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51st Annual Report of the  
**U.S. Securities and Exchange Commission**  
for the fiscal year ended September 30, 1985



OFFICE OF  
THE CHAIRMAN

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON DC 20549

December 31, 1985

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:

In Fiscal 1985 the Commission increased investor protections and reduced unnecessary paperwork and other expenses, ultimately borne by investors.

Fiscal 1985 highlights include:

**Results:** Through automation, paperwork reduction and other staff initiatives, record results were achieved in the number of investment company, adviser and self-regulatory organization inspections, corporate filings reviewed and broker-dealer oversight examinations.

Since fiscal 1981, the annual volume of:

Appellate and other cases has been increased by over 35%;  
Enforcement actions by over 40%;  
Corporate filings reviewed by over 50%;  
Broker-dealer oversight examinations by over 60%;  
Self-regulatory organization inspections by over 70%; and  
Investment company and adviser inspections by over 100%.

**Budget:** Since 1981, the Commission's budget has been increased by 33%, which is more than for most independent agencies. Many have been reduced. In any case, in each of the last three fiscal years, registration, transfer and other fees have exceeded the Commission's budget. This has happened only once before in the past 51 years. The 35% fiscal 1985 excess amounted to over \$35

Fiscal Years Ended Sept. 30	1981	1982	1983	1984	1985	1981-85 Change
Investment Co. and Adviser Inspections	748	1,065	1,085	1,334	1,606*	+ 115%
SRO† Inspection	12	19	18	20	21*	+ 75%
Broker Oversight Examinations	278	249	324	389	447*	+ 61%
Corporate Filings Reviewed	6,087	6,197	6,849	7,114	9,382*	+ 54%
Enforcement Actions	191	254	261	299*	269	+ 41%
Appellate and Other Cases	102	115	143	167*	141	+ 38%
Staff Years	1,982	1,881	1,921	1,885	1,936	- 2%
Fees as Percent of Budget	81%	94%	110%	129%	135%	

\* A record or the highest level in years

† - Self Regulatory Organization

million. The Commission's budget, personnel and fees are set by Congress. The fees are remitted to the Treasury as received.

**Enforcement:** The 269 enforcement actions brought was less than the prior year, due to an increase in resource intensive financial reporting cases and a decline in delinquent filings cases against individuals. Of the enforcement actions, 20% were financial disclosure cases. A number were products of the 1982 recession and 1983 "hot new issue" market. It is during such periods that some companies and executives are tempted to "cook the books". Actions against brokers and other regulated entities amounted to 42% of the cases and insider trading 7%. The balance of the cases involved stock manipulation, failure to file or delinquent filings of periodic reports, and internal accounting controls and books and records deficiencies. The Commission has begun to seek fines up to three times illegal profits under the Insider Trading Sanctions Act, proposed by the Commission and passed last year.

**Edgar:** This pilot electronic disclosure system has been designed by the SEC staff, Arthur Anderson & Co., IBM and Dow Jones, Inc. to increase the efficiency and fairness of the securities markets by accelerating dramatically the filing, processing, dissemination and analysis of corporate information. The Edgar system commenced on schedule in September 1984. Over 1,900 electronic filings have since been received from over 170 issuers. Participants include AT&T, Exxon, General Motors, IBM and other major corporations, as well as small companies, limited partnerships, mutual funds and the California, Georgia and Wisconsin securities commissions.

**Shareholder Communications:** To facilitate shareholder communications, Commission rules, approved in August 1984, required brokers to begin providing corporations with the identity of their non-objecting shareholders on January 1, 1986. The Commission also proposed the Shareholder Communication Act, requiring banks and saving and loan associations to provide such information, which was signed into law on December 28, 1985.

**Certificate Immobilization:** The voluntary immobilization of securities certificates through the greater use of central depositories and electronic book-entry systems will save hundreds of millions of dollars per annum of expenses ultimately borne by investors. Even in the absence of such potential savings, the paperwork and other problems avoided more than justify simplifying the process. Significant progress was made by industry. In addition, the Division of Market Regulation has conducted a series of workshops to encourage corporations, municipalities and other issuers to do their future public offerings of debt securities in the form of single "Global Certificates"—against which investors' interests are recorded by depositories on an electronic book-entry basis.

**Government Securities:** Government securities dealer failures during the past year resulted in a number of enforcement actions, and in consultation with the Federal Reserve Board and the Department of the Treasury, the Commission prepared and delivered to Congress in June, an in-depth study of the government securities market. The report detailed actions taken by investors, government dealers, Federal and state regulators to prevent future problems, and a legislative approach, if deemed necessary by Congress.

**Options and Futures Study:** In December 1984, the Federal Reserve, the Commodities Futures Trading Commission and the SEC submitted to Congress a joint study which concluded that options and futures serve useful hedging and arbitrage purposes and do not adversely impact capital formation. New options and futures are permitting investors to hedge stock market, foreign currency and other risks at a fraction of the prior costs of hedging or reducing such risks.

**Marketplace Efficiency:** Efforts to increase the breadth and efficiency of the securities markets for the benefit of investors include Commission decisions to permit each stock exchange to grant unlisted trading privileges in up to 25 over-the-counter stocks; to permit the exchanges and over-the-counter dealers to make competitive markets in OTC options; to test competitive side-by-side marketmaking in OTC options and stocks, through a one-year pilot; and to permit the NYSE to make markets in certain options. Effective surveillance of these markets is an integral part of these programs. The Commission has also required last-sale reporting for additional OTC securities and disclosure of dealer mark-ups.

**Intermarket Surveillance:** At the Commission's initiative, fully functional transaction audit trails have been implemented by the American and New York stock exchanges. The Chicago Board Options Exchange and National Association of Securities Dealers are also making substantial progress toward such systems, which increase investor protections and reduce transaction reconciliation costs, ultimately borne by investors.

**Internationalization:** The Commission approved linkage of the Boston and Montreal stock exchanges and the American and Toronto stock exchanges. Other major exchanges and market systems are also discussing international linkages. Approximately 10% of the transactions on the New York Stock Exchange are now originated abroad. With a view to facilitating the international mobility of capital and the proper surveillance of these markets, the Commission issued two concept releases, which suggested approaches and solicited comments on ways to coordinate and improve international disclosure, distribution, surveillance and enforcement practices. The extensive responses and alternatives are being analyzed.

**Bush Task Group:** The staff drafted legislation to implement the Bush Task Group's securities recommendations for the benefit of investors. This legislation would provide functional regulation of securities activities and consolidate duplicative and overlapping regulatory activities.

**Banks Securities Activities:** Also, to facilitate functional regulation, the Commission adopted a rule which will require banks to conduct certain securities activities through broker-dealers registered under the Exchange Act. The validity of the rule has been upheld in litigation, which is on appeal.

**Paperwork Reduction:** In order to eliminate duplicative paperwork and increase the effectiveness of regulations, the Commission developed in cooperation with the North American Association of Securities Administrators and ap-

proved new broker-dealer and investment adviser "plain English" registration forms, and simplified investment company forms.

**Integrated Disclosure Program:** This program is saving corporations for the benefit of their shareholders over a billion dollars per annum of paperwork, underwriting and interest costs—without reducing full disclosures to the investing public. In fiscal 1985, the Commission adopted forms which cover the registration of securities issued in business combinations and exchange offers.

**Tender Offer Regulation:** The Commission proposed for comment an "all shareholder, best price" rule which would require tender offers to be made to all shareholders and that they be paid the best price offered to any holders. The extensive comments and alternatives are being analyzed.

**Agency Coordination:** In order to increase investor protections, the Divisions of Enforcement, Investment Management and Market Regulation increased the coordination of their efforts with those of other Federal agencies, state authorities and self-regulatory organizations through greater referrals and follow-up efforts.

**Congressional Hearings:** The staff and Commissioners testified at 23 hearings on government securities, accounting, tender offers, internationalization of the securities markets, RICO and other matters upon which legislation is pending.

The past year's improvements in investor protections and the efficiency of the securities markets are a tribute to the ability, dedication and enthusiasm of the SEC staff and Commissioners, and the cooperation and support of the self-regulatory organizations, and the business and financial communities.

Sincerely yours,



John Shad

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# Table of Contents

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<b>Chairman's Letter of Transmittal</b>	i
<b>Enforcement Program</b>	1
Key 1985 Results	1
Introduction	1
Program Areas	2
Corporate Reporting and Accounting	3
Insider Trading	3
Regulated Entities and Associated Persons	4
Securities Offering Violations	5
Market Manipulation	5
Changes in Corporate Control	6
Other Developments	6
Transnational Securities Issues	6
Sources for Further Inquiry	7
<b>Full Disclosure System</b>	9
Key 1985 Results	9
Operations	10
Edgar and Computer-Assisted Review	10
Rulemaking	10
The Proxy Review Program	10
Tender Offers	11
Internationalization	11
Interpretations	11
Conferences	11
SEC Government—Business Forum on Small Business Capital Formation	11
SEC/NASAA Cooperation	12
<b>Accounting and Auditing Matters</b>	12
Accounting—Related Rules and Interpretations	13
Oversight of Private Sector Standards Setting	15
FASB	15
Timely Financial Reporting Guidance	16
Accounting for Pensions	16
Consolidations	17
Other Projects	17
Oversight of Accounting Profession's Initiative	17
SEC Practice Section	17
Special Investigations Committee	18
<b>The Edgar Project</b>	19

<b>Regulation of the Securities Markets</b>	23
Key 1985 Results	23
Securities Markets, Facilities and Trading	24
The National Market System	24
National System for the Clearance and Settlement of Securities Transactions	25
Securities Immobilization	25
Global Trading	25
Government Securities	25
Options	26
Short Tendering	26
Issuer Tender Offers	26
Regulation of Brokers, Dealers, Municipal Securities Dealers, and Transfer Agents	27
Broker-Dealer and Transfer Agent Examinations	27
Transactions by Distribution Participants	27
Financial Responsibility Rules	27
Customer Protection Rule	28
Interpretations of the Net Capital Rule	28
Revised Form BD	28
Customer Confirmation Disclosure	28
Publication of Quotations by Broker-Dealers	28
Bank Securities Activities	29
Extension of Credit by Broker-Dealers on Shares of Direct Participation Programs	29
Extension of Credit by Broker-Dealers on Investment Company Shares	29
Persons Deemed Not to be Brokers	29
Lost and Stolen Securities	29
Transfer Agent Regulation	30
Transfer Agent Registration Forms	30
Oversight of Self-Regulatory Organizations	30
National Securities Exchanges	30
National Association of Securities Dealers, Inc.	30
Municipal Securities Rulemaking Board	31
Clearing Agencies	31
SRO Surveillance and Regulatory Compliance	
Inspections	31
Securities Investor Protection Corporation	34
Applications for Re-Entry	34
<b>Investment Companies and Advisers</b>	35
Key 1985 Results	35
Disclosure Requirements	36
Regulatory Policy	36
Investment Advisers	37
Insurance Requirements	38
Public Utility Holding Companies	38

Holding Company Financings . . . . .	39
Subsidiary Service Companies . . . . .	39
Significant Applications and Interpretations . . . . .	40
Government Securities . . . . .	40
Guidelines for Exemptive Applications . . . . .	40
Institutional Disclosure Program . . . . .	41
<b>Other Litigation and Legal Activities (General Counsel) . . . . .</b>	<b>43</b>
Key 1985 Results . . . . .	43
Litigation . . . . .	44
Appeals in Commission Enforcement Actions . . . . .	44
Petitions to Review Commission Orders . . . . .	45
Commission Participation in Private Litigation . . . . .	46
Trading on Material Non-Public Information . . . . .	47
Definition of a Security . . . . .	48
Challenges to the Commission's Authority	
Under the Investment Advisers Act . . . . .	48
Commission Action under Rule 2-(e) . . . . .	49
Litigation Involving Requests for	
Access to Commission Records . . . . .	50
Litigation Against the Commission and	
Its Staff . . . . .	50
Significant Legislation . . . . .	51
Financial Services Industry—Vice Presidential	
Task Group . . . . .	51
Tender Offer Reform . . . . .	52
Regulation of the Government Securities Markets . . . . .	52
Shareholder Communications Act . . . . .	53
Corporate Reorganizations . . . . .	53
Committees . . . . .	53
Trustees and Examiners . . . . .	54
Estate Administration . . . . .	54
Plans of Reorganization/Disclosure Statements . . . . .	56
Compliance with Registration Requirements of the	
Securities Act . . . . .	57
<b>Management, Economic Analysis and Program Support . . . . .</b>	<b>59</b>
Key 1985 Management and Program Developments . . . . .	59
Economic Research and Statistics . . . . .	59
Information Systems Management . . . . .	61
Financial Management . . . . .	61
Facilities Management . . . . .	62
Personnel Management . . . . .	63
Public Affairs . . . . .	64
Consumer Affairs . . . . .	64
Equal Employment Opportunity . . . . .	65
<b>Commissioners and Principal Staff Officers . . . . .</b>	<b>67</b>

<b>Biographies of Commissioners</b>	69
John S.R. Shad	69
James C. Treadway, Jr.	69
Charles C. Cox	70
Charles L. Marinaccio	70
Aulana L. Peters	71
<b>Regional and Branch Offices</b>	73
<b>Footnotes</b>	75
<b>Glossary of Acronyms</b>	87
<b>Appendices</b>	91
The Securities Industry	91

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# Enforcement Program

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## Key 1985 Results

Enforcement is the largest program within the Commission, accounting for one-third of the total budget. The Commission brought 269 enforcement actions during fiscal 1985, compared with 299 in 1984 and 261 in 1983.

Fiscal 1984 total enforcement actions included 31 delinquent filing actions resulting from a special effort in that year directed at persons who failed to comply with Section 16 of the Exchange Act.

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### Total Actions Initiated

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	FY '81	FY '82	FY '83	FY '84	FY '85	81-85 % Increase
Total	191	254	261	299	269	41%
Civil Injunctive Actions	114	136	151	179	143	25%
Defendants Named	N.A.	418	416	508	385	
Administrative Proceedings	72	106	94	114	122	69%
Respondents in Proceedings	N.A.	287	189	221	199	
Civil and Criminal Contempt						
Proceedings	N.A.	9	14	4	3	
Defendants	N.A.	16	19	8	6	
Reports of Investigation						
Criminal Indictments or	N.A.	3	2	2	1	
Informations	N.A.	N.A.	71	75	59	
Criminal Convictions	N.A.	N.A.	72	85	93	

The Commission obtained court orders requiring defendants to return illicit profits amounting to more than \$17 million, either as disgorgement or restitution to defrauded investors. The Commission also obtained freeze orders to protect over \$89 million in assets until courts could make appropriate dispositions.

The Commission referred or granted access to its files to the Department of Justice or state prosecutorial authorities for investigation or prosecution in 145 cases during fiscal 1985. During fiscal 1985, 59 criminal indictments or informations were obtained in Commission related cases, compared with 75 in 1984. There were 93 criminal convictions in Commission related cases during fiscal 1985, compared to 85 in 1984.

## Introduction

The Commission's 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, and prevent future, violations.

Most Commission enforcement actions are preceded by a private investigation to determine whether a violation of the securities laws has occurred or is about to. Where necessary, the Commission may order a formal investigation, thereby authorizing the staff to issue subpoenas compelling testimony and production of documents.

Depending on results of an investigation, the Commission may authorize the staff to commence a civil action in a United States District Court, institute an administrative proceeding, or refer the matter to the Department of Justice for criminal prosecution. Matters also may be referred to state or local authorities or self-regulatory organizations for appropriate action.

The Commission's primary civil remedy is a Federal court injunction which 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 also may issue orders providing other equitable relief such as restitution, disgorgement of illicit profits, and other appropriate remedies.

The Commission is authorized to bring administrative proceedings against regulated entities such as broker-dealers, investment companies, or investment advisers, as well as persons associated with such entities. Where the Commission finds that a regulated entity has willfully violated the securities laws, it may impose remedial sanctions ranging from a censure to a revocation of the registration required for the entity to conduct business. The Commission also may censure or limit the activities of associated persons, or suspend or bar such persons from association.

