issuers of securities, and 4% pertained to mutual funds. The remainder were related to transfer agents, banks and investment advisers. The increase in complaints and inquiries largely reflects the high volume of trading in the securities markets.

The staff carefully reviewed each complaint or inquiry. Matters appearing to entail violations of the Federal securities laws were referred to an appropriate line division for direct action. With matters not appearing to involve securities law violations, the staff assisted investors by forwarding complaints to either an appropriate self-regulatory authority or to the entity that was the subject of the complaint. In many instances, the staff was successful in achieving an informal resolution of the problem. During fiscal 1984, the staff also prepared materials to assist investors with the American Telephone & Telegraph Co. divestiture, the Washington Public Power Supply System default, and the Baldwin United Corporation annuities default.

During fiscal 1984, 1,743 Freedom of Information Act (FOIA) requests and 2,391 requests for confidential treatment were handled, increases over 1983 of 21% and 30%, respectively. The requests for confidential treatment were typically made in connection with proprietary corporate information, and were carefully evaluated to prevent the indiscriminate and unwarranted release of information exempt from the FOIA. In addition, the staff processed 51 Privacy Act requests. To ensure conformity in the administration of FOIA, Privacy Act and Sunshine Act requirements, a seminar was conducted for headquarters and regional office staff. Finally, the Commission's Public Reference Room processed 198,000 requests for information, an increase of 15% over 1983.

## **Equal Employment Opportunity**

Hiring of women and minorities has increased significantly. Since 1976, the number of female attorneys at the Commission has increased from 11% to 32%; the number of minority attorneys rose from 5% to 10%. Currently, women comprise nearly 50% of the Commission's workforce, and minorities, 30%.

The Commission, in cooperation with the Securities Industry Committee on Equal Employment Opportunity, continued to sponsor a scholarship program for deserving minority students pursuing careers in the securities industry. Seven were awarded during the year.

The contributions and achievements of minority groups were recognized with special programs during Hispanic Heritage Week, Asian-Pacific Heritage Week, Women's Week, Afro-American History Month, and on the birthdate of Dr. Martin Luther King. In addition, the staff organized a series of workshops and clinics in observance of National Secretaries Week.

Finally, the Commission continued its program of EEO instruction for the staff. During a two-day training program for the headquarters staff, more than 100 individuals were instructed in the principles of equal opportunity law and affirma-

tive action, the prevention of discrimination and sexual harassment in the workplace, and methods for improving employment opportunities for minorities and women.

Although the Commission is prohibited from accepting reimbursement from regulated entities, the 1983 Securities Exchange Act amendments gave the Commission the authority to accept payment and reimbursement from other entities to defray the cost of travel and subsistence expenses incurred by Commissioners and staff for participation in meetings and conferences concerning functions or activities of the Commission. During 1984, Commissioners participated in 31 events at a cost of \$5,915 to the government. The Commission was reimbursed in the amount of \$12,484 by other entities. Overall, staff participated in 217 meetings/conferences reimbursed at \$71,747; Federal costs incurred amounted to \$11,206.



---

---

# Commissioners and Principal Staff Officers

(As of September 30, 1984)

---

Commissioners	Term Expires
John S.R. Shad, <i>Chairman</i>	1986
James C. Treadway, Jr.	1987
Charles C. Cox	1988
Charles L. Marinaccio	1985
Aulana L. Peters	1989

*Secretary: George A. Fitzsimmons (until August 1984)*

*Acting Secretary: Shirley E. Hollis (August 1984— )*

*Executive Assistant to the Chairman: Linda C. Quinn*

## Principal Staff Officers

George G. Kundahl, *Executive Director*

Kenneth A. Fogash, *Deputy Executive Director*

John J. Huber, *Director, Division of Corporation Finance*

William C. Wood, *Associate Director*

Mary E.T. Beach, *Associate Director*

Catherine Collins McCoy, *Associate Director*

Ernestine M.R. Zipoy, *Associate Director*

Amy L. Goodman, *Associate Director, EDGAR*

John M. Fedders, *Director, Division of Enforcement*

John C. Sturc, *Associate Director*

Gary G. Lynch, *Associate Director*

Frederick B. Wade, *Chief Counsel*

Alexia L. Morrison, *Chief Litigation Counsel*

Richard G. Ketchum, *Director, Division of Market Regulation*

Richard P. Wessel, *Associate Director*

Mark Fitterman, *Associate Director*

Richard Chase, *Associate Director*

Kathryn B. McGrath, *Director, Division of Investment Management*

Gerald Osheroff, *Associate Director*

Jeffrey L. Steele, *Associate Director*

Aaron Levy, *Director, Office of Public Utility Regulation*

Grant Guthrie, *Associate Director*

Daniel L. Goelzer, *General Counsel*

Paul Gonson, *Solicitor*

Elisse Walter, *Associate General Counsel*

Jacob H. Stillman, *Associate General Counsel*

Linda D. Fienberg, *Associate General Counsel*

Mary M. McCue, *Director, Office of Public Affairs*  
Chiles T.A. Larson, *Deputy Director*  
A. Clarence Sampson, *Chief Accountant*  
Edmund Coulson, *Deputy Chief Accountant*  
Jeffrey L. Davis, *Director, Directorate of Economic and Policy Analysis*  
Terry M. Chuppe, *Associate Director*  
Charles W. Bryson, *Associate Director*  
Gregg A. Jarrell, *Chief Economist*  
William S. Stern, *Director, Office of Opinions and Review*  
Herbert V. Efron, *Associate Director*  
R. Moshe Simon, *Associate Director*  
Warren E. Blair, *Chief Administrative Law Judge*  
Lawrence H. Haynes, *Comptroller*  
Herbert S. Silbert, *Assistant Comptroller*  
Richard J. Kanyan, *Director, Office of Administrative Services*  
James C. Foster, *Director, Office of Personnel*  
William E. Ford, II, *Assistant Director*  
Wilson Butler, *Director, Office of Applications and Reports Services*  
Jonathan G. Katz, *Director, Office of Consumer Affairs and Information Services*  
John D. Adkins, *Director, Office of Information Systems Management*  
John Faith, *Deputy Director*  
Cecilia Srodes, *Director of Legislative Affairs*  
James A. Clarkson, III, *Director of Regional Office Operations*  
Phillip H. Savage, *Director of Equal Employment Opportunity*

---

### **From the Minutes of August 28, 1984 Commission Meeting**

The Commission notes with deep sorrow and regret the death of George A. Fitzsimmons, Secretary of the Commission, on August 25, 1984. Mr. Fitzsimmons joined the Commission's staff in 1968 as a trial attorney in the Division of Trading and Markets. He was appointed Secretary of the Commission by Chairman Ray Garrett, Jr. in 1973. Mr. Fitzsimmons served the Commission with great dedication and was a trusted adviser to all of his colleagues. The Commission and its staff extend their deepest sympathy to Mr. Fitzsimmons' family and his many friends. Chairman John S.R. Shad said, "George was one of the most highly regarded and well liked members of the senior staff. His institutional memory of past Commission actions has been an invaluable resource to the Commission. He will be greatly missed by all of us."

---



---

---

# Biographies of Commissioners

---

## John S.R. Shad

John Shad was appointed by President Reagan and sworn-in by Vice President Bush as the 22nd Chairman of the U.S. Securities and Exchange Commission on May 6, 1981. His term expires in 1986.

John Shad resigned as Vice Chairman of the board of the E.F. Hutton Group and from the boards of seven NYSE listed corporations to join the SEC. He initiated Hutton's investment banking activities in 1963, which, under his direction, grew into over a five billion dollar annual principal amount of corporate financings and mergers.

He has served on the boards of 17 publicly owned corporations; received the Investment Banker of the Year (1972) and other awards and honors; is a graduate of the University of Southern California, the Harvard Business School and the New York University Law School; a member of Beta Gamma Sigma and Phi Kappa Phi; the author of articles on corporate finance and mergers; and has taught Investment Banking at the NYU Graduate Business School.

He was born in Utah. While attending college, he worked nights as an aircraft riveter. During World War II, he served in the Pacific and China as a naval officer. After graduating from the Harvard Business School in 1949, he began his business career in New York City as a securities analyst.

## James C. Treadway, Jr.

James C. Treadway, Jr., became the sixty-first Member of the Commission on September 13, 1982. His five year term expires June 5, 1987.

At the time of his appointment, Mr. Treadway was a partner with the Washington and New York law firm of Dickstein, Shapiro & Morin, where he had been engaged in the practice of securities and corporate finance law, representing corporate issuers, officers and directors. In addition, he had represented a U.S. and a foreign securities exchange, investment banking firms and investment companies. He is the author of various articles on the federal securities laws.

Mr. Treadway, a native of Anderson, S.C., was formerly an associate with the Washington and Boston law firm of Gadsby & Hannah from 1968 to 1972 and prior to that, he was an associate of the Atlanta law firm of Candler, Cox, McClain & Andrews from 1967 to 1968. Mr. Treadway received his undergraduate education from Rollins College and the University of Georgia where he graduated in 1964 with an A.B. degree. He received his LL.B. degree, *summa cum laude*, in 1967 from Washington & Lee University where he was Editor-in-Chief of the Washington & Lee University Law Review. He was a member of Phi Beta Kappa, Order of the Coif and Omicron Delta Kappa.

## Charles C. Cox

Charles C. Cox was sworn in as the sixty-second Member of the Commission on December 2, 1983. His term expires June 5, 1988.

Mr. Cox had been Chief Economist at the SEC since September 1982. Prior to that, he was Assistant Professor of Management at Texas A&M University (1980-82), Assistant Professor of Economics at Ohio State University (1972-80) National Fellow at the Hoover Institution at Stanford University (1977-78) and a consultant to a San Francisco law firm (1978-80).

He received a B.A. degree *magna cum laude* with distinction in economics from the University of Washington in 1967 and masters and doctorate degrees in economics from the University of Chicago (1970 and 1975). He is the author of numerous articles in leading economic and other publications.

Mr. Cox was born in 1945 in Missoula, Montana.

## Charles L. Marinaccio

Charles L. (Lindy) Marinaccio was sworn in as the sixty-third Member of the Commission on May 24, 1984. He fills the unexpired term of Barbara S. Thomas, which expires June 5, 1985.

Mr. Marinaccio served as General Counsel of the U.S. Senate Committee on Banking, Housing and Urban Affairs, one of the Congressional Committees which oversees the activities of the SEC, from May 1975 to 1980 and thereafter as Minority General Counsel. As Counsel to the Committee, Mr. Marinaccio worked closely with Senators on both sides of the aisle and their staffs on financial institutions, securities and international trade legislative and oversight matters. He has also worked on SEC oversight matters. Legislation in which he played a key staff role includes landmark legislation affecting financial institutions such as the International Banking Act, IMF legislation, the 1980 Deregulation Act, the Garn-St. Germain Act of 1982, and the Foreign Corrupt Practices Act, administered by the SEC.

Prior to serving as Banking Committee Counsel, Mr. Marinaccio was with the Department of Justice. He was Director of the Executive Secretariat of the Law Enforcement Assistance Administration (October 1973 to May 1975) and Trial Attorney, for the Antitrust Division (May 1965 to May 1969) and for the Organized Crime and Racketeering Section of the Criminal Division (October 1963 to May 1965).

He also served on the Federal Reserve Board staff from May 1969 to October 1973 as Advisor to the Division of Supervision and Regulation and as Senior Attorney in the Legal Division. There he was responsible for, among other matters, the implementation of the Financial Institutions Supervisory Act on serious problem bank cases.

Mr. Marinaccio began his career in April 1962 as a law clerk to Chief Judge Hood and Chief Judge Cayton (retired) at the District of Columbia Court of Appeals. He joined the Judges' staff immediately after earning a J.D. in law with honors from George Washington University Law Center. He had earned a B.A. in history and government at the University of Connecticut at Storrs (1957).

He is past Chairperson of the Federal Bar Association Section on Financial Institutions and the Economy and a member of the Executive Council of the Banking Law Committee, which he has served as Chairman. He has also been Deputy Chairman for the FBA's Continuing Legal Education of the Section on Financial Institutions and the Economy.

### **Aulana L. Peters**

Aulana L. Peters was sworn in as the sixty-fourth Member of the Commission on June 11, 1984. Her term expires June 5, 1989.

Until her appointment, Mrs. Peters was a partner with the Los Angeles law firm of Gibson, Dunn & Crutcher, which she joined as an associate in 1973. As a member of that firm's Litigation Department, she specialized in business and commercial litigation with emphasis on the securities and unfair competition areas, particularly class action suits. About one-third of her law practice involved cases of alleged violations of the Securities Act of 1933 and the Securities Exchange Act of 1934, representing both defendants and plaintiffs. She was also involved in tender offer/proxy contest litigation.

She has frequently served on legal panels and has lectured for the California Continuing Education of the Bar and others.

Mrs. Peters, who was born in 1941, is the first black appointed to the Commission. She earned a J.D. with honors from the University of California Law Center in 1973 and a B.A. in philosophy from the College of New Rochelle in 1963.



---

---

# Regional and Branch Offices

---

## Regional Offices and Administrators

**Region 1.** New York, New Jersey—**Ira L. Sorkin**, Room 1102, 26 Federal Plaza, New York, New York 10278.

**Region 2.** Massachusetts, Connecticut, Rhode Island, Vermont, New Hampshire, Maine—**Willis H. Riccio**, 150 Causeway Street, Boston, Massachusetts 02114.

**Region 3.** Tennessee, Virgin Islands, Puerto Rico, North Carolina, South Carolina, Georgia, Alabama, Mississippi, Florida, part of Louisiana—**Michael K. Wolensky**, Suite 788, 1375 Peachtree Street, N.E., Atlanta, Georgia 30367.

**Region 4.** Illinois, Indiana, Iowa, Kansas City (Kansas), Kentucky, Michigan, Minnesota, Missouri, Ohio, Wisconsin—**William D. Goldsberry**, Room 1204, Everett McKinley Dirksen Bldg., 219 South Dearborn Street, Chicago, Illinois 60604.

**Region 5.** Oklahoma, Arkansas, Texas, part of Louisiana, Kansas (except Kansas City)—**Wayne M. Secore**, 8th Floor, 411 West Seventh Street, Fort Worth, Texas 76102.

**Region 6.** North Dakota, South Dakota, Wyoming, Nebraska, Colorado, New Mexico, Utah—**Robert H. Davenport**, Suite 700, 410 Seventeenth Street, Denver, Colorado 80202.

**Region 7.** California, Nevada, Arizona, Hawaii, Guam—**Irving M. Einhorn**, Suite 500 East, 5757 Wilshire Blvd., Los Angeles, California 90036-3648.

**Region 8.** Washington, Oregon, Idaho, Montana, Alaska—**Jack H. Bookey**, 3040 Federal Building, 915 Second Avenue, Seattle, Washington 98174.

**Region 9.** Pennsylvania, Maryland, Virginia, West Virginia, Delaware, District of Columbia—**Paul F. Leonard**, Room 300, Ballston Center Tower No. 3, 4015 Wilson Blvd., Arlington, Virginia 22203.

## Branch Offices

Detroit, Michigan 48226—231 W. Lafayette St., 438 Federal Building.

Houston, Texas 77002—Suite 302, Scanlan Bldg., 405 Main Street.

Miami, Florida 33131—Suite 1114, DuPont Plaza Center, 300 Biscayne Boulevard Way.

Philadelphia, Pennsylvania 19106—Federal Building, Room 2204, 600 Arch Street.

Salt Lake City, Utah 84111—Suite 810, Boston Building, Nine Exchange Place.

San Francisco, California 94102—450 Golden Gate Ave., Box 36042.

---

---

## Footnotes

---

<sup>1</sup>Corporate Reporting and Accounting cases include: *In the Matter of Steven S. Glick*, Accounting and Auditing Enforcement Release No. 25 (March 23, 1984), 30 SEC Docket 199; *In the matter of James E. Etue, et al.*, Litigation Release No. 20 (February 3, 1984), 29 SEC Docket 1255; *In the Matter of Utica Bankshares Corporation*, Securities Exchange Act Release 20702 (February 29, 1984), 29 SEC Docket 1479; *SEC v U.S. Surgical Corporation, et al.*, Litigation Release No. 10293 (February 27, 1984), 29 SEC Docket 1523; *In the Matter of Thomas H. Wilson, et al.*, Securities Exchange Act Release 20980 (May 21, 1984), 30 SEC Docket 890; *SEC v Datapoint Corp., et al.*, Litigation Release No. 10418 (June 18, 1984), 30 SEC Docket 1168; *SEC v The Barden Corp., et al.*, Litigation Release No. 10433 (June 26, 1984), 30 SEC Docket 1290; *In the Matter of Stephen O. Wade, et al.*, Securities Exchange Act Release 21095 (June 25, 1984), 30 SEC Docket 1195; *SEC v Digilog, Inc., et al.*, Litigation Release No. 10448 (July 5, 1984), 30 SEC Docket 1347, *SEC v Wheat*, Litigation Release No. 10464 (July 20, 1984), 30 SEC Docket 1552, *SEC v Stauffer Chemical Company*, Litigation Release No. 10493 (August 13, 1984), 31 SEC Docket 251; *In the Matter of Pan American International, Inc.*, Securities Exchange Act Release 21278 (August 30, 1984), 31 SEC Docket 339, *In the Matter of Smith & Stephens Accountancy Corp.*, Securities Exchange Act Release 21298 (September 10, 1984), 31 SEC Docket 445; *SEC v Corda Diversified Technologies, Inc., et al.*, Litigation Release No. 10518 (September 10, 1984), 31 SEC Docket 544; *SEC v International Property Exchange, Inc.*, Litigation Release No. 10544 (August 16, 1984), 31 SEC Docket 735; *SEC v Fraser*, Litigation Release No. 10512 (August 30, 1984), 31 SEC Docket 367; *SEC v Holben, et al.*, Litigation Release No. 10563 (October 12, 1984), 31 SEC Docket 890; *In the Matter of Coopers & Lybrand, et al.*, Securities Exchange Act Release 6542 (July 5, 1984), 30 SEC Docket 1310; *SEC v Wordtronix, Inc.*, Litigation Release No. 10199 (November 14, 1983), 29 SEC Docket 281; *SEC v Electromedics, Inc., et al.*, Litigation Release No. 10204 (November 21, 1983), 29 SEC Docket 407; *SEC v Channel Industries, Ltd., et al.*, Litigation Release No. 10213 (November 30, 1983), 29 SEC Docket 470; *In the Matter of Touche Ross & Co.*, Securities Exchange Act Release 20364 (November 14, 1983), 29 SEC Docket 179, *In the Matter of Accounting For Gains and Losses*, Securities Exchange Act Release 20266 (October 6, 1983), 28 SEC Docket 1577; *SEC v A. T. Bliss and Company, et al.*, Litigation Release No. 10274 (January 30, 1984), 29 SEC Docket 1175, *SEC v IntraWest Financial Corp., et al.*, Litigation Release No. 10294 (February 28, 1984), 29 SEC Docket 1527; *SEC v Burns, et al.*, Litigation Release No. 10298 (March 1, 1984), 29 SEC Docket 1531; *In the Matter of Promatton Inc.*, Securities Exchange Act Release 6522 (March 10, 1984), 30 SEC Docket 204; *In the Matter of James H. Feldhake, et al.*, Securities Exchange Act Release 20824 (April 5, 1984), 30 SEC Docket 236, *In the Matter of Organized Producing Energy Corp.*, Securities Exchange Act Release 6527 (May 1, 1984), 30 SEC Docket 577, *In the Matter of Willie L. Mayo*, Securities Exchange Act Release 6529 (May 1, 1984), 30 SEC Docket 589; *In the Matter of Hereafter Productions Ltd Ptnrship.*, Securities Exchange Act Release 6496 (November 2, 1983), 29 SEC Docket 67; *SEC v Zoe Products, Inc.*, Litigation Release No. 10280 (February 7, 1984), 29 SEC Docket 1266, *In the Matter of Action Service, Inc.*, Securities Exchange Act Release 6524 (April 17, 1984), 30 SEC Docket 404; *SEC v R W. Peters Rickel & Co., Inc.*, March 12, 1984; *SEC v Columbia Management Company, Inc.*, Litigation Release No. 10404 (May 31, 1984), 30 SEC Docket 989; and, *In the matter of Carl Leibowitz*, Securities Exchange Act Release 6528 (May 1, 1984), 30 SEC Docket 586.

<sup>2</sup>Insider Trading cases include: *SEC v Thayer, et al.*, Litigation Release No. 10251 (January 5, 1984), 29 SEC Docket 887, *SEC v Courtois*, Litigation Release No. 10283 (February 12, 1984), 29 SEC Docket 1392; *SEC v Karanzalis*, Litigation Release No. 10325 (April 5, 1984), 30 SEC Docket 313; *SEC v Brett*, Litigation Release No. 10340

(April 13, 1984), 30 SEC Docket 478; *SEC v Brant, et al.*, Litigation Release No. 10386 (May 17, 1984), 30 SEC Docket 878; *In the Matter of James L. Covello*, Securities Exchange Act Release 20826 (April 5, 1984), 30 SEC Docket 266; *In the Matter of E. Jacques Courtois, Jr.*, Securities Exchange Act Release 20830 (April 6, 1984), 30 SEC Docket 324; *SEC v Spiker, et al.*, Litigation Release No. 10444 (July 2, 1984), 30 SEC Docket 1343; *SEC v Tenney et al.*, Litigation Release No. 10486 (August 7, 1984), 31 SEC Docket 181; *In the Matter of Peter N. Brant*, Securities Exchange Act Release 21136 (July 12, 1984), 30 SEC Docket 1374; *SEC v Stein*, Litigation Release No. 10479 (August 3, 1984), 31 SEC Docket 176; *In the Matter of William E. Peterson, et al.*, Securities Exchange Act Release 21113 (July 2, 1984), 30 SEC Docket 1311; and, *SEC v Dreiling*, Litigation Release No. 10563 (October 12, 1984), 31 SEC Docket 890.

<sup>3</sup>Securities Offering Violations cases include: *SEC v Robert B. Martin, Jr.*, Litigation Release No. 10157 (October 4, 1983), 28 SEC Docket 1643; *SEC v William R. Mason*, Litigation Release No. 10180 (October 26, 1983), 29 SEC Docket 56; *SEC v Ministers' Investment Corp.*, Litigation Release No. 10190 (November 2, 1983), 29 SEC Docket 116; *SEC v Robert R. Hills, et al.*, Litigation Release No. 10200 (November 15, 1983), 29 SEC Docket 282; *SEC v Mason Oil Company, Inc.*, Litigation Release No. 10210 (November 23, 1983), 29 SEC Docket 414; *SEC v William A. Widgery, Sr., et al.*, Litigation Release No. 10233 (December 14, 1983), 29 SEC Docket 638; *SEC v Commonwealth Energy Inc., et al.*, Litigation Release No. 10249 (December 29, 1983), 29 SEC Docket 845; *SEC v Taco Eds Inc.*, Litigation Release No. 10252 (January 5, 1984), 29 SEC Docket 887; *SEC v American Gold Depository Corp.*, Litigation Release No. 10178 (October 21, 1983), 29 SEC Docket 55; *SEC v Carter Company*, Litigation Release No. 10279 (February 7, 1984), 29 SEC Docket 1264; *SEC v Butcher, et al.*, Litigation Release No. 10272 (January 27, 1984), 29 SEC Docket 1172; *SEC v Calzone Mining Company, Inc.*, Litigation Release No. 10273 (January 30, 1984), 29 SEC Docket 1173; *SEC v Basic Earth Science Systems, Inc.*, Litigation Release No. 10285 (February 14, 1984), 29 SEC Docket 1394; *SEC v Sunco Resource & Energy Ltd. Inc.*, Litigation Release No. 10314 (March 22, 1984), 30 SEC Docket 133; *SEC v Maverick Oil Company, et al.*, Litigation Release No. 10316 (March 26, 1984), 30 SEC Docket 201; *SEC v Harvard Investment Trust, et al.*, Litigation Release No. 10332 (April 6, 1984), 30 SEC Docket 395; *SEC v North American International Corp.*, Litigation Release No. 10207 (November 23, 1983), 29 SEC Docket 412; *SEC v Netelkos*, Litigation Release No. 10395 (May 25, 1984), 30 SEC Docket 979; *SEC v Purchasing Consultants, Inc.*, Litigation Release No. 10324 (April 4, 1984), 30 SEC Docket 312; *SEC v Allen*, October 5, 1983; *SEC v Beard, et al.*, Litigation Release No. 10347 (April 19, 1984), 30 SEC Docket 485; *SEC v Rexmoor Properties, Inc.*, Litigation Release No. 10358 (April 26, 1984), 30 SEC Docket 572; *SEC v Marketing Workshop Inc.*, Litigation Release No. 10593, November 7, 1984; *SEC v Intercontinental Technologies Corp., et al.*, Litigation Release No. 10455 (July 12, 1984), 30 SEC Docket 1355; *SEC v Organized Producing Energy Corp., et al.*, Litigation Release No. 10361 (May 1, 1984), 30 SEC Docket 690; *SEC v Ability Information Systems, Inc.*, Litigation Release No. 10378 (May 14, 1984), 30 SEC Docket 872; *In the Matter of Herman Friedman*, Securities Exchange Act Release 20899 (April 26, 1984), 30 SEC Docket 532; *SEC v Allen, et al.*, Litigation Release No. 10476 (August 2, 1984), 31 SEC Docket 63; *SEC v JJ Petroleum, et al.*, Litigation Release No. 10480 (August 6, 1984), 31 SEC Docket 177; *SEC v Stines, et al.*, Litigation Release No. 10481 (August 2, 1984), 31 SEC Docket 177; *SEC v Garrity, et al.*, Litigation Release No. 10498 (August 15, 1984), 31 SEC Docket 257; *SEC v Contemporary Properties, Inc., et al.*, Litigation Release No. 10508 (August 28, 1984), 31 SEC Docket 362; *SEC v Champion Sports Management, Inc., et al.*, Litigation Release No. 10513 (August 30, 1984), 31 SEC Docket 368; *In the Matter of Howard Bronson & Co., et al.*, Securities Exchange Act Release 21138 (July 14, 1984), 30 SEC Docket 1386; *SEC v Hanson, et al.*, Litigation Release No. 10359 (April 27, 1984), 30 SEC Docket 687; *In the Matter of Verrilli, Altschuler, Schwartz, Inc.*, Securities Exchange Act Release 21308 (September 11, 1984), 31 SEC Docket 475; *In the Matter of San Saba Nu-Tech, Inc.*, Securities



Exchange Act Release 6549 (September 19, 1984), 31 SEC Docket 552; *SEC v San Saba Nu-Tech, Inc., et al.*, Litigation Release No. 10531 (September 19, 1984), 31 SEC Docket 625; *SEC v Starmark Industries, Inc., et al.*, Litigation Release No. 10533 (September 19, 1984), 31 SEC Docket 627; *SEC v Organic Bio Conversions, Inc.*, Litigation Release No. 10524 (September 5, 1984), 31 SEC Docket 620; *SEC v Chambers*, July 11, 1984; *SEC v Miller*, Litigation Release No. 10537 (September 20, 1984), 31 SEC Docket 631; *SEC v Bauer*, Litigation Release No. 10567 (October 17, 1984), 31 SEC Docket; *SEC v Ascenzi, et al.*, Litigation Release No. 10541 (September 28, 1984), 31 SEC Docket 686; *In the Matter of Executive Investment Corp., et al.*, Securities Exchange Act Release 20379 (November 16, 1983), 29 SEC Docket 236; *In the Matter of Butcher & Singer Inc.*, Securities Exchange Act Release 20569 (January 16, 1984), 29 SEC Docket 987; *In the Matter of Rooney Pace, Inc.*, Securities Exchange Act Release 20689 (February 23, 1984), 29 SEC Docket 1427; *In the Matter of Bernard Feintuch*, Securities Exchange Act Release 20759 (March 16, 1984), 30 SEC Docket 67; *In the Matter of Lewis Scala*, Securities Exchange Act Release 20760 (March 16, 1984), 30 SEC Docket 68; *In the Matter of Harry Poole*, Securities Exchange Act Release 21177 (July 27, 1984), 31 SEC Docket 5; *SEC v Agron, et al.*, Litigation Release No. 10543 (September 28, 1984), 31 SEC Docket 732; *SEC v Food Source, Inc.*, Litigation Release No. 10566 (October 17, 1984), 31 SEC Docket 893; *SEC v Westside Habilitation Center Inc.*, Litigation Release No. 10349 (April 19, 1984), 39 SEC Docket 488; *In the Matter of Lester Kuznetz*, Securities Exchange Act Release 20906 (April 30, 1984), 30 SEC Docket 617; *SEC v Steven R. Babbidge and Associates, et al.*, Litigation Release No. 10430 (June 25, 1984), 30 SEC Docket 1287; *SEC v Tax & Financial Programming, Inc., et al.*, Litigation Release No. 10510 (August 29, 1984), 31 SEC Docket 364; *SEC v Gay International, Inc., et al.*, Litigation Release No. 10514 (September 4, 1984), 31 SEC Docket 434; *In the Matter of Bangs Securities, Inc., et al.*, Securities Exchange Act Release 21167 (July 24, 1984), 30 SEC Docket 1492; *SEC v Cooper*, Litigation Release No. 10576 (October 24, 1984), 31 SEC Docket 957; *In the Matter of Edward Allan Harsh*, Securities Exchange Act Release 21364 (September 28, 1984), 31 SEC Docket 695; *SEC v Fielding*, Litigation Release No. 10415 (June 13, 1984), 30 SEC Docket 1092; *SEC v American Principals Holdings, Inc.*, Litigation Release No. 10419 (June 18, 1984), 30 SEC Docket 1171; *SEC v Chadron Energy Corp., et al.*, Litigation Release No. 10422 (June 6, 1984), 30 SEC Docket 1173; *In the Matter of Westar Financial Inc.*, Securities Exchange Act Release 6532 (May 7, 1984), 30 SEC Docket 730; and, *SEC v Kandahar Resources Ltd.*, Litigation Release No. 10348 (April 19, 1984), 30 SEC Docket 486.

<sup>4</sup>Regulated Entities and Associated Persons cases include: *In the Matter of Murphy Hauser, O'Connor & Quinn*, Securities Exchange Act Release 20465 (December 9, 1983), 29 SEC Docket 556; *In the Matter of R.E. Boulton & Co., Inc. et al.*, Securities Exchange Act Release 20370 (November 14, 1983), 29 SEC Docket 212; *In the Matter of Development Corporation for Israel*, Securities Exchange Act Release 20434 (December 1, 1983), 29 SEC Docket 435; *SEC v Hanover Square Securities Corp., Inc.*, Litigation Release No. 10261 (January 13, 1984), 29 SEC Docket 1046; *SEC v California Municipal Investors*, Litigation Release No. 10277 (February 6, 1984), 29 SEC Docket 1263; *SEC v Gattini & Co.*, Litigation Release No. 10300 (March 3, 1984), 29 SEC Docket 1589; *In the Matter of A.G. Becker Paribas Incorporated*, Securities Exchange Act Release 20876 (April 19, 1984), 30 SEC Docket 449; *SEC v Southeast Securities of Florida*, Litigation Release No. 10323 (April 3, 1984), 30 SEC Docket 311; *SEC v Kaufman & Co.*, Litigation Release No. 10368 (May 4, 1984), 30 SEC Docket 816; *In the Matter of Harlan Roberts & Roff Inc.*, Securities Exchange Act Release 20568 (January 16, 1984), 29 SEC Docket 986; *SEC v Lylog International Energy Corp., et al.*, Litigation Release No. 10381 (May 14, 1984), 30 SEC Docket 873; *In the Matter of Don P. Matheson & Co., Inc.*, Securities Exchange Act Release 20837 (April 9, 1984), 30 SEC Docket 336; *In the Matter of RFG Options Company, et al.*, Securities Exchange Act Release 21024 (June 6, 1984), 30 SEC Docket 1019; *In the Matter of Marsan Securities Co., Inc., et al.*, Securities Exchange Act Release 21077

(June 31, 1984), 30 SEC Docket 11, *In the Matter of Halpert, Oberst & Company, et al.*, Securities Exchange Act Release 21080 (June 21, 1984), 30 SEC Docket 1139; *SEC v Jones, et al.*, Litigation Release No. 10416 (June 14, 1984), 30 SEC Docket 1092; *SEC v First Interwest Securities Corp.*, Litigation Release No. 10425 (June 20, 1984), 30 SEC Docket 1177; *SEC v Frederick S. Todman & Company*, Litigation Release No. 10505 (August 21, 1984), 31 SEC Docket 321; *In the Matter of June S. Jones Co., et al.*, Securities Exchange Act Release 21214 (July 6, 1984), 31 SEC Docket 141; *In the Matter of Frederick S. Todman & Co., et al.*, Securities Exchange Act Release 21258 (August 20, 1984), 31 SEC Docket 275; *SEC v Securities Corp. of Washington*, Litigation Release No. 10565 (October 15, 1984), 31 SEC Docket 892; *In the Matter of Donald Sheldon & Co., Inc., et al.*, Securities Exchange Act Release 21367 (October 4, 1984), 31 SEC Docket 697; *In the Matter of Blinder Robinson & Co., Inc.*, Securities Exchange Act Release No. 34-21123 (July 6, 1984), 30 SEC Docket 1355; *In the Matter of Louis Morgan*, Securities Exchange Act Release 20247 (October 3, 1983), 28 SEC Docket 1545; *In the Matter of Rourke O'Brien*, Securities Exchange Act Release 20322 (October 24, 1983), 29 SEC Docket 10, *In the Matter of David J. Rapaport*, Securities Exchange Act Release 20445 (December 5, 1983), 29 SEC Docket 495; *In the Matter of G. Weeks & Company, Inc., et al.*, Securities Exchange Act Release 20467 (December 9, 1983), 29 SEC Docket 570; *In the Matter of Carlton R. Jorgensen, et al.*, Securities Exchange Act Release 20473 (December 12, 1983), 29 SEC Docket 577; *In the Matter of Don A. Williams*, Securities Exchange Act Release 20466 (December 9, 1983), 29 SEC Docket 569; *In the Matter of Velma Shaw Myers*, Securities Exchange Act Release 20518 (December 12, 1983), 29 SEC Docket 799; *In the Matter of Link-Up + 1 Securities, Inc.*, Securities Exchange Act Release 20383 (November 17, 1983), 29 SEC Docket 250, *In the Matter of Boenning & Scattergood Inc.*, Securities Exchange Act Release 20246 (September 30, 1983), 28 SEC Docket 1542, *SEC v MV Securities, Inc.*, Litigation Release No. 10289 (February 21, 1984), 29 SEC Docket 1454; *In the Matter of Langheinrich & Fender, Inc.*, Securities Exchange Act Release 20541 (January 10, 1984), 29 SEC Docket 901; *In the Matter of John A. Strangis*, Securities Exchange Act Release 20714 (March 5, 1984), 29 SEC Docket 1547; *In the Matter of Charles D. Digh*, Securities Exchange Act Release 20781 (March 22, 1984), 30 SEC Docket 84; *SEC v American Commercial Securities*, Litigation Release No. 10346 (April 19, 1984), 30 SEC Docket 484; *In the Matter of Catherine M. Scott*, Securities Exchange Act Release 20934 (May 7, 1984), 30 SEC Docket 744; *In the Matter of George F. Speicher, III*, Securities Exchange Act Release 20935 (May 7, 1984), 30 SEC Docket 747; *In the Matter of Oswald Serrano*, Securities Exchange Act Release 20907 (April 30, 1984), 30 SEC Docket 618; *In the Matter of Thomson McKinnon Securities Inc.*, Securities Exchange Act Release 20908 (April 30, 1984), 30 SEC Docket 619; *SEC v Tacoma Securities, Inc., et al.*, Litigation Release No. 10440 (July 2, 1984), 30 SEC Docket 1340; *SEC v Fischer*, Litigation Release No. 10451 (July 9, 1984), 30 SEC Docket 1422, *In the Matter of Dennis R. Roncace*, Securities Exchange Act Release 20887 (April 23, 1984), 30 SEC Docket 506; *SEC v Scott*, Litigation Release No. 10037 (June 15, 1983), 28 SEC Docket 203; *In the Matter of Joseph A. Geraci, III*, Securities Exchange Act Release 21181 (July 27, 1984), 31 SEC Docket 12; *In the Matter of Laurence M. Gibney*, Securities Exchange Act Release 21218 (August 8, 1984), 31 SEC Docket 145; *In the Matter of James R. Stephens*, Securities Exchange Act Release 21296 (September 7, 1984), 31 SEC Docket 439; *In the Matter of Marvin W. Heagar, Jr.*, Securities Exchange Act Release 21355 (September 27, 1984), 31 SEC Docket 652; *In the Matter of Keith R. Abrams*, Securities Exchange Act Release 21338 (September 21, 1984), 31 SEC Docket 635; *In the Matter of Walter Gregory Fries*, Securities Exchange Act Release 21363 (September 28, 1984), 31 SEC Docket 694; *In the Matter of Tacoma Securities Inc., et al.*, Securities Exchange Act Release 21114 (July 2, 1984), 30 SEC Docket 1313; *SEC v Belmont Reid & Co., Inc., et al.*, Litigation Release No. 10555 (October 5, 1984), 31 SEC Docket 824; *SEC v Dlugash, et al.*, Litigation Release No. 10182 (October 27, 1983), 29 SEC Docket 58; *In the Matter of Prudential-Bache Securities, Inc.*, Securities Exchange Act Release 20380

(November 17, 1983), 29 SEC Docket 240; *In the Matter of George E. Lawson*, Securities Exchange Act Release No. 20579 (January 18, 1984), 29 SEC Docket 996; *In the Matter of Hill Securities, Inc.*, Securities Exchange Act Release 20617 (February 2, 1984), 29 SEC Docket 1195; *In the Matter of Robert M. Sterling*, Securities Exchange Act Release 20641 (February 10, 1984), 29 SEC Docket 1328; *In the Matter of Thomas L. McGhee*, Securities Exchange Act Release 20852 (April 12, 1984), 30 SEC Docket 355; *In the Matter of C. E. Carlson, Inc., et al.*, Securities Exchange Act Release 20905 (April 30, 1984), 30 SEC Docket 617; *In the Matter of Thomas L. Degironimo*, Securities Exchange Act Release 20923 (May 20, 1984), 30 SEC Docket 653; *In the Matter of A. G. Becker Inc.*, April 17, 1984; *In the Matter of Fitzgerald, DeArman & Roberts, Inc.*, Securities Exchange Act Release 21137 (July 12, 1984), 30 SEC Docket 13; *In the Matter of Hanauer, Stern & Co., Inc.*, Securities Exchange Act Release 21313 (September 11, 1984), 31 SEC Docket 483; *In the Matter of Phillip Keith*, Litigation Release No. 934 (September 27, 1984), 31 SEC Docket 680; *In the Matter of David A. Feldman*, Securities Exchange Act Release 20664 (February 17, 1984), 29 SEC Docket 1405; *In the Matter of William L. Blair*, Securities Exchange Act Release 20697 (February 27, 1984), 29 SEC Docket 1473; *SEC v Manzella*, Litigation Release No. 10333 (April 6, 1984), 30 SEC Docket 396; *SEC v Smolen*, Litigation Release No. 10288 (February 17, 1984), 29 SEC Docket 1454; *In the Matter of Burton R. Sax, et al.*, Litigation Release No. 910 (April 30, 1984), 30 SEC Docket 664; *In the Matter of Raymond John Manzella*, Securities Exchange Act Release 20155 (June 15, 1984), 20 SEC Docket 1104; *In the Matter of Eugene Graceffo*, Securities Exchange Act Release 21283 (September 4, 1984), 31 SEC Docket 389; *In the Matter of Morris Ruggles*, Litigation Release No. 935 (September 28, 1984), 31 SEC Docket 724; *In the Matter of Thomas M. Hahn*, Securities Exchange Act Release 21345 (September 24, 1984), 31 SEC Docket 645; *SEC v Omie, Inc., et al.*, Litigation Release No. 10539 (September 24, 1984), 31 SEC Docket 683; *SEC v Blair, Et al.*, Litigation Release No. 10236 (December 19, 1983), 29 SEC Docket 694; *SEC v Malloy on the Market, Inc., et al.*, Litigation Release No. 10250 (December 30, 1983), 29 SEC Docket 885; *In the Matter of Investors Portfolio Management, Inc.*, Securities Exchange Act Release 20535 (January 6, 1984), 29 SEC Docket 8; *In the Matter of Alfred C. Rizzo*, Litigation Release No. 897 (January 11, 1984), 29 SEC Docket 950; *SEC v Suter, et al.*, Litigation Release No. 10309 (March 14, 1984), 30 SEC Docket 51; *SEC v The Oxford Corp., et al.*, Litigation Release No. 10318 (March 27, 1984), 30 SEC Docket 202; *SEC v Henderson*, Litigation Release No. 10344 (April 17, 1984), 30 SEC Docket 481; *In the Matter of Orchards Accounting & Tax Service*, Securities Exchange Act Release 20478 (December 13, 1983), 29 SEC Docket 586; *SEC v Brawner, et al.*, Litigation Release No. 10367 (May 3, 1984), 30 SEC Docket 697; *SEC v Orchards Accounting & Tax Service*, Litigation Release No. 10383 (May 16, 1984), 30 SEC Docket 876; *In the Matter of Stratton Management Company*, Securities Exchange Act Release 20865 (April 16, 1984), 30 SEC Docket 417; *In the Matter of William H. Brawner, et al.*, Litigation Release No. 912 (May 30, 1984), 30 SEC Docket 685; *SEC v Options Strategy Associates Ltd., et al.*, Litigation Release No. 10443 (July 2, 1984), 30 SEC Docket 1343; *SEC v Investments Management Co.*, Litigation Release No. 10388 (May 21, 1984), 30 SEC Docket 930; *In the Matter of Molloy on the Market Inc., et al.*, Investment Advisers Act Release No. 916 (June 25, 1984), 30 SEC Docket 1281; *SEC v Porter Financial Services, Inc., et al.*, Litigation Release No. 10482 (August 6, 1984), 31 SEC Docket 178; *In the Matter of Jay Erroll Weinberg*, Litigation Release No. 918 (July 13, 1984), 30 SEC Docket 1468; *In the Matter of John E. Ligums*, Securities Exchange Act Release 21156 (July 20, 1984), 30 SEC Docket 1481; *In the Matter of Dennis Howard Harris, et al.*, Securities Exchange Act Release 21165 (July 23, 1984), 30 SEC Docket 1489; *In the Matter of Bond Timing Services, Inc.*, Litigation Release No. 920 (July 23, 1984), 30 SEC Docket 1543; *In the Matter of Porter Financial Services, Inc., et al.*, Litigation Release No. 921 (July 24, 1984), 30 SEC Docket 1548; *In the Matter of Bishop, Baldwin, Rewald, Dillingham & Wong*, Litigation Release No. 924 (August 14, 1984), 31 SEC Docket 247; *In the Matter of*

*Financial News Associates*, Litigation Release No. 927 (August 29, 1984), 31 SEC Docket 359; *In the Matter of Capital Matters, Ltd.*, Litigation Release No. 930 (September 11, 1984), 31 SEC Docket 541; *SEC v Shultz*, Litigation Release No. 10585 (November 2, 1984); *In the Matter of John Wesley English, et al.*, Litigation Release No. 933 (September 24, 1984), 31 SEC Docket 679; *In the Matter of David M. Wolfenden*, Litigation Release No. 940 (September 28, 1984), 31 SEC Docket 725; *SEC v Wolfenden*, Litigation Release No. 10546 (September 28, 1984), 31 SEC Docket 736; *SEC v Financial News Associates*, Litigation Release No. 10511 (August 29, 1984), 31 SEC Docket 366; *SEC v Bayswater Realty & Capital Corp.*, Litigation Release No. 10191 (November 3, 1983), 29 SEC Docket 156; *SEC v Tep Fund Inc.*, Litigation Release No. 10244 (December 23, 1983), 29 SEC Docket 841; *In the Matter of Van Cleef Jordan & Wood of CT*, Litigation Release No. 885 (October 3, 1983), 28 SEC Docket 1615; *In the Matter of Seaboard Associated, Inc.*, Securities Exchange Act Release 20867 (April 16, 1984), 30 SEC Docket 420; *In the Matter of Raphaelz, et al.*, Litigation Release No. 922 (July 30, 1984), 30 SEC Docket 1471; *In the Matter of The Archer Group, Inc., et al.*, Litigation Release No. 923 (August 13, 1984), 31 SEC Docket 242, and, *In the Matter of Corporate Registrar & Transfer Co.*, Securities Exchange Act Release 20765 (March 19, 1984), 30 SEC Docket 71.

<sup>5</sup>Market Manipulation cases include: *SEC v Popkin*, Litigation Release No. 10203 (November 17, 1983), 29 SEC Docket 285; *SEC v Major Exploration, Inc., et al.*, Litigation Release No. 10257 (January 11, 1984), 29 SEC Docket 961; *SEC v Gahagan*, Litigation Release No. 10258 (January 11, 1984), 29 SEC Docket 963; *SEC v Haase*, Litigation Release No. 10268 (January 26, 1984), 29 SEC Docket 1099; *SEC v Universal Energy Corp., et al.*, Litigation Release No. 10299 (March 1, 1984), 29 SEC Docket 1532; *SEC v Cymaticolor Corp., et al.*, Litigation Release No. 10437 (June 27, 1984), 30 SEC Docket 1294; *In the Matter of Martin I. Saposnick, et al.*, Securities Exchange Act Release 21105 (January 27, 1984), 30 SEC Docket 1221; *SEC v Fitzgerald*, Litigation Release No. 10456 (July 12, 1984), 30 SEC Docket 1259; *SEC v Great American Financial, Inc.*, Litigation Release No. 10468 (July 23, 1984), 30 SEC Docket 1557; *In the Matter of Jack R. Driben*, Securities Exchange Act Release 21326 (September 17, 1984), 31 SEC Docket 570; *SEC v New Star Corporation*, Litigation Release No. 10564 (October 15, 1984), 31 SEC Docket; and, *In the Matter of M. H. Meyerson & Company, Inc.*, Securities Exchange Act Release 20653 (February 14, 1984), 29 SEC Docket 1349.

<sup>6</sup>Changes in Corporate Control cases include: *In the Matter of Heights Finance Corp., et al.*, Securities Exchange Act Release 20354 (November 7, 1983), 29 SEC Docket 126; *SEC v Smith*, Litigation Release No. 10242 (December 21, 1983), 29 SEC Docket 669; *In the Matter of Harvey Katz, et al.*, Securities Exchange Act Release 20893 (April 25, 1984), 30 SEC Docket 517; *SEC v Mesa Petroleum Co.*, Litigation Release No. 10343 (April 16, 1984), 30 SEC Docket 480; *SEC v Dorchester Gas Corporation*, Litigation Release No. 10255 (January 9, 1984), 29 SEC Docket 957; *SEC v Enterprise Technologies Inc.*, Litigation Release No. 10264 (January 18, 1984), 29 SEC Docket 1048; *SEC v McElroy, et al.*, Litigation Release No. 10462 (July 19, 1984), 30 SEC Docket 1474; *SEC v Massey, et al.*, Litigation Release No. 10223 (December 6, 1983), 29 SEC Docket 551; *SEC v Carter Hawley Hale Stores, Inc.*, Litigation Release No. 10366 (May 2, 1984), 30 SEC Docket 695; *SEC v Reichart*, Litigation Release No. 10404 (May 31, 1984), 30 SEC Docket 989; and, *SEC v Greater Columbia Bancshares, Inc.*, Litigation Release No. 10475 (July 19, 1984), 31 SEC Docket 62.

<sup>7</sup>Related Party Transactions cases include. *SEC v Benson, et al.*, Litigation Release No. 10319 (March 30, 1984), 30 SEC Docket 306.

<sup>8</sup>Contempt proceedings include: *SEC v MPG, Ltd.*, Litigation Release No. 10327 (April 5, 1984), 30 SEC Docket 315; *SEC v Jetfilm Corp.*, Litigation Release No. 10397 (May 25, 1984), 30 SEC Docket 982; *SEC v Diversified Growth Corp., et al.*, Litigation Release No. 10335 (April 10, 1984), 30 SEC Docket 398; and, *SEC v Homestead Oil Company*, October 18, 1983 .

<sup>9</sup>Delinquent Filing: Issuer Reporting cases included: *SEC v The Telemine*

*Company, Inc.*, Litigation Release No. 10175 (October 20, 1983), 28 SEC Docket 1750; *SEC v. Brougham Industries, Inc.*, Litigation Release No. 10186 (October 31, 1983), 29 SEC Docket 112; *SEC v. Computer Image Corporation*, Litigation Release No. 10214 (November 30, 1983), 29 SEC Docket 472; *SEC v. The Little Mint, Inc.*, Litigation Release No. 10330 (April 6, 1984), 30 SEC Docket 394; *SEC v. Telefile Computer Corporation*, Litigation Release No. 10278 (February 6, 1984), 29 SEC Docket 1263; *SEC v. Associated Medical Devices, Inc.*, Litigation Release No. 10290 (February 21, 1984), 29 SEC Docket 1456; *SEC v. Greater Heritage Corp.*, Litigation Release No. 10373 (May 11, 1984), 30 SEC Docket 868; *SEC v. Southern Reserve, Inc.*, Litigation Release No. 10387 (May 17, 1984), 30 SEC Docket 880, *SEC v. TVC Image Technology, Inc.*, Litigation Release No. 10371 (May 9, 1984), 30 SEC Docket 818; *SEC v. Petroleum Investments, Ltd., et al.*, Litigation Release No. 10372 (May 10, 1984), 30 SEC Docket 819; *SEC v. Brilund, Ltd.*, Litigation Release No. 10447 (July 5, 1984), 30 SEC Docket 1346; *SEC v. Professional Investors Corp.*, Litigation Release No. 10394 (May 22, 1984), 30 SEC Docket 934; *SEC v. Westates Italo Co.*, Litigation Release No. 10391 (May 21, 1984), 30 SEC Docket 932; *SEC v. Magic Marker Industries, Inc.*, Litigation Release No. 10472 (July 25, 1984), 30 SEC Docket 1560; and, *SEC v. Southern States Corp.*, Litigation Release No. 10501 (August 20, 1984), 31 SEC Docket 319

<sup>10</sup>Delinquent Filing: Forms 3 & 4 cases include: *SEC v. Buckmaster*, Litigation Release No. 10308 (March 13, 1984), 30 SEC Docket 50; *SEC v. Culver*, Litigation Release No. 10308 (March 13, 1984), 30 SEC Docket 50; *SEC v. Irani*, Litigation Release No. 10308 (March 13, 1984), 30 SEC Docket 50; *SEC v. Johnston*, Litigation Release No. 10308 (March 13, 1984), 30 SEC Docket 50; *SEC v. Kelly*, Litigation Release No. 10308 (March 13, 1984), 30 SEC Docket 50; *SEC v. Kelton*, Litigation Release No. 10308 (March 13, 1984), 30 SEC Docket 50; *SEC v. Moe*, Litigation Release No. 10308 (March 13, 1984), 30 SEC Docket 50; *SEC v. Mounts*, Litigation Release No. 10308 (March 13, 1984), 30 SEC Docket 50; *SEC v. Reigeluth*, Litigation Release No. 10308 (March 13, 1984), 30 SEC Docket 50; *SEC v. Sultanian*, Litigation Release No. 10308 (March 13, 1984), 30 SEC Docket 50; *SEC v. Sweeney*, Litigation Release No. 10308 (March 13, 1984), 30 SEC Docket 50; *SEC v. Weinstein*, Litigation Release No. 10308 (March 13, 1984), 30 SEC Docket 50; *SEC v. Boren*, Litigation Release No. 10315 (March 26, 1984), 30 SEC Docket 200; *SEC v. Broder*, Litigation Release No. 10315 (March 26, 1984), 30 SEC Docket 200; *SEC v. Dudley*, Litigation Release No. 10315 (March 26, 1984), 30 SEC Docket 200; *SEC v. Harvey*, Litigation Release No. 10315 (March 26, 1984), 30 SEC Docket 200; *SEC v. Headrick*, Litigation Release No. 10315 (March 26, 1984), 30 SEC Docket 200; *SEC v. Hoey*, Litigation Release No. 10315 (March 26, 1984), 30 SEC Docket 200; *SEC v. Hospital Corporation of America*, Litigation Release No. 10315 (March 26, 1984), 30 SEC Docket 200; *SEC v. Izard*, Litigation Release No. 10315 (March 26, 1984), 30 SEC Docket 200; *SEC v. Jacobs*, Litigation Release No. 10315 (March 26, 1984), 30 SEC Docket 200; *SEC v. Mosteller*, Litigation Release No. 10315 (March 26, 1984), 30 SEC Docket 200; *SEC v. Nicol*, Litigation Release No. 10315 (March 26, 1984), 30 SEC Docket 200; *SEC v. Polk*, Litigation Release No. 10315 (March 26, 1984), 30 SEC Docket 200; *SEC v. Santoni*, Litigation Release No. 10315 (March 26, 1984), 30 SEC Docket 200; *SEC v. Bank of America N.T. & S.A., et al.*, Litigation Release No. 10469 (July 23, 1984), 30 SEC Docket 1558; *SEC v. Keogh*, Litigation Release No. 10469 (July 23, 1984), 30 SEC Docket 1558; *SEC v. Lee*, Litigation Release No. 10469 (July 23, 1984), 30 SEC Docket 1558; *SEC v. The Savings & Profit Sharing Fund of Sears Employees*, Litigation Release No. 10469 (July 23, 1984), 30 SEC Docket 155; *SEC v. Wertun*, Litigation Release No. 10469 (July 23, 1984), 30 SEC Docket 1558; and, *SEC v. Woodson*, Litigation Release No. 10469 (July 23, 1984), 30 SEC Docket 1558.