Issuers of securities are subject to administrative proceedings if they fail to comply with the disclosure and certain other provisions of the Exchange Act under legislation enacted on August 10, 1984. The Commission's authority was extended to proxy and tender offer violations under Section 14 and to individuals causing the violations. Respondents may be ordered to comply with applicable provisions upon specified terms and conditions, or to take steps to effect compliance. Issuers may also 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. The Commission has developed close working relationships with the Department of Justice and U.S. Attorneys' offices to assist the investigation and prosecution of such cases. The Commission also cooperates closely with state securities regulators and self-regulatory organizations, including the National Association of Securities Dealers (NASD) and the various national securities exchanges.

## **Program Areas**

The Commission investigates and brings enforcement actions to remedy a broad range of violations. Enforcement activity during fiscal 1985 included cases concerning corporate reporting and accounting;<sup>1</sup> insider trading;<sup>2</sup> violations by regulated entities and associated persons;<sup>3</sup> market manipulations;<sup>4</sup> securities offerings;<sup>5</sup> changes in corporate control;<sup>6</sup> related party transactions;<sup>7</sup> and delinquent filing cases against issuers.<sup>8</sup>

*Corporate Reporting and Accounting*—Financial disclosure cases continued to be a high priority in fiscal 1985. During fiscal 1985, the Commission brought 42 cases containing significant allegations of financial disclosure violations against issuers or their employees, compared with 33 such cases in 1984 and 25 in 1983. The Commission also brought 14 cases alleging misconduct on the part of accounting firms or their partners or employees in fiscal 1985, including two of the issuer disclosure cases set forth above.<sup>9</sup> There were 18 enforcement actions against accountants or accounting firms in 1984 and 11 in 1983.

Typical financial disclosure cases involve improper valuation of assets or liabilities; improper recognition of revenue or income; failure to establish sufficient provisions for bad debts or other contingencies, or failure to provide adequate disclosure concerning the issuer's true financial position. Many of these cases also involve violations of accounting provisions of the Foreign Corrupt Practices Act. Financial disclosure cases are often complex, requiring more resources than other types of cases, but effective prosecution of them is essential to preserving the integrity of the disclosure system.

In one administrative proceeding, the Commission found that an issuer had engaged in "opinion shopping" to find an accounting firm that would allow it to recognize immediately the revenue associated with a real estate transaction.<sup>10</sup> In another case, the Commission alleged that an issuer had "managed" its earnings by creating unnecessary reserves during periods when earnings exceeded projections, and then releasing those reserves in later periods when the issuer's actual earnings were lower than projected.<sup>11</sup>

Financial disclosure cases may also involve misconduct on the part of independent accountants who examine and issue an opinion on the issuer's financial statements. In one case, the Commission alleged that an accounting firm had failed to follow generally accepted auditing standards in its examination and report on financial statements which allegedly overstated the issuer's pre-tax results of operations by at least \$22 million.<sup>12</sup> In another case, the Commission alleged that a partner of an accounting firm lacked independence because he had accepted at least \$125,000 from the principals of a government securities firm in connection with the issuance of an unqualified opinion on that firm's financial statements.<sup>13</sup>

In addition to financial disclosure cases, the Commission brought two cases involving misrepresentation or failure to disclose information concerning related-party transactions, the compensation of officers, or other matters during fiscal 1985. The Commission also brought 19 delinquent filing actions against issuers during the fiscal year, compared with 15 in fiscal 1984.

*Insider Trading*—Individuals who purchase or sell securities while in possession of material, nonpublic information relating to such securities, in violation of a fiduciary duty or other relationship of trust and confidence, undermine the expectation of fairness and honesty that is the basis of investor confidence in the nation's securities markets. Trading of standardized options 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 20 insider trading cases in fiscal 1985, compared with 13 in fiscal 1984.

The Commission obtained \$2 million in disgorgement in insider trading cases brought or settled during fiscal 1985. The Commission also began to use its authority, provided by enactment of the Insider Trading Sanctions Act in August 1984, to seek imposition of a civil penalty of up to three times the profit gained or loss avoided by any person who buys or sells securities while in possession of material, nonpublic information. The Commission filed two injunctive actions seeking the imposition of civil penalties during fiscal 1985. The defendants in those actions consented to the imposition of penalties amounting to \$158,492, in addition to disgorging their profits.<sup>14</sup>

An increasing number of Commission insider trading cases have resulted in criminal prosecutions. During fiscal 1985, for example, 17 individuals who were defendants in Commission actions received criminal sentences. In one case, the manager of office services at a law firm was sentenced to three and a half years imprisonment plus five years probation after pleading guilty to an indictment charging him with having tipped other defendants about prospective mergers or tender offers involving clients of the law firm.<sup>15</sup> In another case, two individuals were sentenced to four years imprisonment after pleading guilty to an information charging them with obstruction of justice during the Commission's insider trading investigation.<sup>16</sup>

*Regulated Entities and Associated Persons*—The enforcement program area that accounts for the largest number of cases involves regulated entities such as broker-dealers, investment companies, investment advisers and transfer agents. As the securities markets grow and more individuals come into contact with the financial services industry, it becomes increasingly important to ensure that regulated entities conduct their business with integrity and fairness. The Commission commenced 120 enforcement proceedings involving regulated entities during fiscal 1985. Twelve cases involved securities offering violations by regulated entities. Of the other cases, 79 primarily involved broker-dealers or persons associated with broker-dealers, 19 investment advisers, 2 investment companies and 2 concerned transfer agents. The total includes 6 actions in which customers or employees were alleged to have defrauded a regulated entity.

The broker-dealer cases involved, among other things, fraudulent sales practices, violations of net capital and customer reserve provisions, and books and records violations. Among the cases brought by the Commission in this area was an administrative proceeding in which the Commission found that a broker-dealer firm had wrongfully used customers' fully-paid securities in its stock loan business. The Commission censured the firm, and ordered it to comply with its undertakings to establish procedures governing its stock loan business and to make a contribution to Securities Investor Protection Corporation (SIPC) of an amount equal to ten days' profit from its stock loan operations.<sup>17</sup> The Commission also brought two administrative proceedings in which it alleged that national broker-dealer firms had failed to exercise reasonable supervision over one or more employees subject to their supervision who had engaged in sales practice violations. The firms in those cases were censured and ordered to comply with undertakings designed to deter a recurrence of the violations.<sup>18</sup>

During fiscal 1985, the Commission revoked the registration of 3 firms, suspended 7 and censured 16. This compares with 12 revocations, 10 suspensions, and 14 censures in fiscal 1984.

Also during the year, 47 individuals were barred, 49 suspended, and 4 censured, as compared to 43 bars, 40 suspensions, and 8 censures during fiscal 1984.

On five occasions during fiscal 1985, the Commission brought emergency actions to freeze assets and prohibit further violations by firms which conducted transactions in the government securities markets. In four of those actions, the Commission alleged that the firms had violated the antifraud provisions in connection with purchase and repurchase agreements involving government securities.<sup>19</sup> In the other action, the Commission alleged that the firm had violated the net capital provisions as a result of losses from transactions in the government securities markets.<sup>20</sup>

*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 anti-fraud provisions of the Federal securities laws by making material misrepresentations or omissions in connection with a securities offering.

There were 49 cases principally involving offering violations by issuers and other persons brought during 1985, 48 in 1984 and 41 in 1983. (These figures do not include 12 cases principally involving offering violations on the part of regulated entities; see "Regulated Entities and Associated Persons.")

In one securities offering case, the Commission alleged that the defendants had raised more than \$55 million by selling unregistered securities in the form of investment contracts in a commodities arbitrage trading program which promised annual returns of up to 41.5%. The Commission obtained a temporary restraining order against further violations of the registration and antifraud provisions, the appointment of a receiver, and an order freezing approximately \$25 million of investors' funds pending an appropriate judicial disposition.<sup>21</sup>

In another case (filed during fiscal 1984), the Commission obtained an order requiring the operator of an alleged Ponzi scheme to disgorge \$8.2 million to investors.<sup>22</sup> The defendant in that action was also sentenced to 99 years imprisonment in a related criminal proceeding.

*Market Manipulation*—The Commission is charged with ensuring the integrity of trading on the national securities exchanges and in the over-the-counter markets. The Commission's staff, the exchanges and the National Association of Securities Dealers engage in surveillance of these markets. The Commission brought seven cases involving market manipulation during fiscal 1985, 12 in fiscal 1984 and 11 in 1983.

Among the cases brought by the Commission in this area was one in which it alleged that the defendants had manipulated the price of an issuer's common stock by generating apparent trading activity, by dominating the market, and by issuing false statements about the issuer's oil and gas prospects. Allegedly as a result of these activities, the price of the issuer's stock increased from \$1.10 to \$27 per share, after a two-for-one stock split, during

an eleven-month period in which the issuer had almost no reported earnings.<sup>23</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. These 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. During fiscal 1985, five enforcement actions were brought in this area while 11 were brought in 1984 and 5 were commenced in 1983.

In one case, the Commission found that a corporation, after disclosing the acquisition of 11.1 % of another corporation's common stock and stating that the purchases had been made to acquire "a significant investment position" in the issuer, violated the disclosure provisions by failing to disclose promptly that it had started selling its holdings in the issuer. As part of settlement, the corporation undertook to maintain a liquidating trust of at least \$2.2 million in profits to provide for potential claims by investors who are able to prove that they would be harmed by the corporation's sales of the issuer's stock.<sup>24</sup>

In another case, the Commission issued a report of investigation in which it expressed the view that an issuer may have violated the antifraud provisions by stating that there were no corporate developments to account for unusual market activity in the issuer's securities, when in fact merger discussions with another company were taking place at the time the statement was made. The report emphasized that, where an issuer makes a public statement regarding rumors, unusual market activity, or corporate developments, that statement "must be materially accurate and complete." The report also stated that, in appropriate circumstances, an issuer may decline to comment in response to inquiries regarding unusual market activity or rumors.<sup>25</sup>

## **Other Developments**

*Transnational Securities Issues*—In July 1984, the Commission issued a concept release requesting comments on a concept to address problems 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>26</sup> Under the "waiver by conduct" concept, the purchase or sale of securities in the U.S. 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 Commission received 65 letters of comment in response. Approximately half were submitted by foreign governments, business associations or banks. Virtually all commentators agreed that the importance of enforcing transnational securities law violations calls for a prompt resolution of existing problems. However, only six endorsed a legislative enactment of the "waiver by conduct" concept. The great majority urged the Commission to pursue bilateral and multilateral negotiations with other governments.

The Commission continued to discuss issues relating to transnational securities violations with officials of other governments. The Division of En-

forcement also created an Office of International Legal Assistance to serve as a liaison on enforcement matters with officials of other governments.

*Sources for Further Inquiry*—The Commission publishes in the SEC Docket litigation releases which describe its civil injunctive actions and criminal proceedings involving securities-related violations. Among other things, these releases report the violative conduct that is either alleged by the Commission or the Department of Justice or found by the court, and the disposition or status of the case. The Commission also publishes orders that institute administrative proceedings or provide remedial relief in the SEC Docket.

Enforcement actions brought during fiscal 1985 are listed in the Appendix to this report with appropriate references to the releases and orders published in the SEC Docket.



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# Full Disclosure System

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## Key 1985 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, foster investor confidence, contribute to the maintenance of fair and orderly markets, facilitate capital formation and inhibit fraud in the public trading, voting, purchase and sale of securities.

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### Full Disclosure Filings Given Full Review

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	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985	1981-5 Change
Total Filings	6,087	6,197	6,849	7,114	9,382	+ 54%
Securities Act Registration Statements	1,626	1,815	2,297	2,554	2,325	+ 42.9%
10-K Annual Reports	325	1,245	1,012	1,283	2,135	+ 556.0%
Tender Offers (14D-1)	205	116	92	121	148	- 28.2%
Proxy Contests	66	68	60	60	86	+ 30.3%
Annual Meeting Proxies	577	698	895	1,217	1,683	+ 191.6%

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In fiscal year 1985, about 11,000 publicly-held concerns made 71,663 full disclosure filings with the Commission, an increase of 8.4% over fiscal 1984. Of these 1,619, or 1.4%, were made through the Edgar system. Filings given a full review continued to reach record levels. The staff reviewed 1,111 first-time registration statements and 1,214 major repeat registration statements filed under the Securities Act of 1933. During the year 2,135 or 21.7% of the Form 10-K annual reports filed were fully reviewed, representing a 66% increase over 1984. Approximately 1,683 annual meeting proxy statements were fully reviewed, an increase of 38.3% over 1984. All proxy statements with anti-takeover provisions (369 this year) are fully reviewed. Proxy contest filings increased 43.3% over 1984 (60 vs. 86), all of which were fully reviewed. In fiscal 1985, 148 tender offer schedules were filed (22.3% more than in 1984), of which 100% were fully reviewed.

## **Operations**

*Edgar and Computer-Assisted Review*—Since 1980, the staff has increasingly used computers to screen filings to identify those which present significant disclosure issues, to facilitate review and as a managerial tool.

The first Edgar electronic filings were received on September 24, 1984. During FY 1985, over 1,619 live electronic filings were received and processed by the Edgar pilot branch in the Division of Corporation Finance. The filings were submitted by registrants who volunteered for the pilot and are taking advantage of the more efficient processing for electronic submissions.

For a more in-depth discussion of the pilot and the operational Edgar system, see page 19.

## **Rulemaking**

*The Proxy Review Program*—On April 23, 1985, the Commission adopted a new form to be used to register securities under the Securities Act in connection with certain business combination transactions.<sup>27</sup> The new form, Form S-4, replaces Forms S-15 and S-14 (Form S-14 remains in effect, however, for use by certain registered investment companies until the adoption of Form N-14). Form S-4 addresses disclosure needs in mergers and exchange offers by applying the principles of integrated disclosure, including the three-tiered registration system and incorporation by reference. A comparable form, F-4, was also adopted for business combination transactions involving foreign private companies.<sup>28</sup> These new forms improve the effectiveness of the prospectus for business combinations by requiring the information to be presented in a more meaningful and accessible format. The forms provide both transactional and voting information so that they function as both registration and proxy statements.

On July 1, 1985, the Commission issued three releases requesting comments on proposals emanating from the comprehensive proxy review program. The first release proposes to update proxy rules to reflect current practice, administrative policy, new laws and changes in other Commission rules as well as to enhance investor protection, particularly regarding disclosure about accountants.<sup>29</sup> They would clarify and simplify proxy disclosure by applying the principles underlying the integrated disclosure system to proxy statements. The second release proposes for comment a rule specifying filing fees for certain Exchange Act business combinations.<sup>30</sup> This proposal is based upon the Commission's experience with the new fee structure established by the 1983 amendments to the Exchange Act, and would codify and provide guidance concerning those fees. The third release is related to specific rule proposals in the comprehensive proxy review project dealing with disclosure concerning changes in and disagreements with accountants.<sup>31</sup> It is a concept release responsive to general concerns about independent public auditors and the practice of "opinion shopping."

Also, on July 23, 1985 the House passed H.R. 1603, the Shareholder Communications Act of 1985, legislation proposed by the Commission to amend Section 14(b) of the Exchange Act. This legislation, based on the report issued

by the Commission's Advisory Committee on Shareholder Communications in 1982, would authorize the Commission to regulate the proxy processing activities of banks, associations and other entities that exercise fiduciary powers, in much the same manner that the Commission currently regulates the activities of broker-dealers.

*Tender Offers*—On July 1, 1985 the Commission published two releases, one addressing third-party tender offers<sup>32</sup> and the other addressing issuer tender offers.<sup>33</sup>

The proposals would codify the Commission's position concerning equal treatment of security holders in tender offers. Specifically, they would require that certain tender offers be open to all security holders of the class of securities subject to the offer and that all security holders in such tender offers be paid the highest consideration offered to any security holder at any time during the offer. The comment period on the proposals closed on September 9, 1985.

Public comments on the Commission's concept release published on June 21, 1984 concerning two-tier tender offer pricing and non-tender offer purchase programs<sup>34</sup> were reviewed by the Commission, and copies of the Summary of Comments were submitted to members of the House Subcommittee on Telecommunications, Consumer Protection and Finance and the House Committee on Energy and Commerce in November, 1984.