<sup>11</sup>*SEC v. U.S. Surgical Corporation, et al., supra.*

<sup>12</sup>*SEC v. Intrawest Financial Corp., et al., supra.*

<sup>13</sup>*SEC v. Datapoint Corp., et al., supra.*

<sup>14</sup>See, e.g., *SEC v. Brett, supra*; *SEC v. Thayer, supra*; and *SEC v. Karanzalis, supra.*

- <sup>15</sup>See, e.g., *SEC v. Spiker*, *supra*.
- <sup>16</sup>*SEC v. Karanzalis*, *supra*.
- <sup>17</sup>*SEC v. Courtois*, *supra*.
- <sup>18</sup>See, e.g., *SEC v. Thayer*, *supra*.
- <sup>19</sup>*Id.*
- <sup>20</sup>*SEC v. Brant, et al.*, *supra*.
- <sup>21</sup>*SEC v. Basic Earth Science Systems, Inc.*, *supra*.
- <sup>22</sup>*In the Matter of Robert M. Sterling*, *supra*.
- <sup>23</sup>*In the Matter of Rooney Pace Inc.*, *supra*.
- <sup>24</sup>*In the Matter of Thompson McKinnon Securities Inc.*, *supra*.
- <sup>25</sup>*In the Matter of A.G. Becker Inc.*, *supra*.
- <sup>26</sup>*SEC v. MV Securities, Inc.*, *supra*.
- <sup>27</sup>*SEC v. Popkin*, *supra*.
- <sup>28</sup>*SEC v. Major Exploration, Inc.*, *supra*.
- <sup>29</sup>*SEC v. Cymaticolor Corp.*, *supra*.
- <sup>30</sup>*SEC v. Enterprise Technologies, Inc.*, *supra*.
- <sup>31</sup>*SEC v. Dorchester Gas Corporation*, *supra*.
- <sup>32</sup>*SEC v. Massey*, *supra*.
- <sup>33</sup>Securities Exchange Act Release No. 21186 (July 30, 1984).
- <sup>34</sup>*SEC v. Certain Unknown Purchasers of the Common stock of, and Call Options for the Common Stock of, Santa Fe International Corporation*, No. 81 Civ. 6553 WCC (S.D.N.Y., 1981).
- <sup>35</sup>Securities Act Release No. 6534 (May 9, 1984), 30 SEC Docket 705.
- <sup>36</sup>Securities Act Release No. 6535 (May 9, 1984), 30 SEC Docket 724.
- <sup>37</sup>Securities Act Release No. 6545 (August 9, 1984), 31 SEC Docket 71.
- <sup>38</sup>*SEC, Advisory Committee on Tender Offers, Report of Recommendations* (July 8, 1983).
- <sup>39</sup>Securities Exchange Act Release No. 21079 (June 21, 1984), 30 SEC Docket 1129.
- <sup>40</sup>Securities Exchange Act Release No. 20264 (October 6, 1983), 28 SEC Docket 1530.
- <sup>41</sup>Securities Act Release No. 6508 (February 10, 1984), 29 SEC Docket 1269.
- <sup>42</sup>Securities Act Release No. 6518 (March 22, 1984), 30 SEC Docket 61.
- <sup>43</sup>Securities Exchange Act Release No. 20784 (March 22, 1984), 30 SEC Docket 88.
- <sup>44</sup>Securities Act Release No. 6520 (March 23, 1984), 30 SEC Docket 137.
- <sup>45</sup>Securities Act Release No. 6538 (June 15, 1984), 30 SEC Docket 1096.
- <sup>46</sup>Securities Act Release No. 6550 (September 19, 1984), 31 SEC Docket 559.
- <sup>47</sup>Section 101 of the Codification of Financial Reporting Policies.
- <sup>48</sup>Statement of Financial Accounting Standard Nos. 76, 77, and 80, *Extinguishment of Debt, Reporting by Transferors, for Transfers of Receivables with Recourse, and Accounting for Futures Contracts* issued November 1983, December 1983 and August 1984, respectively.
- <sup>49</sup>Financial Reporting Release No. 17 (April 25, 1984), 30 SEC Docket 491.
- <sup>50</sup>Securities Act Release No. 6514 (February 23, 1984), 29 SEC Docket 1319.
- <sup>51</sup>Securities Act Release No. 6513 (February 15, 1984), 29 SEC Docket 1314.
- <sup>52</sup>Financial Reporting Release No. 15 (December 22, 1983), 29 SEC Docket 642.
- <sup>53</sup>Financial Reporting Release No. 16 (February 15, 1984), 29 SEC Docket 1286.
- <sup>54</sup>Staff Accounting Bulletin No. 54 (November 3, 1983), 29 SEC Docket 154 ("push down" accounting); Staff Accounting Bulletin No. 55 (November 30, 1983), 29 SEC Docket 475 (allocation of expenses to subsidiaries, divisions or lesser business components); Staff Accounting Bulletin No. 56 (February 6, 1984), 29 SEC Docket 1260 (disclosures about reserves mandated by Federal banking agencies); Staff Accounting Bulletin No. 57 (July 18, 1984), 30 SEC Docket 1477 (accounting for contingent sales warrants).
- <sup>55</sup>Public Oversight Board, *Audit Quality: The Profession's Program*.
- <sup>56</sup>Public Oversight Board, Annual Report (1983-1984) at 11.
- <sup>57</sup>49th Annual Report at 16.
- <sup>58</sup>*Id.*

- <sup>59</sup>POB Report at 19.
- <sup>60</sup>Securities Exchange Act Release No. 20902 (April 30, 1984), 30 SEC Docket 605.
- <sup>61</sup>Securities Exchange Act Release No. 20581 (March 1, 1984), 29 SEC Docket 1106.
- <sup>62</sup>Securities Exchange Act Release No. 20581 (March 1, 1984), 29 SEC Docket 1106 (Depository Trust Company); Securities Exchange Act Release No. 21002 (May 29, 1984), 30 SEC Docket 945 (Midwest Securities Trust Company;).
- <sup>63</sup>Securities Exchange Act Release No. 21421 (October 22, 1984), 31 SEC Docket 913.
- <sup>64</sup>Securities Exchange Act Release No. 20365 (November 14, 1983), 29 SEC Docket 203.
- <sup>65</sup>Securities Exchange Act Release No. 20976 (May 18, 1984), 30 SEC Docket 887 (National Securities Clearing Corporation); Securities Exchange Act Release No. 21120 (July 6, 1984), 30 SEC Docket 1351 (Midwest Clearing Corporation and Pacific Clearing Corporation); Securities Exchange Act Release No. 21164 (July 23, 1984), 30 SEC Docket 1488 (Depository Trust Company).
- <sup>66</sup>SEC, *Report of the Division of Market Regulation: 1984 Securities Processing Roundtable* (May 31, 1984).
- <sup>67</sup>Securities Exchange Act Release No. 20423 (November 29, 1983), 29 SEC Docket 422; Securities Exchange Act Release No. 20437 (December 2, 1983), 29 SEC Docket 489; Securities Exchange Act Release No. 20716 (March 6, 1984), 29 SEC Docket 1551; Securities Exchange Act Release No. 20717 (March 6, 1984), 29 SEC Docket 1552; Securities Exchange Act Release No. 20718 (March 6, 1984), 29 SEC 1553; Securities Exchange Act Release No. 21141 (July 12, 1984), 30 SEC Docket 1398; Securities Exchange Act Release No. 21153 (July 19, 1984), 30 SEC Docket 1454.
- <sup>68</sup>Securities Exchange Act Release No. 20822 (April 4, 1984), 30 SEC Docket 234.
- <sup>69</sup>Securities Exchange Act Release No. 20799 (March 29, 1984), 30 SEC Docket 166.
- <sup>70</sup>Securities Exchange Act Release No. 21049 (June 15, 1984), 30 SEC Docket 1098.
- <sup>71</sup>Securities Exchange Act Release No. 20715 (March 6, 1984), 29 SEC Docket 1550.
- <sup>72</sup>Securities Exchange Act Release No. 20943 (May 9, 1984), 30 SEC Docket 757.
- <sup>73</sup>Securities Exchange Act Release No. 20357 (November 8, 1983), 29 SEC 133
- <sup>74</sup>Securities Exchange Act Release No. 20655 (February 15, 1984), 29 SEC Docket 1353.
- <sup>75</sup>Securities Exchange Act Release No. 20948 (May 10, 1984), 30 SEC Docket 767.
- <sup>76</sup>Securities Exchange Act Release No. 20895 (April 25, 1984), 30 SEC Docket 527.
- <sup>77</sup>Securities Exchange Act Release No. 21199 (August 3, 1984), 31 SEC Docket 74
- <sup>78</sup>Securities Exchange Act Release No. 20406 (November 22, 1983), 29 SEC Docket 314.
- <sup>79</sup>Securities Exchange Act Release No. 20397 (November 18, 1984), 29 SEC Docket 300.
- <sup>80</sup>Securities Exchange Act Release No. 21375 (October 5, 1984), 31 SEC Docket 768.
- <sup>81</sup>On June 25, 1984 the Spokane Stock Exchange filed with the Commission an application for exemption from registration as a national securities exchange pursuant to Section 5 of the Exchange Act. The Commission has not yet acted upon this application.
- <sup>82</sup>Securities Exchange Act Release No. 21013 (June 1, 1984), 30 SEC Docket 1005.
- <sup>83</sup>Securities Exchange Act Release No. 21062 (June 18, 1984), 30 SEC Docket 1113.
- <sup>84</sup>Securities Exchange Act Release No. 20337 (October 31, 1983), 29 SEC Docket 76; Securities Exchange Act Release No. 20843 (April 9, 1984), 30 SEC Docket 345.
- <sup>85</sup>Securities Exchange Act Release No. 20767 (March 20, 1984), 30 SEC Docket 72.
- <sup>86</sup>Securities Exchange Act Release No. 21159 (July 20, 1984), 30 SEC Docket 1484.
- <sup>87</sup>Securities Exchange Act Release No. 20844 (April 11, 1984), 30 SEC Docket 347
- <sup>88</sup>Securities Exchange Act Release No. 20673 (February 17, 1984), 29 SEC Docket 1410; Securities Exchange Act Release No. 21331 (September 19, 1984), 31 SEC Docket 577.
- <sup>89</sup>Securities Exchange Act Release No. 20519 (December 30, 1983), 29 SEC Docket

848 (Depository Trust Company, Midwest Securities Trust Company, Midwest Clearing Corporation, Pacific Securities Depository Trust Company); Securities Exchange Act Release No. 21227 (August 9, 1984), 31 SEC Docket 152 (Midwest Securities Trust Company); Securities Exchange Act Release No. 20983 (May 22, 1984), 30 SEC Docket 895 (Options Clearing Corporation).

<sup>90</sup>Securities Exchange Act Release No. 20615 (February 1, 1984), 29 SEC Docket 1124 (Pacific Clearing Corporation).

<sup>91</sup>Securities Exchange Act Release No. 21335 (September 20, 1984), 31 SEC Docket 579.

<sup>92</sup>Securities Exchange Act Release No. 21336 (September 20, 1984), 31 SEC Docket 581.

<sup>93</sup>49th Annual Report at 27.

<sup>94</sup>Securities Investor Protection Act Release No. 113 (October 21, 1983), 29 SEC Docket 48.

<sup>95</sup>Investment Company Act Release No. 14036 (July 13, 1984), 30 SEC Docket 1434.

<sup>96</sup>Investment Company Act Release No. 14132 (September 7, 1984), 31 SEC Docket 507.

<sup>97</sup>Investment Company Act Release Nos. 14133, 14134 (September 7, 1984), 31 SEC Docket 512.

<sup>98</sup>Investment Company Act Release No. 13920 (May 2, 1984), 30 SEC Docket 675.

<sup>99</sup>Investment Company Act Release No. 14080 (August 6, 1984), 31 SEC Docket 105.

<sup>100</sup>Securities Act Release No. 6479 (August 12, 1983), 28 SEC Docket 899.

<sup>101</sup>Securities Act Release No. 6502 (December 23, 1983), 29 SEC Docket 704.

<sup>102</sup>Securities Act Release Nos. 6526 (April 25, 1984), 30 SEC Docket 494 and 6546 (August 30, 1984), 31 SEC Docket 323.

<sup>103</sup>Securities Act Release No. 6510 (February 15, 1984), 29 SEC Docket 1276.

<sup>104</sup>Securities Act Release No. 6498 (November 14, 1983), 29 SEC Docket 166.

<sup>105</sup>Securities Act Release No. 6500 (December 7, 1983), 29 SEC Docket 480.

<sup>106</sup>Investment Advisers Act Release No. 888 (October 21, 1983), 29 SEC Docket 48.

<sup>107</sup>Investment Advisers Act Release No. 899 (February 15, 1984), 29 SEC Docket 1389.

<sup>108</sup>*SEC v. Materia*, [1983-84] Fed. Sec. L. Rep. (CCH) ¶99,583 (S.D.N.Y. 1983), appeal docketed, No. 84-6043 (2d Cir. Feb. 7, 1984).

<sup>109</sup>664 F.2d 12 (1981), *aff'd after remand*, No. 82-1273 (2d Cir. Feb. 8, 1983) (unpublished order), *cert. denied*, 104 S. Ct. 193 (1983).

<sup>110</sup>*SEC v. World Gambling Corp.*, No. 83-6102 (2d Cir. 1983).

<sup>111</sup>*SEC v. Youmans*, 729 F.2d 413 (6th Cir. 1984), *pet. for cert. pending sub nom. Holiday v. SEC*, No. 84-140 (S. Ct. July 26, 1984).

<sup>112</sup>*SEC v. Cayman Islands Reinsurance Corp.*, Nos. 83-6277 and 6287 (2d Cir. 1984).

<sup>113</sup>*SEC v. Randolph and Blackard*, No. 83-2070 (9th Cir. 1984).

<sup>114</sup>*Carter v. SEC*, No. 82-7287 (9th Cir. 1983); *Riberio v. SEC*, No. 82-7396 (9th Cir. 1983)

<sup>115</sup>*Erdos v. SEC*, No. 84-7033 (9th Cir. 1984).

<sup>116</sup>*Daily Income Fund, Inc. v. Fox*, 104 S. Ct. 831 (1984).

<sup>117</sup>*Psimenos v. E.F. Hutton & Co.*, 722 F.2d 1041 (1983).

<sup>118</sup>*C.R.A. Realty Corporation v. Tri-South Investments*, [Current] Fed. Sec. L. Rep. (CCH) 91,546 (2d Cir. 1984).

<sup>119</sup>*Salcer v. Enuicon Equities Corp.*, Nos. 84-7183, 7185, 7187, 7189 & 7191 (2d Cir. Sept. 19, 1984).

<sup>120</sup>730 F.2d 1319 (9th Cir. 1984).

<sup>121</sup>*Chemetron Corp. v. Business Funds, Inc.*, 682 F.2d 1149 (5th Cir. 1982), *vacated and remanded*, 103 S. Ct. 1245, *on remand*, 718 F.2d 725 (5th Cir.) (petition for rehearing *en banc* granted).

<sup>122</sup>Nos. 84-1483 & 1620 (5th Cir. 1984).

<sup>123</sup>No. 84-1237 (5th Cir. 1984).



- <sup>124</sup>*SEC v. Professional Associates*, 731 F.2d 349 (6th Cir. 1984).
- <sup>125</sup>*Vista Resources v. The Seagrave Corp.*, No. 83-1084 (*cert. dismissed*) (S. Ct., Aug 9, 1984).
- <sup>126</sup>*Ruefenacht v. O'Halloran et al.*, 737 F.2d 320 (3rd Cir. 1984), *petition for cert. filed*, No. 84-163 (S. Ct., July 31, 1984)
- <sup>127</sup>*Landreth Timber Co. v Landreth*, 731 F.2d 1345 (9th Cir. 1984), *petition for cert. filed*, No. 83-1961 (S. Ct., June 1, 1984).
- <sup>128</sup>725 F.2d 892 (2d Cir. 1984), *petition for cert. granted*, No. 83-1911 (S. Ct., Oct. 1, 1984).
- <sup>129</sup>732 F.2d 1294 (7th Cir. 1984).
- <sup>130</sup>*Suter v. SEC*, *appeal pending*, No. 83-3011 (7th Cir. 1984).
- <sup>131</sup>No. 82-2000 (D.D.C.), *appeal docketed*, No. 84-5485 (D.C. Cir. 1984).
- <sup>132</sup>*O'Brien v. SEC*, 704 F.2d 1065 (9th Cir. 1983); *rev'd* 52 U.S.L.W. 4815 (June 18, 1984)
- <sup>133</sup>47 Pub. L. No. 97-303, 96 Stat. 1409; Pub. L. No. 97-444, 96 Stat. 2294 *See also* 7 U.S.C. §2a(iv) (1983 Supp.).
- <sup>134</sup>*Chicago Board of Trade v. CFTC and SEC*, *appeal pending*, No. 84-c-1141, (N.D. Ill.).
- <sup>135</sup>7 U.S.C. 2(a).
- <sup>136</sup>No. 84-289-BK-GP (Bankr. M.D. Fla.).
- <sup>137</sup>*In re Dreco, Inc., et al.*, No. H-83-1131 (Bankr. S.D. Tex.).
- <sup>138</sup>*In re Pizza Time Theatre*, No. 584009411M (Bankr. N.D. Cal.).
- <sup>139</sup>No. 1-83-02495 (Bankr. S.D. Ohio).
- <sup>140</sup>Nos. 82-B-10318-20 (Bankr. S.D.N.Y.), *rev'd and remanded*, 722 F.2d 1063 (2d Cir. 1983).
- <sup>141</sup>No. 82 Bkcy. 10318-20 (Bankr. S.D.N.Y.).
- <sup>142</sup>No. B 82-3316 (Bankr. W.D. Ohio).
- <sup>143</sup>No. 83-B-2852-MC (Bankr. D. Colo.).
- <sup>144</sup>No. 84-00757-6 (Bankr. E.D. Mich.).
- <sup>145</sup>No. 584-00374-ACZ (Bankr. N.D. Cal.).
- <sup>146</sup>No. B-82-2549-PHX-RGM (Bankr. D. Ariz.).
- <sup>147</sup>No. 383-372 (Bankr. E.D. Tenn.).
- <sup>148</sup>*Thomas D. Carter*, No. 83-7645-RJK (Bankr. C.D. Cal. 1984), *appeal pending*, No. 84-6328 (9th Cir.).
- <sup>149</sup>Holding Company Act Release No. 23095 (October 24, 1984), 29 SEC Docket 20.
- <sup>150</sup>Holding Company Act Release No. 23366 (July 12, 1984), 30 SEC Docket 1405.



---

---

# Glossary of Acronyms

---

AICPA—American Institute of Certified Public Accountants  
Amex—American Stock Exchange  
BSE—Boston Stock Exchange  
CBOE—Chicago Board Options Exchange  
CBT—Chicago Board of Trade  
CEA—Commodity Exchange Act  
CFTC—Commodity Futures Trading Commission  
CRD—Central Registration Depository  
EDGAR—Electronic Data Gathering Analysis and Retrieval  
EFTS—Electronic Funds Transfer System  
FASB—Financial Accounting Standards Board  
FCPA—Foreign Corrupt Practices Act  
FOIA—Freedom of Information Act  
FRR—Financial Reporting Release  
GAAP—Generally Accepted Accounting Principles  
GSA—General Services Administration  
ITS—Intermarket Trading System  
ITSA—Insider Trading Sanctions Act  
MOSS—Market Oversight and Surveillance System  
MSE—Midwest Stock Exchange  
MSRB—Municipal Securities Rulemaking Board  
NASAA—North American Securities Administrators Association  
NASD—National Association of Securities Dealers  
NASDAQ—National Association of Securities Dealers Automated Quotation System  
NMS—National Market System  
NSCC—National Securities Clearing Corporation  
NYSE—New York Stock Exchange  
OCC—Options Clearing Corporation  
OECD—Organisation for Economic Co-operation and Development  
OMB—Office of Management and Budget  
OTC—Over-the-Counter  
Phlx—Philadelphia Stock Exchange  
PIC—Productivity Improvement by Computer  
POB—Public Oversight Board  
PSE—Pacific Stock Exchange  
RFA—Regulatory Flexibility Act  
SAB—Staff Accounting Bulletin  
S&L—Savings and Loan Association  
SECO—SEC-Only Registration Program  
SECPS—SEC Practice Section  
SIC—Special Investigations Committee  
SIPC—Securities Investor Protection Corporation  
SRO—Self-Regulatory Organization  
ULOE—Uniform Limited Offering Exemption





# Appendix



## THE SECURITIES INDUSTRY

### Income, Expenses and Selected Balance Sheet Items

Broker-dealers that are self-regulated through their membership in a national securities exchange or the National Association of Securities Dealers earned revenues of \$37.1 billion in 1983, 28 percent above the 1982 level.<sup>1</sup> Almost 38 percent of this increase in revenues stemmed from the growth of commission revenue, which increased by \$3.1 billion.

Trading gains on firms' securities accounts grew \$984 million but declined to 23 percent of total revenues. Profits from

underwriting increased \$1.4 billion and rose as a percent of total revenues from nine percent in 1982 to 11 percent in 1983. Securities commission income increased 42 percent while mutual fund sales increased 138 percent.

Expenses grew by \$7.2 billion to \$31.9 billion in 1983. Revenue and Expenses increased by the same percentage (29%) but still produced a pre-tax income of \$5.2 billion, up 27 percent from the preceding year.

Assets rose by \$51.8 billion to \$253.1 billion and liabilities grew \$48.7 billion to \$237.0 billion. Ownership equity increased \$3.2 billion during 1983 to \$16.1 billion at year's end.

---

<sup>1</sup>Due to changes in FOCUS reporting requirements, consolidated information for 1981 is not available. In order to provide consistent information, new financial data

were developed for prior years and Table 1 now presents unconsolidated data for all years. This data are not comparable to the Table 1 of previous years

**Table 1**  
**UNCONSOLIDATED FINANCIAL INFORMATION FOR BROKER-DEALERS<sup>1</sup>**  
**1979-1983**  
(Millions of Dollars)

	1979	1980	1981	1982 <sup>R</sup>	1983 <sup>P</sup>
<b>A Revenues</b>					
1 Securities Commissions	\$ 4,737	\$ 6,800	\$ 6,589	\$ 7,370	\$ 10,485
2 Gain (Loss) in Trading	2,909	4,309	5,401	7,668	8,652
3 Gain (Loss) in Investments	732	807	635	867	1,184
4 Profit (Loss) from Underwriting and Selling Groups	930	1,594	1,860	2,688	4,117
5 Revenue from Sale of Investment Company Securities	197	278	342	629	1,495
6 All Other Revenues	4,452	6,196	9,545	9,579	11,160
7 Total Revenues	\$ 13,957	\$ 19,984	\$ 24,372	\$ 28,801	\$ 37,093
<b>B Expenses</b>					
8 All Employee Compensation and Benefits (Except Registered Representatives' Compensation)	\$ 2,475	\$ 3,402	\$ 3,951	\$ 4,714	\$ 6,459
9 Commissions and Clearance Paid to Other Brokers	845	1,079	1,104	1,299	1,808
10 Interest Expense	3,058	3,893	6,506	6,452	6,927
11 Regulatory Fees and Expenses	75	100	121	149	201
12 Compensation to Partners and Voting Stockholder Officers	664	883	1,056	1,179	1,555
13 All Other Expenses (Including Registered Representatives' Compensation)	5,188	7,574	8,845	10,935	14,985
14 Total Expenses	\$ 12,305	\$ 16,931	\$ 21,583	\$ 24,728	\$ 31,935
15 Pre-Tax Income	\$ 1,652	\$ 3,053	\$ 2,789	\$ 4,073	\$ 5,158
<b>C Assets, Liabilities and Capital</b>					
16 Total Assets	\$ 87,068	\$120,152	\$155,063	\$201,275	\$253,112
17 Liabilities					
a Total liabilities (excluding subordinated debt)	79,537	109,742	142,865	186,028	233,922
b Subordinated debt	1,296	1,859	1,869	2,306	3,078
c Total liabilities (17a + 17b)	80,833	111,601	144,734	188,334	237,000
18 Ownership Equity	6,235	8,551	10,329	12,941	16,112
19 Total Liabilities and Ownership Equity	\$ 87,068	\$120,152	\$155,063	\$201,275	\$253,112
Number of Firms	4,824	5,283	5,714	6,165	7,300

P = Preliminary

R = Revised

Note Includes only those broker-dealers self-regulated through their membership in the National Association of Securities Dealers or a registered securities exchange

<sup>1</sup>Due to changes in FOCUS reporting requirements, consolidated information for 1981 is not available. In order to provide consistent information, new financial data were developed for prior years and Table 1 now presents unconsolidated data for all years. This data are not comparable to the Table 1 of previous years.

Source: FOCUS Report



Table 2  
**UNCONSOLIDATED ANNUAL REVENUES AND EXPENSES FOR BROKER-DEALERS  
DOING A PUBLIC BUSINESS**

**1979-1983**  
(Millions of Dollars)

	1979	1980	1981	1982 <sup>R</sup>	1983 <sup>P</sup>
<i>Revenues</i>					
1 Securities Commissions	\$ 4,518	\$ 6,454	\$ 6,163	\$ 7,129	\$ 9,905
2 Realized and Unrealized Gains or Losses in Trading and Investment Accounts	3,378	4,686	5,481	8,138	9,141
3 Commodities Revenues	481	669	699	731	945
4 Profits or Losses From Underwriting and Selling Groups	900	1,519	1,797	2,673	4,044
5 Revenues From Sale of Investment Company Securities	179	274	338	625	1,476
6 Margin Interest	1,669	2,136	2,884	2,060	2,161
7 All Other Revenues	2,038	2,993	5,320	6,536	7,337
8 Total Revenues	<u>\$ 13,163</u>	<u>\$ 18,731</u>	<u>\$ 22,682</u>	<u>\$ 27,892</u>	<u>\$ 35,009</u>
<i>Expenses</i>					
9 Salaries and Other Employment Costs for General Partners and Voting Stockholder Officers	\$ 600	\$ 793	\$ 944	\$ 1,095	\$ 1,420
10 All Other Employee Compensation and Benefits (Except Registered Representatives' Compensation) <sup>1</sup>	2,353	3,116	3,749	4,592	6,230
11 Commissions and Clearance Paid	791	949	972	1,231	1,623
12 Interest Expense	2,957	3,778	6,016	6,389	6,412
13 Regulatory Fees and Expenses	65	85	103	137	172
14 All Other Expenses <sup>1</sup>	4,944	7,251	8,389	10,722	14,385
15 Total Expenses	<u>\$ 11,710</u>	<u>\$ 15,972</u>	<u>\$ 20,173</u>	<u>\$ 24,166</u>	<u>30,242</u>
16 Pre-Tax Income	<u>\$ 1,453</u>	<u>\$ 2,759</u>	<u>\$ 2,510</u>	<u>\$ 3,726</u>	<u>\$ 4,767</u>
17 Number of Firms	2,479	2,613	2,836	3,256	3,674

P = Preliminary

R = Revised

<sup>1</sup> Registered representatives' compensation is included in "All Other Expenses" because it is not reported separately on Part IIA of the FOCUS Report

Note Figures may not sum due to rounding

Source FOCUS Report

Table 3  
**UNCONSOLIDATED BALANCE SHEET FOR BROKER-DEALERS  
 DOING A PUBLIC BUSINESS YEAR-END, 1979-1983**

(Millions of Dollars)

	1979	1980	1981	1982 <sup>R</sup>	1983 <sup>P</sup>
<b>A Assets</b>					
1 Cash	\$ 2,078	\$ 2,611	\$ 2,671	\$ 4,636	\$ 3,765
2 Receivables from other broker-dealers					
a Securities failed to deliver	3,138	3,881	3,280	6,257	5,899
b Securities borrowed	4,319	7,752	9,228	15,936	18,195
c Other	827	1,177	1,906	2,700	3,549
3 Receivables from customers	16,942	23,464	21,076	24,762	32,135
4 Long positions in securities and commodities	23,757	33,001	41,714	71,408	77,339
5 Securities owned - not readily marketable	67	121	104	155	220
6 Securities borrowed under subordinated agreements and partners' individual and capital securities accounts	74	90	90	90	98
7 Securities purchased under agreement to resell	26,630	32,888	45,222	52,733	77,725
8 Secured capital demand notes	292	305	309	306	330
9 Exchange memberships	171	213	216	286	310
10 Other Assets	4,320	5,579	6,771	9,716	12,127
11 Total Assets	<u>\$82,615</u>	<u>\$111,082</u>	<u>\$132,587</u>	<u>\$189,985</u>	<u>\$231,692</u>
<b>B Liabilities and Equity Capital</b>					
12 Bank loans payable					
a Secured by customer collateral	\$ 4,284	\$ 3,892	\$ 3,633	\$ 2,843	\$ 4,442
b Secured by firm collateral	5,554	5,592	7,583	8,749	15,673
13 Securities sold under repurchase agreements	27,105	34,949	55,679	77,330	89,739
14 Payables to other broker-dealers and clearing organizations					
a Securities failed to receive	3,080	4,095	3,298	6,766	4,823
b Securities loaned	3,843	7,184	8,273	14,029	15,698
c Other	829	1,105	1,418	2,529	4,168
15 Payables to customers	9,613	14,833	12,705	16,400	18,782
16 Short positions in securities and commodities	14,492	21,160	18,698	30,960	40,489
17 Other liabilities	7,097	9,444	11,001	16,211	20,361
18 Total liabilities excluding subordinated liabilities	75,896	102,254	122,288	175,817	214,175
19 Subordinated liabilities	1,198	1,648	1,698	2,158	2,729
20 Total Liabilities	<u>\$77,094</u>	<u>\$103,902</u>	<u>\$123,986</u>	<u>\$177,975</u>	<u>\$216,904</u>
21 Equity Capital	\$ 5,521	\$ 7,180	\$ 8,601	\$ 12,010	\$ 14,788
22 Total Liabilities and Equity Capital	<u>\$82,615</u>	<u>\$111,082</u>	<u>\$132,587</u>	<u>\$189,985</u>	<u>\$231,692</u>
23 Number of firms	2,479	2,613	2,836	3,256	3,674

P = Preliminary

R = Revised

Source FOCUS Report

## Securities Industry Dollar In 1983 For Carrying and Clearing Firms

Data for *carrying and clearing* firms only are presented here to allow for more detail, as reporting requirements for *introducing* and carrying and clearing firms differ and data aggregation of these two types of firms necessarily results in loss of detail. Carrying and clearing firms are those firms which clear securities transactions or maintain possession or control of customers' cash or securities. The 87 percent of industry revenues earned by carrying and clearing firms in 1983 suggests that this group is a suitable proxy for the industry.

Securities commissions and trading gains accounted for 27 cents and 24 cents, respectively, of each revenue dollar in 1983. Together these two items accounted for 51 cents of each revenue dollar earned in 1983 as compared to 52 cents in 1982. In terms of dollars, they accounted for \$16.3 billion of the \$32.2 billion of total revenues earned by carrying and clearing firms. Margin interest income accounted for seven cents of each revenue dollar in 1983 compared with eight cents in 1982.

Total expenses consumed 87 cents of each revenue dollar earned in 1983, an increase over the 1982 level of 86 cents. The industry's pre-tax profit margin of 13 cents per revenue dollar in 1983 showed no significant change from 1982.

Interest expense, again the single largest

expense item, rose in 1983 by five percent to absorb 21 cents of each revenue dollar, which compares to 24 cents in 1982. In dollars, interest expense amounted to \$6.7 billion, \$343 million more than the year before. Employee-related expenses (registered representatives' compensation and clerical and administrative employees' expenses) consumed 37 cents of the revenue dollar in 1983, three cent above the 34 cent level in 1982. Registered representatives' compensation while increasing by 42 percent over the 1982 level, absorbed 21 cents of each revenue dollar in 1983 compared to 18 cents in the previous year. In dollar terms, employee-related expenses accounted for \$11.9 billion of the \$28.0 billion of total expenses. Other expense categories consumed about the same proportion of the industry revenue dollar in 1983 as they did in 1982.

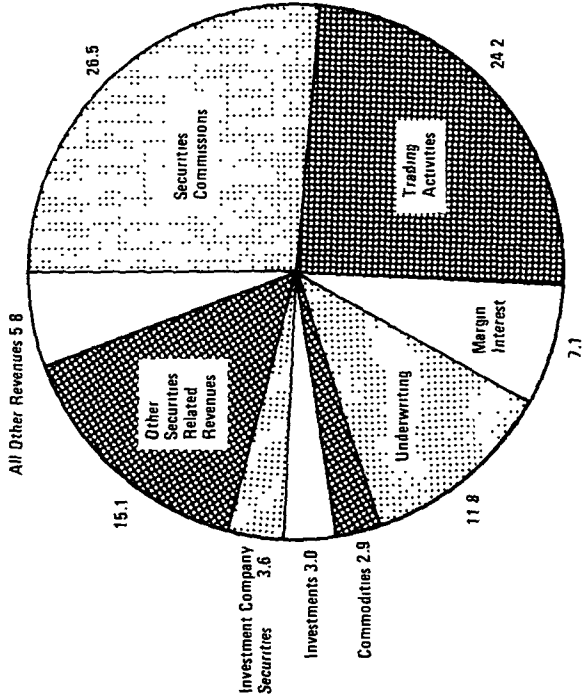
Total assets of broker-dealers carrying and clearing customer accounts rose by \$44.9 billion to \$236.3 billion in 1983. About 89 percent of this increase in assets can be attributed to three items: resale agreements rose \$24.9 billion, receivables from customers grew \$8.1 billion, receivables from other broker-dealers increased \$7.0 billion.

Total liabilities, including subordinated debt, increased \$42.4 billion or 24 percent to \$222.8 billion with increases in repurchase agreements of \$12.6 billion and short positions in securities of \$8.8 billion. Owners' equity rose 23 percent from \$11.0 billion in 1982 to \$13.5 billion and total capital increased 25 percent to \$16.3 billion from \$13.0 billion in 1982.

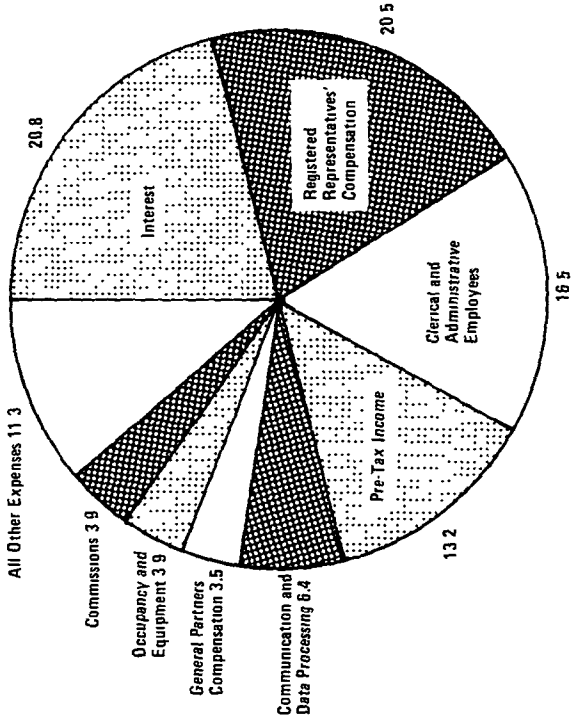
# Securities Industry Dollar In 1983

## For Carrying/Clearing Firms

SOURCES OF REVENUE



EXPENSES AND PRE-TAX INCOME



*NOTE: Includes information for firms that carry customer accounts or clear securities transactions.*  
 SOURCE: X-17A-5 FOCUS REPORTS

Table 4  
**UNCONSOLIDATED REVENUES AND EXPENSES FOR BROKER-DEALERS  
 CARRYING/CLEARING CUSTOMER ACCOUNTS**

(Millions of Dollars)

	1982 <sup>R</sup>		1983 <sup>P</sup>		1982-1983
	Dollars	Percent of Total Revenues	Dollars	Percent of Total Revenues	Percent Increase
<i>Revenues</i>					
1 Securities Commissions	\$ 6,164	23 9%	\$ 8,537	26 5%	38 5%
2 Gain (Loss) in Trading	7,160	27 8	7,790	24 2	8 8
3 Gain (Loss) in Investments	691	2 7	972	3 0	40 7
4 Profit (Loss) from Underwriting and Selling Groups	2,563	9 9	3,792	11 8	48 0
5 Revenue from Sale of Investment Company Securities	470	1 8	1,174	3 6	149 8
6 Margin Interest Income	2,070	8 0	2,275	7 1	9 9
7 Commodities Revenue	720	2 8	946	2 9	31 4
8 Other Revenue Related to Securities Business	4,466	17 3	4,859	15 1	8 8
9 Revenue from All Other Sources	1,492	5 8	1,894	5 8	26 9
10 Total Revenues	<u>\$25,796</u>	<u>100 0%</u>	<u>\$32,239</u>	<u>100 0%</u>	<u>25 0%</u>
<i>Expenses</i>					
11 Registered Representatives Compensation	\$ 4,642	18 0%	\$ 6,610	20 5%	42 4%
12 Clerical and Administrative Employees' Expenses	4,022	15 6	5,314	16 5	32 1
13 Commissions and Clearance Paid to Others	931	3 6	1,245	3 9	33 7
14 Interest Expense	6,357	24 6	6,700	20 8	5 4
15 Communication and Data Processing	1,680	6 5	2,067	6 4	23 0
16 Occupancy and Equipment	947	3 7	1,268	3 9	33 9
17 Compensation to Partners and Voting Stockholder Officers	891	3 5	1,137	3 5	27 6
18 All Other Expenses	2,837	11 0	3,640	11 3	28 3
19 Total Expenses	<u>\$22,307</u>	<u>86 5%</u>	<u>\$27,981</u>	<u>86 8%</u>	<u>25 4%</u>
<i>Pre-Tax Income</i>					
20 Pre-Tax Income	<u>\$ 3,489</u>	<u>13 5%</u>	<u>\$ 4,258</u>	<u>13 2%</u>	<u>22 0%</u>
Number of Firms	1,287		1,330		

P = Preliminary  
 R = Revised

Note Includes information for firms that carry customer accounts or clear securities transactions

Source FOCUS Report

**Table 5**  
**UNCONSOLIDATED BALANCE SHEET FOR BROKER-DEALERS**  
**CARRYING/CLEARING CUSTOMER ACCOUNTS**

(Millions of Dollars)

	Year End 1982 <sup>R</sup>	Percent	Year End 1983 <sup>P</sup>	Percent	% Change 1982-1983
<b>Assets</b>					
1 Cash	\$ 4,504	2.4%	\$ 3,659	1.5%	(18.8)%
2 Receivables From Other					
Broker-Dealers	26,271	13.7	33,275	14.1	26.7
a Securities Borrowed	16,152	8.4	20,675	8.8	28.0
b Other Receivables	10,119	5.3	12,600	5.3	24.5
3 Receivables From Customers	24,774	12.9	32,850	13.9	32.6
4 Resale Agreements	53,738	28.1	78,610	33.3	46.3
5 Long Positions in Securities and Spot Commodities	75,504	38.9	77,800	32.9	4.4
6 Other Assets	7,669	4.0	10,141	4.3	32.2
7 Total Assets	<u>\$191,460</u>	<u>100.0%</u>	<u>\$236,335</u>	<u>100.0%</u>	<u>23.4%</u>
<b>Liabilities and Equity</b>					
<i>Capital</i>					
8 Bank Loans	\$ 11,619	6.1%	\$ 20,728	8.8%	78.4%
a Secured by Customer Sec	2,819	1.5	4,465	1.9	58.4
b Secured by Proprietary Sec	8,800	4.6	16,263	6.9	84.8
9 Payables to Other Broker-Dealers	20,921	10.9	22,120	9.4	5.7
a Securities Loaned	14,082	7.4	17,044	7.2	21.0
b Other Payables	6,839	3.6	5,076	2.2	(25.8)
10 Payables to Customers	16,574	8.7	19,238	8.1	16.1
a Free Credit Balances	7,850	4.1	6,901	2.9	(12.1)
b Other Credit Balances	8,724	4.6	12,337	5.2	41.4
11 Repurchase Agreements	82,678	43.2	95,240	40.3	15.2
12 Short Positions in Securities	30,190	15.8	30,027	16.5	29.3
13 Subordinated Debt	1,992	1.0	2,781	1.2	39.6
14 Other Liabilities	16,496	8.6	23,691	10.0	43.6
15 Total Liabilities	<u>180,470</u>	<u>94.3</u>	<u>222,825</u>	<u>94.3</u>	<u>23.5</u>
16 Owners' Equity	10,990	5.7	13,510	5.7	22.9
17 Total Liabilities and Owners' Equity	<u>\$191,460</u>	<u>100.0%</u>	<u>\$236,335</u>	<u>100.0%</u>	<u>23.4%</u>
Total Capital	\$ 12,982		\$ 16,291		25.5%
Number of Firms	1,287		1,330		

P = Preliminary

R = Revised

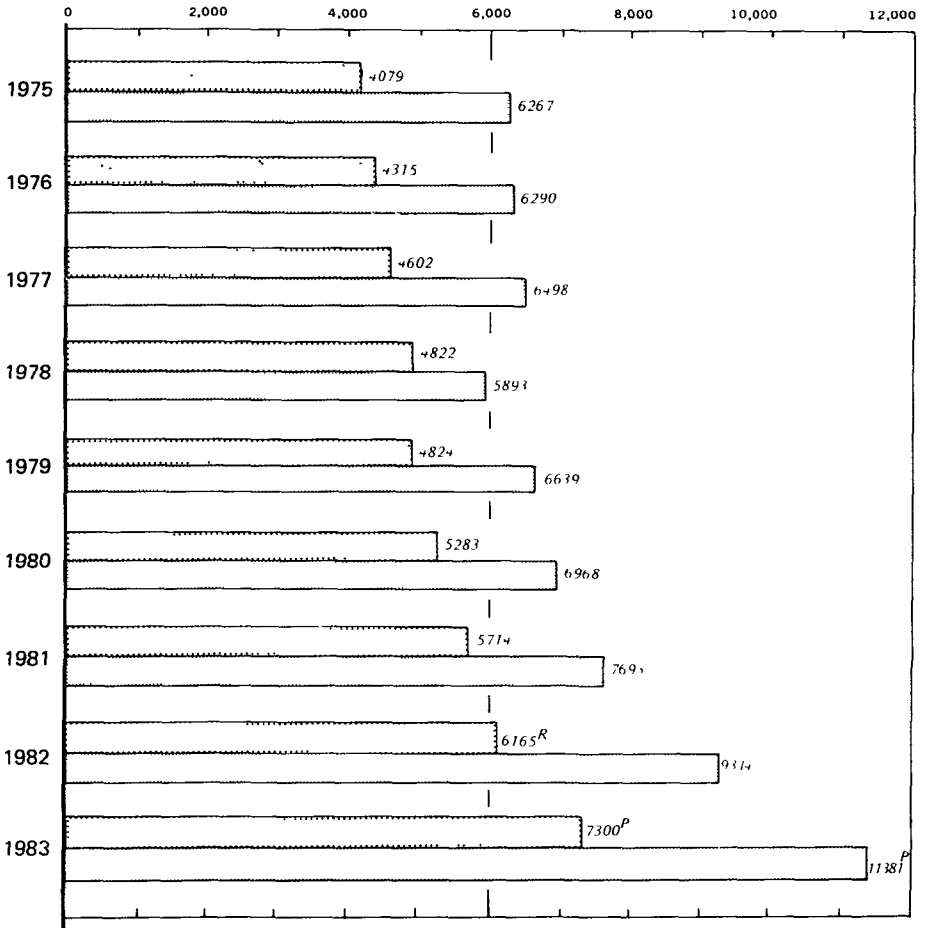
Source FOCUS Report

## Broker-Dealers, Branch Offices, Employees

The number of broker-dealers filing FOCUS Reports rose from 6,100 in 1982 to 7,300 in 1983. During the same period,

the number of branch offices increased from 9,314 to 11,381. The number of full-time personnel employed in the securities industry rose from 244,665 to 296,000 in 1983, a 21 percent increase.

# Broker-Dealers and Branch Offices



Broker-Dealers
  Branch Offices

*P Preliminary*      *R Revised*

SOURCE FORM X 17A 10 AND FOCUS REPORTS

Table 6

**BROKERS AND DEALERS REGISTERED UNDER THE SECURITIES EXCHANGE ACT OF  
1934—EFFECTIVE REGISTRANTS AS OF SEPTEMBER 30, 1984 CLASSIFIED BY  
TYPE OF ORGANIZATION AND BY LOCATION OF PRINCIPAL OFFICE**

	Number of Registrants			
	Total	Sole Proprietorships	Partnerships	Corporations <sup>1</sup>
Alabama	44	3	1	40
Alaska	3	0	0	3
Arizona	52	1	1	50
Arkansas	52	2	0	50
California	1,159	297	106	756
Colorado	241	11	10	220
Connecticut	145	16	17	112
Delaware	11	0	1	10
District of Columbia	45	3	4	38
Florida	380	17	11	352
Georgia	110	2	3	103
Hawaii	22	0	0	22
Idaho	13	2	0	11
Illinois	2,661	1,716	293	652
Indiana	65	6	1	58
Iowa	47	3	1	43
Kansas	40	4	3	33
Kentucky	19	3	0	16
Louisiana	74	4	4	66
Maine	15	0	2	13
Maryland	81	4	1	76
Massachusetts	232	31	14	187
Michigan	100	4	3	93
Minnesota	119	4	1	114
Mississippi	27	1	1	25
Missouri	105	9	2	94
Montana	8	1	0	7
Nebraska	27	0	1	26
Nevada	16	4	1	11
New Hampshire	9	1	0	8
New Jersey	299	54	30	215
New Mexico	18	2	0	16
New York	2,478	767	361	1,350
North Carolina	60	4	0	56
North Dakota	5	0	0	5
Ohio	135	5	11	119
Oklahoma	65	5	0	60
Oregon	45	0	1	44
Pennsylvania	419	24	103	292
Rhode Island	19	5	1	13
South Carolina	35	2	1	32
South Dakota	4	0	0	4
Tennessee	100	3	3	94
Texas	440	33	9	398
Utah	53	2	1	50
Vermont	10	3	1	6
Virginia	75	8	2	65
Washington	119	6	2	111
West Virginia	9	1	0	8
Wisconsin	94	8	2	84
Wyoming	10	1	0	9
Total	10,389	3,080	1,010	6,299
Foreign <sup>2</sup>	25	2	2	21
Grand Total	10,414	3,082	1,012	6,320

<sup>1</sup>Includes all forms of organization other than sole proprietorships and partnerships

<sup>2</sup>Registrants whose principal offices are located in foreign countries or other jurisdictions not listed



Table 7  
**APPLICATIONS AND REGISTRATIONS OF BROKERS AND DEALERS  
AND INVESTMENT ADVISERS**  
Fiscal Year 1984

BROKER-DEALER APPLICATIONS	
Applications pending at close of preceding year	191
Applications received during fiscal 1984	<u>2,769</u>
Disposition of Applications	
Accepted for filing	2,002
Returned	722
Withdrawn	6
Denied	0
Total applications disposed of	<u>2,730</u>
Applications pending as of September 30, 1984	230
BROKER-DEALER REGISTRATIONS	
Effective registrations at close of preceding year	9,154
Registrations effective during fiscal 1984	<u>2,002</u>
Total Registrations	11,156
Registrations terminated during fiscal 1984	
Withdrawn	488
Revoked	0
Cancelled	254
Total registrations terminated	<u>742</u>
Total registrations at end of fiscal 1984	10,414
INVESTMENT ADVISER APPLICATIONS	
Applications pending at close of preceding year	141
Applications received during fiscal year 1984	<u>3,420</u>
Total applications for disposition	3,561
Disposition of applications	
Accepted for filing	2,534
Withdrawn	5
Returned	756
Denied	1
Total applications disposed of	<u>3,296</u>
Applications pending as of September 30, 1984	265
INVESTMENT ADVISER REGISTRATIONS	
Effective registrations at close of preceding year	7,043
Registrations effective during fiscal 1984	<u>2,534</u>
Total registrations	9,577
Registrations terminated during fiscal 1984	
Withdrawn	401
Revoked	0
Cancelled	93
Total registrations terminated	<u>494</u>
Total registrations at end of fiscal 1984	9,083

Table 8  
**APPLICATIONS AND REGISTRATIONS OF MUNICIPAL SECURITIES  
DEALERS AND TRANSFER AGENTS**

Fiscal Year 1984

MUNICIPAL SECURITIES DEALERS APPLICATIONS		
Applications pending at close of preceding year		4
Applications received during fiscal 1984		<u>28</u>
Total applications for disposition		32
Disposition of Applications		
Accepted for filing	27	
Returned	4	
Denied	0	
Total applications disposed of		<u>31</u>
Applications pending as of September 30, 1984		1
MUNICIPAL SECURITIES DEALERS REGISTRATIONS		
Effective registrations at close of preceding year		378
Registrations effective during fiscal 1984		<u>31</u>
Total registrations		409
Registrations terminated during fiscal 1984		
Withdrawn	10	
Cancelled	0	
Suspended	0	
Total registrations terminated		<u>10</u>
Total registrations at end of fiscal 1984		399
TRANSFER AGENTS APPLICATIONS		
Applications pending at close of preceding year		6
Applications received during fiscal year 1984		<u>103</u>
Total applications for disposition		109
Disposition of applications		
Accepted for filing	102	
Returned	6	
Withdrawn	0	
Denied	0	
Total applications disposed of		<u>108</u>
Applications pending as of September 30, 1984		1
TRANSFER AGENTS REGISTRATIONS		
Effective registrations at close of preceding year		1,040
Registrations effective during fiscal 1984		<u>102</u>
Total registrations		1,142
Registrations terminated during fiscal 1984		
Withdrawn	21	
Cancelled	2	
Suspended	0	
Total registrations terminated		<u>23</u>
Total registrations at end of fiscal 1984		1,119

## **Self Regulatory Organizations: Revenues, Expenses, Pre-Tax Income and Balance Sheet Structure**

In 1983 the total revenues of self-regulatory organizations ("SROs") rose over \$112 million (27.8%) to \$516.3 million, representing the largest yearly increase in several years. The New York Stock Exchange (NYSE), National Association of Securities Dealers (NASD) and American Stock Exchange (Amex) accounted for over 70 percent of SROs' total revenues. Most SRO revenues came from listing, trading and market data fees. The NYSE reported total revenues of \$216.8 million of which approximately 60% was made up of listing and trading fees. NASD reported total revenues of \$75.1 million. A little over 53% of this figure was derived from service fees and member assessments. Amex reported a total revenue figure of \$73.1 million. Approximately 70 percent of these revenues were derived from transaction and communication charges. Chicago Board Options Exchange (CBOE) transaction fees, which accounted for 80% of their total revenues in 1983, accounted for all of the growth in their total revenues.

The total expenses of all SROs were \$434.3 million in 1983, an increase of 17 percent over 1982. The Midwest Stock Exchange (MSE), Intermountain Stock Exchange (ISE) and Spokane Stock Exchange (SSE) had the largest percentage increases in total expenses. Conversely, the Boston Stock Exchange (BSE) was able to reduce expenses nearly 7 percent.

Aggregate pre-tax income of all SROs surged to \$82.0 million in 1983, an increase of over 149 percent. The PSE is the only exchange to show a decrease in pre-tax income. The NYSE reported pre-tax income of \$37.6 million, an increase of 136% over the previous year. NASD's pre-tax income of \$16.1 million represented a five-fold increase over the previous year. The Cincinnati Stock Exchange (CSE) reported its pre-tax loss from \$58,000 in 1982 to \$16,000 in 1983. And the BSE had pre-tax income of \$255,000 in 1983 com-

pared to a pre-tax loss of \$788,000 in 1982.

The total assets of all SROs were \$883.3 million in 1983, an increase of 33 percent over 1982. The NYSE's total assets were \$250.5 million, an increase of over 31 percent since 1982. BSE's total assets declined from \$17.2 million in 1982 to \$8.5 million, a decrease of more than 50 percent. CSE's total assets declined by 6 percent from 1982.

The aggregate net worth of SROs rose to \$309.0 million from \$258.8 million in 1982, an increase of 19 percent. The CSE, NASD and MSE showed the largest percentage increases over the previous year. The largest dollar increases were experienced by the NYSE with \$17.3 million and the NASD with \$16.1 million.

Aggregate clearing corporation service revenue increased by \$10 million in 1983 due to the substantial increase in equity securities trading volume. The approximately 40% increase in volume of transaction processed resulted in only a 16% increase in clearance services revenue because of the automated efficiencies of the National Clearance and Settlement System.

Total depository services revenue for 1983 increased approximately 45% to \$101 million. This resulted primarily from a 50% increase in the number of shares represented by immobilized certificates in the nationally interfaced depository systems. Contributing significantly to this increase was greater institutional utilization of depository services. This increased usage was induced by exchange and NASD rules that, beginning January 1983, effectively required members and their customers to use the facilities of a registered securities depository for the confirmation, affirmation and settlement of institutional trade transactions in depository eligible securities. The value of institutional depository assets held in the national depository system was an estimated \$1.1 trillion at the end of 1983. These assets were held for 963 U.S. banks, including 99 of the largest 100 banks in managed trust assets.

Another area of depository service

growth in 1983 was in municipal securities. Nearly 50,000 municipal issues were depository-eligible at the end of 1983 compared with approximately 20,000 a year earlier and less than 4,000 at the end of 1981. Stimulating growth in clearing and depository service for municipal issues was the implementation in mid-1983 of the Tax Equity and Fiscal Responsibility Act which required that municipal bonds with maturities of more than one year be in registered rather than bearer form to retain their tax-exempt status. Additionally, greater use of depository services for municipal securities is expected because of amendments to the Municipal Securities Rulemaking Board Rules G-12 and G-15 approved by the Commission in the fourth quarter of 1983. These amendments require, beginning August 1984, the use of automated trade confirmation/affirmation and comparison services for municipal securities transactions and, beginning February 1985, depository and clearing corporation delivery and settlement of the vast majority of municipal transactions. Implementation of these rules is expected to add significantly to the use of depositories for municipal issues which, at the end of 1983, comprised 5% of the value of securities in depositories.

Aggregate clearing and depository expenses for 1983 increased by \$40 million, or 22% over 1982 levels. Most of the increases are attributable to the labor-intensive nature of depository activities which resulted in an \$18 million increase in depository employee costs. The \$10 million increase in occupancy costs is largely attributable to the Depository Trust Company's \$6.4 million occupancy cost increase resulting from acquisition of additional vault and office space. Additionally, Midwest Securities Trust Company contracted for additional vault facilities at a cost of \$2.2 million in order to accommodate its municipal bond program. Midwest's increase is attributable primarily to the Pacific Securities Depository Trust Company (PSDTC) offering Midwest's bearer bond system on a piggyback basis

to PSDTC participants.

PSDTC and PCC incurred pre-tax losses in 1983 of \$0.7 and \$1.2 million, respectively. These losses would have been substantially greater had their parent corporation, the Pacific Stock Exchange (PSE), assessed PSDTC and PCC for their \$0.3 and \$0.8 million pro-rata share of administrative and financial services costs provided by PSE. Subsequently, in an effort to reduce expenses, PCC and PSDTC decided to consolidate operations in San Francisco.

Combined clearing and depository net worth increased modestly to \$23 million. In addition to net worth, participant clearing fund contributions provide financial protection to the depositories and clearing corporations in the case of a participant default. Participant clearing funds remained at approximately \$210 million for depositories and \$200 million for the equity clearing corporations while the Options Clearing Corporation's (OCC) clearing fund declined from \$370 million at the end of 1982 to \$210 million at the end of 1983. OCC's clearing fund had risen in late 1982 proportionate with a surge in trading volume. OCC determined that the increased trading volume did not warrant a proportionately higher clearing fund in part because OCC also held \$7.5 billion in margin deposits at the end of 1982. Therefore, OCC changed its formula for determining the requisite fund contribution, reducing it to its present level.

Equity clearing corporations' settlement system balances increased 300% because of the unsettled when-issued trades in securities of the American Telephone and Telegraph Company (AT&T). The relative price stability of those issues and the daily mark-to-the-market procedures of the clearing corporations' settlement systems reduced the risk associated with the \$2 billion net system balance in AT&T issues. The actual volume of shares processed was approximately three times that of the system balances because of the netting effect of the settlement system.