*Internationalization*—To provide a context for public comment on internationalization, the Commission published, on February 28, 1985, a release containing two conceptual approaches to facilitate multinational securities offerings: the reciprocal approach and the common prospectus approach.<sup>35</sup> The reciprocal approach would require participating countries to adopt a system providing that an offering document used by the issuer in its own country would be accepted for offerings in each of the other participating countries, assuming certain minimum standards are met. The common prospectus approach would require all participating countries to agree on disclosure standards for an offering document which then could be used in any of the countries. Under either approach, the same liability provisions of the Federal securities laws would apply to foreign issuers as apply to domestic issuers.

## **Interpretations**

The Division provides views on exemptions and disclosure requirements to assist filers and other parties. Advice is provided through no-action and interpretive letters that apply securities laws to specific situations, through interpretive releases that furnish guidance on general interest matters, and through exemptive orders. In fiscal year 1985, 1,200 requests for no-action letters and written interpretive advice were fulfilled.

## **Conferences**

*SEC Government-Business Forum On Small Business Capital Formation*—The fourth annual SEC Government—Business Forum on Small Business Capital Formation was conducted in Washington, D.C. on September 12-14, 1985. Approximately 150 small business executives, ac-

countants, attorneys, financial analysts, broker-dealers, venture capital investors, financial advisors, bankers and government officials met to discuss issue papers containing recommendations on taxes and securities. Background on these issues was provided to participants by means of two panels featuring leading members of the tax and securities communities. 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*—In February, 1985, approximately 35 senior Commission staff members met with representatives of the North American Securities Administrators Association (NASAA) in Williamsburg, Virginia to discuss methods of cooperating in securities matters in order to improve the efficiency and effectiveness of both Federal and state securities regulation. Further coordination of the Uniform Limited Offering Exemption (ULOE) with Regulation D under the Securities Act was a primary matter of discussion.

## **Accounting and Auditing Matters**

The Federal securities laws provide for the audit of financial statements of publicly held corporations by independent accountants. Thus, those laws have placed upon the accountant important responsibilities in facilitating the capital formation processes, and as a result, the economy as a whole.

Today, the accounting profession is subject to a unique combination of public and private sector initiatives that is designed to ensure that the profession meets its public responsibilities. These initiatives include peer review and other membership requirements of the American Institute of Certified Public Accountants’ (AICPA) Division for CPA Firms, private sector standards-setting, the Commission’s programs (including active oversight), state licensing activities and private civil litigation against accounting firms. This framework has been built over time and is subject to continued refinements and improvements.

The primary Commission programs for ensuring compliance with the accounting and financial disclosure aspects of Federal securities laws are:

- *Rulemaking* initiatives which supplement accounting standards, implement financial disclosures and establish independence criteria for accountants;
- The *review and comment process* which results in improvement of filings, identification of emerging accounting issues (which can result in rulemaking or private sector standards-setting), and identification of problems warranting enforcement actions;
- The *enforcement program*, which imposes legal sanctions and serves to deter irregularities by enhancing the care with which registrants and their accountants analyze accounting issues; and

- *Oversight* of private sector efforts to establish accounting and auditing standards, and to improve the quality of audit practice.

The Commission's direct efforts are multiplied by the efforts of the Financial Accounting Standards Board (FASB), the AICPA and the other activities of the profession under Commission oversight. In addition to Commission enforcement actions, significant numbers of actions are brought by private litigants, many of which are a direct result of Commission actions.

The cumulative effect of the Commission's programs, private sector initiatives and civil litigation comprises a comprehensive system under which the integrity of financial reporting for public companies is constantly being challenged, modified and improved.

The Commission's review and comment process and enforcement programs are discussed elsewhere in this report. The remainder of this section summarizes the Commission's accounting-related rules and interpretations and the oversight function.<sup>36</sup>

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

Regulation S-X provides guidance as to the form and content of financial statements filed with the Commission. The Commission has also adopted various rules that specify disclosure of financial information outside of the financial statements. For example, certain supplementary financial information, selected financial data and a management's discussion and analysis of the company's financial condition and results of operations are required by Regulation S-K.

To address significant accounting issues, the Commission may issue interpretive releases and, when announcing rule changes, provide guidance for compliance with new or amended rules. In addition, the Commission staff periodically issues Staff Accounting Bulletins (SABs) to inform the financial community of its views on accounting and disclosure issues. For example, in March 1985, a SAB was issued on appropriate accounting practices under the last-in, first-out (LIFO) inventory method.<sup>37</sup> In September 1985, a SAB was issued to clarify the staff's position on situations where investments in noncurrent marketable equity securities may have to be written down.<sup>38</sup>

Recent rulemaking initiatives have shown the Commission's desire to upgrade financial and accounting disclosures and, at the same time, simplify that disclosure. During the past year the Commission adopted final rules and a related guide calling for increased disclosures about loss reserves by property-casualty insurers.<sup>39</sup> The Commission also adopted amendments to correct and clarify its accounting-related rules,<sup>40</sup> and proposed other amendments to rescind obsolete or duplicative rules.<sup>41</sup> Additionally, the Commission recently proposed an amendment to its rules dealing with the presentation of consolidated financial statements in Commission filings.<sup>42</sup>

In June 1985, the Commission proposed to require disclosure in certain circumstances of the nature and extent of a registrant's repurchase and reverse repurchase transactions and the degree of risk involved in such transactions.<sup>43</sup> This action was in response to recent developments in the government securities market and occurred in connection with several private sector initiatives. For example, a special task force of the Auditing Standards Board (ASB) recently published a comprehensive report containing guidance on repurchase and reverse repurchase transactions and several recommendations, including increased disclosure in this area.<sup>44</sup> The AICPA's Accounting Standards Executive Committee (AcSEC) and the Governmental Accounting Standards Board (GASB) also have initiatives dealing with "repos."

In the release proposing the above amendments, the Commission noted that it has monitored the growing array of complex financial instruments that have been introduced in the marketplace. Some of these instruments raise accounting and disclosure issues. The Commission believes that it is essential to address the broad areas of disclosure and accounting for financial assets and transactions on a comprehensive basis as expeditiously as possible. Consequently, it has initiated a project to consider the need for additional rulemaking or other guidance in this area to ensure that investors are provided with full and fair disclosure about financial assets and transactions. The Commission, therefore, requested comments (particularly from users of financial statements) as to the adequacy of accounting and financial reporting in this area. Specific comment was requested on which types of financial transactions and instruments may need to be addressed (e.g., interest rate swaps, securitized assets and sale of assets with "put" arrangements) and suggestions were invited as to how they should best be addressed. Comment was also requested on the need for, and nature of, market value disclosure for certain financial assets.

Finally, the Commission believes that there are broad-based accounting measurement and recognition issues involved in repurchase and reverse repurchase and other financial instrument transactions that may best be addressed by the private-sector standards setters. Therefore, recognizing that these issues affect SEC registrants as well as other entities (including publicly held banks and savings and loans that report to other government agencies), the Commission authorized the Chief Accountant to send a letter to the FASB recommending that the FASB add a project to its agenda to deal with the accounting issues involved in the broad area of financial assets and transactions.

In addition to requiring financial disclosure about a particular registrant, the Commission's rules address the qualifications of accountants, including their independence and accountants' reports on financial statements, and require disclosure about a registrant's independent accountants. In July 1985, the Commission proposed to require additional disclosure related to independent public accountants in proxy statements and certain other filings.<sup>45</sup> The proposed changes would improve investor protection by enhancing disclosure in two areas.

The first change would require registrants to disclose whether their independent auditors are members of a voluntary professional organization which has both a peer review program and an independent oversight function, both of which are subject to review by the Commission. If the auditor is a member of such an organization, a statement would be made as to

whether the auditor has had such a review and, if so, the date of the most recent peer review report.

Disclosure of membership in a professional organization (such as the SEC Practice Section [SECPs] of the AICPA's Division for CPA firms) and whether or not the firm has had such a review would be relevant to an investor's understanding of the auditor's commitment to quality of practice. The Commission recognizes that, since peer reviews examine only a sample of the firm's engagements, they are not a guarantee that a firm will perform all future engagements in accordance with professional standards. Nonetheless, the Commission believes that a peer review function is an important element of a voluntary program to maintain and improve quality controls.

The second proposed change relates to the requirement to disclose whether a disagreement with the prior accountant over accounting principles has occurred in connection with a change of accountants. This change would not affect registrants who were reporting under the Exchange Act at the time the change in accountants occurred. However, it would enhance investor protection by requiring disclosure in initial public offering documents, and in filings under the Exchange Act by registrants who were not subject to Form 8-K<sup>46</sup> filing requirements at the time the change occurred, to include the same disclosure that is presently required only if there is a Form 8-K obligation at the time of the change.

In addition to the proposed changes discussed above, the Commission's concerns about the manner and circumstances in which companies change accountants, the impact of such changes on the integrity of the financial statements, and the adequacy of disclosure about "opinion shopping" were reflected in the issuance of a separate concept release.<sup>47</sup> That release requested comments on the practice of registrants who seek an auditor willing to support a proposed accounting treatment which is intended to accomplish the registrant's reporting objective, but which is not necessarily in accordance with GAAP. The Commission also requested comments on the most practical, cost-effective manner of obtaining better public disclosure about "opinion shopping."

## **Oversight of Private Sector Standards-Setting**

In addition to its direct action through rulemaking and other programs, the Commission monitors the structure, activity, and decisions of the private sector standards-setting organizations.

**FASB**—Although the Commission has adopted Regulation S-X, promulgated other rules and disclosure requirements in the financial reporting area, and has published interpretations and guidance where necessary, it has generally refrained from prescribing the accounting methods to be followed in the preparation of financial statements.

In lieu of specifying accounting principles, the Commission has presumed financial statements to be misleading or inaccurate unless prepared in accordance with accounting principles which have substantial authoritative support. Under this concept, the Commission looks to the FASB to provide the initiative in establishing and improving accounting principles. 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 the FASB, 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.

When the staff identifies and resolves specific registrant accounting problems in the review process, such problems are often referred to the FASB for consideration if they appear to be emerging accounting problems. In the past year these referrals have resulted in the FASB issuing a standard to clarify the accounting for induced conversions of convertible debt and proposing a technical bulletin on accounting for certain aspects of business combinations.<sup>48</sup> Both of these issues surfaced in the Commission's review process. As discussed previously, the Commission has recently referred to the FASB a project on the broad area of financial assets and transactions. Other significant developments during the past year and current agenda items are discussed below.

*Timely Financial Reporting Guidance*—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 Emerging Issues Task Force (EITF) to assist the FASB in identifying and often resolving emerging accounting and reporting issues.

During the past year the FASB has used these new procedures to provide timely guidance on a number of occasions. For example, accounting guidance for a special dividend of Federal Home Loan Mortgage Corporation preferred stock to financial institutions who are members of the Federal Home Loan Bank system was issued in an unprecedented time of three weeks.<sup>49</sup>

The Commission's Chief Accountant is a participant in the EITF which is composed of accounting practitioners and representatives of major associations of preparers, such as the Financial Executives Institute and the National Association of Accountants.

The Emerging Issues Task Force now has over one year of experience. The results of the EITF so far are encouraging. The Task Force has discussed over 75 issues since its inaugural meeting in July 1984. Predictably, the types of issues discussed have been relatively narrow in focus and have involved issues such as Government National Mortgage Association "dollar rolls," instantaneous in-substance defeasance, unique financing transactions such as debt payable in common stock, and a host of issues relating to financial instruments and financial institutions. On many issues, the group reached a consensus that either (i) a single method of accounting is preferable based on existing literature, (ii) existing guidance is adequate, or (iii) the issue does not present a pervasive problem. Other issues have been referred to the FASB or the AICPA for action or further consideration. The Commission expects the positions agreed upon at those meetings to be followed by registrants; those that do not follow them will be asked to justify departure from consensuses reached.

*Accounting for Pensions*—The FASB's current project on pensions may result in significant changes in the way companies account for, and disclose information relating to, employee pension obligations. The FASB

has issued two related exposure drafts and held public hearings in July and August on this project. The exposure drafts have generated interest and controversy in the business community. The FASB is making every effort to complete this project in calendar 1985.

*Consolidations*—The FASB project on consolidations is dealing with a fundamental question—in what circumstances should the financial statements of investee entities be combined with those of the reporting entity. During 1985 the FASB staff has been meeting with an advisory task force and expects to expose for comment, a discussion document with tentative conclusions this year. The Commission believes that determinations to be made in the project are important ones and should help resolve many of the important accounting issues encountered by registrants and their accountants.

*Other Projects*—Last year the FASB issued standards on accounting for induced conversions of convertible debt, disclosure of employee postretirement benefits, and computer software development costs, among others. Other important items on the FASB's technical agenda include cash flow reporting, accounting for income taxes, employee stock compensation plans, as well as important accounting issues for the insurance and utility industries.

## **Oversight of The Accounting Profession's Initiatives**

In addition to oversight of the private sector process for setting accounting standards, the Commission also oversees various activities of the accounting profession conducted primarily through the AICPA. These include the Auditing Standards Board, which establishes generally accepted auditing standards; the Accounting Standards Executive Committee, which provides guidance on specific industry practices and prepares issues papers on accounting topics for consideration by the FASB; and the Division for CPA Firms, which seeks to improve the quality of accounting firms through various membership requirements including peer review.

During the past year, the accounting profession has undertaken a number of initiatives designed to improve the quality of independent audits. These initiatives include: (1) reconsideration of existing auditing guidance in areas such as the auditor's responsibility for the detection and reporting of fraud, auditing repurchase transactions, loan loss reserves, related party transactions, and uncertainties and contingencies; (2) consideration of a revised code of ethics; and (3) sponsorship, along with other organizations, of the National Commission on Fraudulent Financial Reporting, an independent commission to study the detection and prevention of fraud in the context of financial reporting. The Commission strongly supports these and other initiatives to maintain and enhance the integrity of financial reporting.

*SEC Practice Section (SECPS)*—The Commission oversees the activities of the SECPS through frequent contact with the Public Oversight Board (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. According to the POB's Annual Report as of June 30, 1985, 403 firms have voluntarily become members of the SECPS, including all firms with 30 or more SEC-reporting clients.<sup>50</sup>

The peer review process continues to evolve. During the current year the following initiatives (some of which were suggested by the Commission, by the POB or in the report of a Special Committee on the review and structure of the SECPS)<sup>51</sup> were effected or underway: (1) membership requirements have been revised so that concurring partner review, audit partner rotation, etc. will be required for certain banks and other lending institutions and sponsors or managements of investment funds even though they may not be SEC registrants; (2) additional guidance to improve the uniformity in reporting peer review results is being considered; (3) the scope of the review by the second partner has been clarified; and (4) consideration is being given to a requirement for member firms to adopt a code of conduct, compliance with which should be tested during peer reviews. The Commission strongly encourages continuing refinements in the program and its staff will continue to suggest modifications where appropriate.

*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 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 monitors the activities of the SIC and has complete access to the process and to SIC files. In its 1984-85 Annual Report, the POB concludes that the SIC has effective operational procedures and that the Committee's decisions are well-reasoned and in the interest of the public and the profession.<sup>52</sup>

During the past year, the SECPS has: (1) expanded the requirement for reporting cases to the SIC to include entities that are not SEC registrants but where there is, nonetheless, a "significant public interest;" (2) issued a public report on the activities of the SIC;<sup>53</sup> and (3) initiated discussions with the SEC staff concerning arrangements for SEC access to the SIC's process to enable the SEC to effectively oversee this aspect of the profession's program.

The Commission is encouraged by these initiatives. The ultimate test, however, is the extent to which the SECPS is able to achieve sufficient public credibility in this area.

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# The Edgar Project

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## Introduction

The Commission began the Edgar pilot electronic disclosure system in 1983. (Edgar stood for Electronic Data Gathering, Analysis and Retrieval.) Edgar is intended to increase the efficiency and fairness of the nation's securities markets by accelerating dramatically the filing, processing, dissemination and analysis of corporate information. As such information is filed with the Commission, Edgar will afford investors, securities analysts and others instant access on home and office computer screens.