Table 9  
**CONSOLIDATED FINANCIAL INFORMATION OF SELF-REGULATORY ORGANIZATIONS**  
**1980-1983**  
 (Thousands of Dollars)

	Amex <sup>1</sup>	BSE <sup>2</sup>	CBOE <sup>3</sup>	CSE <sup>4</sup>	ISE <sup>1</sup>	MSE <sup>1</sup>	NASD <sup>2</sup>	NYSE <sup>1</sup>	PSE <sup>1</sup>	Phix <sup>1</sup>	SSE <sup>1</sup>	TOTAL
<b>Total Revenues</b>												
1980	\$47,214	\$ 7,285	\$25,459	\$119	\$13	\$ 22,026	\$36,912	\$132,645	\$ 28,933	\$12,006	\$29	\$312,641
1981	57,493	7,851	35,035	204	14	26,162	46,815	153,235	32,218	13,220	30	372,277
1982 <sup>r</sup>	58,525	7,926	35,797	330	21	29,344	54,675	168,984	32,828	15,506	30	403,966 <sup>r</sup>
1983	73,115	8,411	46,124	444	26	39,778	75,101	216,804	37,206	19,258	43	516,311
<b>Total Expenses</b>												
1980	39,269	7,213	23,124	193	16	19,362	32,888	127,547	23,121	10,312	30	283,073
1981	46,236	8,781	30,739	280	26	24,337	43,811	143,811	29,902	13,070	32	371,006 <sup>r</sup>
1982 <sup>r</sup>	50,584	8,714 <sup>r</sup>	33,500	387	16	27,073	51,345	153,063	31,800	14,494	30	371,006 <sup>r</sup>
1983	60,189	8,156	39,939	460	20	33,893	58,971	179,251	36,809	16,600	37	494,325
<b>Pre-Tax Income</b>												
1980	7,945	72	2,335	(74)	(3)	2,664	4,029	29,367	5,812	1,694	(1)	53,835
1981	11,257	(930)	4,296	(76)	(12)	1,825	6,035	9,424	2,316	150	(2)	34,283
1982 <sup>r</sup>	7,941	(788) <sup>r</sup>	2,297	(57)	5	2,271	3,330	15,921	1,028	1,012	*	32,960 <sup>r</sup>
1983	12,927	255	6,185	(16)	6	5,885	16,130	37,553	397	2,658	6	81,986
<b>Total Assets</b>												
1980	41,943	20,176	33,998	424	30	156,312	36,346	168,571	258,408	44,016	16	760,240
1981	52,787	21,287	38,254	525	20	110,352	50,344	164,943	165,125	25,712	13	629,362
1982 <sup>r</sup>	58,090	17,255	39,083	605	30	95,730	52,818	190,948	170,645	37,810 <sup>r</sup>	14	663,028 <sup>r</sup>
1983	62,390	8,455	68,006	568	40	168,738	70,247	250,457	213,688	40,682	21	883,292
<b>Total Liabilities</b>												
1980	12,465	18,034	9,750	265	2	147,391	7,948	66,035	249,492	35,940	*	547,321
1981	18,117	20,073	11,642	440	1	100,262	15,911	56,111	154,361	16,900	*	393,818
1982 <sup>r</sup>	18,912	16,080	10,907	578	1	84,233	15,055	73,363	158,888	26,177 <sup>r</sup>	*	404,192 <sup>r</sup>
1983	16,839	7,136	36,688	305	1	153,733	16,354	115,579	200,968	26,653	2	574,255
<b>Net Worth</b>												
1980	29,478	2,142	24,248	159	28	8,921	28,398	102,536	8,916	8,076	15	212,917
1981	34,670	1,214	26,612	85	19	10,090	34,433	109,832	10,764	8,812	13	235,544
1982	39,178	1,176	28,176	27	29	11,497	37,767	117,585	11,633	11,633	14	258,836
1983	\$45,554	\$ 1,319	\$31,318	\$263	\$39	\$ 15,005	\$53,893	\$134,878	\$ 12,720	\$14,029	\$19	\$309,037

\* = Less than \$500

R = Revised

<sup>1</sup>Fiscal year ending December 31

<sup>2</sup>Fiscal year ending September 30

<sup>3</sup>Fiscal year ending June 30

<sup>4</sup>1980-1982 fiscal year ending April 30, 1983 accounting period changed to May 1-December 31

Sources: SRO Annual Reports and Consolidated Financial Statements

Table 10  
**SELF-REGULATORY ORGANIZATIONS—CLEANING AGENCIES**  
**1983 REVENUES AND EXPENSES<sup>1</sup>**  
 (Thousands of Dollars)

	Boston Stock Exchange Corporation 9/30/83	Midwest Clearing Corporation 12/31/83	Midwest Securities Trust Company 12/31/83	National Clearing Corporation 12/31/83	Options Clearing Corporation 12/31/83	Pacific Clearing Corporation 12/31/83	Pacific Securities Depository Trust Company 12/31/83	Philadelphia Depository Trust Company 12/31/83	Stock Cleaning Corporation of Philadelphia 12/31/83	Total
<b>Revenues</b>										
Cleaning services	\$3,159	\$ 5,798	\$15,144	\$ 44,320	\$ 14,023	\$ 4,984	\$ 7,023	\$3,276	\$ 1,510	\$ 73,774
Depository services	627	1,731	716	1,209	1,730	1,290	3,019	104	506	100,555
Interest	362	410	1,936		2,307	37	393	7	372	42,923
Other										5,824
<b>Total revenues<sup>2</sup></b>	<b>4,148</b>	<b>7,939</b>	<b>17,796</b>	<b>45,529</b>	<b>18,060</b>	<b>6,291</b>	<b>10,435</b>	<b>3,387</b>	<b>2,388</b>	<b>223,076</b>
<b>Expenses</b>										
Employee costs	1,076	2,904	6,513	3,157	7,896	2,344	5,058	1,414	1,030	96,519
Data processing and communication costs	1,203	956	1,983	26,766	5,134	2,806	3,296	1,705	1,040	57,796
Occupancy costs	401	563	1,281	400	1,135	206	687	151	142	18,841
Contracted services costs	218		2,223	6,357						8,789
Regulatory fee <sup>4</sup>				4,199						4,199
All other expenses	1,204	2,477	4,820	4,037	3,815	1,270	2,597	186	166	35,690
<b>Total expenses</b>	<b>4,102</b>	<b>6,900</b>	<b>16,840</b>	<b>44,916</b>	<b>17,980</b>	<b>6,626</b>	<b>11,638</b>	<b>3,456</b>	<b>2,378</b>	<b>221,843</b>
Excess of revenues over expenses <sup>5</sup>	\$ 46	\$ 1,039	\$ 956	\$ 613	\$ 80	\$ (335)	\$ (1,203)	\$ (69)	\$ 10	\$ 1,233
Shareholders' Equity Clearing Fund	\$ 291	\$ 8,350	\$ 1,631	\$ 3,400	\$ 3,254	\$ 1,278	\$ 730	\$ 599	\$ 1,067	\$ 22,718
Depository		\$199,810	\$13,280		\$210,538		\$ 453	\$ 551		\$ 214,084
Option Clearing	\$ 649	\$ 3,627	\$ 196,583	\$ 196,583	\$ 905				\$ 5,358	\$ 210,538
Equity Clearing	\$4,029	\$91,316	\$2,530,000	\$2,530,000	\$132,573				\$ 14,051	\$ 2,771,467
Cleaning Balances <sup>6</sup>										\$2,761,969

<sup>1</sup> Although efforts have been made to make the presentations comparable, any single revenue or expense category may not be completely comparable between any two clearing agencies because of (i) the varying classification methods employed by the clearing agencies in reporting operating results and (ii) the grouping methods employed by the Commission staff due to these varying classification methods

## Table 10—Continued

- <sup>2</sup> The Pacific Stock Exchange forgave PCC and PSDTC their allocated cost for administrative and financial services provided them by the PSE. Had these charges not been forgiven, PCC and PSDTC expenses would have been greater by \$671,000 and \$748,000, respectively.
- <sup>3</sup> Revenues are net of refunds which have the effect of reducing a clearing agency's base fee rates.
- <sup>4</sup> This figure represents amounts billed by the New York and American Stock Exchanges and the National Association of Securities Dealers (\$2,649,000, \$550,000 and \$1,000,000 respectively) for services provided to the National Securities Clearing Corporation. These services consisted principally of examining, monitoring, and investigating the financial and operating conditions of existing and prospective clearing members and the notification of unusual market conditions which may affect securities to be cleared. The agreement under which NSCC was billed for these services expired on July 1, 1983 and was replaced by an arrangement under which members are billed directly by these organizations.
- <sup>5</sup> This is before the effect of income taxes, which may significantly impact a clearing agency's net income.
- <sup>6</sup> Settlement system balances are as yet unsettled equity and bond securities transactions "falls" and securities collection and stock loan services. Approximately \$2 billion of this amount is attributable to the when-issued trading in securities of the divested American Telephone & Telegraph Company Option system balances have been excluded from this category because those amounts are fully collateralized.

Table 11  
**MUNICIPAL SECURITIES RULEMAKING BOARD**  
**STATEMENTS OF REVENUES AND EXPENSES AND**  
**CHANGE IN FUND BALANCE**

for the years ended September 30, 1984 and 1983

	Years Ended September 30	
	1984	1983
<i>Revenues</i>		
Assessment fees	\$ 830,034	\$ 943,938
Annual fees	220,125	197,400
Initial fees	29,800	24,200
Investment income	113,950	133,521
Board manuals and other	31,216	21,201
	1,225,125	1,320,260
<i>Expenses</i>		
Salaries and employee benefits	556,150	570,566
Board and committee	377,915	337,300
Operations (including depreciation and amortization)	202,666	182,199
Education and communication	228,097	212,930
Professional services	61,603	15,803
	1,426,391	1,318,798
Revenues over expenses		1,462
Fund balance, beginning of year	1,413,132	1,410,987
Fund balance, end of year	\$1,211,866	\$1,412,449



## **EXEMPTIONS**

### **Section 12(h) Exemptions**

Section 12(h) of the Exchange Act authorizes the Commission to grant a complete or partial exemption from the registration provisions of Section 12(g) or from other disclosure and insider trading provisions of the Act where such exemption is consistent with the public interest and the protection of investors.

For the year beginning October 1, 1983, six applications were pending, and an additional 17 applications were filed during the year. Of these 23 applications, nine were granted, and seven were withdrawn. Seven applications were pending at the close of the year.

### **Exemptions For Foreign Private Issuers**

Rule 12g3-2 provides various exemptions from the registration provisions of Section 12(g) of the Exchange Act for the securities of foreign private issuers. Perhaps the most important of these is that contained in subparagraph (b) which provides an exemption for certain foreign issuers which submit, on a current basis, the material specified in the rule. Such material includes that information about which investors ought reasonably to be informed and which the issuer: (1) has made public pursuant to the law of the country of domi-

tile or in which it is incorporated or organized; (2) has filed with a foreign stock exchange on which its securities are traded and which was made public by such exchange; and or (3) has distributed to its security holders. Periodically, the Commission publishes a list of those foreign issuers which appear to be current under the exemptive provision. The most current list is as of October 5, 1983 and contains a total of 445 foreign issuers.

### **Rule 10b-6 Exemptions**

Exchange Act Rule 10b-6 is an anti-manipulative rule that prohibits trading in securities by persons interested in a distribution of such securities. During the fiscal year, the Commission granted 20 exemptions pursuant to paragraph (h) of Rule 10b-6 under circumstances indicating that proposed purchase transactions did not constitute manipulative or deceptive devices or contrivances comprehended within the purposes of the rule.

## **FINANCIAL INSTITUTIONS**

There were 2,331 companies registered under the Investment Company Act of 1940 as of September 30, 1984. New registrations totaled 256, with 54 registrations terminated during the fiscal year. This compares with 1983 fiscal year figures of 2,181 total registrations, 287 new registrations and 50 terminations.

Table 12  
**COMPANIES REGISTERED UNDER THE INVESTMENT COMPANY  
 ACT OF 1940 AS OF SEPTEMBER 30, 1984**

	Number of Registered Companies			Approximate Market Value of Assets of Active Companies (Millions)
	Active	Inactive <sup>a</sup>	Total	
Management open-end ("Mutual Funds")	1,522	41	1,563	\$181,441
Variable annuity-separate accounts	72	4	76	1,346
All other load funds . .	1,450	37	1,487	180,094
<hr/>				
Management closed-end	169	55	224	5,023
Small Business Investment companies	39	7	46	197
All other closed-end companies	130	48	178	5,004
<hr/>				
Unit investment trust	511	24	535	62,393
Variable annuity-separate accounts	159	1	160	2,686 <sup>b</sup>
All other unit investment trusts	352	23	375	59,707
<hr/>				
Face-amount certificate companies	5	4	9	1,464
<hr/>				
<b>Total</b>	<b>2,207</b>	<b>124</b>	<b>2,331</b>	<b>\$250,321<sup>c</sup></b>

<sup>a</sup> Inactive refers to registered companies which as of September 30, 1984, were in the process of being liquidated or merged, or have filed an application pursuant to Section 8(f) of the Act for deregistration, or which have otherwise gone out of existence and remain only until such time as the Commission issues an order under Section 8(f) terminating their registration

<sup>b</sup> Includes about 3.1 billion of assets of trusts which invest in securities of other investment companies, substantially all of them mutual funds

<sup>c</sup> Total assets include only those assets reported to the Commission as of November 5, 1984

Table 13  
**COMPANIES REGISTERED UNDER THE INVESTMENT COMPANY  
 ACT OF 1940**

Fiscal year ended September 30	Registered at beginning of year	Registered during year	Registration terminated during year	Registered at end of year	Approximate market value of assets of active companies (millions)
1941	0	450	14	436	\$ 2,500
1942	436	17	46	407	2,400
1943	407	14	31	390	2,300
1944	390	18	27	371	2,200
1945	371	14	19	366	3,250
1946	366	13	18	361	3,750
1947	361	12	21	352	3,600
1948	352	18	11	359	3,825
1949	359	12	13	358	3,700
1950	358	26	18	366	4,700
1951	366	12	10	368	5,600
1952	368	13	14	367	6,800
1953	367	17	15	369	7,000
1954	369	20	5	384	8,700
1955	384	37	34	387	12,000
1956	387	46	34	399	14,000
1957	399	49	16	432	15,000
1958	432	42	21	453	17,000
1959	453	70	11	512	20,000
1960	512	67	9	570	23,500
1961	570	118	25	663	29,000
1962	663	97	33	727	27,300
1963	727	48	48	727	36,000
1964	727	52	48	731	41,600
1965	731	50	54	727	44,600
1966	727	78	30	775	49,800
1967	755	108	41	842	58,197
1968	842	167	42	967	69,732
1969	967	222	22	1,167	72,465
1970	1,167	187	26	1,328	56,337
1971	1,328	121	98	1,351	78,109
1972	1,351	91	108	1,334	80,816
1973	1,334	91	64	1,361	73,149
1974	1,361	106	90	1,377	62,287
1975	1,377	88	66	1,399	74,192
1976	1,399	63	86	1,376	80,564
1977*	1,403	91	57	1,437	76,904
1978	1,437	98	64	1,471	93,921
1979	1,471	83	47	1,507	108,572
1980	1,507	136	52	1,591	155,981
1981	1,591	172	80	1,683	193,362
1982	1,683	305	45	1,944	281,644
1983	1,944	287	50	2,181	330,458
1984	2,181	256	54	2,331	250,321**

\* Began Fiscal Year Ending September 30, 1977

\*\* Total assets include only those assets reported to the Commission as of November 5, 1984

Table 14  
**NEW INVESTMENT COMPANY REGISTRATIONS**

	1984
Management open-end	
Variable annuities	4
All others	193
Sub-total	197
Management closed-end	
SBIC's	1
All others	15
Sub-total	16
Unit investment trust	
Variable annuities	10
All others	33
Sub-total	43
Face amount certificates	0
Total Registered	256

Table 15  
**INVESTMENT COMPANY REGISTRATIONS TERMINATED**

	1984
Management open-end	
Variable annuities	0
All others	34
Sub-total	34
Management closed-end	
SBIC's	0
All others	7
Sub-total	7
Unit investment trust	
Variable annuities	0
All others	13
Sub-total	13
Face amount certificates	0
Total terminated	54

## SECURITIES ON EXCHANGES

### Market Value and Share Volume

The total market value of all equity securities transactions on registered exchanges totaled \$1.0 trillion in 1983. Of this total, \$957 billion, or 94 percent, represented the market value of transactions in stocks and \$60 billion, or almost all of the remaining six percent, the market value of options transactions. The value of equity transactions on the New York Stock Exchange was \$816 billion, up 59 percent from the previous year. The market value of such transactions rose 38 percent to \$47 billion on the American Stock Exchange but increased 43 percent to \$155 billion on all regional exchanges com-

bined. The volume of trading in stocks on all registered exchanges totaled 30 billion shares in 1983, a 36 percent increase over the previous year, with 80 percent of the total accounted for by trading on the New York Stock Exchange.

The number of contracts traded on options exchanges declined two percent during 1983 to 134 million contracts and the market value of such contracts increased 11 percent to \$60 billion. The volume of contracts executed on the Chicago Board Options Exchange decreased seven percent to 71 million; trading on the American Stock Exchange went down 8 percent; Philadelphia Stock Exchange contract volume expanded 22 percent; and Pacific Stock Exchange contract volume went up 18 percent.

Table 16  
**MARKET VALUE AND VOLUME OF EQUITY SALES ON REGISTERED SECURITIES EXCHANGES<sup>1</sup>**

(All Data Are in Thousands)

Calendar Year	STOCKS <sup>2</sup>			OPTIONS <sup>3, 4</sup>			WARRANTS			RIGHTS	
	TOTAL MARKET VALUE (Dollars)	Market Value (Dollars)	Number of Shares	Market Value (Dollars)	Number of Contracts	Market Value (Dollars)	Number of Units	Market Value (Dollars)	Number of Units	Market Value (Dollars)	Number of Units
1978	269,266,174	249,216,929	9,483,907	19,703,198	61,336	343,724	68,074	2,323	13,889	2,323	13,889
1979	323,364,620	299,749,680	10,849,825	22,860,058	64,347	747,948	76,902	6,934	36,184	6,934	36,184
1980	522,205,543	475,849,670	15,465,686	45,789,163	96,828	559,601	61,434	6,909	37,089	6,909	37,089
1981	532,712,860	490,688,155	15,910,315	41,695,816	109,406	327,293	46,583	1,596	12,530	1,596	12,530
1982	657,021,183	602,937,000	22,423,023	53,659,797	137,266	423,234	56,053	1,152	21,500	1,152	21,500
1983	1,017,798,489	957,139,047	30,146,335	59,494,321	134,250	1,162,124	157,942	2,997	11,737	2,997	11,737
All Registered Exchanges for Past Six Years											
Breakdown of 1983 Data by Registered Exchanges											
All Registered Exchanges	46,859,576	31,492,096	2,209,444	16,020,907	35,821	344,528	42,737	2,045	5,296	2,045	5,296
*American Stock Exchange	6,318,790	6,318,790	195,972	0	0	0	0	0	0	0	0
*Boston Stock Exchange	1,550,814	1,550,814	57,702	0	0	0	0	0	0	0	0
*Cincinnati Stock Exchange	60,252,229	60,252,229	1,662,292	0	0	0	0	0	0	0	0
*Midwest Stock Exchange	815,897,175	815,112,563	24,253,486	0	0	783,660	106,000	952	6,391	952	6,391
*New York Stock Exchange	31,041,605	27,462,414	1,070,373	3,549,637	11,005	29,554	8,937	+	50	+	50
*Pacific Stock Exchange	20,090,232	14,906,887	665,589	5,178,963	16,436	4,382	268	0	0	0	0
*Philadelphia Stock Exchange	1,906	1,906	1,666	0	0	0	0	0	0	0	0
*Intermountain Stock Exchange	41,348	41,348	29,811	0	0	0	0	0	0	0	0
*Spokane Stock Exchange	35,744,814	0	0	35,744,814	71,018	0	0	0	0	0	0
*Chicago Board Options <sup>4</sup>											

\* Reports of those exchanges marked with an asterisk cover transactions cleared during the calendar month, clearances occur for the most part on the fifth day after that on which the trade actually was effected. Reports for other exchanges cover transactions effected on trade dates of calendar month.

+ = Less than \$500

<sup>1</sup> Data on the value and volume of equity securities sales are reported in connection with fees paid under Section 31 of the Securities Exchange Act of 1934 as amended by the Securities Acts Amendments of 1975. They cover odd-lot as well as round-lot transactions.

<sup>2</sup> Includes voting trust certificates, certificates of deposit for stocks, and American Depository Receipts for stocks but excludes rights and warrants.

<sup>3</sup> Includes only equity options. Exercises are not included in these totals.

<sup>4</sup> Data for June 1, 2 and 3, 1983 are not included.

Source SEC Form R-31

## **NASDAQ (Volume and Market Value)**

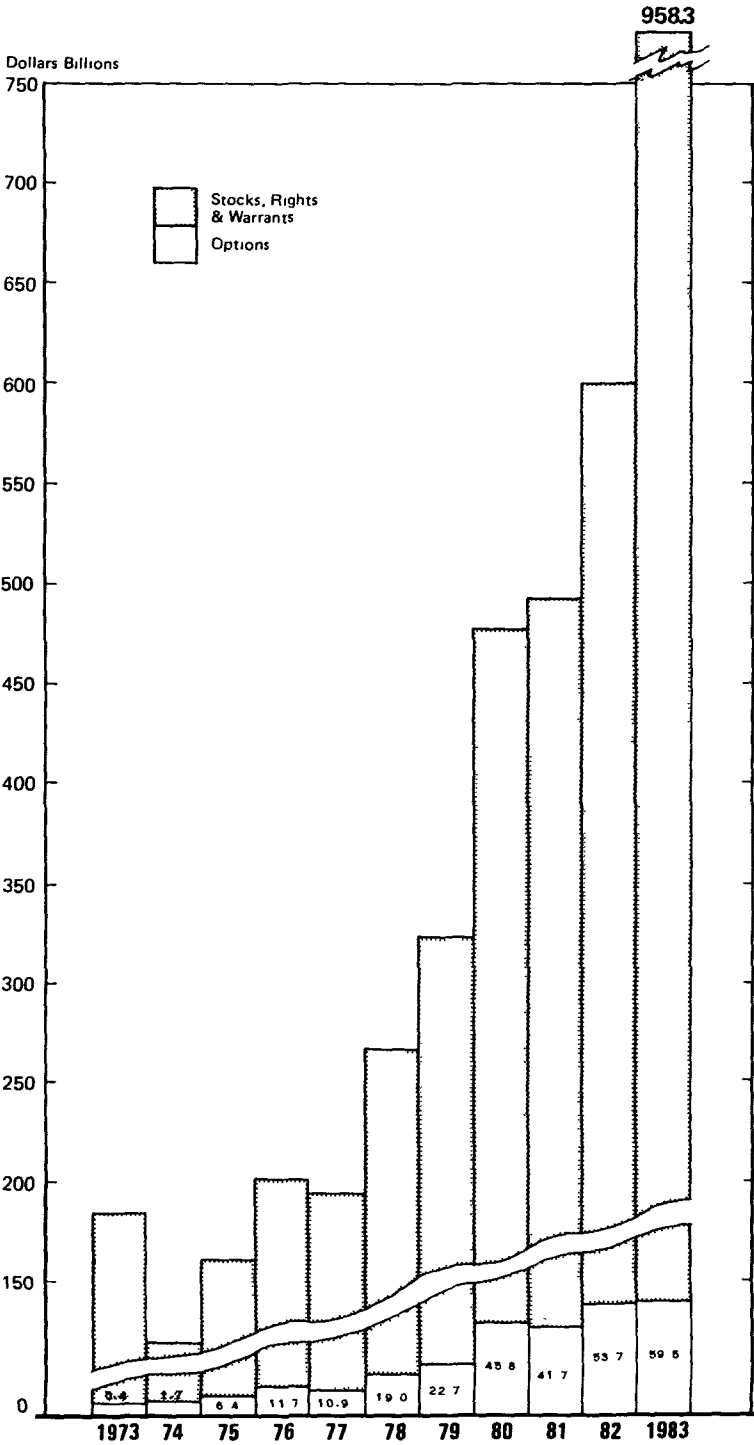
NASDAQ share volume and market value information for over-the-counter trading has been reported on a daily basis since November 1, 1971. At the end of 1983, there were approximately 4,500 issues in the NASDAQ system, an increase of 22 percent during the year. Volume for 1983 was almost 16 billion shares, up 89 percent from over the eight billion shares traded in the previous year. This trading volume encompasses the number of shares bought and sold by market-makers plus their net inventory changes. The market value of shares traded in the NASDAQ system was \$188 billion at the end of 1983.

## **Share and Dollar Volume by Exchange**

Share volume in 1983 for stocks, rights, and warrants on exchanges totaled 30 billion, an increase of 30 percent from the previous year. The New York Stock Exchange accounted for 80 percent of the 1983 share volume; the American Stock Exchange, seven percent; the Midwest Stock Exchange, six percent; and the Pacific Stock Exchange, four percent.

The market value of stocks, rights, and warrants traded was \$958 billion, an increase of 59 percent over the previous year. Trading on the New York Stock Exchange contributed 85 percent of the total; the American Stock Exchange accounted for three percent and the Midwest Stock Exchange trading reached six percent of the overall trading volume.

# Market Value Of Securities Traded On All U.S. Stock Exchanges





**Table 17**  
**SHARE VOLUME BY EXCHANGES<sup>1</sup>**  
in Percentage

Year	Total Share Volume (Thousands)	in Percentage							
		NYSE	AMEX	MSE	PSE	PHLX	BSE	CSE	Other <sup>2</sup>
1935	681,971	73 13	12 42	1 91	2 69	1 10	0 96	0 03	7 76
1940	377,897	75 44	13 20	2 11	2 78	1 33	1 19	0 08	3 87
1945	769,018	65 87	21 31	1 77	2 98	1 06	0 66	0 05	6 30
1950	893,320	76 32	13 54	2 16	3 11	0 97	0 65	0 09	3 16
1955	1,321,401	68 85	19 19	2 09	3 08	0 85	0 48	0 05	5 41
1960	1,441,120	68 47	22 27	2 20	3 11	0 88	0 38	0 04	2 65
1961	2,142,523	64 99	25 58	2 22	3 41	0 79	0 30	0 04	2 67
1962	1,711,945	71 31	20 11	2 34	2 95	0 87	0 31	0 04	2 07
1963	1,880,793	72 93	18 83	2 32	2 82	0 83	0 29	0 04	1 94
1964	2,118,326	72 81	19 42	2 43	2 65	0 93	0 29	0 03	1 44
1965	2,671,012	69 90	22 53	2 63	2 33	0 81	0 26	0 05	1 49
1966	3,313,899	69 38	22 84	2 56	2 68	0 86	0 40	0 05	1 23
1967	4,646,553	64 40	28 41	2 35	2 46	0 87	0 43	0 02	1 06
1968	5,407,923	61 98	29 74	2 63	2 64	0 89	0 78	0 01	1 33
1969	5,134,856	63 16	27 61	2 84	3 47	1 22	0 51	0 00	1 19
1970	4,834,887	71 28	19 03	3 16	3 68	1 63	0 51	0 02	0 69
1971	6,172,668	71 34	18 42	3 52	3 72	1 91	0 43	0 03	0 63
1972	6,518,132	70 47	18 22	3 71	4 13	2 21	0 59	0 03	0 64
1973	5,899,678	74 92	13 75	4 09	3 68	2 19	0 71	0 04	0 62
1974	4,950,833	78 47	10 27	4 39	3 48	1 82	0 86	0 04	0 67
1975	6,381,669	80 92	8 96	4 05	3 25	1 54	0 84	0 13	0 31
1976	7,125,201	80 03	9 35	3 87	3 93	1 41	0 78	0 44	0 19
1977	7,134,946	79 54	9 73	3 95	3 71	1 49	0 66	0 64	0 28
1978	9,564,663	80 08	10 75	3 58	3 14	1 50	0 60	0 15	0 21
1979	10,977,775	79 78	10 82	3 29	3 38	1 64	0 54	0 27	0 28
1980	15,584,209	79 95	10 79	3 83	2 80	1 51	0 56	0 32	0 24
1981	15,969,398	80 68	9 32	4 60	2 87	1 55	0 51	0 37	0 10
1982	22,500,576	81 19	6 96	5 08	3 62	2 18	0 48	0 42	0 08
1983	30,316,014	80 00	7 29	5 48	3 53	2 20	0 65	0 01	0 85

<sup>1</sup>Share volume for exchanges includes stocks, rights, and warrants

<sup>2</sup>Other includes all exchanges not listed above

Source SEC Form R-31

**Table 18**  
**DOLLAR VOLUME BY EXCHANGES<sup>1</sup>**

Year	Total Dollar Volume (Thousands)	in Percentage							
		NYSE	AMEX	MSE	PSE	PHLX	BSE	CSE	Other <sup>2</sup>
1935	\$15,396,139	86 64	7 83	1 32	1 39	0 88	1 34	0 04	0 56
1940	8,419,772	85 17	7 68	2 07	1 52	1 11	1 91	0 09	0 45
1945	16,284,552	82 75	10 81	2 00	1 78	0 96	1 16	0 06	0 48
1950	21,808,284	85 91	6 85	2 35	2 19	1 03	1 12	0 11	0 44
1955	38,039,107	86 31	6 98	2 44	1 90	1 03	0 78	0 09	0 47
1960	45,309,825	83 80	9 35	2 72	1 94	1 03	0 60	0 07	0 49
1961	64,071,623	82 43	10 71	2 75	1 99	1 03	0 49	0 07	0 53
1962	54,855,293	86 32	6 81	2 75	2 00	1 05	0 46	0 07	0 54
1963	64,437,900	85 19	7 51	2 72	2 39	1 06	0 41	0 06	0 66
1964	72,461,584	83 49	8 45	3 15	2 48	1 14	0 42	0 06	0 81
1965	89,549,093	81 78	9 91	3 44	2 43	1 12	0 42	0 08	0 82
1966	123,697,737	79 77	11 84	3 14	2 84	1 10	0 56	0 07	0 68
1967	162,189,211	77 29	14 48	3 08	2 79	1 13	0 66	0 03	0 54
1968	197,116,367	73 55	17 99	3 12	2 65	1 13	1 04	0 01	0 51
1969	176,389,759	73 48	17 59	3 39	3 12	1 43	0 67	0 01	0 31
1970	131,707,946	78 44	11 11	3 76	3 81	1 99	0 67	0 03	0 19
1971	186,375,130	79 07	9 98	4 00	3 79	2 29	0 58	0 05	0 24
1972	205,956,263	77 77	10 37	4 29	3 94	2 56	0 75	0 05	0 27
1973	178,863,622	82 07	6 06	4 54	3 55	2 45	1 00	0 06	0 27
1974	118,828,272	83 62	4 39	4 89	3 50	2 02	1 23	0 06	0 29
1975	157,555,469	85 04	3 66	4 82	3 25	1 72	1 18	0 17	0 16
1976	195,244,815	84 35	3 87	4 75	3 82	1 68	0 93	0 53	0 07
1977	187,393,082	83 96	4 60	4 79	3 53	1 62	0 73	0 74	0 03
1978	249,603,319	84 35	6 17	4 19	2 84	1 63	0 61	0 17	0 04
1979	300,728,389	83 65	6 93	3 82	2 85	1 80	0 56	0 35	0 04
1980	476,416,379	83 54	7 32	4 32	2 27	1 59	0 51	0 40	0 05
1981	491,017,044	84 74	5 41	5 04	2 32	1 60	0 50	0 40	0 00
1982	603,361,387	85 28	3 27	5 83	3 05	1 59	0 51	0 47	0 00
1983	958,304,168	85 06	3 29	6 29	2 87	1 56	0 66	0 16	0 13

<sup>1</sup>Dollar volume for exchanges includes stocks, rights, and warrants

<sup>2</sup>Other includes all exchanges not listed above

Source SEC Form R-31

## Special Block Distribution

In 1983, there were 85 special block distributions with a value of \$2.2 billion. Secondary distributions accounted for all of these special block distributions.