Telecommunication technology has enabled the securities industry to move from 20 million to 100 million share trading days without incident and to accommodate global trading in so-called "world class" securities. However, the filing and dissemination of corporate information has not changed significantly in 50 years. Edgar is the next step in the application of telecommunications technology to dissemination of information vital to the securities markets.

Benefits anticipated from Edgar are:

- Increasing the efficiency and fairness of the securities markets by affording investors, securities analysts and others equal access to corporate information;
- Accelerating corporations' access to the capital markets;
- Accelerating the dissemination of corporations' information to investors;
- Enhancing the state securities commissions' regulatory activities and the self-regulatory organizations' marketplace surveillance capabilities;
- Accelerating the Commission's ability to process and analyze corporate filings more efficiently at computer work stations; and
- Reducing errors and other costs by eliminating the frequent need to transfer data manually from one format to another.

Work on the Edgar project has been under way at the Commission for almost three years. In February 1983, Chairman Shad formed a task force of key Commission personnel to study means of increasing Commission productivity and the feasibility of an electronic filing system. In April 1983, the Commission published a release for an experimental "paperless" electronic filing, storage and retrieval system. Over twenty written responses were received. Meetings were held with interested vendors. It was concluded that a number of significant questions needed to be explored, but that a paperless filing system was technically feasible.

In September 1983, the Commission engaged the MITRE Corporation, a private not-for-profit organization. MITRE was assisting the U.S. Patent and Trademark Office on a several hundred million dollar computerized patent library. The knowledge gained from that project was readily transferable to Edgar.

Once satisfied that an electronic disclosure system was feasible, using existing technology and hardware, a pilot operation was initiated to test various

approaches and technology. By November 1983, the staff had developed the configuration of the pilot Edgar system. In January 1984, bids were solicited. Onsite inspections and interviews were conducted by the Commission staff with four bidders. In May 1984, a contract for development and operation of a two-year pilot was awarded to Arthur Andersen and Company. The pilot accepted its first electronic filing on September 24, 1984, on schedule.

## The Edgar Pilot

In developing the pilot Edgar system, it was determined to begin with the filings of a small number of volunteer companies. Additional volunteers would be added over the two-year life of the pilot.

To obtain indications of interest in participating in the pilot, the Commission published a release in March 1984, discussing the system. It requested that interested companies complete a questionnaire regarding their computer capabilities and invited comments from securities analysts, other potential users, registrants, and others regarding estimated benefits and costs of the system, including how the information would be used. Over 300 responses were received. The staff contacted interested companies in August 1984, and discussed the mechanics of participating in the pilot.

Over 170 companies are now participating in the pilot. They represent a broad cross-section of registrants, ranging from AT&T, Exxon, General Motors, IBM and other major industrial, utility and financial corporations to small companies and limited partnerships. (Shortly after the close of the fiscal year, investment companies began test filings on the Edgar project, with a goal of becoming full participants during the coming year.)

The Commission's experience with the pilot and that of the volunteer companies has been highly successful. The Commission has received over 1,700 filings (1,619 from issuers, the remainder from public utility holding companies).

Filings are accepted in three different electronic media: (1) direct transmissions over telephone lines or two public networks using a number of different communication protocols (47 percent); (2) diskettes prepared on over eighty-five different types of word processors or personal computers (49 percent); and (3) magnetic tapes (4 percent). Accepting this wide variety of media keeps the participation costs low for registrants by permitting them to use their existing equipment. Although this was one of the most technically difficult aspects of developing the system, it has worked very well in practice.

Under the pilot, as will be the case in the operational system, the contractor manages the receipt function under the supervision and direction of Commission staff. The contractor does not decide whether to accept or reject filings. These decisions are made by Commission personnel, as is the case with paper filings.

Electronic dissemination to the public under the pilot is through computer terminals in the Commission's Public Reference Rooms in Washington, Chicago and New York, and its press room in Washington. In addition, computer-generated microfiche is produced overnight. Microfiche of electronic filings is thereby produced 14 to 20 days faster than for paper filings.

Electronic filings are processed by a new pilot branch in the Division of Corporation Finance, staffed by experienced Commission personnel who volunteered to work on Edgar and are actively involved in its development. These staff members process the filings at computer work stations that permit instant access to external data bases.

The same criteria for review are applied to both electronic and paper filings, but it is easier and faster to review Edgar filings. The instant availability of filings and external data bases at the work stations expedites review. Edgar also facilitates the management of resources by automating workload statistics and other management information.

The benefits to participating companies are that their filings are received, reviewed and commented upon faster than paper. One of the most frequent Edgar filers has also indicated that Edgar has enabled them to respond more rapidly to changing market conditions, and get to the market faster.

The pilot is being enhanced continuously in a phased approach. Most recently, internal and external electronic mail capabilities were added, along with the ability to do full-text searches of information filed with the Commission.

In early 1986, a number of significant enhancements will be tested: (1) indexing and analysis of financial statements, (2) automated registrant notification of SEC acceptance or rejection of filings, (3) addition of a pilot program to receive and process investment company filings, such as registration statements, post-effective amendments, and proxies from a selected group of registrants, and (4) inclusion of Williams Act filings. The major objectives of 1986 activities are to improve the utility of the intelligent workstations, increase filer support, and test data tagging experiments. Also, through the Commission's dissemination contract with Bechtel Group Inc., Edgar pilot data will become available to the public electronically in addition to the standard microfiche and paper.

Steps are also being taken to include the state securities administrators, securities exchanges, and National Association of Securities Dealers in the Edgar system. The North American Securities Administrators Association\* adopted a resolution in support of Edgar in September 1984, and chose three states, California, Georgia and Wisconsin, to participate in the pilot. These states' access to pilot filings in their respective offices began on February 15, 1985. Discussions also have been held with the exchanges and the NASD regarding their access to the data to ensure that Edgar meets their needs. In the operational system, a single filing with the Commission will suffice for all the states, the exchanges and the NASD. This will reduce the cost of financings, accelerate the dissemination of information, and enhance investor protections.

## **Operational Edgar**

Based on its positive experience with the pilot, the Commission is moving forward with plans for a fully operational Edgar system that will encompass all required filings. In addition to expanding electronic receipt and internal processing capabilities, the operational system will offer widespread, instantaneous electronic dissemination to the investing public.

In mid 1986, the Commission will select a contractor for the Edgar operational system. The process of contractor selection began when the SEC releas-

ed for public comment a pre-solicitation procurement document on July 1, 1985. Based on the comments, experience with the Edgar pilot, and numerous discussions with filers, potential bidders, and users, revisions are being made to the functional and financing requirements.

## **Conclusion**

Data processing technology has already had a dramatic impact on the domestic and international securities markets. It has permitted global trading in world class securities, high-speed electronic execution and confirmation of the record volumes of securities transactions and financings; and hundred million dollar savings, through the use of electronic book-entry delivery systems. Edgar is the next step. It has the potential to improve the manner in which investment decisions are made and executed, and the efficiency and fairness of the securities markets. Moreover, it has the potential to revolutionize the manner in which investment decisions are made and executed.

- \* NASAA is an association of securities administrators from each of the 50 states, the District of Columbia, Puerto Rico, the Canadian provinces and territories, and Mexico.

# Regulation of the Securities Markets

## Key 1985 Results

The Division of Market Regulation, with the assistance of the Regional Offices, is charged with the responsibility of overseeing the operations of the nation's securities markets and market professionals. In fiscal year 1985, over 11,000 broker-dealers, and 10 exchanges were subject to the Commission's oversight.

### Market Value of Equity Securities Transactions *in billions*

FY '81	FY '82	FY '83	FY '84	FY '85	81-85 % Increase
\$564	\$534	\$1,005	\$1,013	\$1,113	97%

### B/D Oversight Examinations

FY '81	FY '82	FY '83	FY '84	FY '85
278	249	324	389	447

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

FY '81	FY '82	FY '83	FY '84	FY '85
12	19	18	20	21

### Matters referred by the SEC Regional Offices to SROs

FY '81	FY '82	FY '83	FY '84	FY '85
N.A.	N.A.	132	186	343

The number of broker-dealers registered with the Commission increased approximately 10% in fiscal year 1985. Expansion of products offered in the securities markets and of institutions offering securities to the public contributed to this increase.

Fiscal year 1985 saw major structural changes in the options markets. The Commission approved a proposal by the New York Stock Exchange (NYSE) to trade options on listed stocks, proposals by several exchanges to trade options on over-the-counter (OTC) stocks, and approved in general a proposal by the National Association of Securities Dealers to trade options on OTC stocks. The SEC also approved a proposal to allow NYSE specialists to buy and sell options for hedging purposes.

In fiscal year 1985, the Commission completed two major studies of the trading markets. Following a two-year joint effort with the Federal Reserve Board and the Commodities Futures Trading Commission (CFTC), the Commission submitted *The Special Study of the Futures and Options Markets* to Congress in December, 1984. As requested, the Commission submitted its report, *Regulation of the Government Securities Market*, to Congress in June, 1985. These reports provide data and insights that will facilitate the legislative and rulemaking processes.

In response to the increased role of banks in the securities business, the Commission undertook rulemaking to require registration with the Commission for those banks engaging in certain kinds of securities activities. These regulations increase investor protections and implement the "functional regulation" approach to financial institution regulation, as espoused by The Task Group on Regulation of Financial Services, chaired by Vice President Bush.

The Commission's efforts to enhance investor protection were furthered in FY '85 through the broker-dealer oversight examination program. Capital and reserve additions of \$60.6 million were secured from broker-dealers in financial difficulty, increasing protection of customer assets in those firms' custody.

Finally, in fiscal year 1985, the Commission made progress in its efforts to increase the immobilization of securities certificates in securities depositories. As a result of a three day workshop, issuers, transfer agents, broker-dealers and clearing agencies are cooperating to identify ways to increase the immobilization of securities certificates and to experiment with uncertificated book-entry systems.

## **Securities Markets, Facilities and Trading**

*The National Market System*—Rule 11Aa2-1 under the Exchange Act requires transactions in national market system (NMS) securities to be reported in a real-time system, increasing market efficiency and improving execution of customers' orders. In response to a petition by the National Association of Securities Dealers, Inc. (NASD), the Commission approved amendments to Rule 11Aa2-1 to increase substantially the number of securities eligible for designation as NMS securities.<sup>54</sup> Currently over 2000 over-the-counter (OTC) securities are designated as NMS securities, twice the number of last year. Noting that last-sale reporting has become an established part of the OTC market, the Commission issued a release soliciting comment on the manner in which current NMS securities should be integrated into additional NMS facilities and initiatives, and whether Rule 11Aa2-1 should be amended to focus on additional groups of securities or to achieve different purposes.<sup>55</sup>

The Commission adopted several other important NMS initiatives. First, it amended its confirmation rule to require the disclosure of the mark-up or mark-down in customer principal transactions in reported securities.<sup>56</sup> Second, the Commission indicated its willingness to grant exchanges unlisted trading privileges in a pilot group of OTC securities under certain conditions.<sup>57</sup> Third, the Commission determined to permit, in certain circumstances, a security to be traded on an exchange and concurrently designated as an NMS security.<sup>58</sup> Fourth, the Commission solicited comment concerning an amendment to Rule

11Aa2-1 that will allow the NASD to add corporate governance standards for NMS securities.<sup>59</sup>

The Commission also continued to further the goal of an NMS to assure economically efficient execution of transactions in securities. The Commission issued a release discussing the issues raised by the trading of securities through home brokerage systems, in which investors are linked through personal computers (or similar systems) to broker-dealers.<sup>60</sup> The Commission also studied automation in the OTC market, and issued no-action positions on regulation of these systems which may technically fall within the statutory definition of "exchange." In a related matter, the Commission approved on a temporary basis the National Association of Securities Dealers, Inc.'s Small Order Execution System.<sup>61</sup>

*National System for the Clearance and Settlement of Securities Transactions*—In fiscal year 1984, the Commission adopted Rule 17Ad-14 under the Exchange Act which requires 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.<sup>62</sup> With Commission approval of two securities depositories' book-entry tender agent service programs during fiscal year 1985,<sup>63</sup> those services now are available throughout the National Clearance and Settlement System.

The Commission approved a proposed rule change<sup>64</sup> that enhances the National Municipal Securities Comparison System, approved in fiscal year 1984 to implement amendments to MSRB Rules G-12 and G-15.<sup>65</sup> The proposal extends automated comparison services to when-issued municipal securities trades and to municipal securities trades that settle beyond the five-business-day industry standard.

*Securities Immobilization*—In February and March 1985, the Division of Market Regulation hosted three days of Workshops on depository immobilization of securities and the use of book-entry systems. At the Workshops, representatives from the securities issuance and processing communities discussed ways to expand the use of central depositories to immobilize securities certificates and reviewed recent developments involving book-entry systems. On June 24, 1985, the Division made available for public comment its draft report on the Workshops, "Progress and Prospects: Depository Immobilization of Securities and Use of Book-Entry Systems."<sup>66</sup> (For statistics on immobilization, see Table 23 on page 120.)

*Global Trading*—The Commission issued a release requesting comment on issues concerning the increasing internationalization of the world's securities markets.<sup>67</sup> Noting the accelerating movement towards global trading markets for certain securities and the increasing flow of investments across national borders, the Commission solicited comment on what conditions and structures should characterize international trading markets and the comparison, clearance and settlement of resulting international trades.

*Government Securities*—In the wake of several government securities dealer failures, the Commission reviewed the operations of the government securities market to determine whether additional regulation was needed. To this end, the Commission (1) issued a release seeking public comment on the need for additional regulation of government securities market,<sup>68</sup> (2) conducted extensive in-

terviews with government securities investors and dealers, (3) held an Open Forum to obtain directly the views of representatives of investors, dealers, industry groups, and regulators, and (4) consulted extensively with the Federal Reserve Board ("FRB") and the Department of the Treasury. Based on these studies and discussions, the Commission submitted its report to Congress on the operations of the government securities markets.<sup>69</sup> The Commission recommended that, if Congress determined legislation was required, it should be drafted narrowly to address areas in which there have been demonstrated abuses and to fill gaps in existing regulations. Since all bank and many non-bank dealers are already subject to a broad regulatory scheme, new regulation, if deemed necessary, should, wherever possible, neither conflict with existing regulation nor add new burdens on those dealers. The Commission's approach included registration, statutory disqualifications, and rulemaking by the Treasury, in consultation with the FRB, over capital adequacy and independent audit and recordkeeping standards.

*Options*—During fiscal year 1985 the Commission received 136 SRO rule filings concerning the options markets. Among the significant rule filings approved by the Commission was a proposal by the NYSE to permit stock specialists to trade options on their specialty stocks for limited hedging purposes.<sup>70</sup>

In addition, the Commission approved proposals submitted by the NYSE to: (1) establish an options trading program for standardized options on individual listed stocks and (2) become a participant in the options allocation plan which provides procedures for the selection and replacement of stocks underlying individual equity options for the existing equity options exchanges.<sup>71</sup>

Further, the Commission approved proposals by the NASD and several options exchanges to trade standardized options on over-the-counter ("OTC") securities as well as an OTC stock index.<sup>72</sup>

As of September 30, 1985, the Commission also approved 93 other rule filings submitted by the options exchanges and, pursuant to provisions of the Commodity Exchange Act, sent six letters to the Commodity Futures Trading Commission commenting on applications by boards of trade for designation as contract markets to trade futures contracts on indices or groups of securities.

Finally, in December 1984, the Commission, along with the Federal Reserve Board and the CFTC, submitted to Congress the *Special Study of the Futures and Options Markets*.

*Short Tendering*—On February 28, 1985, the Commission adopted an amendment to Exchange Act Rule 10b-4, the short tendering rule.<sup>73</sup> The amendment requires tendering persons to exclude from their "net long position" those shares underlying certain standardized call options that they have written after the announcement of a tender offer. The amendment is intended to prohibit hedged tendering through the use of call options.