Table 19  
**SPECIAL BLOCK DISTRIBUTIONS REPORTED BY EXCHANGES**  
(Value in Thousands)

YEAR	Secondary Distributions			Exchange Distributions			Special Offerings		
	Number	Shares sold	Value	No	Shares sold	Value	No	Shares sold	Value
1942	116	2,397,454	\$ 82,840	0	0	0	79	812,390	\$22,694
1943	81	4,270,580	127,462	0	0	0	80	1,097,338	31,054
1944	94	4,097,298	135,760	0	0	0	87	1,053,667	32,454
1945	115	9,457,358	191,961	0	0	0	79	947,231	29,878
1946	100	6,481,291	232,398	0	0	0	23	308,134	11,002
1947	73	3,961,572	124,671	0	0	0	24	314,270	9,133
1948	95	7,302,420	175,991	0	0	0	21	238,879	5,466
1949	86	3,737,249	104,062	0	0	0	32	500,211	10,956
1950	77	4,280,681	88,743	0	0	0	20	150,308	4,940
1951	88	5,193,756	146,459	0	0	0	27	323,013	10,751
1952	76	4,223,258	149,117	0	0	0	22	357,897	9,931
1953	68	6,906,017	108,229	0	0	0	17	380,680	10,486
1954	84	5,738,359	218,490	57	705,781	\$ 24,664	14	189,772	6,670
1955	116	6,756,767	344,871	19	258,348	10,211	9	161,850	7,223
1956	146	11,696,174	520,966	17	156,481	4,645	8	131,755	4,557
1957	99	9,324,599	339,062	33	390,832	15,855	5	63,408	1,845
1958	122	9,508,505	361,886	38	619,876	29,454	5	88,152	3,286
1959	148	17,330,941	822,336	28	545,038	26,491	3	33,500	3,730
1960	92	11,439,065	424,688	20	441,644	11,108	3	63,663	5,439
1961	130	19,910,013	926,514	33	1,127,266	58,072	2	35,000	1,504
1962	59	12,143,656	658,780	41	2,345,076	65,459	2	48,200	588
1963	100	18,937,935	814,984	72	2,892,233	107,498	0	0	0
1964	110	19,462,343	909,821	68	2,553,237	97,711	0	0	0
1965	142	31,153,319	1,603,107	57	2,334,277	86,479	0	0	0
1966	126	29,045,038	1,523,373	52	3,042,599	118,349	0	0	0
1967	143	30,783,604	1,154,479	51	3,452,856	125,404	0	0	0
1968	174	36,110,489	1,571,600	35	2,669,938	93,528	1	3,352	63
1969	142	38,224,799	1,244,186	32	1,706,572	52,198	0	0	0
1970	72	17,830,008	504,562	35	2,066,590	48,218	0	0	0
1972	229	82,365,749	3,216,126	26	1,469,666	30,156	0	0	0
1973	120	30,825,890	1,151,087	19	802,322	9,140	91	6,662,111	79,889
1974	45	7,512,200	133,838	4	82,200	6,836	33	1,921,755	16,805
1975	51	34,149,069	1,409,933	14	483,846	8,300	14	1,252,925	11,521
1976	44	20,568,432	517,546	16	752,600	13,919	22	1,475,842	18,459
1977	39	9,848,986	261,257	6	295,264	5,242	18	1,074,290	14,519
1978	37	15,239,141	569,487	3	79,000	1,429	3	130,675	1,820
1979	37	10,803,680	192,258	3	1,647,600	86,066	6	368,587	4,708
1980	44	24,979,045	813,542	2	177,900	5,101	4	434,440	7,097
1981	43	16,079,897	449,600	0	0	0	0	0	0
1982	76	40,024,988	1,284,492	0	0	0	3	717,000	11,112
1983	85	70,800,731	2,245,465	0	0	0	0	0	0

## Value and Number of Securities Listed on Exchanges

The market value of stocks and bonds listed on U.S. exchanges at the end of 1983 was \$2.5 trillion, an increase of 16 percent over the previous year. The market value of stocks was \$1.6 trillion, an increase of 14 percent during the year. The value of listed bonds increased 16 percent.

Stocks with primary listing on the New York Stock Exchange had a market value of \$1.5 trillion and represented 95 percent of the value of common and preferred stocks listed on registered exchanges. Those listed on the American Stock Exchange accounted for almost all of the remaining five percent of the total and were valued at \$80 billion an increase of three percent over the previous year.

Table 20  
SECURITIES LISTED ON EXCHANGES<sup>1</sup>

December 31, 1983

EXCHANGES	COMMON		PREFERRED		BONDS		TOTAL SECURITIES	
	Number	Market Value (Million)	Number	Market Value (Million)	Number	Market Value (Million)	Number	Market Value (Million)
Registered								
American	831	\$ 77,798	109	\$ 2,284	262	\$ 7,443	1,202	\$ 87,525
Boston	79	1,389	0	0	1	6	80	1,395
Cincinnati	5	173	3	53	5	37	13	263
Midwest	23	789	6	15	0	0	29	804
New York	1,469	1,475,308	784	46,852	3,479	889,665	5,732	2,411,825
Pacific	59	1,920	28	610	53	2,181	140	4,711
Philadelphia	16	563	19	1,014	31	763	62	2,340
Intermountain	22	1	0	0	0	0	22	1
Spokane	31	41	0	0	0	0	31	41
Total	2,535	\$1,557,982	949	\$50,828	3,831	\$900,095	7,315	\$2,508,905
Includes Foreign Stocks								
New York	49	\$ 61,875	5	\$ 119	121	\$ 8,398	175	\$ 70,392
American	49	22,394	3	113	7	267	59	22,774
Pacific	3	53	2	63	0	0	5	116
Total	101	\$ 84,322	10	\$ 295	128	\$ 8,665	239	\$ 93,282

<sup>1</sup>Excluding securities which were suspended from trading at the end of the year, and securities which because of inactivity had no available quotes

Source SEC Form 1392

Table 21  
**VALUE OF STOCKS LISTED ON EXCHANGES**  
 (Billions of Dollars)

Dec 31	New York Stock Exchange	American Stock Exchange	Exclusively On Other Exchanges	Total
1936	\$ 59.9	\$ 14.8		\$74.7
1937	38.9	10.2		49.1
1938	47.5	10.8		58.3
1939	46.5	10.1		56.6
1940	41.9	8.6		50.5
1941	35.8	7.4		43.2
1942	38.8	7.8		46.6
1943	47.6	9.9		57.5
1944	55.5	11.2		66.7
1945	73.8	14.4		88.2
1946	68.6	13.2		81.8
1947	68.3	12.1		80.4
1948	67.0	11.9	\$3.0	81.9
1949	76.3	12.2	3.1	91.6
1950	93.8	13.9	3.3	111.0
1951	109.5	16.5	3.2	129.2
1952	120.5	16.9	3.1	140.5
1953	117.3	15.3	2.8	135.4
1954	169.1	22.1	3.6	194.8
1955	207.7	27.1	4.0	238.8
1956	219.2	31.0	3.8	254.0
1957	195.6	25.5	3.1	224.2
1958	276.7	31.7	4.3	312.7
1959	307.7	25.4	4.2	337.3
1960	307.0	24.2	4.1	335.3
1961	387.8	33.0	5.3	426.1
1962	345.8	24.4	4.0	374.2
1963	411.3	26.1	4.3	441.7
1964	474.3	28.2	4.3	506.8
1965	537.5	30.9	4.7	573.1
1966	482.5	27.9	4.0	514.4
1967	605.8	43.0	3.9	652.7
1968	692.3	61.2	6.0	759.5
1969	629.5	47.7	5.4	682.6
1970	636.4	39.5	4.8	680.7
1971	741.8	49.1	4.7	795.6
1972	871.5	55.6	5.6	932.7
1973	721.0	38.7	4.1	763.8
1974	511.1	23.3	2.9	537.3
1975	685.1	29.3	4.3	718.7
1976	858.3	36.0	4.2	898.5
1977	776.7	37.6	4.2	818.5
1978	822.7	39.2	2.9	864.8
1979	960.6	57.8	3.9	1,022.3
1980	1,242.8	103.5	2.9	1,349.2
1981	1,143.8	89.4	5.0	1,238.2
1982	1,305.4	77.6	6.8	1,389.7
1983	1,522.2	80.1	6.6	1,608.8

Source SEC Form 1392

## Securities on Exchanges

As of September 30, 1983, a total of 7,270 securities, representing 3,064 issuers, were admitted to trading on securities exchanges in the United States. This compares with 7,208 issues, involving 3,054 issuers a year earlier. Over 5,400 issues

were listed and registered on the New York Stock Exchange, accounting for 69.8% of the stock issues and 78.3% of the bond issues. Data below on "Securities Traded on Exchanges" involved some duplication since it includes both solely and dually listed securities.

Table 22  
**SECURITIES TRADED ON EXCHANGES**

	Issuers		Stocks		Bonds <sup>1</sup>
	Registered	Temporarily exempted	Unlisted	Total	
American	904	951	28	979	267
Boston	1,204	155	1,116	1,271	8
Chicago Board of Trade	3	2	1	3	
Cincinnati	977	35	968	1,003	38
Intermountain	45	43	2	45	
Midwest	1,469	314	1,278	1,592	29
New York	1,889	2,402	2	2,404	2,998
Pacific Coast	800	733	213	946	135
Philadelphia	961	256	842	1,098	97
Spokane	36	37	2	33	

<sup>1</sup>Issuers exempted under Section 3(a)(12) of the Act, such as obligations of U S Government, the states, and cities, are not included in this table

Table 23  
**UNDUPLICATED COUNT OF SECURITIES ON EXCHANGES**  
(September 30, 1984)

	Stocks	Bonds	Total	Issuers Involved
Registered and Listed	3,811	3,436	7,247	3,047
Temporarily Exempted from registration	2	2	4	2
Admitted to unlisted trading privileges	14	5	19	15
<b>Total</b>	<b>3,827</b>	<b>3,443</b>	<b>7,270</b>	<b>3,064</b>

## 1933 ACT REGISTRATIONS

### Effective Registration Statements

During the fiscal year ending September 30, 1984, 5,089 registration statements valued at \$220 billion became effective. This represented a decrease of almost

eight percent from the value and number of effective registrations in 1983.

Among issuers whose registration statements became effective, there were 1,761 first-time registrants in fiscal year 1984, an increase of 196 registrants (13 percent) from the previous fiscal year's total of 1,565.

Table 24  
**EFFECTIVE REGISTRATIONS**  
(Millions of Dollars)

Fiscal Year	Total		Cash Sale for Account of Issuers			
	Number of Statements	Value	Common Stock <sup>1</sup>	Bonds, Debentures and Notes	Preferred Stock	Total
Fiscal year ended June 30						
1935 <sup>2</sup>	284	\$ 913	\$ 168	\$ 490	\$ 28	\$ 686
1936	689	4,835	531	3,153	252	3,936
1937	840	4,851	802	2,426	406	3,634
1938	412	2,101	474	666	209	1,349
1939	344	2,579	318	1,593	109	2,020
1940	306	1,787	210	1,112	110	1,432
1941	313	2,611	196	1,721	164	2,081
1942	193	2,003	263	1,041	162	1,466
1943	123	659	137	316	32	485
1944	221	1,760	272	732	343	1,347
1945	340	3,225	456	1,851	407	2,714
1946	661	7,073	1,331	3,102	991	5,424
1947	493	6,732	1,150	2,937	787	4,874
1948	435	6,405	1,678	2,817	537	5,032
1949	429	5,333	1,083	2,795	326	4,204
1950	487	5,307	1,786	2,127	468	4,381
1951	487	6,459	1,904	2,838	427	5,169
1952	635	9,500	3,332	3,346	851	7,529
1953	593	7,507	2,808	3,093	424	6,325
1954	631	9,174	2,610	4,240	531	7,381
1955	779	10,960	3,864	3,951	462	8,277
1956	906	13,096	4,544	4,123	539	9,206
1957	876	14,624	5,858	5,689	472	12,019
1958	813	16,490	5,998	6,857	427	13,282
1959	1,070	15,657	6,387	5,265	443	12,095
1960	1,426	14,367	7,260	4,224	253	11,737
1961	1,550	19,070	9,850	6,162	248	16,260
1962	1,844	19,547	11,521	4,512	253	16,286
1963	1,157	14,790	7,227	4,372	270	11,869
1964	1,121	16,860	10,006	4,554	224	14,784
1965	1,266	19,437	10,638	3,710	307	14,655
1966	1,523	30,109	18,218	7,061	444	25,723
1967	1,649	34,218	15,083	12,309	558	27,950
1968	2,417	54,076	22,092	14,036	1,140	37,268
1969	3,645	86,810	39,614	11,674	751	52,039
1970	3,389	59,137	28,939	18,436	823	48,198
1971	2,989	69,562	27,455	27,637	3,360	58,452
1972	3,712	62,487	26,518	20,127	3,237	49,882
1973	3,285	59,310	26,615	14,841	2,578	44,034
1974	2,890	56,924	19,811	20,997	2,274	43,082
1975	2,780	77,457	30,502	37,557	2,201	70,260
1976	2,813	87,733	37,115	29,373	3,013	69,501
Transition Quarter July-Sept 1976	639	15,010	6,767	5,066	413	12,246
Fiscal Year ended September 30						
1977	2,915	92,579	47,116	28,026	2,426	77,568
1978 <sup>3</sup>	3,037	65,043	25,330	23,251	2,128	50,709
1979	3,112	77,400	22,714	28,894	1,712	53,320
1980	3,402	110,583	33,076	42,764	2,879	78,719
1981	4,326	144,132	49,276	40,163	2,505	91,944
1982	4,846	164,455	50,486	63,950	3,939	118,375
1983	R 5,503	240,058	77,403	80,718	9,339	167,460
1984	P 5,089	219,713	85,444	59,663	5,313	150,420
Cumulative Total	85,685	\$2,072,500	\$794,236	\$682,358	\$62,495	\$1,539,089

R = Revised  
P = Preliminary

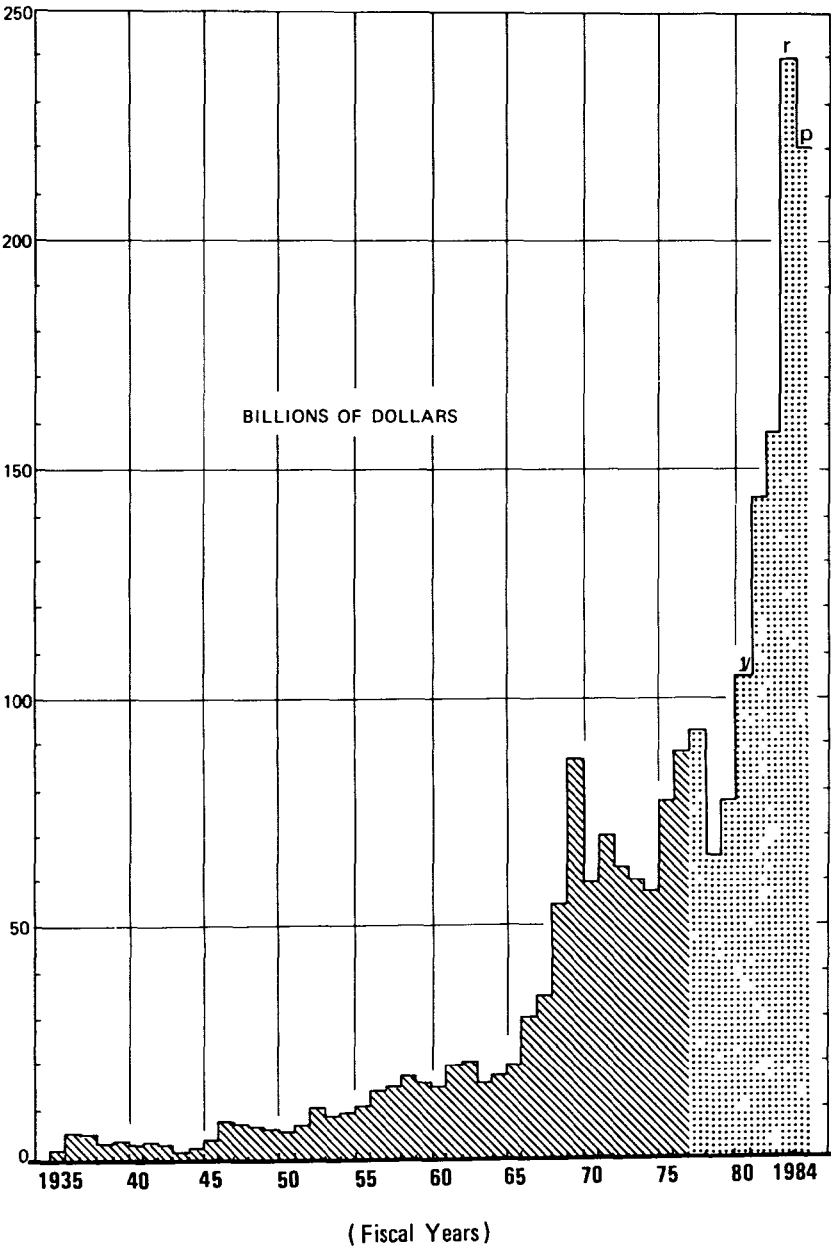
<sup>1</sup>Includes warrants, shares of beneficial interest, certificates of participation and all other equity interests not elsewhere included

<sup>2</sup>For 10 months ended June 30, 1935

<sup>3</sup>The adoption of Rule 24f-2 (17 CFR 270 24f-2) effective November 3, 1977 made it impossible to report the dollar value of securities registered by investment companies

Note: The Total Cash Sale differs from earlier presentations due to changes in rounding procedures

# Securities Effectively Registered With S.E.C. 1935-1984



⋯⋯⋯ In 1977 Fiscal Year End Changed From June To September

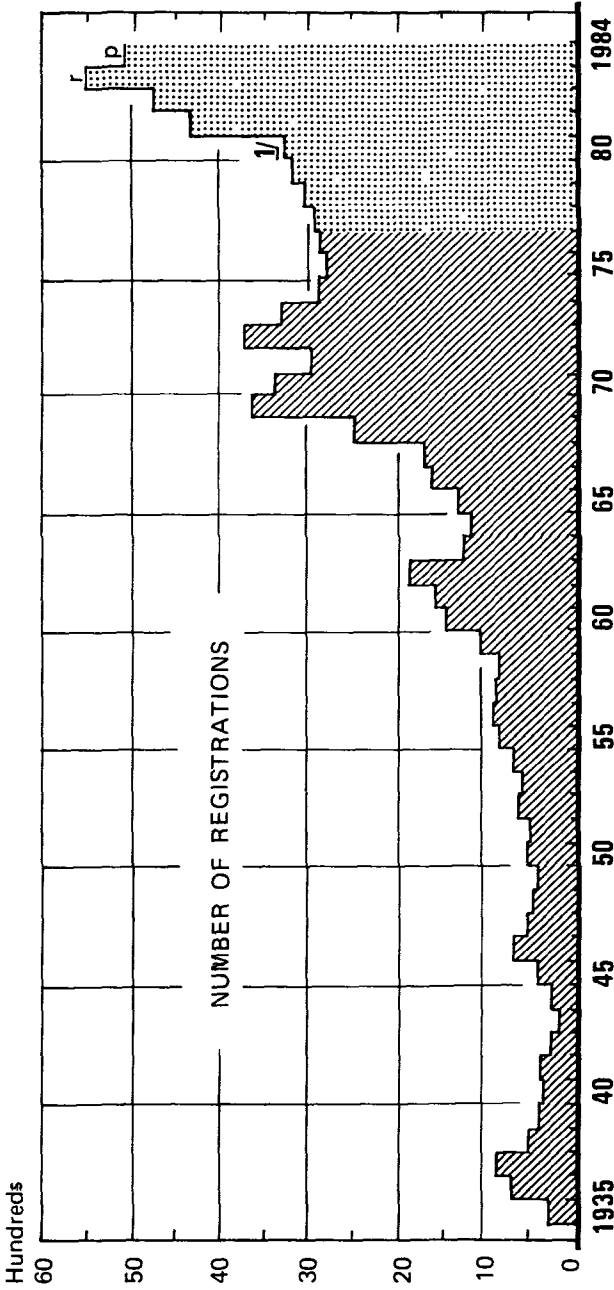
Data For Transition Quarter July-September 1976 Not Shown On Charts  
Number Of Registrations 639

1/ Does Not Include Investment Companies As Of 1/1/78 Due To Rule Change

r= Revised

p= Preliminary

# Securities Effectively Registered With S.E.C. 1935-1984



( Fiscal Years )

..... In 1977 Fiscal Year End Changed From June To September

Data For Transition Quarter July-September 1976 Not Shown On Charts

Number Of Registrations 639

1/ Does Not Include Investment Companies As Of 1/1/78 Due To Rule Change

r= Revised

p= Partial



## Purpose and Type of Registration

Effective registrations for cash sale for the account of issuers in fiscal year 1983 amounted to \$150 billion, ten percent below the \$167 billion registered a year earlier. Some \$38 billion (25 percent) was intended for immediate offerings, a decrease of \$21 billion (36 percent) from fiscal 1983. Nearly all of this amount consisted of securities registered by business to be offered to the general public. Such registrations totalled \$37 billion, a decrease of \$20 billion (35 percent).

Of this \$37 billion, debt securities and common stock each accounted for \$17 billion (46 percent) and preferred stock \$3 billion (eight percent). Cash rights offerings (offerings to security holders) came to \$466 million, an increase of 121 percent from the \$211 million of such offerings in the previous year. Immediate cash offerings by foreign governments in fiscal year 1984 totalled \$99 million, a decrease of \$944 million (91 percent) from 1983.

Delayed and extended cash sales registered for the account of the issuer totalled \$113 billion (51 percent of all registrations). Registrations pursuant to Rule 415, (or so-called "shelf" registrations) amounted to \$71 billion, or 63 percent of this amount. Securities registered for the account of issuers other than for cash sale (in conjunc-

tion with exchange offers, for example) amounted to \$63 billion in 1984, or 29 percent of all registrations. Registrations of securities for secondary offerings (for the account of security holders rather than issuers) amounted to \$6 billion (three percent) of all registrations in fiscal year 1984. Of these latter registrations, \$2 billion (33 percent) were for cash sale and \$4 billion (67 percent) were for other secondary offerings.

The value of registrations aggregating \$220 billion in fiscal year 1984 consisted of \$64 billion in bonds, debentures and notes, \$9 billion in preferred stock and \$147 billion in common stock. Of the \$64 billion of debt securities registered, \$17 billion (27 percent) were registered for immediate cash sale to the general public for the account of the issuer. Delayed and extended cash sales accounted for \$43 billion (67 percent). Thirty-four percent of the \$9 billion in preferred stock registrations consisted of immediate cash offerings, while delayed and extended registrations for cash sale for the account of issuer comprised 24 percent of the total. The \$147 billion common stock volume consisted of \$18 billion in immediate cash sales, \$68 billion in delayed or extended cash sales, \$56 billion of non-cash registrations for the account of the issuer and \$5 billion of secondary offerings.

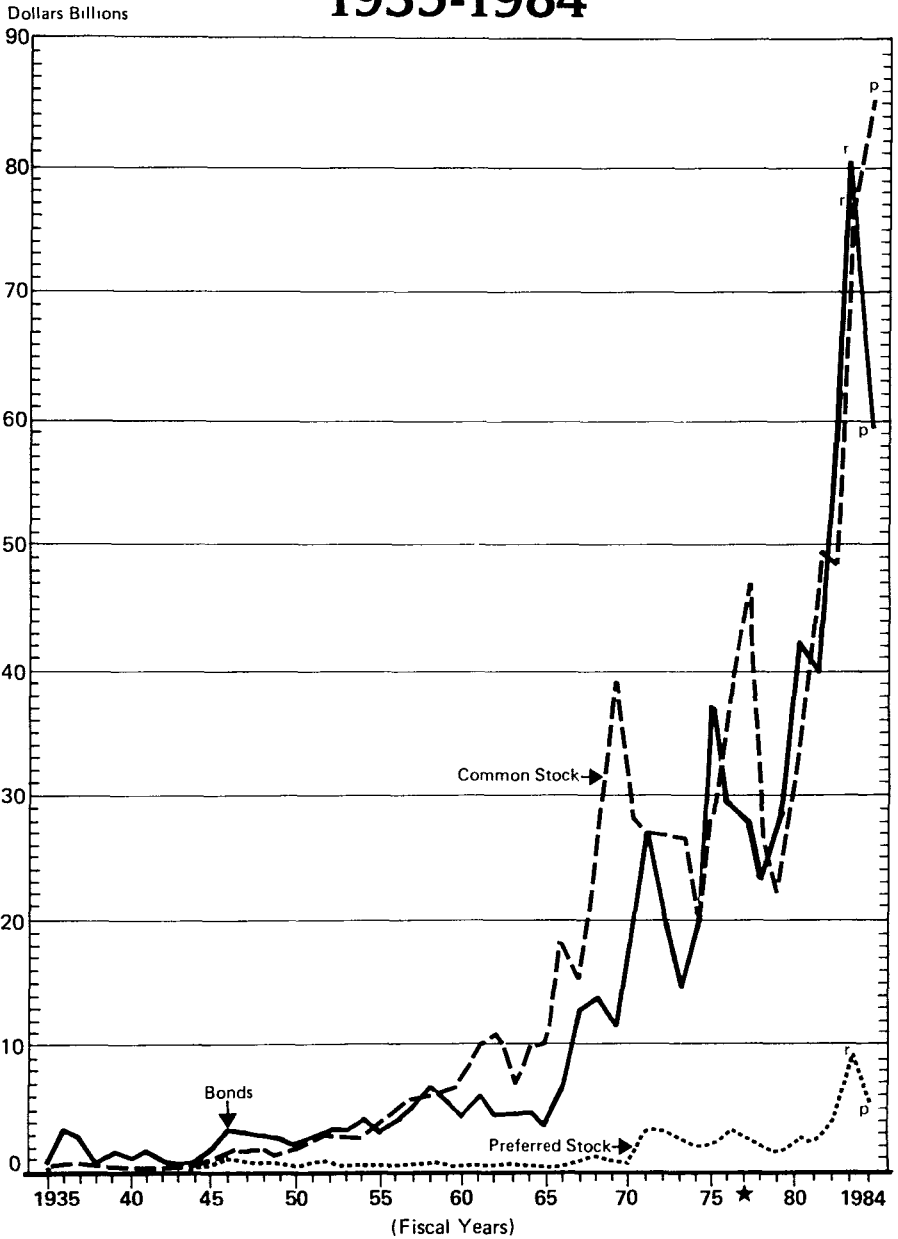
Table 25  
**EFFECTIVE REGISTRATIONS BY PURPOSE AND TYPE OF SECURITY:**  
**FISCAL YEAR 1984P**  
(Millions of Dollars)

Purpose of registrations	Type of Security			
	Total	Bonds, Debentures and Notes	Preferred Stock	Common Stock <sup>1</sup>
All registrations (estimated value)	\$219,713	\$63,517	\$9,139	\$147,057
For account of issuer for cash sale	150,420	59,663	5,313	85,444
Immediate offering	37,663	16,666	3,085	17,912
Corporate	37,564	16,567	3,085	17,912
Offered to				
General Public	37,098	16,555	3,076	17,467
Security Holders	466	12	9	445
Foreign Governments	99	99	0	0
Delayed and extended cash sale and other issues	112,757	42,997	2,228	67,532
For account of issuer for other than cash sale	63,358	3,539	3,505	56,314
Secondary Offerings	5,935	315	321	5,299
Cash Sale	2,118	0	25	2,093
Other	3,817	315	296	3,206

<sup>1</sup>Includes warrants, shares of beneficial interest, certificates of participation and all other equity interests not elsewhere included

P = Preliminary

# Effective Registrations Cash Sale For Account Of Issuers 1935-1984



★ In 1977 Fiscal Year End Changed from June to September

Data for Transition Quarter July-September 1976 Not Shown on Chart

Bonds \$5.1 Billion, Preferred Stock \$4 Billion, Common Stock \$6.8 Billion

r = Revised

p = Preliminary

## Regulation A Offerings

During fiscal year 1984, 91 offering statements for proposed offerings under Regulation A were processed and cleared.