*Issuer Tender Offers*—On July 1, 1985, the Commission published for comment amendments to Exchange Act Rules 13e-4 and 14e-1.<sup>74</sup> Rule 13e-4 regulates tender offers and exchange offers by issuers for their own securities. Rule 14e-1 defines unlawful tender offer practices. The proposed amendments would codify that an issuer tender offer must be extended to all holders of the subject securities and that all security holders must be paid the highest consideration offered. The amendments would also conform the minimum offering withdrawal and proration periods required of issuer tender offers to those required of third party offers, and require the offer to remain open for ten business days from an increase in the number of shares sought.

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

*Broker-Dealer and Transfer Agent Examinations*—The number of broker-dealer registrations has continued to rise at a significant rate. In fiscal year 1985 such registrations increased 10%. The Commission has continued to respond to its increasing regulatory role by, among other things, fostering greater partnership roles with the self-regulatory organizations (“SROs”). In this regard, the Commission has expressed to the SROs, and they in turn are responding to, the need for expanding their examination staffs since the initial “watchdog” responsibility for assuring their member firms’ compliance with the Federal securities laws rests with them. The Commission also has encouraged the SROs to enhance investigative and enforcement commitments in the sales practices area. In addition, the Commission has continued the referral of “cause” matters to the SROs (where appropriate) to investigate and take disciplinary action. The number of such referrals increased 84% from 186 in FY 1984 to 343 in FY 1985. Nevertheless, the Commission will continue to handle those matters where it appears that SROs lack jurisdiction, have inadequate remedies or are unable to investigate fully or prosecute aggressively.

During 1985, the Commission developed guidelines for the broker-dealer oversight examination program designed to coordinate and strengthen the regional offices’ oversight program. The Commission also began a pilot test to determine the feasibility of using portable computers in conducting various aspects of a broker-dealer examination and has gained on-line access to the NASD’s Central Registration Depository, a computer file with regulatory information on securities industry employees registered with the NASD.

The staff completed 447 oversight examinations of SRO members, the highest level of oversight examinations ever reached and more than 10% above the previous record level set last fiscal year. The staff also completed 145 cause examinations, down from 228 last fiscal year. The decreased number of cause examinations is attributable to increased referrals to SROs of matters more appropriate for SRO review and sanction. The staff also examined 79 transfer agents. These examinations were conducted following guidance from the staff designed to improve examination selection and thoroughness.

Examination programs were augmented by coordinated SEC/SRO efforts in the government securities and money laundering areas.

*Transactions by Distribution Participants*—During the year, the staff developed proposed amendments to Exchange Act Rule 10b-6, which proscribes certain conduct by participants in a distribution of securities. The proposed amendments would permit broker-dealer distribution participants to engage in solicited brokerage until specified cooling-off periods; define the rule’s applicability to affiliates of distribution participants; reduce the restrictions on the exercise of standardized call options by distribution participants; and revise the rule’s preamble to more fully reflect authority for the rule and to codify that the rule’s exceptions may be relied upon only if the contemplated transactions are not made for manipulative purposes. The proposed amendments were issued for public comment by the Commission on October 10, 1985.<sup>75</sup>

*Financial Responsibility Rules*—On January 11, 1985, the Commission issued a release soliciting comments on a broad range of questions regarding the Commission’s financial responsibility rules for brokers and dealers that would

assist the Commission's reexamination of the scope, adequacy and necessity of those rules.<sup>76</sup> The Commission received a number of comments which are being analyzed by the Commission staff.

*Customer Protection Rule*—The staff proposed that the Commission adopt 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>77</sup> The Commission approved the amendments on October 3, 1985. The amendments were designed to provide greater protection of customer funds held by broker-dealer against misuse or insolvency and to ensure that customer funds are used only to service bona fide customer accounts. In effect, the amendments prohibit broker-dealers from using free credit balances to finance either the transactions of certain household members of principals of the firm or certain concentrated accounts.

*Interpretations of the Net Capital Rule*—On December 3, 1984 the Division issued a no-action letter to the NYSE, CBOE and AMEX in which it acknowledged the risk reducing features of maintaining cross-hedged and spread positions between security options on stock market indices against futures contracts and commodity options on futures contract on such indices. On January 15, 1985, the Division issued a letter to the Philadelphia Stock Exchange (PHLX) expanding that no-action position to include cross hedged and spread transactions involving foreign currency options offset by futures contracts and commodity options on the same foreign currency.

On September 25, 1985, the Division proposed to issue a no-action letter to the Securities Industry Association implementing a premium-based haircut methodology for all proprietary options positions, which was approved by the Commission on October 22, 1985.

*Revised Form BD*—On September 26, 1985, the Commission adopted revisions to Form BD which, among other things, reduce the regulatory burden on broker-dealers by rewriting the disciplinary question in "plain English" and limiting the scope of that question to the broker-dealer itself and its control affiliates. The new form becomes effective on January 1, 1986. At the same time, the Commission simplified its broker-dealer successor rules.<sup>78</sup>

*Customer Confirmation Disclosure*—On September 11, 1985, the Commission amended Rule 10b-10 governing customer confirmation disclosure to require more complete disclosure for principal transactions in reported securities. The amendments require broker-dealers to report on confirmations the trade prices and mark-ups in principal (e.g., OTC) transactions with customers, thus providing customers with additional information regarding the quality and costs of broker-dealer services.<sup>79</sup>

*Publication of Quotations by Broker-Dealers*—On November 15, 1984, the Commission adopted amendments to Exchange Act Rule 15c2-11.<sup>80</sup> The rule generally requires that a broker-dealer have certain information concerning an issuer before initiating quotations for the issuer's securities. The amendments make the rule applicable to the publication of quotations without a specified price and to the publication of quotations for certain foreign securities. Exceptions to the rule provide for the publication of quotations for NASDAQ securities. The amendments also revise the scope of the rule's "piggyback" exception.

On April 10, 1985, the Commission issued a release identifying questions and soliciting comments and data on the costs and benefits believed to be associated with Rule 15c2-11 as amended.<sup>81</sup> Comments were also requested on any alternative regulatory approaches that, in light of cost/benefit data, would better achieve the rule's objectives.

*Bank Securities Activities*—On July 1, 1985, the Commission adopted Rule 3b-9 under the Exchange Act. The rule requires a bank to conduct certain securities activities through a broker-dealer registered under the Exchange Act. These activities are 1) public solicitation of brokerage for transaction-related compensation, 2) receipt of transaction-related compensation for providing brokerage services for trust, managing agency or other accounts to which the bank provides advice or 3) dealing in or underwriting securities. The rule also contains several exceptions for banks that conduct only limited securities activities.<sup>82</sup>

*Extension of Credit by Broker-Dealers on Shares of Direct Participation Programs*—On November 16, 1984, the Commission published for public comment proposed Rule 3a12-9 under the Exchange Act. The proposed rule would exempt the securities of certain direct participation programs from those provisions of the Exchange Act which currently prohibit broker-dealers from arranging extensions of credit to investors to purchase securities. This would allow broker-dealers, subject to certain conditions, to participate in public offerings of securities of direct participation programs that provide for mandatory installment payments by purchasers.<sup>83</sup>

*Extension of Credit by Broker-Dealers on Investment Company Shares*—On December 18, 1984, the Commission adopted Rule 11d1-2 under the Exchange Act. The rule exempts any security issued by an open-end management investment company or unit investment trust registered under the Investment Company Act of 1940 from certain credit restrictions of the Exchange Act, provided that the security has been owned for more than thirty days by the security holder.<sup>84</sup>

*Persons Deemed Not to be Brokers*—On June 27, 1985, the Commission adopted Exchange Act Rule 3a4-1 specifying a non-exclusive safe harbor under which persons associated with an issuer of securities who participate in sales of that issuer's securities will not be considered to be acting as "brokers" as that term is defined in the Exchange Act. Accordingly, these persons would not be required to register with the Commission pursuant to the Act. The Commission adopted the rule in order to provide guidance concerning the applicability of the broker-dealer registration requirement in situations where an issuer chooses to sell its securities through its associated persons.<sup>85</sup>

*Lost and Stolen Securities*—The Lost and Stolen Securities Program, which includes as participants nearly 19,200 securities organizations, Federally-insured banks, and nonbank transfer agents, uses a data bank to monitor missing securities. Participants use the system to validate the authenticity and ownership of the certificates coming into their possession. On September 19, 1985, the Commission issued a press release containing comprehensive general statistical information regarding the operation of the Program for calendar year 1984. As stated in that release, the Securities Information Center, the Commission's designee to operate and maintain the computerized data

base of missing, lost, counterfeit and stolen securities through September 30, 1990, received loss reports for 491,944 certificates totaling \$1,636,541,701. The dollar value of lost, missing or stolen securities located through the Program increased by 31.4% during calendar year 1984, representing an aggregate dollar value increase from \$12,135,068 in 1983 to \$15,947,001 in 1984. As of December 31, 1984, the aggregate net value of the data base since the inception of the program was approximately \$8 billion.

*Transfer Agent Regulation*—The Commission approved rule changes proposed by the New York and American Stock Exchanges that generally eliminated the requirement that certain issuers appoint both transfer agents and independent registrars.<sup>86</sup>

*Transfer Agent Registration Forms*—On April 23, 1985 the Commission published for comment several new forms for the registration of transfer agents: a simplified Form TA-1 designed to conform the Commission's registration form to that used by the bank regulatory agencies; (2) a new SEC Supplement to Form TA-1 providing information about persons associated with non-bank, non-issuer transfer agents; and (3) an annual report providing essential information about each transfer agent's activities.<sup>87</sup> The new forms are designed to enhance the Commission's oversight of transfer agents.

## **Oversight of Self-Regulatory Organizations**

*National Securities Exchanges*—As of September 30, 1985, ten exchanges were registered with the Commission as national securities exchanges. During the fiscal year, the Commission granted applications by exchanges to delist 68 equity and debt, and 8 options issues, and granted applications by issuers requesting withdrawal from listing and registration for 39 issues. In addition, during the fiscal year the Commission granted 816 applications by exchanges for unlisted trading privileges.

The exchanges reported to the Commission 530 final disciplinary actions imposing a variety of sanctions upon member firms and their employees. This compares with 394 final disciplinary actions in fiscal 1984.

During the fiscal year, the Commission received 243 proposed rule changes from exchanges. Among the significant rule filings approved by the Commission were: (1) international trading linkages between the Boston Stock Exchange and the Montreal Exchange, and between the American Stock Exchange and the Toronto Stock Exchange,<sup>88</sup> (2) a New York Stock Exchange minor disciplinary fine system;<sup>89</sup> (3) amendments to Amex listing standards relating to unit investment trusts;<sup>90</sup> and (4) Pacific Stock Exchange procedures for appointing and evaluating specialists in connection with PSE's specialists post expansion program.<sup>91</sup>

*National Association of Securities Dealers, Inc.*—The NASD, with over 5700 members, is the only national securities association registered with the Commission. In fiscal 1985, the NASD reported the disposition of 348 formal and summary disciplinary actions and 93 formal and summary actions by the Association's NASDAQ Trading Committee.

In addition, the Commission received 36 filings of proposed rule changes from the NASD. During 1985, the Commission approved major revisions of the

NASD's By-Laws<sup>92</sup> and Code of Procedure.<sup>93</sup> In addition, the Commission approved an NASD proposal creating a Market Surveillance Committee, which hears all cases throughout the United States in which the NASD alleges that a member violated a market-related rule.<sup>94</sup> Formerly, these cases were heard by local District Business Conduct Committees.

The Commission also denied a petition from four broker-dealers that sell securities issued by their affiliates ("self-underwriting"), to amend the NASD's rules regulating those offerings.<sup>95</sup> The petitioners, former SECO broker-dealers, requested that the Commission amend the NASD's rules to be consistent with the Commission's self-underwriting rules under the obsolete SECO program. Subsequent to this action, one petitioner requested the Commission to review its decision; that request is still pending.<sup>96</sup>

*Municipal Securities Rulemaking Board*—In fiscal 1985, the Commission received 24 filings of proposed rule changes from the MSRB. The Commission approved one MSRB rule change of particular note;<sup>97</sup> the rule change underscores the responsibilities of dealers that sell new issue municipal securities as well as strengthens and facilitates enforcement of MSRB Rule G-32. Rule G-32 is designed to ensure that a purchaser of new issue securities is provided with all available information relevant to his investment decision. The Commission also proposed amendments to Rule 15Bc7-1 under the Exchange Act that would provide the Commission and the MSRB more efficient access to relevant and useful information contained in inspection reports of municipal securities brokers and dealers while reducing the administrative burdens of the examining authorities.<sup>98</sup>

## **Clearing Agencies**

During the year, the Commission approved 87 proposed rule changes generally reducing clearing costs and enhancing clearing agency systems for controlling their financial exposure. Other approved proposed rule changes enabled clearing agencies to admit foreign broker-dealers to clearing agency membership,<sup>99</sup> to establish a wholly-owned commodities clearinghouse subsidiary,<sup>100</sup> and to offer a clearing fund letters of credit program.<sup>101</sup> The Commission also approved a proposed rule change of the Boston Stock Exchange Clearing Corporation<sup>102</sup> that completely revised its rules in response to the Commission's order granting the Clearing Corporation full registration as a clearing agency under the Exchange Act.<sup>103</sup>

## **SRO Surveillance and Regulatory Compliance Inspections**

During the fiscal year, the staff conducted 21 inspections of SRO market surveillance, disciplinary, compliance, and operational programs.

The 1985 inspection program continued to emphasize improving automated surveillance through transaction audit trails. The staff inspected the NYSE, Amex, CBOE, and NASD to monitor the progress in their respective audit trails. An NYSE equity audit trail was operational during the year; however, monitoring visits revealed that problems due to summarization of clearing data and failure by exchange members to supply all of the necessary trade informa-

tion hampered the audit trail's accuracy. To correct those problems, the NYSE is contacting members to improve compliance and has begun to collect audit trail data independently of the trade comparison system. The Amex's equity audit trail has experienced problems similar to those faced by the NYSE, and the Amex is taking similar corrective action. The CBOE has developed an audit trail transaction journal over the past year, and is working on improving the accuracy of the journal for market reconstruction and automated surveillance purposes. In July 1985, the initial phases of the NASD's audit trail became operational, with firms required to submit routinely, to clearance, the time of each trade and whether the firm acted as principal or agent.

The staff also completed an oversight inspection of the NYSE's specialist surveillance program. It revealed that while surveillance and investigations had generally improved since the last inspection, the NYSE needed to be more aggressive in its discipline of specialists' violations. The staff also recommended several refinements to the NYSE's surveillance procedures and that a study be conducted of problems resulting from stop order executions.

A comprehensive inspection of the PHLX equity options surveillance program conducted during the year disclosed that some significant weaknesses continue to exist while others have arisen due to increased volume. The staff found the surveillance procedures to be manually intensive and in need of automation, and noted weaknesses in the investigatory and disciplinary programs of the exchange. The PHLX was requested to advise the Commission within 90 days of its plans to address these problems.

The staff also conducted a comprehensive inspection of the CBOE equity option surveillance program. The inspection revealed that, although the CBOE's surveillance procedures continue to be manually intensive, the exchange has begun a substantial program to automate its surveillance capability. The staff noted several minor problems in the CBOE surveillance capability and made recommendations to improve the program. In addition, the staff requested the exchange to strengthen its discipline of trading violations. Late in the year the Division began inspections of the Amex and Pacific Stock Exchange (PSE) options surveillance programs.

A series of inspections of various programs at the NASD was conducted during the year. These inspections noted weaknesses in the NASD programs for enforcement of its free-riding and with-holding restrictions, and for detection of abuses in pink sheet stocks. The NASD agreed to take corrective action recommended by the Commission. These inspections also found the programs administered by NASD's Corporate Finance Department and its Market Surveillance Committee to be well designed and effectively administered.

A series of compliance inspections of the NYSE's Enforcement Department was conducted on matters identified by the NYSE's broker-dealer examination program which were referred for enforcement follow-up. These inspections revealed a need for improvement by the NYSE's Enforcement Department in review of supervision by member firms, in timely investigation and prosecution of violations of Exchange rules and in documentation. The inspections, however, did conclude that the Exchange takes appropriate disciplinary action in most cases originating from its broker-dealer examination program. The staff also reviewed the NYSE's written procedures for investigating customer

complaints and found that those procedures, even if consistently implemented, fail to assure thorough and adequately documented investigations. Changes were recommended to the NYSE.

Also during fiscal year 1985, the staff completed an inspection of the NYSE's and CBOE's handling of numerous customer complaints against a registered representative. This inspection disclosed weaknesses in the procedures for communicating between these SROs, in the investigation of the customer complaints, the disposition of the complaints, and in the procedures used by these SROs to communicate with each other.

A full oversight inspection at the CBOE to review investigations of customer complaints, terminations of registered representatives for cause, routine examinations and formal disciplinary actions was in progress at the end of the fiscal year.

The staff also conducted compliance inspections of six of the fourteen NASD district offices, as well as a review of the NASD's Anti-Fraud Program. During fiscal year 1985, guidelines for the inspection of NASD district offices were developed to permit implementation of a new management program under which regional offices assume primary responsibility for field inspections of NASD district office broker-dealer examinations, investigations of customer complaints and terminations for cause, financial surveillance of member firms and formal disciplinary actions. Inspections of NASD districts in Seattle, San Francisco, New Orleans, Dallas, Atlanta, and Washington, D.C. were conducted by the regional offices and revealed various deficiencies in each district office, including delays in conducting and processing examinations, miscellaneous deficiencies in examinations and financial surveillance of member firms, instances of delays and inadequate investigations of customer complaints and terminations for cause and instances of inadequate sanctions in formal disciplinary actions. In addition, the staff reviewed the operation of the NASD's Anti-Fraud Unit and recommended that additional staff be added to permit completion of complex investigations in a more timely manner. Finally, the staff met with the NYSE and NASD on a quarterly basis to discuss current regulatory issues.

During the summer of 1985, the staff conducted a review of the member monitoring and risk assessment programs of Depository Trust Company, Midwest Securities Trust Company, Pacific Securities Depository Trust Company, and Philadelphia Depository Trust Company. These inspections identified some weakness in their risk assessment programs. The staff is recommending that these depositories conduct formal risk assessments and report the results to their Boards of Directors, and that they establish a task force to develop consistent programs to address common risk.

In response to increasing concerns over the number of investor complaints concerning delays in the transfer of their accounts at major brokerage firms, the Division held a meeting with senior staff from the NYSE, NASD, NSCC and OCC to discuss what steps were being taken to alleviate the existing backlog of delayed account transfer requests and to indentify long term solutions for the industry. The NYSE and NASD agreed (1) to propose modifications in their rules to require more timely response by the securities industry, (2) to outline procedures for transferring those categories of securities which are non-DTC

eligible such as limited partnerships and foreign securities, and (3) to develop standardized customer account forms for industrywide use. By the end of the fiscal year, both the NYSE and NASD had proposed amendments to their rules governing transfer of accounts. Implementation of a pilot automated transfer system is now being tested. Because of the Division's concern over the extent of account transfer delays, the NYSE met regularly with representatives from the eleven largest firms between May 1984 and the early part of fiscal year 1985. As a result, the number of accounts delayed over six months was reduced from 30,000 to 1,000.

Also during fiscal year 1985, the Commission concluded its Market Oversight and Surveillance System (MOSS), an automated surveillance system for stock and options trading, due to the joint development by the SROs of a viable intermarket surveillance program. The Commission has incorporated the MOSS pilot into its market information data base which supports numerous Commission activities.

*Securities Investor Protection Corporation ("SIPC")*—The SIPC Fund amounted to \$308 million on September 30, 1985, an increase of \$82 million from September 30, 1984. In the fall of 1983, the SIPC Board of Directors ("SIPC Board") determined to continue assessments on SIPC member broker-dealers at the annual rate of one-fourth of one percent of aggregate gross revenues from the securities business until the SIPC Fund total reaches \$300 million.<sup>104</sup> At the direction of SIPC's Board, SIPC has formed a broad-based task force to make recommendations to the SIPC Board on (1) the appropriate size of the SIPC Fund and (2) the nature of the assessments on members both before and after the appropriate size of the SIPC Fund is reached. Preliminarily, the Commission has expressed its view to SIPC that the SIPC Fund should be increased above \$300 million.

During the fiscal year, the Commission staff completed a review of SIPC liquidation proceedings. Based on that review, the Commission believes that SIPC (1) is doing a good job in selecting trustees to handle liquidations, overseeing their activities and monitoring the progress of liquidations, and (2) is properly exercising its responsibilities and authority under the Securities Investor Protection Act of 1970. Nevertheless, the Commission encouraged the expanded use of automation by SIPC, the development of an operations manual for liquidation proceedings, and the possible commitment of more resources in overseeing liquidation proceedings. The Commission also supported SIPC's development of a program for efficient liquidation of large firms should such a liquidation ever be necessary. SIPC has taken steps that indicate that it is responsive to these issues.

*Applications for Re-entry*—During the fiscal year, the Division of Market Regulation received 75 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 19% decrease in applications from fiscal 1984. The distribution of filings among the SROs was the following: NASD (55), NYSE (16) and Amex (4). Of the total filings made, 4 applications were subsequently withdrawn, 65 were processed and 6 were pending at year end. Two applications were denied by the Commission.

# Investment Companies and Advisers

## Key 1985 Results

The Division of Investment Management oversees the regulation of investment companies and investment advisers under two companion statutes, the Investment Company Act of 1940 and the Investment Advisers Act of 1940 (Investment Company Act and Investment Advisers Act, respectively). During 1985, the Division also assumed responsibility for administration of the Public Utility Holding Company Act of 1935 (Holding Company Act).

The number of registered investment companies and investment advisers as well as the amount of assets under management increased rapidly in 1985, continuing the trend of the past several years. At the end of fiscal 1985, there were 2,458 registered investment companies and 11,146 registered investment advisers, increases of 11.2% and 22.7% respectively. From 1981 to 1985, the number of investment companies and investment advisers grew by 56.1% and 77.9%, respectively. Combined assets under management reached \$1,695 billion in 1985, a 121% increase from 1981.

**Number of Active Registered Investment Companies  
and Investment Advisers**

	FY '81	FY '82	FY '83	FY '84	FY '85	81-85 % Increase
Investment Companies	1,574	1,830	2,057	2,210	2,458	56%
Investment Advisers	6,265	5,445	7,043	9,083	11,146	78%

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

	FY '81	FY '82	FY '83	FY '84	FY '85	81-85 % Increase
Investment Companies	\$315	\$315	\$360	\$370	\$ 525	67%
Investment Advisers	\$450	\$670	\$780	\$850	\$1,170	160%

**Inspection/Examinations of Investment Companies and Advisers**

	FY '81	FY '82	FY '83	FY '84	FY '85	81-85 % Increase
Investment Company	236	355	348	497	567 <sup>105</sup>	140%
Investment Adviser	512	710	737	837	1,039	103%
Total Examinations	748	1,065	1,085	1,334	1,606	115%

In response to this growth, the Division increased staff productivity through technological and procedural improvements. Use of personal computers on an

experimental basis provided excellent results in the planning, examination and report-writing stages of the inspection process. Continued emphasis on streamlining examinations permitted the staff to complete 1,606 investment company and investment adviser inspections in 1985, significantly exceeding the record performance of 1,334 examinations in 1984. These inspections resulted in the recovery of an estimated \$2.4 million for investment company shareholders and advisory clients.

The Division and the Regional Offices also conducted a joint investment adviser training program with interested states throughout the year as part of an effort to improve communication and encourage the sharing of workload between state and Federal authorities with jurisdiction over investment advisers. This program will be continued in the upcoming fiscal year.

## **Disclosure Requirements**

During fiscal 1985, the Commission proposed a new simplified registration form under the Securities Act of 1933 (Securities Act) and the Investment Company Act for all unit investment trusts, other than insurance company separate accounts.<sup>106</sup> Like Form N-1A for mutual fund prospectuses, Form N-7 would establish a two-part disclosure format consisting of a simplified prospectus and a Statement of Additional Information available to prospective investors upon request. The Commission also proposed Form N-14, a simplified form for registering securities issued by management investment companies and business development companies in business combination transactions.<sup>107</sup>

The Commission proposed and adopted an amendment to Form N-1A, the registration form used by open-end management investment companies other than insurance company separate accounts to revise the method of computing portfolio turnover<sup>108</sup> and proposed another amendment to the form to consolidate all expense-related information in the prospectus and add a tabular presentation of major expense data.<sup>109</sup> The Commission also proposed to amend Rule 6-07 of Regulation S-X to require registered investment companies to account for net costs incurred as a result of a Rule 12b-1 distribution plan as expenses.<sup>110</sup>

The Commission proposed and adopted a rule amendment and new rule relating to the pricing of redeemable securities by investment companies.<sup>111</sup> The revisions simplify and clarify pricing and redemption requirements for mutual funds, especially those with portfolio securities trading in foreign markets.

## **Regulatory Policy**

In October 1984, the Commission adopted a revised version of Rule 2a-5 under the Investment Company Act (redesignated as Rule 2a19-1) to provide broader exemptive relief from the definition of "interested person" for brokers, dealers and their affiliates. At the same time, the Commission adopted Rule 10b-1 to define the term "regular broker or dealer."<sup>112</sup> On December 14, 1984, the Commission adopted Rule 3a-5 to exempt the finance subsidiaries of U.S.

and foreign private issuers from the definition of "investment company" under certain circumstances.<sup>113</sup>

A new streamlined semi-annual reporting form for registered investment companies, N-SAR, was adopted in January 1985, replacing five annual report forms. In July, the Commission eliminated the quarterly reporting obligations of investment companies and incorporated the contents of Form N-1Q, the quarterly report form for management investment companies, into the new semi-annual form.<sup>114</sup> The Commission also conformed the calculation of portfolio turnover rate prescribed in Forms N-1A and N-2, the registration statement forms for open-end and closed-end investment companies, respectively, to the method set forth in the new form.<sup>115</sup>

A revised version of Rule 22d-1 was adopted in February 1985, to permit investment companies to sell their redeemable securities with scheduled variations in sales loads. The Commission simultaneously amended the sales load items in the registration forms for open-end investment companies and unit investment trusts to require adequate disclosure of scheduled variations in their prospectuses.<sup>116</sup>

On May 31, 1985, the Commission extended the date by which investment companies must conform their foreign custodial arrangements with Rule 17f-5 until September 1, 1985.<sup>117</sup> The Commission simultaneously proposed amendments to clarify certain aspects of Rule 17f-5.<sup>118</sup> [These should be adopted in September.]

Amendments to Investment Company Act Rule 2a-7 were proposed on July 1, to permit investment companies to acquire put options to enhance portfolio liquidity, subject to certain conditions. The Commission simultaneously proposed amendments to Rule 12d3-1 and proposed for public comment Rule 2a41-1 to permit investment companies to acquire standby commitment put options from persons engaged in securities-related activities and to assign a fair value of zero to those options.<sup>119</sup>

## **Investment Advisers**

The Commission proposed and adopted revisions to Form ADV, the investment adviser registration form<sup>120</sup> to permit uniform registration with the Commission and the states. The revised form was developed by the Commission and the North American Securities Administrators Association (NASAA) to remove unnecessary administrative burdens and provide cost savings to investment advisers registering with more than one governmental entity. The Commission and NASAA intend to develop an electronic system for processing adviser registrations so that one registration form can be filed with a central depository for transmission to all the jurisdictions in which the adviser is registering.

The Commission adopted a rule amendment to permit advisers to preserve required records on microfilm and in computer systems under prescribed conditions<sup>121</sup> and proposed Rule 205-3 to permit registered investment advisers, under certain conditions, to receive performance-based compensation.<sup>122</sup> If adopted, proposed Rule 205-3 would allow registered in-

vestment advisers and their clients considerably more flexibility in structuring compensation arrangements.

The Commission also proposed and adopted a safe harbor rule, Rule 203(b)(3)-1, which specifies certain circumstances in which a limited partnership, rather than each of its limited partners, will be counted as a "client" of a general partner acting as investment adviser to the partnership for purposes of an exemption from registration provided by the Investment Advisers Act.<sup>123</sup> The rule provides guidance on a longstanding interpretive question concerning the availability of a registration exemption to a general partner acting as an investment adviser to a limited partnership.

The Commission adopted amendments to Form 13F under the Securities Exchange Act of 1934 which prescribes the reporting requirements for institutional investment managers exercising investment discretion over accounts having, in the aggregate, more than \$100,000,000 in exchange-traded or NASDAQ-quoted securities.<sup>124</sup> The amendments simplify the procedures for requesting confidential treatment of certain risk arbitrage positions reported on the form and limit the time for which confidential treatment of commercial information may be requested.

## **Insurance Requirements**

In November, 1984, the Commission temporarily adopted and solicited public comment on a rule that permits a new type of life insurance product called flexible premium variable life insurance.<sup>125</sup> The temporary rule provides extensive exemptions from the Investment Company Act and rules thereunder to insurance company separate accounts offering this product.

As part of a continuing effort to simplify compliance with the Investment Company Act, the Commission proposed a new rule to permit insurance company separate accounts offering variable annuity contracts to deduct charges for an insurer's assumption of mortality and expense risks.<sup>126</sup> The Commission also adopted new integrated registration forms, Forms N-3 and N-4, specifically designed for variable annuity contracts offered by insurance company separate accounts.<sup>127</sup> The new forms feature a shorter and simpler prospectus.

To clarify the status of certain annuity contracts that generally include guaranteed investment contracts and single premium deferred annuities, the Commission proposed Rule 151 under the Securities Act.<sup>128</sup> The rule would create a "safe harbor" under which annuity contracts having certain characteristics would be exempt securities.

## **Public Utility Holding Companies**

There are presently 13 registered holding companies with aggregate assets, as of June 30, 1985, of \$78.2 billion, an increase of \$5.5 billion, or 7.6% over the previous year. Total operating revenues, as of June 30, 1985 were \$34.4 billion, a \$.2 million decrease from the previous year. There are 65 electric or gas utility subsidiaries, 72 nonutility subsidiaries, and 22 inactive companies in

the 13 registered systems, a total of 172 companies operating in 24 states (excluding seven power supply subsidiary companies).

During the year, a number of measures were adopted to increase staff productivity, permitting significant reductions in staff devoted full-time to Holding Company Act matters. Improved review procedures allowed the staff to process approximately the same number of applications, on an annualized basis since January 1985, as in fiscal 1984, with 45% fewer personnel.

In January 1985, the Commission initiated a review of its rules under the Holding Company Act to eliminate restrictions unnecessary for consumer and investor protection. In May 1985, the Commission published for public comment a revision of Rule 70 which would permit a limited number of persons affiliated with investment bankers or commercial banking institutions to serve as directors or officers of public utility holding companies and their subsidiaries.<sup>129</sup> The purpose of the proposed rule change is to simplify, clarify, and expand the existing rule to give holding companies and their subsidiaries more flexibility in the selection of their officers and directors.

In June 1985, the Commission published for comment an amendment to Rule 22 which would require registered holding companies to provide a draft notice with any application or declaration filed with the Commission.<sup>130</sup> The Commission also adopted temporary rules and forms under the Holding Company Act to facilitate participation of public utility holding companies in the Commission's pilot electronic disclosure system, Edgar.<sup>131</sup> On July 1, 1985, the Commission began accepting electronic filings of documents under the Holding Company Act.

*Holding Company Financings*—During fiscal 1985, the Commission authorized approximately \$4.2 billion of senior securities and common stock financing for the 13 registered systems: approximately \$3.6 billion in long-term debt financing; \$600 million in common and preferred stock. Over \$2.2 billion of pollution control financing and \$5.7 billion of short-term debt financing was approved. The pollution control financing represented a 57% increase over amounts authorized in fiscal year 1984. Short-term debt increased by 32 percent over the previous year. Total financings in fiscal 1985 of \$12.1 billion exceeded financings authorized in fiscal 1984 by \$3.6 billion, an increase of over 42%.