Table 26  
OFFERINGS UNDER REGULATION A (CLEARED)

	Fiscal 1984 (Thru July)	Fiscal 1983	Fiscal 1982	Fiscal 1981
<b>Size</b>				
\$500,000 or Less	38	58	82	120
\$500,001—\$1,000,000	19	30	55	83
\$1,000,001—\$1,500,000	34	41	83	104
Total	91	129	220	307
<b>Underwriters</b>				
Used	57	67	129	167
Not Used	34	62	91	140
Total	91	129	220	307
<b>Offerors</b>				
Issuing Companies	91	129	220	303
Stockholders	0	0	0	0
Issuers and Stockholders Jointly	0	0	0	4
Total	91	129	220	307

## ENFORCEMENT

### Types of Proceedings

As the table reflects, the securities laws provide for a wide range of enforcement actions by the Commission. The most common types of actions are injunctive proceedings instituted in the Federal district courts to enjoin continued or

threatened securities law violators, and administrative proceedings pertaining to broker-dealer firms and/or individuals associated with such firms which may lead to various remedial sanctions as required in the public interest. When an injunction is entered by a court, violation of the court's decree is a basis for criminal contempt against the violator.

Table 27  
**TYPES OF PROCEEDINGS**

ADMINISTRATIVE PROCEEDINGS

Persons Subject to, Acts Constituting, and Basis for, Enforcement Action	Sanction
<b>Broker-dealer, municipal securities dealer, investment adviser or associated person</b>	
Willful violation of securities acts provision or rule, aiding or abetting such violation, failure reasonably to supervise others, willful misstatement or omission in filing with the Commission, conviction of or injunction against certain crimes or conduct	Censure or limitation on activities, revocation, suspension or denial of registration, bar or suspension from association (1934 Act §§ 15B(c)(2)—(6) 15b(b)(4)—(6) Advisers Act §§ 203(e)—(f))
<b>Registered securities association</b>	
Organization or rule not conforming to statutory requirements	Suspension of registration or limitation of activities, functions, or operations (1934 Act § 19(h)(1))
Violation of or inability to comply with the 1934 Act, rules thereunder, or its own rules, unjustified failure to enforce compliance with the foregoing or with rules of the Municipal Securities Rulemaking Board by a member or person associated with a member	Suspension or revocation of registration, censure or limitation of activities, functions, or operations (1934 Act, § 19(h)(1))
<b>Member of registered securities association, or associated person</b>	
Being subject to Commission order pursuant to 1934 Act, § 15 (b), willful violation of or effective transaction for other person with reason to believe that person was violating securities acts provisions, rules thereunder, or rules of Municipal Securities Rulemaking Board	Suspension or expulsion from the association, bar or suspension from association with member of association (1934 Act, § 19(h)(2)-(3))
<b>National securities exchange</b>	
Organization or rule not conforming to statutory requirements	Suspension of registration or limitation of activities, functions, or operations (1934 Act § 19(h)(1))
Violation of or inability to comply with 1934 Act, rules thereunder or its own rules, unjustified failure to enforce compliance with the foregoing by a member or person associated with a member	Suspension or revocation of registration, censure or limitation of activities, functions, or operations (1934 Act, § 19(h)(1))
<b>Member of national securities exchange, or associated persons</b>	
Being subject to Commission order pursuant to 1934 Act, § 15(b), willful violation of or effective transaction for other person with reason to believe that person was violating securities acts, provisions or rules, thereunder	Suspension or expulsion from exchange, bar or suspension from association with member (1934 Act, §§ 19(h)(2)-(3))
<b>Registered clearing agency</b>	
Violation of or inability to comply with 1934 Act, rules thereunder, or its own rules, failure to enforce compliance with its own rules by participants	Suspension or revocation of registration, censure or limitation of activities, functions, or operations (1934 Act, § 19(h)(1))
<b>Participant in registered clearing agency</b>	
Being subject to Commission order pursuant to 1934 Act, § 15(b)(4), willful violation of or effecting transaction for other person with reason to believe that person was violating provisions of clearing agency rules	Suspension or expulsion from clearing agency (1934 Act, § 19(h)(2))

Table 27—Continued  
**TYPES OF PROCEEDINGS**

ADMINISTRATIVE PROCEEDINGS	
Persons Subject to Acts Constituting, and Basis for, Enforcement Action	Sanction
<b>Securities information processor</b>	
Violation of or inability to comply with provisions of 1934 Act or rules thereunder	Censure or operational limitations, suspension or revocation of registration (1934 Act, § 11A(b)(6))
<b>Transfer agent</b>	
Willful violation of or inability to comply with 1934 Act, §§ 17 or 17A, or regulations thereunder	Censure or limitation of activities, denial, suspension, or revocation of registration (1934 Act, § 17A(c)(3))
<b>Any person</b>	
Willful violation of securities act provision or rule, aiding or abetting such violation, willful misstatement in filing with Commission	Temporary or permanent prohibition from serving in certain capacities for registered investment company (Investment Company Act, § 9(b))
<b>Officer or director of self-regulatory organization.</b>	
Willful violation of 1934 Act, rules thereunder, or the organization's own rules, willful abuse of authority or unjustified failure to enforce compliance	Removal from office or censure (1934 Act, § 19(h)(4))
<b>Principal of broker-dealer</b>	
Engaging in business as a broker-dealer after appointment of SIPC trustee	Bar or suspension from being or being associated with a broker-dealer (SIPA, §10(b))
<b>1933 Act registration statement</b>	
Statement materially inaccurate or incomplete	Stop order suspending effectiveness (1933 Act, § 8(d))
Investment company has not attained \$100,000 net worth 90 days after statement became effective	Stop order (Investment Company, Act, § 14(a))
<b>Persons subject to Sections 12, 13 or 15(d) of the 1934 Act and person associated with an issuer.</b>	
Failure to comply with such provisions or having caused such failure by an act of omission that one knew or should have known would contribute thereto	Order directing compliance or to take steps effecting compliance (1934 Act, § 15(c)(4))
<b>Securities Issue</b>	
Noncompliance by issuer with 1934 Act or rules thereunder	Denial, suspension of effective date, suspension or revocation of registration on national securities exchange (1934 Act, § 12(j))
Public interest requires trading suspension	Summary suspension of over-the-counter or exchange trading 1934 Act, § 12(k))
<b>Registered investment company</b>	
Failures to file Investment Company Act registration statement or required report, filing materially incomplete or misleading statement of report	Revocation of registration (Investment Company Act, § 8(e))
Company has not attained \$100,000 net worth 90 days after 1933 Act registration statement became effective	Revocation or suspension of registration (Investment Company Act, § 14(a))

Table 27—Continued  
**TYPES OF PROCEEDINGS**

ADMINISTRATIVE PROCEEDINGS	
Persons Subject to Acts Constituting, and Basis for, Enforcement Action	Sanction
<b>Attorney, accountant, or other professional or expert</b>	
Lack of requisite qualifications to represent others, lacking in character or integrity, unethical or improper professional conduct, willful violation of securities laws or rules, or aiding and abetting such violation	Permanent or temporary denial of privilege to appear or practice before the Commission (17 C FR § 201 2(e)(1))
Attorney suspended or disbarred by court, expert's license revoked or suspended, conviction of a felony or misdemeanor involving moral turpitude	Automatic suspension from appearance or practice before the Commission (17 C FR § 201 2(e)(2))
Permanent injunction against or finding of securities violation in Commission-instituted action finding of securities violation by Commission in administrative proceedings	Temporary suspension from appearance before Commission (17 C FR § 201 2(e)(3))
<b>Member of Municipal Securities Rulemaking Board</b>	
Willful violation of securities laws, rules thereunder, or rules of the Board	Censure or removal from office (1934 Act, § 15B(c)(8))
CIVIL PROCEEDINGS IN FEDERAL DISTRICT COURTS	
Persons Subject to, Acts Constituting, and Basis for, Enforcement Action	Sanction
<b>Any person</b>	
Engaging in or about to engage in acts or practices violating securities acts, rules or orders thereunder (including rules of a registered self-regulatory organization)	Injunction against acts or practices which constitute or would constitute violations (plus other equitable relief under court's general equity powers) (1933 Act, § 20(b), 1934 Act § 21(d), 1935 Act § 18(f), Investment Company Act, § 42(e), Advisers Act, § 209(e), Trust Indenture Act, § 321)
Noncompliance with provisions of the law, rule, or regulation under 1933, 1934, or Holding Company Act, order issued by Commission, rules of a registered self-regulatory organization, or undertaking in a registration statement	Writ of mandamus, injunction, or order directing compliance (1933 Act, § 20(c), 1934 Act, § 21(e), Holding Company Act § 18(g))
<b>Securities Investor Protection Corporation</b>	
Refusal to commit funds or act for the protection of customers	Order directing discharge or obligations or other appropriate relief (SIPA, § 7(b))
<b>National securities exchange or registered securities association</b>	
Noncompliance by its members and persons associated with its members with the 1934 Act, rules and orders thereunder, or rules of the exchange or association	Writ of mandamus, injunction or order directing such exchange or association to enforce compliance (1934 Act, § 21 (e))
<b>Registered clearing agency</b>	
Noncompliance by its participants with its own rules	Writ of mandamus, injunction or order directing clearing agency to enforce compliance (1934 Act, § 21 (e))
<b>Issuer subject to reporting requirements</b>	
Failure to file reports required under § 15(d) of 1934 Act	Forfeiture of \$100 per day (1934 Act, § 32 (b))

Table 27—Continued  
**TYPES OF PROCEEDINGS**

CIVIL PROCEEDINGS IN FEDERAL DISTRICT COURTS	
Persons Subject to Acts Constituting, and Basis for, Enforcement Action	Sanction
<b>Registered investment company or affiliate</b>	
Name of company or of security issued by it deceptive or misleading	Injunction against use of name (Investment Company Act, § 35(d))
<b>Officer, director, member of advisory board, adviser, depositor, or underwriter of investment company.</b>	
Engage in act or practice constituting breach of fiduciary duty involving personal misconduct	Injunction against acting in certain capacities for investment company, and other appropriate relief (Investment Company Act, § 36(a))
<b>Any person having fiduciary duty respecting receipt of compensation from investment company.</b>	
Breach of fiduciary duty	Injunction (Investment Company Act, § 36(a))
III CRIMINAL PROSECUTION BY DEPARTMENT OF JUSTICE	
Basis for Enforcement Action	Sanction or Relief
<b>Any person</b>	
Willful violation of securities acts or rules thereunder or willful misstatement in any document required to be filed by securities laws and rules or by self-regulatory organization in connection with an application for membership, participation or to become associated with a member thereof	Maximum penalties \$100,000 fine and 5 years imprisonment, an exchange may be fined up to \$500,000, a public-utility holding company up to \$200,000 (1933 Act, §§ 30(b), 24, 1934 Act, §§ 21(d), 32(a), Holding Company Act, §§ 18(f), 29, 1939 Act, § 325, Investment Company Act, §§ 42(e), 49, Advisers Act, §§ 209(e), 217)
<b>Any issuer which violates § 30A(a) of the 1934 Act (foreign corrupt practices)</b>	Maximum penalty \$1,000,000 fine (1934 Act, § 32(c)(1))
Any officer or director of an issuer, of any stockholder acting on behalf of such issuer who willfully violates § 30A(a) of the 1934 Act	Maximum penalty \$10,000 fine and 5 years imprisonment (1934 Act, § 32(c)(2))
Any employee or agent (subject to the Jurisdiction of the United States) of an issuer found to have violated § 30A(a) of the 1934 Act, who willfully carried out the act or practice constituting such violation	Maximum penalty \$10,000 fine and 5 years imprisonment (1934 Act, § 32(c)(3))

\*Statutory references are as follows "1933 Act", the Securities Act of 1933, "1934 Act", the Securities Exchange Act of 1934, "Investment Company Act", The Investment Company Act of 1940, "Advisers Act", the Investment Advisers Act of 1940, "Holding Company Act", the Public Utility Holding Company Act of 1935, "Trust Indenture Act", the Trust Indenture Act of 1939, and "SIPA", the Securities Investor Protection Act of 1970



Table 28

**NATIONWIDE ENFORCEMENT PROGRAM  
ENFORCEMENT CASES INITIATED BY THE COMMISSION  
DURING FISCAL YEAR 1984 IN VARIOUS PROGRAM AREAS**

(Each case initiated has been included in only one category listed below, even though many cases involved multiple allegations and may fall under more than one category)

Program Area in Which Civil Action, Administrative Proceeding, or 21(a) Report Was Initiated	Civil Actions <sup>1 2</sup>	Administrative Proceedings <sup>1</sup>	21(a) Reports <sup>1</sup>	Total <sup>1</sup>	% of Total Cases
<i>Securities Offering Cases</i>					
(a) Non-regulated Entity	43 (167)	4 (7)	1 (2)	48 (176)	
(b) Regulated Entity	<u>8 (42)</u>	<u>9 (16)</u>	<u>          </u>	<u>17 (58)</u>	
Total Securities Offering Cases	<u>51 (209)</u>	<u>13 (23)</u>	<u>1 (2)</u>	<u>65 (234)</u>	22%
<i>Broker-Dealer Cases</i>					
(a) Backoffice	10 (13)	12 (28)		22 (41)	
(b) Fraud against customer	6 (40)	25 (51)		31 (93)	
(c) Other	<u>1 (2)</u>	<u>1 (21)</u>	<u>          </u>	<u>12 (23)</u>	
Total Broker-Dealer Cases	<u>17 (55)</u>	<u>48 (102)</u>	<u>          </u>	<u>65 (157)</u>	22%
<i>Issuer Financial Statement and Reporting Cases</i>					
(a) Issuer Financial Disclosure	16 (52)	14 (22)		30 (74)	
(b) Issuer Reporting Other	<u>3 (4)</u>	<u>3 (3)</u>	<u>          </u>	<u>6 (7)</u>	
Total Issuer Financial Statement and Reporting Cases	<u>19 (56)</u>	<u>17 (25)</u>	<u>          </u>	<u>36 (81)</u>	12%
<i>Other Regulated Entity Cases</i>					
(a) Investment Advisers	12 (38)	16 (35)		28 (73)	
(b) Investment Companies	2 (2)	3 (5)	1 (2)	6 (9)	
(c) Transfer Agents	<u>          </u>	<u>1 (1)</u>	<u>          </u>	<u>1 (1)</u>	
Total Other Regulated Entity Cases	<u>14 (40)</u>	<u>20 (41)</u>	<u>1 (2)</u>	<u>35 (83)</u>	12%
<i>Insider Trading Cases</i>	<u>9 (30)</u>	<u>4 (6)</u>	<u>          </u>	<u>13 (36)</u>	4%
<i>Market Manipulation Cases</i>	9 (33)	3 (5)		12 (38)	4%
<i>Corporate Control Violations</i>	9 (15)	2 (11)		11 (26)	4%
<i>Fraud Against Regulated Entity</i>	4 (16)	7 (8)		11 (24)	4%
<i>Contempt Proceedings (including civil and criminal cases)</i>	4 (8)			4 (8)	1%
<i>Related Party Transactions</i>	1 (7)			1 (7)	1%
SUBTOTALS	<u>137 (469)</u>	<u>114 (221)</u>	<u>2 (4)</u>	<u>253 (694)</u>	
<i>Delinquent Filings Issuer Reporting</i>	15 (16)			15 (16)	5%
<i>Delinquent Filings Forms 3 &amp; 4</i>	31 (31)			31 (31)	10%
GRANDTOTALS	<u>183 (516)</u>	<u>114 (221)</u>	<u>2 (4)</u>	<u>299 (741)</u>	101% <sup>3</sup>

<sup>1</sup>The number of defendants, respondents or subjects is noted parenthetically

<sup>2</sup>This category includes injunctive actions, court orders obtained pursuant to Section 21(e) of the Exchange Act, and civil and criminal contempt proceedings

<sup>3</sup>Percentages total more than 100% due to rounding of figures

Table 29  
**INVESTIGATIONS OF POSSIBLE VIOLATIONS OF THE ACTS  
ADMINISTERED BY THE COMMISSION**

Pending as of October 1, 1983	754
Opened in fiscal year 1984	341
Total	1,095
Closed in fiscal year 1984	345
Pending as of September 30, 1984	750

During the fiscal year ending September 30, 1984, 117 Formal Orders of Investigation were issued by the Commission upon recommendation of the Division of Enforcement.

Table 30  
**ADMINISTRATIVE PROCEEDINGS INSTITUTED DURING FISCAL YEAR  
ENDING SEPTEMBER 30, 1983**

Broker-Dealer Proceedings	71
Investment Adviser, Investment Company and Transfer Agent Proceedings	20
Stop Order and Regulation A Proceedings	6
Rule 2(e) Proceedings	12
Disclosure Proceedings (Section 15(c)(4) of the Exchange Act)	5
Total Proceedings in fiscal year 1984	114

Table 31  
**INJUNCTIVE ACTIONS**

Fiscal Year	Actions Initiated	Defendants Named
1974	148	613
1975	174	749
1976	158	722
1977	166	715
1978	135	607
1979	108	511
1980	103	387
1981	115	398
1982	136	418
1983	151	416
1984	179	508

### Trading Suspensions

During fiscal year 1984, the Commission suspended trading in the securities of 4 companies. This compares with 11 in fiscal year 1983. In most instances, the trading suspension was ordered either

because of substantial questions as to the adequacy, accuracy or availability of public information concerning the company's financial condition or business operations, or because transactions in the company's securities suggested possible manipulation or other violations.

## Foreign Restricted List

The Securities and Exchange Commission maintains and publishes a Foreign Restricted List which is designed to put broker-dealers, financial institutions, investors and others on notice of possible unlawful distributions of foreign securities in the United States. The list consists of names of foreign companies whose securities the Commission has reason to believe have been, or are being offered for public sale in the United States in possible violation of the registration requirement of Section 5 of the Securities Act of 1933. The offer and sale of unregistered securities deprives investors of all the protections afforded by the Securities Act of 1933, including the right to receive a prospectus containing the information required by the Act for the purpose of enabling the investor to determine whether the investment is suitable for him. While most broker-dealers refuse to effect transactions in securities issued by companies on the Foreign Restricted List, this does not necessarily prevent promoters from illegally offering such securities directly to investors in the United States by mail, by telephone, and sometimes by personal solicitation. The following foreign corporations and other foreign entities comprise the Foreign Restricted List.

1. Aguacate Consolidated Mines, Incorporated (Costa Rica)
2. Alan MacTavish, Ltd. (England)
3. Allegheny Mining and Exploration Company, Ltd. (Canada)
4. Allied Fund for Capital Appreciation (AFCA, S.A.) (Panama)
5. Amalgamated Rare Earth Mines, Ltd. (Canada)
6. American Industrial Research S.A., also known as Investigation Industrial Americana, S.A. (Mexico)
7. American International Mining (Bahamas)
8. American Mobile Telephone and Tape Co., Ltd (Canada)
9. Antel International Corporation, Ltd. (Canada)
10. Antoine Silver Mines, Ltd. (Canada)
11. ASCA Enterprisers Limited (Hong Kong)
12. Atholl Brose (Exports) Ltd. (England)
13. Atholl Brose Ltd. (England)
14. Atlantic and Pacific Bank and Trust Co., Ltd. (Bahamas)
15. Bank of Sark (Sark, Channel Islands, U.K.)
16. Briar Court Mines, Ltd. (Canada)
17. British Overseas Mutual Fund Corporation Ltd. (Canada)
18. California & Caracas Mining Corp., Ltd. (Canada)
19. Caprimex, Inc. (Grand Cayman, British West Indies)
20. Canterra Development Corporation, Ltd. (Canada)
21. Cardwell Oil Corporation, Ltd. (Canada)
22. Caribbean Empire Company, Ltd. (British Honduras)
23. Caye Chapel Club, Ltd. (British Honduras)
24. Central and Southern Industries Corp. (Panama)
25. Cerro Azul Coffee Plantation (Panama)
26. Cia. Rio Banano, S.A. (Costa Rica)
27. City Bank A.S. (Denmark)
28. Claw Lake Molybdenum Mines, Ltd. (Canada)
29. Claravella Corporation (Costa Rica)
30. Compressed Air Corporation, Limited (Bahamas)
31. Continental and Southern Industries, S.A. (Panama)
32. Crossroads Corporation, S.A. (Panama)
33. Darien Exploration Company, S.A. (Panama)
34. Derkglen, Ltd. (England)
35. De Veers Consolidated Mining Corporation, S.A. (Panama)
36. Doncannon Spirits, Ltd. (Bahamas)
37. Durman, Ltd. Formerly known as Bankers International Investment Corporation (Bahamas)
38. Empresa Minera Caudalosa de Panama, S.A. (Panama)
39. Ethel Copper Mines, Ltd. (Canada)

40. Euroforeign Banking Corporation, Ltd. (Panama)
41. Finansbanker a/s (Denmark)
42. First Liberty Fund, Ltd. (Bahamas)
43. General Mining S.A. (Canada)
44. Global Explorations, Inc. (Panama)
45. Global Insurance Company, Limited (British West Indies)
46. Globus Anlage-Vermittlungsgesellschaft MBH (Germany)
47. Golden Age Mines, Ltd. (Canada)
48. Hebilla Mining Corporation (Costa Rica)
49. Hemisphere Land Corporation Limited (Bahamas)
50. Henry Ost & Son, Ltd. (England)
51. Intercontinental Technologies Corp. (Canada)
52. International Communications Corporation (British West Indies)
53. International Monetary Exchange (Panama)
54. International Trade Development of Costa Rica, S.A.
55. Ironco Mining & Smelting Company, Ltd. (Canada)
56. James G. Allan & Sons (Scotland)
57. Jojoba Oil & Seed Industries S.A. (Costa Rica)
58. Jupiter Explorations, Ltd. (Canada)
59. Kenilworth Mines, Ltd. (Canada)
60. Klondike Yukon Mining Company (Canada)
61. KoKanee Moly Mines, Ltd. (Canada)
62. Land Sales Corporation (Canada)
63. Los Dos Hermanos, S.A. (Spain)
64. Lynbar Mining Corp., Ltd. (Canada)
65. Massive Energy Ltd. (Canada)
66. Mercantile Bank and Trust & Co., Ltd. (Cayman Island)
67. J. P. Morgan & Company, Ltd., of London, England (not to be confused with J. P. Morgan & Co., Incorporated, New York)
68. Norart Minerals Limited (Canada)
69. Normandie Trust Company, S.A. (Panama)
70. Northern Survey (Canada)
71. Northern Trust Company, S.A. (Switzerland)
72. Northland Minerals, Ltd. (Canada)
73. Obsco Corporation, Ltd. (Canada)
74. Pacific Northwest Developments, Ltd. (Canada)
75. Pan-Alaska Resources, S.A. (Panama)
76. Panamerican Bank & Trust Company (Panama)
77. Pascar Oils Ltd. (Canada)
78. Paulpic Gold Mines, Ltd. (Canada)
79. Pyrotex Mining and Exploration Co., Ltd. (Canada)
80. Radio Hill Mines Co., Ltd. (Canada)
81. Rancho San Rafael, S.A. (Costa Rica)
82. Rodney Gold Mines Limited (Canada)
83. Royal Greyhound and Turf Holdings Limited (South Africa)
84. S. A. Valles & Co., Inc. (Philippines)
85. San Salvador Savings & Loan Co., Ltd. (Bahamas)
86. Santack Mines Limited (Canada)
87. Security Capital Fiscal & Guaranty Corporation S.A. (Panama)
88. Silver Stack Mines, Ltd. (Canada)
89. Societe Anonyme de Refinancement (Switzerland)
90. Strathmore Distillery Company, Ltd. (Scotland)
91. Strathross Blending Company Limited (England)
92. Swiss Caribbean Development & Finance Corporation (Switzerland)
93. Tam O'Shanter, Ltd. (Switzerland)
94. Timberland (Canada)
95. Trans-American Investments, Limited (Canada)
96. Trihope Resources, Ltd. (West Indies)
97. Trust Company of Jamaica, Ltd. (West Indies)
98. United Mining and Milling Corporation (Bahamas)
99. Unitrust Limited (Ireland)
100. Vacationland (Canada)
101. Valores de Inversion, S.A. (Mexico)
102. Victoria Oriente, Inc. (Panama)
103. Warden Walker Worldwide Investment Co. (England)
104. Wee Gee Uranium Mines, Ltd. (Canada)
105. Western International Explorations, Ltd. (Bahamas)
106. Yukon Wolverine Mining Company (Canada)

## Right to Financial Privacy

Section 21(h)(6) of the Securities Exchange Act of 1934 [15 U.S.C. 78u(h)(6)] requires that the Commission “compile an annual tabulation of the occasions on which the Commission used each separate subparagraph or clause of [Section 21(h)(2)] or the provisions of the Right to Financial Privacy Act of 1978 [12 U.S.C. 3401-22 (the “RFPA”)] to obtain access to financial records of a customer and include it in its annual report to the Congress.” During the fiscal year, the Commission successfully made five applications to courts for an order pursuant to the subparagraphs and clauses of Section 21(h)(2) to obtain access to financial

records of a customer. In this application, the provisions of Subsections 21(h)(2)(A)(iv), (A)(v), (B), and (D)(ii) were relied upon. The table below sets forth the number of occasions upon which the Commission obtained access to the financial records of a customer using the procedures provided by: (i) Section 1104 of the RFPA [12 U.S.C. 3404], applicable to customer authorizations, (ii) Section 1105 of the RFPA [12 U.S.C. 3405], applicable to administrative subpoenas; and (iii) Section 1107 of the RFPA [12 U.S.C. 3407], applicable to judicial subpoenas.

Section 1104	Section 1105	Section 1107
1	310	31

# PUBLIC UTILITY HOLDING COMPANIES

## System Companies

At fiscal year 1984, there were 13 holding companies registered under the Public Utility Holding Company Act of 1935 of

which 12 are "active." In the 13 registered systems, there were 63 electric and/or gas utility subsidiaries, 74 non-utility subsidiaries, and 20 inactive companies, or a total of 172 system companies including the top parent and subholding companies. The following table lists the active systems.