The Commission authorized \$656.9 million for fuel exploration and development activities during 1985.

*Subsidiary Service Companies*—At the end of calendar year 1984, 12 subsidiary service companies provided managerial, accounting, administrative and engineering service to 11 of the 13 registered holding companies. Billings for services rendered to the holding company systems amounted to \$1.4 billion or 4.1 percent of the total revenues generated by the electric and gas operating utilities. Subsidiary service companies are heavily labor-intensive, employing 17,603 people, and have assets of over \$739.6 million.

During fiscal 1985, the Commission completed the audit and examination of two subsidiary service companies. The Commission's examination of holding company fuel procurement activities and approval of fuel service contracts between associate companies resulted in savings to consumers during the fiscal year of approximately \$32.3 million.

## **Significant Applications and Interpretations**

*Government Securities*—During the fiscal year, Division reminded investment companies of the conditions under which they may enter into repurchase agreements with brokers, dealers or other entities engaged in securities related businesses. In three letters to the Investment Company Institute, the Division reiterated and elaborated upon a staff no-action position which permits such transactions, provided that the repurchase agreement is fully collateralized and the investment company's board of directors has evaluated the credit-worthiness of the other party to the transaction. The letters state that in order to ensure that a repurchase agreement is fully collateralized, an investment company should perfect and maintain an adequate security interest in the securities underlying the agreement, *i.e.* take actual or constructive possession of the securities, and mark them to market.

*Guidelines for Exemptive Applications*—The Commission, on April 30, 1985, issued a release explaining guidelines and procedures to be followed by applicants seeking exemptive relief under the Investment Company Act and the Investment Advisers Act. The new guidelines will help streamline the review of such applicants.

The Commission issued an order permitting members of an association of closed-end internally managed investment companies to offer their employees deferred equity compensation in the form of stock options and stock appreciation rights. The conditions of the order included all protections previously imposed by the Commission on issuance of stock options by small business investment companies as well as the requirements of the Investment Company Act that apply to stock options issued by business development companies. The order will allow members of the association to compete more effectively with external managers of mutual funds, banks, broker-dealers and certain other investment advisory organizations.

On February 7, 1985, the Commission issued an order permitting the Vanguard STAR Fund ("Fund") to acquire shares of other mutual funds in the Vanguard Group of investment companies in excess of the limitations imposed on "funds of funds" in Section 12(d)(1) of the Investment Company Act. The Fund was created to provide a diversified program of mutual fund investments to investors seeking retirement income.

The terms of a previous Commission order were amended to permit several registered investment companies to lend their portfolio securities to their affiliated sub-advisers and principal broker, Neuberger & Berman. The amended order: (1) establishes a new, more competitive formula for calculating the transaction price for securities loans and (2) allows Neuberger & Berman to lend securities it borrows from its affiliated investment companies provided, among other things, that Neuberger & Berman repays the investment companies for excess earnings as determined under a formula specified in the order.

The Commission authorized Central and South West Financial, Inc. (CSWF), a nonutility subsidiary company of Central and South West Corporation, a registered holding company, to enter into leveraged leases for the purpose of reducing forecasted consolidated income tax liability.<sup>132</sup> CSWF entered into a joint venture arrangement with Manufacturers Hanover Leasing Corporation to

create a new company that could finance up to \$1 billion of leased property. The venture is structured so that CSWF can claim all the tax credits and deductions arising from ownership of the leased property and thereby reduce its consolidated tax liability by several hundred million dollars over the next five years.

The Commission authorized the Southern Company to acquire an interest in Integrated Communication Systems, Inc. (ICS), a new corporation organized by a group of companies to perfect a new two-way communications system over local telephone lines.<sup>133</sup> ICS intends to develop a wide range of energy-related services in the residential and small commercial markets; in addition, other services could include home security, education, and electronic banking.

Columbia Gas Transmission Corporation (Transmission), the wholly owned transmission subsidiary of The Columbia Gas System, Inc., a registered holding company, has been burdened with marketing problems due to contract obligations to purchase quantities of gas at prices which exceed those the market can accept. Pursuant to Federal Energy Regulatory Commission settlements arising out of various lawsuits, Transmission has agreed to pay certain pipeline suppliers their fixed costs for purchases below minimum bill levels and to advance to the suppliers Transmission's allocable share of take or pay payments made by the pipeline suppliers in connection with Transmission's reduced purchases, with such advances to be repaid to Transmission as the pipeline suppliers work their way out of their take or pay situation. In order to finance Transmission's needs during this critical period, the Commission authorized an extensive financing package totalling in excess of \$1.2 billion including up to \$450 million in inventory financing notes, up to \$400 million from the sale of interests in the proceeds of production from certain proved reserves, and \$350 million in first mortgage bonds.<sup>134</sup>

*Institutional Disclosure Program*—Section 13(f)(5) of the Securities 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, 1985, Form 13F reports had been filed on behalf of approximately 1,464 managers for holdings totaling \$788 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: (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 after the date on which Form 13F is required to be filed.

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 Activities

## Key 1985 Results

	FY '81			FY '82			FY '83			FY '84			FY '85		
	Win	Loss	Other												
Supreme Court and															
Appellate Courts	N.A.	N.A.	38	6	3	37	8	6	37	4	6				
District Court	N.A.	N.A.	40	4	4	43	1	3	35	2	2				
Other**	N.A.	N.A.	6	1	6	13	0	0	12	0	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 accomplished, 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 289 litigation matters during the past fiscal year, less than half of which are still pending. During the fiscal year, 47 Court of Appeals and Supreme Court cases were concluded, all but four favorably to the Commission. There were 37 appeals before the Supreme Court and Federal courts of appeals of cases in which a party subject to a Commission injunctive action challenged the lower court's resolution of the case in a manner favorable to the Commission or, much less frequently, the Commission challenged an adverse decision. Of these appeals, 18 were concluded, with only 2 outcomes unfavorable to the Commission. The foregoing compares with the following cases in fiscal 1984: a total of 276 matters, of which 42 were appeals of injunctive action cases. Of those appellate cases, 19 were concluded, with only two outcomes unfavorable to the Commission.

There also were 20 appellate and district court actions seeking to overturn Commission orders, primarily those issued in administrative proceedings or affirming self-regulatory organization disciplinary proceedings against regulated entities such as broker-dealers. Of these appeals 13 were concluded, with one adverse result. In fiscal 1984, there were 16 actions, seven of which were concluded. In each of these cases, the outcome was favorable to the Commission.

The Commission filed amicus curiae briefs in 44 cases during the year (compared to 52 such instances in fiscal year 1984). The Commission participated in

16 private cases which were decided; only three of these resulted in a decision adverse to views advocated by the Commission.

The General Counsel also handled more than 185 other proceedings before the Commission or in the Federal district courts, compared to 180 in fiscal year 1984. These included 63 suits brought against the Commission or its staff, and 78 suits, including actions under various public information statutes, seeking access to Commission documents. Of the latter, 54 involved discovery subpoenas in private actions in which the Commission is not a party. In fiscal year 1984, there were 31 suits brought against the Commissioners or the Commission's staff, and 81 suits (including 59 third-party subpoenas) under the various public information statutes.

In addition to litigation, 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. This year, the Group released a report, "Blueprint for Reform," and the Chairman testified in support of its securities law proposals. The Office also assisted the Commission in considering changes in tender offer regulation, and in supporting adoption of the Shareholder Communications Act.

During the fiscal year, 138 debtors with securities registered under the Securities Exchange Act of 1934 (Exchange Act) in the hands of the public commenced Chapter 11 reorganizations. The Commission entered its appearance in 49 of these cases involving aggregate assets of \$6.3 billion and about 160,000 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 34 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. Blavin*,<sup>135</sup> the United States Court of Appeals for the Sixth Circuit upheld a district court order requiring an investment adviser found to have engaged in scalping—*i.e.*, buying securities, then recommending them for purchase by customers without disclosing his interest in the stock, and selling them after the expected price increase—and other misconduct, to disgorge \$581,000 in illegally obtained profits. The appellate court also approved a plan that permitted victims of the defendant's fraud to make claims to the disgorgement fund. The court rejected the defendant's argument that he had a constitutional right to challenge claims to the fund and to receive any unclaimed money, agreeing with the Commission that the purpose of disgorgement is to force the defendant to give up the amount by which he was unjustly enriched.

In *SEC v. Drysdale Securities Corp.*,<sup>136</sup> the Commission has appealed the district court's dismissal of the Commission's complaint for injunctive relief against an audit partner at a major accounting firm for his participation in a fraud which resulted in the collapse of a government securities dealer, causing

losses to institutional investors of almost \$300 million. The Commission's complaint alleged that the accountant engaged in securities fraud by preparing false financial statements which concealed the dealer's insolvency and induced institutional investors to trade with it. The district court dismissed the complaint, holding that since the alleged misrepresentations did not pertain to the government securities traded or to their issuer, they did not occur "in" or "in connection with" the offers, purchases or sales of securities, and therefore were not a violation of the Federal securities laws.<sup>137</sup> The Commission argues in its appeal that the district court's construction of the "in" and "in connection with" requirements is unduly restrictive and contrary to established precedent.

In *SEC v. Carter Hawley Hale Stores*,<sup>138</sup> the Commission sought to enjoin an issuer's offer to purchase over half of its own common stock in the open market, made in response to a hostile tender offer by another corporation. The Commission argued that the issuer's offer was subject to the requirements of the Commission's tender offer rules, with which the issuer had not complied. The United States Court of Appeals for the Ninth Circuit affirmed the district court's finding that the issuer was not conducting a tender offer. The Commission argued on appeal that Carter Hawley's offer was a tender offer under Rule 13e-4,<sup>139</sup> because the offer was designed to inflict on shareholders the same harmful economic effects that Congress sought to eliminate in enacting the Williams Act. The Commission urged that any offer designed to pressure shareholders into selling precipitously constitutes a tender offer. The Commission also argued that the eight-factor test proposed by the Commission in 1979 and adopted in the case of *Wellman v. Dickinson*,<sup>140</sup> applied flexibly and with a view toward the purposes of the Williams Act, also established that the Carter Hawley offer was a tender offer. The Court of Appeals held that the appropriate standard is the eight-factor test, but that Carter Hawley's offer was not a tender offer under that standard.

*Petitions to Review Commission Orders*—Petitions to review Commission orders arise from Commission administrative proceedings conducted under various provisions of the Federal securities laws, including orders on review of disciplinary action by national securities exchanges and the National Association of Securities Dealers, Inc. (NASD), and orders issued under the Public Utility Holding Company Act of 1935 (Holding Company Act). These administrative appeals may involve, among other things, issues central to the Commission's enforcement program and thus to the integrity of the securities markets, or questions of interpretation of the securities statutes.

For example, in *Mister Discount Stockbrokers v. SEC*,<sup>141</sup> the United States Court of Appeals for the Seventh Circuit held that it would not entertain arguments concerning alleged constitutional defects in the NASD's disciplinary process that petitioner had not raised before the Commission in its review of the NASD's decision. The court also addressed and rejected petitioner's contention that the NASD's failure to provide for discovery violated his due process rights. The court held that petitioner had failed to show any prejudice resulting from a lack of discovery, let alone prejudice so significant as to result in a denial of due process.

In *Eichler v. SEC*,<sup>142</sup> the United States Court of Appeals for the Ninth Circuit affirmed a Commission decision which upheld NASD sanctions against two of

ficers of a brokerage firm that took customer orders for stock, and then failed to fill the orders promptly and completely, in violation of just and equitable principles of trade.

And in *Arkansas Public Service Commission v. SEC*,<sup>143</sup> the United States Court of Appeals for the D.C. Circuit was asked to review Commission orders under the Holding Company Act, approving \$560 million in continued financing for a nearly operational nuclear powered generating plant being constructed by a utility holding company system. The Commission determined that the assignment of an indemnity obligation, as part of the collateral for bonds to be issued, was not the issuance or sale of a security for purposes of the Holding Company Act. The petition for review was later voluntarily dismissed.

*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 on the Commission's own regulatory activities.

In *Austin Municipal Securities v. National Association of Securities Dealers*,<sup>144</sup> the Court of Appeals, as urged by the Commission, held (1) that the NASD, a securities association registered with the Commission, and its officials are absolutely immune from damage suits alleging torts committed during the NASD disciplinary process; and (2) that, in view of the pervasive regulatory structure created by the Exchange Act, the Federal antitrust laws are impliedly repealed with respect to the NASD's disciplinary process.

In *Moran v. Household International*,<sup>145</sup> the Commission filed an amicus brief in the Supreme Court of Delaware urging that a "poison pill" defense to tender offers adopted by Household International's board without submission to its shareholders is not in the interests of the corporation's shareholders. The Commission argued that the poison pill plan would have the effects of entrenching management and preventing any tender offer for the corporation that is not approved by management, and would also deter proxy contests against management. Such results, the Commission argued, based on its experience in enforcing and administering the Williams Act, is contrary to the interests of Household's shareholders in that it is in the shareholders' interests to be able to consider tender offers on their merits.

In *Austin v. Loftsgaarden*,<sup>146</sup> the United States Court of Appeals for the Eighth Circuit, sitting en banc, reaffirmed its earlier decision that in calculating rescissory damages in a private action under Section 12(2) of the Securities Act of 1933 (Securities Act) for fraud in the sale of a tax shelter investment, the plaintiff's losses should be offset by the amount of the plaintiff's tax savings. The Commission had urged, in an amicus brief, that the plaintiff's losses should not be offset by tax savings; the Commission would, however, permit prejudgment interest to be adjusted to account for net tax savings. This issue has divided the Courts of Appeals, with the Second Circuit agreeing with the Eighth Circuit, and the Ninth Circuit disagreeing. A petition for a writ of certiorari is pending.

In *Angelastro v. Prudential-Bache Securities*,<sup>147</sup> the United States Court of Appeals for the Third Circuit, agreeing with the views expressed by the Commiss-

sion as amicus curiae, held that misrepresentations and omissions concerning the margin interest rates charged by a brokerage firm on a customer's margin account are "in connection with" the customer's purchase and sale of securities through that account. This establishes a violation of the antifraud provisions of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. The court of appeals also held, as urged by the Commission, that a private right of action exists under Commission Rule 10b-16, which requires brokerage firms to disclose margin account credit terms to their customers.

In *Busch v. Carpenter*,<sup>148</sup> the Commission filed an amicus brief in the United States Court of Appeals for the Tenth Circuit. The brief reiterated the Commission's longstanding view that the intrastate offering exemption from securities registration under the Securities Act is only available where the distribution of the issuer's stock (including any distribution made by persons buying from the issuer with a view to resale) occurs exclusively in its state of residence, and where the issuer does the predominant part of its business, and uses the predominant part of the offering proceeds, in that state. The district court had held the exemption available to an issuer which had not proven it satisfied those criteria.

In *Michaels v. Michaels*,<sup>149</sup> the Commission submitted for filing an amicus memorandum, in connection with a rehearing petition, in which the Commission urged the Seventh Circuit to delete dictum in its decision stating that merger negotiations by publicly held companies do not become material, and need not be disclosed, until there is agreement on price and structure. The Commission reiterated its view, traditionally accepted by the courts, that the materiality of merger negotiations must be judged on the facts of each case, looking to the significance of the merger to the company and the probability of its occurrence, and may become material well before there is agreement on price and structure. Following submission of the Commission's memorandum, the Seventh Circuit amended its decision to delete that dictum.<sup>150</sup>

*Trading on Material Non-Public Information*—The issue of when trading on material non-public information violates the Federal securities laws continues to be actively litigated. This year the Commission submitted amicus briefs in support of the prosecution in two criminal cases in which it was charged, and in which the courts agreed, that the defendants violated the antifraud provisions of the Federal securities laws when they traded, or tipped others who traded, on the basis of misappropriated information. In *United States v. Reed*,<sup>151</sup> the court refused to dismiss a count of an indictment charging securities fraud, finding that if, as alleged, the defendant traded in securities on the basis of information he misappropriated from his father, a corporate director, in breach of their confidential relationship, it would constitute a violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. Similarly, in *United States v. Winans*,<sup>152</sup> the court held, in finding the defendants guilty of violating Section 10(b) and Rule 10b-5, that they had traded on material non-public information that one defendant, a newspaper columnist, misappropriated from his employer and tipped to the others, and that such trading violated those provisions.