Table 32  
PUBLIC UTILITY HOLDING COMPANY SYSTEMS

	Solely Registered Holding Companies	Registered Holding Operating Companies	Electric and/or Gas Utility Subsidiaries	Nonutility Subsidiaries	Inactive Companies	Total Companies	Other
Allegheny Power System (APS)	1	1 <sup>d</sup>	3	1	3	9	2 <sup>a</sup>
American Electric Power Company (AEP)	1	0	12	14	5	32	2 <sup>a</sup>
Central and South West Corporation (CSW)	1	1 <sup>d</sup>	3	6	1	12	1 <sup>b</sup>
Columbia Gas System (CGS)	1	0	9	17	0	27	0
Consolidated Natural Gas Company (CNG)	1	0	4	10	0	15	0
Eastern Utilities Associates (EUA)	1	0	3	1	0	5	4 <sup>c</sup>
General Public Utilities (GPU)	1	0	6	2	1	10	0
Middle South Utilities (MSU)	1	0	6	3	3	13	1 <sup>b</sup>
National Fuel Gas Company (NFG)	1	0	1	5	0	7	0
New England Electric System (NEES)	1	0	5	5	0	11	4 <sup>c</sup>
Northeast Utilities (NEU)	1	0	5	5	6	17	4 <sup>c</sup>
Philadelphia Electric Power Company (PEP)	0	1	1	0	1	3	0
Southern Company (SC)	1	0	5	5	0	11	0
<b>Total Companies</b>	<b>12</b>	<b>3</b>	<b>63<sup>d</sup></b>	<b>74</b>	<b>20</b>	<b>172</b>	<b>18</b>

<sup>a</sup>Ohio Valley Elec Corp & Subs

Indiana-Kentucky Elec Corp electric utility  
37 8% AEP  
12 5% APS  
49 7% Other Companies

<sup>b</sup>Arkahoma Corp

32% CSW  
34% MSU  
34% Oklahoma Gas & Elec

<sup>c</sup>Yankee Atomic Electric Co

30% NEES, 31 5% NEU,  
4 5% EUA

Connecticut Yankee Atomic Power Co 15% NEES, 44% NEU,  
4 5% EUA

<sup>d</sup>West Penn Power Co in APS and Southwestern Electric Power Co in CSW are both electric utilities and holding companies

Vermont Yankee Nuclear Power Corp 20% NEES, 12% NEU  
1 2% EUA

Maine Yankee Atomic Power Co 20% NEES, 15% NEU, 4% EUA

Statutory utility subsidiaries

Table 33

**KEY FINANCIAL STATISTICS OF REGISTERED PUBLIC UTILITY  
HOLDING COMPANY SYSTEMS**

Name of Company	As of June 30, 1984 (000 omitted)	
	Total Assets	Operating Revenues
Allegheny Power System	\$ 3,605,510	\$ 1,724,926
American Electric Power Company, Inc	13,136,247	4,794,092
Central and South West Corporation	5,979,371	2,761,090
Columbia Gas System, Inc	4,618,003	5,168,705
Consolidated Natural Gas Company	3,393,959	3,638,358
Eastern Utilities Associates	631,266	342,247
General Public Utilities Corp	6,079,915	2,602,883
Middle South Utilities, Inc	11,561,377	3,090,979
National Fuel Gas Company	968,786	1,097,544
New England Electric System	3,364,985	1,467,155
Northeast Utilities	5,185,675	2,026,870
Philadelphia Electric Power Company	62,563	10,907
Southern Company, The	14,077,699	5,873,596
	<b>Total = \$72,665,356</b>	<b>\$34,599,352</b>

Table 34

**PUBLIC FINANCING OF HOLDING COMPANY SYSTEMS  
FISCAL YEAR 1984**

	Bonds	Long-Term Notes and/or Debentures	Pollution Control Financings	Preferred	Stock	Common	Short Term Debt
Allegheny Power System							\$330,000,000
Monongahela Power Company							64,000,000
Potomac Edison Company							35,000,000
West Penn Power Company							110,000,000
American Electric Power Company, Inc		\$ 30,000,000					165,000,000
Appalachian Power Company							160,000,000
Columbus & Southern Ohio Company	\$ 80,000,000						135,000,000
Indiana Michigan Electric Company							50,000,000
Kentucky Power							3,500,000
Kingsport Power							6,000,000
Michigan Power Company							
Central and Southwest Corporation							
Central Power and Light Company		300,000,000	\$215,300,000				
Public Service of Oklahoma			23,200,000				
Southwestern Electric Power Company		175,000,000	81,700,000	\$ 40,000,000			
West Texas Utilities	25,000,000		46,500,000				
Columbia Gas System, Inc., The							525,000,000
Consolidated Natural Gas Company							350,000,000
Eastern Utilities Associates						\$ 17,000,000	
Blackstone Valley Electric Company							5,000,000
Eastern Edison Company							10,000,000
Montaup Electric Company							30,000,000
General Public Utilities Corporation		28,000,000					
GPU Service Corporation							
Middle South Utilities, Inc						214,000,000	
Arkansas Power and Light Company		125,000,000	115,000,000				
Louisiana Power and Light Company	100,000,000			50,000,000			
Mississippi Power and Light Company		73,000,000					
New Orleans Public Service, Inc		45,000,000					
Middle South Energy, The		75,000,000	76,600,000				225,000,000
Middle South Services, The		60,000,000					
System Fuels, Inc							



Table 34—Continued  
**PUBLIC FINANCING OF HOLDING COMPANY SYSTEMS**  
**FISCAL YEAR 1984**

	Bonds	Long-Term Notes and/or Debentures	Pollution Control Financings	Preferred	Stock Common	Short Term Debt
National Fuel Gas Company	50,000,000	341,000,000				109,600,000
Renn York		20,000,000				
Seneca Resources Corporation		150,000,000				
National Fuel Gas Distribution		125,000,000				
National Fuel Gas Supply						
New England Electric System		5,000,000				25,000,000
Granite State Electric Company						7,000,000
Massachusetts Electric Company, The						15,000,000
Narragansett Electric Co., The						32,000,000
New England Power Company	20,000,000	20,700,000				195,000,000
New England Power Service Co						3,500,000
Northeast Utilities					25,000,000	100,000,000
Connecticut Light and Power	75,000,000	110,000,000	80,000,000	50,000,000		350,000,000
Holyoke Water Company			15,000,000			15,000,000
Western Mass Electric Corporation	50,000,000		20,000,000			100,000,000
Northeast Nuclear Energy Company						35,000,000
Southern Company, The						100,000,000
Alabama Power Company						210,000,000
Georgia Power Company						700,000,000
Gulf Power Company	150,000,000		690,000,000			70,000,000
Mississippi Power Company		30,000,000	50,000,000			35,000,000
Southern Electric Generating Company		30,000,000				
Southern Company Services, Inc						
Maine Yankee Atomic Power Company		40,500,000				
Vermont Yankee Atomic Power Company		50,000,000				
Yankee Atomic Electric Company						
<b>Total</b>	<b>\$550,000,000</b>	<b>\$1,833,200,000</b>	<b>\$1,413,300,000</b>	<b>\$140,000,000</b>	<b>\$256,000,000</b>	<b>\$4,317,600,000</b>

Total = \$8.510 billion

Table 35

**SUBSIDIARY SERVICE COMPANIES OF PUBLIC UTILITY HOLDING COMPANY SYSTEMS  
AS OF DECEMBER 31, 1983**

(In Millions)

Name of Service Company	Total Billings	Total Assets	Total Personnel	Number of Operating Utilities Served
Allegheny Power Service Corporation	\$ 39.4	\$ 3.2	706	3
American Electric Power Service Corp	140.0	181.2	2,319	12
Central and South West Service, Inc	32.4	18.6	362	5
Columbia Gas System Service Corp	53.5	20.5	729	9
Consolidated Natural Gas Service Corp	35.3	12.5	369	5
EUA Service Corporation	15.7	2.2	321	3
GPU Service Corporation	53.9	31.5	761	3
GPU Nuclear Corporation	296.1	37.4	2,618	3
Middle South Services, Inc	72.0	119.9	1,039	5
New England Power Service Co	79.8	10.1	1,555	7
Northeast Utilities Service Co	192.6	71.4	3,190	5
Southern Company Services, Inc	213.6	130.2	3,178	5
<b>Total</b>	<b>\$1,224.3</b>	<b>\$630.7</b>	<b>17,147</b>	<b>65</b>

Table 36  
**FUEL PROGRAM EXPENDITURES OF HOLDING COMPANY SYSTEMS**  
 (Fiscal 1984)

(In millions of dollars)

	Gas and/or Oil Exploration and Financing	Fuel Oil Inventory	Coal, Lignite Exploration & Development	Coal Mining Expansion	Uranium Exploration	Nuclear Fuel Procurement	Transportation & Storage
	\$	\$	\$	\$	\$	\$	\$
American Electric Power Co	26 4			35 0			
Central & South West Co	72 5		95 2				
Columbia Gas System, Inc	289 0		2 0				
Consolidated Natural Gas Co	8 9			1 2	7	58 7	10 4
Middle South Utilities	10 0						
National Fuel Gas System	132 0						
New England Electric System							
Northeast Utilities							
Southern Company							
	\$368		\$97 2	\$36 2	\$ 7	\$56 7	\$10 4

Total = \$740.0 million

Table 37  
**FUEL PROGRAM EXPENDITURES OF HOLDING COMPANY SYSTEMS**  
 (Fiscal 1971—Fiscal 1984)  
 (In Millions of Dollars)

Fiscal year expenditures	1984	1983	1982	1981	1980	1979	1978	1977	1971-1976	Total fourteen year period
	\$ 740.0 million	\$ 823.4 million	\$1,550.0 million	\$1,030.0 million	\$ 597.9 million	\$ 460.6 million	\$ 184.0 million	\$ 342.0 million	\$1,586.0 million (average per year = \$264.3 million)	\$ 7.3 billion (average per year = \$522.4 million)
Approximate Holding Company Systems Expenditures 1971-1984 Breakdown										
Name of Holding Company	Gas and/or Oil Exploration and Financing	Fuel Oil Inventory	Coal, Lignite Exploration & Development	Coal Mining Expansion	Uranium Exploration	Nuclear Fuel Procurement	Fuel Transportation and Storage	Coal Gasification		
American Electric Power Co	\$ -	\$ -	\$515.0 (E)	\$674.1 (E)	\$ -	\$ 91.0	\$ 60.3	\$ -		
Central & South West Co	461.4	-	222.7	1.1	6.6	-	82.8	-		
Columbia Gas System, Inc	997.7 (E)	-	-	-	-	-	-	25.0		
Consolidated Natural Gas Co	961.9 (E)	-	2.0	-	-	-	-	13.0		
General Public Utilities	-	-	35.0	-	-	-	-	-		
Middle South Utilities	467.6	364.9	23.9	83.0	35.6	810.1	246.4	-		
National Fuel Gas System	135.1	-	-	-	-	-	44.3	-		
New England Electric System	615.2	-	-	-	-	-	80.0	-		
Northeast Utilities	-	-	-	-	-	116.0	-	-		
Southern Company	-	-	-	-	-	60.0	46.1	-		
Total 1971-1984 by program =	\$3,658.9	\$364.9	\$796.6	\$758.2	\$42.2	\$1,063.1	\$559.9	\$36.0		
Total 1971-1984 = \$7.3 billion										

(E) Estimated

## CORPORATE REORGANIZATIONS

During the fiscal year the Commission entered its appearance in 33 reorganization cases filed under Chapter 11 of the Bankruptcy Code involving companies with aggregate stated assets of about \$13.2 billion and close to 150,000 public investors. Including these new cases, the Commission was a party in a total of 84 Chapter 11 cases during the fiscal year. In these cases the stated assets totalled ap-

proximately \$26.6 billion, and about 600,000 public investors were involved. During the fiscal year, 20 cases were concluded through confirmation of a plan of reorganization or liquidation, leaving 64 cases in which the Commission was a party at year-end.

The Commission also continued its participation in pending reorganization cases under Chapter X of the prior Bankruptcy Act. During the fiscal year, 24 Chapter X cases were closed, leaving at year-end 13 open Chapter X cases

Table 38

### REORGANIZATION PROCEEDINGS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE IN WHICH COMMISSION ENTERED APPEARANCE

Debtor	District Court	Fiscal Year Filed	Fiscal Year Closed
AIA Industries, Inc	E D PA	1984	
Air Florida System, Inc	S D FL	1984	
Airlift International, Inc	S D FL	1981	
AM International	N D IL	1982	
Amarex Inc	W D OK	1983	
Anglo Energy, Ltd	S D NY	1984	
Atlas Mortgage Loan Co <sup>4</sup>	E D CA	1982	1984
Baldwin United Corp	S D OH	1984	
Bear Lake West, Inc <sup>4</sup>	D ID	1982	
Braniff International Corp <sup>1</sup>	N D TX	1982	1984
Briggs Transportation	D MN	1983	
Bullion Reserve of N A <sup>1 4</sup>	C D CA	1984	1984
Charter Co	M D FL	1984	
Christian Life Center <sup>1 4</sup>	N D CA	1980	1984
Colonial Discount Corp <sup>1 4</sup>	S D IN	1982	
Combustion Equipment Associates, Inc <sup>1</sup>	S D NY	1981	1984
Commonwealth Oil Refining Co., Inc	W D TX	1984	
Computer Communications, Inc	C D CA	1981	
Computer Devices, Inc	D MA	1984	
Consolidated Packaging Corp	N D IL	1984	
Continental Airlines Corp	S D TX	1984	
Dreco Energy Service Ltd	S D TX	1982	
Emons Industries, Inc	S D NY	1984	
Empire Oil & Gas Co	D CO	1982	
Enterprise Technologies, Inc	S D TX	1984	
Fidelity America Financial Corp <sup>4</sup>	E D PA	1981	
Flight Transportation Corp	D MN	1983	
General Resources Corp	N D GA	1980	
Geophysical Systems Corp.	C D CA	1983	1984
Goldblatt Brothers, Inc <sup>1</sup>	N D IL	1981	1984
Grove Finance Company <sup>4</sup>	D UT	1981	
Hardwick Cos., Inc	S D NY	1984	
Haven Properties, Inc <sup>4</sup>	D OR	1981	
Horizon Hospital, Inc <sup>1 4</sup>	M D FL	1981	1984
HRT Industries, Inc <sup>1</sup>	S D NY	1983	1984
ICX, Inc	D CO	1984	
Information Displays, Inc	S D NY	1984	
Internat'l Inst of App Tech., Inc	D DC	1983	
Interstate Motor Freight Systems	W D MI	1984	
Itel Corporation	N D CA	1981	1984

Table 38—Continued

**REORGANIZATION PROCEEDINGS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE  
IN WHICH COMMISSION ENTERED APPEARANCE**

Debtor	District Court	Fiscal Year Filed	Fiscal Year Closed
KDT Industries, Inc. <sup>1</sup>	S.D. NY	1982	1984
Robert C. LaBine/Pro Assoc. <sup>4</sup>	E.D. MI	1983	
Leisure Time Products, Inc. <sup>1</sup>	N.D. IN	1982	1984
Lewis Energy Corp. <sup>1</sup>	D. CO	1982	1984
The Lionel Corp.	S.D. NY	1982	
Manoa Finance Co., Inc. <sup>4</sup>	D. HA	1983	
Mansfield Tire & Rubber Co.	N.D. OH	1980	
Manville Corp.	S.D. NY	1982	
Manon Corp.	S.D. AL	1983	
Midwestern Companies, Inc.	W.D. MO	1984	
North American Coin & Cur. <sup>1, 4</sup>	D. AZ	1983	1984
North Atlantic Airlines, Inc. <sup>4</sup>	D. VT	1984	
Nucorp Energy Inc.	S.D. CA	1982	
Osborne Computer Corp. <sup>4</sup>	N.D. CA	1984	1984
Pacific Express Holding, Inc.	E.D. CA	1984	
Park Nursing Center. <sup>4</sup>	E.D. MI	1980	1984
Pizza Time Theatre, Inc.	N.D. CA	1984	
Rath Packing Co.	N.D. IA	1984	
Revere Copper & Brass Inc.	S.D. NY	1983	
Ronco Teleproducts, Inc.	N.D. IL	1984	
Sambo's Restaurants, Inc.	C.D. CA	1982	
Saxon Industries, Inc.	S.D. NY	1982	
Seatrains Lines, Inc.	S.D. NY	1981	
Shelter Resources Corp.	N.D. OH	1982	
South Atlantic Financial Corp.	S.D. FL	1983	
Southern Industrial Banking Corp. <sup>4</sup>	E.D. TN	1983	
Standard Metals Corp.	D. CO	1984	
Stewart Energy Systems <sup>4</sup>	D. ID	1982	
Taco Eds, Inc. <sup>4</sup>	N.D. OH	1984	
Taurus Oil Corp.	D. CO	1984	
Texas General Resources, Inc.	S.D. TX	1983	
Tomlinson Oil Co., Inc.	S.D. NY	1984	
UNR Industries	N.D. IL	1982	1984
Victor Technologies, Inc.	N.D. CA	1984	
Visa Energy Corp.	D. CO	1984	
White Motor Corp. <sup>1</sup>	N.D. OH	1980	1984
Wicks Companies	C.D. CA	1982	
Winor Drilling Inc. <sup>1</sup>	S.D. IL	1982	1984
Wilson Foods Corp. <sup>1</sup>	W.D. OK	1983	1984
Woods Communication Corp.	E.D. MI	1984	
Xonics, Inc.	N.D. IL	1984	

<sup>1</sup>Plan of reorganization confirmed<sup>2</sup>Debtor liquidated under Chapter 7<sup>3</sup>Chapter 11 case dismissed<sup>4</sup>Debtor's securities not registered under Section 12(g) of the Exchange Act<sup>5</sup>As a result of confirmation of plan debtor has become a reporting company under Section 12(g)

Table 39

**PENDING REORGANIZATION PROCEEDINGS UNDER CHAPTER X OF THE  
BANKRUPTCY ACT IN WHICH THE COMMISSION PARTICIPATED**

Fiscal Year 1984

Debtor	District Court	Petition Filed	SEC Notice of Appearance Filed
Aldersgate Foundation, Inc <sup>2</sup>	M D FL	Sept 12, 1974	Oct 3, 1974
Bankers Trust Co <sup>2</sup>	S D MS	Dec 16, 1976	April 5, 1977
Beverly Hills Bancorp	C D CA	April 11, 1974	May 14, 1974
Brethren's Home, The <sup>1</sup>	S D OH	Nov 23, 1977	Dec 27, 1977
Bubble up Delaware, Inc	C D CA	Aug 31, 1970	Oct 19, 1970
Citizens Mortgage Investment Trust <sup>1</sup>	D MA	Oct 5, 1978	Nov 1, 1978
Continental Investment Corp <sup>2</sup>	D MA	Oct 31, 1978	Oct 31, 1978
Continental Mortgage Investors <sup>1</sup>	D MA	Oct 21, 1976	Oct 21, 1976
Diversified Mountaineer Corp <sup>2</sup>	S D WV	Feb 8, 1974	April 24, 1974
First Baptist Church, Inc of Margate, Fla <sup>1</sup>	S D FL	Sept 10, 1973	Oct 1, 1973
GEBCO Investment Corp <sup>1</sup>	WD PA	Feb 8, 1977	March 24, 1977
Guaranty Trust Co <sup>1</sup>	WD OK	April 9, 1979	April 9, 1979
Gulfico Investment Corp	WD OK	March 22, 1974	March 28, 1974
Harmony Loan, Inc <sup>1</sup>	E D KY	Jan 31, 1973	Jan 31, 1973
Hawaii Corp <sup>2</sup>	D HI	March 17, 1977	March 17, 1977
Home-Stake Production Co <sup>1</sup>	N D OK	Sept 20, 1973	Oct 2, 1973
King Resources Co <sup>1</sup>	D CO	Aug 16, 1971	Oct 19, 1971
Lake Winnebago Development Co , Inc	WD MO	Oct 14, 1970	Oct 26, 1970
Lusk Corp <sup>1</sup>	D AR	Oct 28, 1965	Nov 15, 1965
Mount Everest Corp <sup>1</sup>	E D PA	May 29, 1974	June 28, 1974
National Telephone Co , Inc <sup>1</sup>	D CT	July 10, 1975	May 27, 1976
North American Acceptance Corp <sup>1</sup>	N D GA	March 5, 1974	March 28, 1974
Omega-Alpha, Inc <sup>1</sup>	N D TX	Jan 10, 1975	Jan 10, 1975
Pan American Financial Corp <sup>2</sup>	D HI	Oct 2, 1972	Jan 9, 1973
Pocono Downs, Inc <sup>1</sup>	M D PA	Aug 20, 1975	Aug 20, 1975
John Rich Enterprises, Inc <sup>1</sup>	D UT	Jan 16, 1970	Feb 6, 1970
Reliance Industries, Inc	D HI	May 24, 1976	Aug 10, 1976
Royal Inns of America, Inc <sup>1</sup>	S D CA	April 24, 1975	June 24, 1975
Sierra Trading Corp <sup>1</sup>	D CO	July 7, 1970	July 22, 1970
Stanndco Developers, Inc <sup>1</sup>	WD NY	Feb 5, 1974	March 7, 1974
Sunset International Petroleum Corp <sup>1</sup>	N D TX	May 27, 1970	June 10, 1970
TMT Trailer Ferry, Inc <sup>2</sup>	S D FL	June 27, 1957	Nov 22, 1957
U S Financial, Inc <sup>1</sup>	S D CA	Sept 23, 1975	Nov 3, 1975
Washington Group, Inc <sup>2</sup>	M D NC	June 20, 1977	July 25, 1977
Western Growth Capital Corp <sup>1</sup>	D AR	Feb 10, 1967	May 16, 1968
Westgate California Corp <sup>1</sup>	S D CA	Feb 26, 1974	March 8, 1974
Wonderbowl, Inc <sup>1</sup>	C D CA	March 10, 1967	June 7, 1967

<sup>1</sup>Reorganization proceedings closed during fiscal year 1984<sup>2</sup>Plan has been substantially consummated but no final decree has been entered because of pending matters

## SEC OPERATIONS

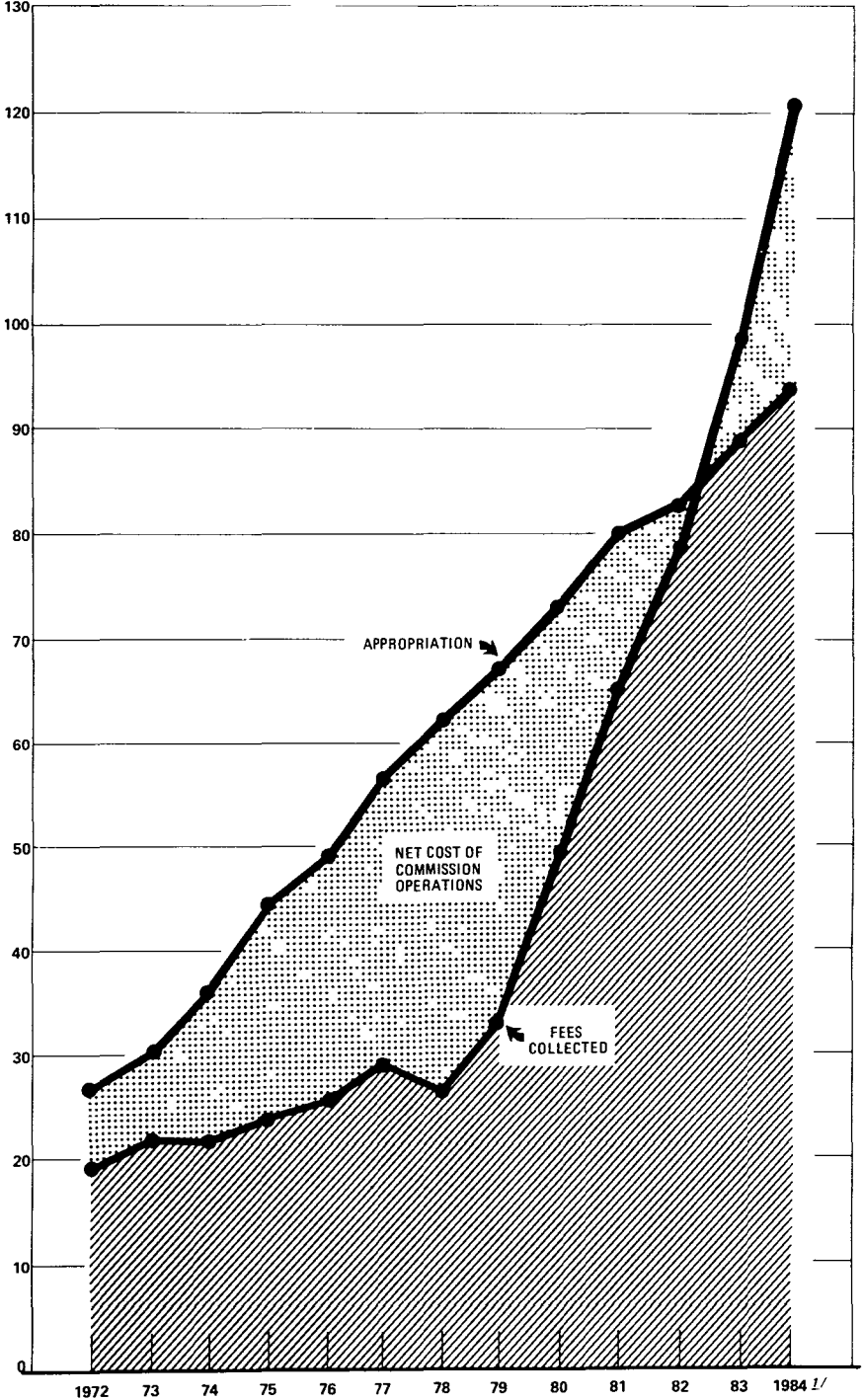
During fiscal 1984, the Commission estimates that it will collect a record \$111.5 million in fees for deposit into the General Fund of the Treasury. Such fees will amount to nearly 118% of the Commission's fiscal 1984 appropriation, compared

with 110% in fiscal 1983. The four sources of fees were registration of securities under the Securities Act of 1933 (53%), transactions on securities exchanges (34%), miscellaneous filings and reporting fees (12%) and the registration of regulated broker-dealers (1%).



# Appropriated Funds vs Fees Collected

Dollars Millions



!/ Estimated

Table 40  
**BUDGET ESTIMATES AND APPROPRIATIONS**

Action	Fiscal 1980		Fiscal 1981		Fiscal 1982		Fiscal 1983		Fiscal 1984		Fiscal 1985	
	Posi- tions	Money	Posi- tions	Money	Posi- tions	Money	Posi- tions	Money	Posi- tions	Money	Posi- tions	Money
Estimate submitted to the Office of Management and Budget	2,244	\$72,478,000	2,424	\$85,748,000	2,230	\$92,395,000	2,016	\$89,523,000	2,021	\$95,000,000	2,136	\$105,880,000
Action by the Office of Management and Budget	-144	-3,039,000	-426	-9,653,000	-248	-9,559,000	-120	-3,923,000	-125	-3,065,000	-94	-1,197,000
Amount allowed by the Office of Management and Budget	2,100	69,039,000	1,998	76,095,000 <sup>1</sup>	1,982	82,836,000 <sup>2</sup>	1,896	85,600,000	1,896	91,935,000	2,042	104,683,000
Action by the House of Representatives	2,100	-83,000	+23	+255,000	+20	-1,130,000	2,021	-4,300,000	+203	+3,847,000	+4	-2,215,000
Sub-total	2,100	68,946,000	2,021	76,350,000	2,002	81,706,000	2,021	89,900,000	2,099	95,782,000	2,046	102,468,000
Action by the Senate	2,100	+40,000	2,021	+750,000	+19	+2,594,000	2,021	-560,000	-170	-5,190,000	-4	+2,869,000
Sub-total	2,100	88,986,000	2,021	77,100,000	2,021	84,300,000	2,021	89,340,000	1,929	90,592,000	2,042	105,337,000
Action by conferees	2,100	68,986,000	2,021	-750,000	2,021	-1,394,000	2,021	89,340,000	+92	+1,908,000	+4	105,337,000
Annual appropriation	2,100	3,753,000	2,021	76,350,000	2,021	82,306,000	2,021	89,340,000	2,021	93,000,000	2,046	105,337,000
Supplemental appropriation	2,100	72,739,000	2,021	80,200,000	2,021	83,306,000	2,021	89,690,000	2,021	94,000,000	2,046	105,337,000

<sup>1</sup>Original submission to Congress was \$77,150,000, subsequently reduced by OMB

<sup>2</sup>Original submission to Congress was 2,141 positions and \$88,560,000, subsequently reduced by OMB