In *Bateman Eichler, Hill Richards, Inc. v. Berner*,<sup>153</sup> the Supreme Court held, as urged by the Commission as amicus curiae, that a securities salesman and a corporate insider could not use the *in pari delicto*, or "equal fault," defense to

bar a private Rule 10b-5 action by investors to whom they allegedly gave fraudulent “tips” of purported inside information. Because of the important role played by private Rule 10b-5 actions in the effective enforcement of the Federal securities laws, the Court held that the *in pari delicto* defense should be narrowly limited to bar such actions only when the plaintiffs truly bear at least substantially equal responsibility for their injuries and where precluding them from suing would not significantly interfere with the effective enforcement of the securities laws. The Court found neither condition met.

And in *Bianco v. Texas Instruments*,<sup>154</sup> the Commission submitted a memorandum amicus curiae urging that prior to the 1984 amendments to the Exchange Act, corporate insiders who traded in options rather than stock of their corporation while in possession of material, nonpublic information violated Section 10(b) and Rule 10b-5 thereunder. The 1984 amendments expressly provided that such trading is illegal. The Commission argued that these amendments did not change prior law, but clarified it. Given the interrelation between the options market and the stock market, and the fact that trading in options can generate far greater profits than trading in the underlying stock, the Commission urged the court to reject the defendants’ contention that, prior to 1984, there was a loophole in the law permitting insider options trading. The case is pending.

*Definition of a Security*—The question of what constitutes a security continues to be litigated. This year, the Supreme Court resolved one issue that had sharply divided the Courts of Appeals.

In *Landreth Timber v. Landreth*,<sup>155</sup> and *Gould v. Reufenacht*,<sup>156</sup> the Supreme Court agreed with the Commission, which participated in the cases as amicus curiae, that the sale of a controlling stock interest in a business is a securities transaction subject to the antifraud provisions of the Federal securities laws. In *Landreth*, the Court held that the sale of 100 percent of the stock of a business was subject to the antifraud provisions. In *Gould*, the Court held that the sale of a controlling, but less than 100 percent interest, was subject to those provisions. In so ruling, the Court resolved a split in the Courts of Appeals over whether stock sold in such transactions constitutes securities under the Federal securities laws.

In another case, *SEC v. Goldfield Deep Mines*,<sup>157</sup> the Court of Appeals, in affirming a permanent injunction obtained against the defendants by the Commission, held that sales of gold ore coupled with refining contracts constituted investment contracts, and thus were securities subject to the Federal securities laws. The court held that because the investment was in a common enterprise in which both the promoter’s and investors’ profits were dependent on the success of the promoter’s efforts, and because the investors expected profits from those efforts, an investment contract, which is defined as a security under the Federal securities laws, existed.

*Challenges to the Commission’s Authority Under the Investment Advisers Act*—In two challenges to the Commission’s authority under the Investment Advisers Act of 1940 (Investment Advisers Act) to protect the investing public from abusive practices by publishers of investment advisory services, the courts dealt with important issues.

In *Lowe v. SEC*,<sup>158</sup> the Supreme Court held, construing the statutory exclusion from the definition of "investment adviser" in the Act, that impersonal investment advisory publishers are exempt from the coverage of the Act so long as their advice is disinterested and they publish on a regular basis. On the other hand, covered by the Act are "touts" and "tipsters," that is, publishers whose advice is not disinterested or whose publications are timed to take advantage of market events. The decision overturns a ruling by the United States Court of Appeals for the Second Circuit that Lowe's advisory publications were subject to the Act and could be enjoined consistent with the First Amendment for failure to comply with the Act's registration requirements. The Court did not find it necessary to reach Lowe's First Amendment challenges, although three members of the Court indicated in a concurring opinion that, if applied to Lowe, the Act's registration provisions would violate the First Amendment as an improper prior restraint on speech.

In *Suter v. SEC*,<sup>159</sup> a case decided shortly after the Supreme Court decided *Lowe*, the United States Court of Appeals for the Seventh Circuit affirmed the Commission's order revoking the Investment Advisers Act registration of a newsletter publisher because he had engaged in fraud in connection with the publication of his newsletter. The court held that *Lowe* did not prevent the Commission from revoking the registration of the publisher since revocation did not forbid him from publishing, within the limitations set forth in *Lowe*. The court also held that the publisher's First Amendment challenges to the Act were not properly raised in a proceeding to revoke his registration. The court reasoned that any constitutional infirmity, even if present, would not entitle the publisher to be reinstated, and that the publisher could raise his constitutional challenges if the Commission sought to enjoin the actual publication of his newsletters.

*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 five Rule 2(e) proceedings against six individual accountants. Respondents in four 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 one remaining proceeding is pending.

*In re Coopers & Lybrand and M. Bruce Cohen, C.P.A.*<sup>160</sup> centered on whether consolidated financial statements are necessary to accurately depict the operations of nominally separate corporations which in fact comprise a single economic entity. The Commission charged that Coopers & Lybrand and one of its partners violated generally accepted accounting principles in failing to require that the financial statements of Digilog, Inc. and Digilog Business Systems, Inc. be consolidated. Although Digilog Business Systems had been

set up as an "independent" corporation, the Commission alleged the contractual and operating relationships between the two companies were such that they should have been viewed as constituting a single enterprise for reporting purposes. Had the accounting treatment reflected the underlying economic reality, shareholders would have seen that it was actually Digilog which was at risk for the heavy losses incurred by Digilog Business Systems in establishing a new marketing program for Digilog products. Coopers and Cohen consented to a settlement which included an opinion by the Commission concluding that consolidation would have provided the user of the financial statements with the most meaningful presentation in accordance with generally accepted accounting principles.

In another Rule 2(e) proceeding, *In the Matter of Russell G. Davy*,<sup>161</sup> also involving an accountant, the Commission, following an evidentiary hearing, issued an order under Rule 2(e) permanently barring a certified public accountant from appearing or practicing before the Commission. The Commission found that the accountant had violated the Federal securities laws and had engaged in improper professional conduct in auditing the financial statements of a publicly held corporation. The accountant recklessly failed to discover that the corporation had included in the audited financial statements, assets that it did not own and operations that did not exist. The accountant's appeal of the Commission's decision is pending in the United States Court of Appeals for the Ninth Circuit.<sup>162</sup>

*Litigation Involving Requests for Access to Commission Records*—Although the Commission received numerous Freedom of Information Act (FOIA) and confidential treatment requests in fiscal 1985, only two of those requests resulted in the filing of court actions against the Commission; both of these actions are pending. The Commission received 1,710 requests under the FOIA for access to Commission records, a decrease of 2.5% over fiscal 1984. Approximately half of the 1985 results were for investigatory files. The Commission also received 2,282 requests for confidential treatment from persons who submitted information, an increase of 13% over fiscal 1984. In fiscal 1985, 77 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, 12 confidential treatment requesters appealed the denial of their requests.

The Commission was served with 34 discovery subpoenas in fiscal 1985 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 1985, the Commission and its staff were defendants in 18 district court actions in which persons sought to enjoin Commission law enforcement efforts or to obtain damages awards. The Commission prevailed in 10 decided cases; eight cases are still pending, one of which includes 318 individual Federal tort claims.

In *Kendrick v. Zanides*,<sup>163</sup> the plaintiffs had filed suit against a number of Federal employees, including three members of the Commission's staff, alleging violations of their constitutional and common law rights in connection with a Commission investigation that led to plaintiff's 1983 conviction for securities

fraud and perjury. The district court granted the defendants' motion for summary judgment, holding that there was no basis in law or fact for plaintiffs' frivolous claims. In addition, the court directed plaintiffs and their counsel to pay the defendants' reasonable expenses, including attorney's fees. The Court also ruled, *sua sponte*, that plaintiffs' attorneys' conduct in bringing the action raised questions concerning their fitness to practice law and ordered them to show cause why they should not be suspended from practice before the Federal court.

The Commission was awarded attorney's fees in another action against the Commission and its staff. In *Sprecher v. von Stein*,<sup>164</sup> the plaintiff sued the Commission, the Commissioners and three staff members, alleging that the staff had commenced an informal, preliminary investigation for the sole purpose of harassing him. The plaintiff alleged violations of his constitutional rights as well as various common law torts. The court dismissed the suit for failure to state a claim. Alternatively, it granted summary judgment for the defendants, holding that the law suit had been a bad faith attempt to thwart a lawful and legitimate investigation by wrongly accusing the Commission employees conducting the inquiry of engaging in improper conduct. The court ordered the plaintiff to pay the defendants' reasonable costs and attorney's fees.

In *Chicago Board of Trade v. CFTC and SEC*,<sup>165</sup> the CBT challenged the joint action of the Commission and the Commodity Futures Trading Commission (CFTC) in publishing an interpretation relating to applications for designation as contract markets for futures contracts on nondiversified stock indexes 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). 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. As urged by the Commission and the CFTC, the district court dismissed the case under the doctrines of failure to exhaust administrative remedies and lack of ripeness.

In addition, five 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 1984, 15 such actions had been filed. In all of these 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.

Finally, four motions were handled in the district courts and the Courts of Appeals under the Equal Access to Justice Act seeking attorneys fees and expenses. Of those motions, all were decided in the Commission's favor.

## **Significant Legislation**

*Financial Services Industry—Vice Presidential Task Group*—The Task Group on Regulation of Financial Services, chaired by Vice President Bush, 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.

The Chairman participated as a member of the Task Group, and, on November 16, 1984, the Group released its report, "Blueprint For Reform." The report contained proposals to substantially reorganize the Federal regulatory system for depository institutions. The securities law proposals include repeal of the exemptions in the Securities Act for registration of securities issued by banks and savings and loan associations and the transfer to the SEC of 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 disclosure 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 publicly-owned companies.

On March 25, 1985, the Chairman testified in support of the Task Group's securities law proposals, before the House Subcommittee on Commerce, Consumer and Monetary Affairs of the Committee on Government Operations. During fiscal 1985, the Office of the General Counsel assisted the Task Group's staff in drafting legislation to implement its proposals.

*Tender Offer Reform*—On May 20, 1985, the Commission voted to continue to support its 1984 proposal to amend the beneficial ownership reporting requirements of Section 13(d) of the Exchange Act. This proposal would allow the Commission to (a) require immediate public announcement of the acquisition of more than five percent of a class of equity securities; (b) shorten the current time period for filing of the Schedule 13D; and (c) restrict the acquisition of additional shares for a period not to extend beyond the second business day after the Schedule 13D filing. This proposal was developed by the Office of the General Counsel with the Division of Corporation Finance.

The Office of the General Counsel also prepared extensive testimony on tender offer regulation. Chairman Shad testified on tender offer regulation before the Senate Committee on Banking, Housing and Urban Affairs on October 2, 1984, before the Senate Subcommittee on Securities on April 4, 1985, and before the House Subcommittee on Telecommunications, Consumer Protection and Finance on May 23, 1985.

*Regulation of the Government Securities Markets*—The Chairman and other Commission officials testified before several Congressional committees concerning the failures of ESM Government Securities, Inc., Bevill Bresler Schulman Asset Management Corp., and other government securities dealers. At the request of the Subcommittee on Telecommunications, Consumer Protection and Finance of the House Committee on Energy and Commerce, the Commission, in consultation with the Federal Reserve Board (FRB) and the Department of Treasury, prepared a report on the government securities markets and the issue of additional regulation of that market.

The agencies differed on the necessity for legislation, but jointly reported that, if Congress concluded legislation was necessary, the following approach would be acceptable: (1) all currently unregulated government securities dealers should be required to be registered (the Commission and the Treasury differed as to which should be the registrar); (2) the Commission and the bank regulators be given the authority to sanction those who violate either the securities or the banking laws; and (3) the Treasury, in consultation with the FRB, be given the authority to adopt rules concerning capital, independent audits and recordkeeping, and collateralization and when-issued trading practices. Under this approach, inspection and rule enforcement for non-bank dealers would be vested in existing self-regulatory organizations, under Commission oversight, and for bank dealers in the banking agencies.

While the Commission did not conduct a formal cost-benefit analysis, it recommended that if legislation was to be enacted, the joint agency approach be followed, with two changes. First, registration of currently unregulated dealers would be with the Commission. Second, rulemaking authority would consist of capital, independent audit and recordkeeping requirements.

*Shareholder Communications Act*—In fiscal 1985 the Commission continued to support the adoption of the Shareholder Communications Act, introduced in the 99th Congress and developed by the Office of the General Counsel and the Division of Corporation Finance. The legislation 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 in 1985, passed by the House of Representatives on July 22, 1985, and referred to the Senate.

## **Corporate Reorganizations**

The Commission acts in a statutory advisor'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 generally is allowed to continue operations under court protection while it negotiates a plan to rehabilitate its business and to pay its debts. Reorganization plans often provide for the issuance to creditors and shareholders of new securities in exchange for part or all of their claims or interests in the debtor under an exemption from registration under the Securities Act provided by the Bankruptcy Code.

In its capacity as special advisor, the Commission may raise or present its views on any issue 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 publicly-traded securities registered under the Exchange Act. In fiscal 1985, the Commission presented its views on a variety of issues.

*Committees*—During the fiscal year, the Commission moved or supported motions for the appointment of committees to represent investors in 12 Chapter 11 cases.<sup>166</sup> For example, in a case having significance for the

representation of equity security holders, *In re Wheeling-Pittsburgh Steel Corp.*,<sup>167</sup> the Commission moved for the appointment of a single equity security holder's committee to represent common stockholders and two classes of preferred stockholders. The Commission recognized that the three classes of equity interests have different legal rights, but practical considerations, including the substantial additional costs of administration and problems of locating holders of each class willing to serve, made a single committee to represent all interests appropriate at an early stage of the case. The Commission urged the court, however, to appoint a committee composed of representatives of each class proportionate to their interest in the estate, and pointed out that if a conflict of interest later developed between the classes of equity interests, the court could at that time appoint additional committees or reconstitute the committee. The Commission's motion is pending.

In another case appealed to the district court, *In re The Charter Co.*,<sup>168</sup> the Commission filed a brief supporting the bankruptcy court's ruling that indenture trustees are eligible to sit as voting members of a committee. The Commission argued that there was no inherent conflict between fiduciary responsibilities of an indenture trustee to represent debtholders and its fiduciary responsibilities as a member of the committee also to represent other creditors of the estate. The Commission pointed out that, if an actual conflict arose on a particular matter, the indenture trustee could simply recuse itself, relinquish its voting rights or resign. The appeal is pending.

*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. 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 under conditions specified in the Bankruptcy Code. 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 and because information developed in a related enforcement investigation may demonstrate the need for such an appointment. This fiscal year, the Commission supported successful motions to appoint trustees in *In re Kenneth B. Osborow*<sup>169</sup> and *In re State Capital Corp.*<sup>170</sup>

*Estate Administration*—In *In re Air Florida Systems*,<sup>171</sup> the bankruptcy court found that the value of the debtor, a commercial airline, was a wasting asset and that its going concern value was of a perishable nature. The Commission supported, on appeal to the district court, the bankruptcy court's order approving the debtor's application to sell substantially all of its property outside a plan of reorganization. The Commission sought to strike an appropriate balance between the need of a debtor to have flexibility in the sale of assets and the fact that a sale of substantially all of the company's assets not pursuant to a plan undermines investor and creditor suffrage, disclosure, and plan confirmation protections in the Bankruptcy Code. On appeal, the Commission argued, and the district court held, that the bankruptcy court's findings were consistent with the standard enunciated in *In re Lionel Corp.*,<sup>172</sup> that there must be a showing of

adequate business justification for sale of assets outside the context of a plan. A further appeal to the United States Court of Appeals for the Eleventh Circuit, in which the Commission did not participate, was dismissed as moot, since the debtor had closed the sale with Midway prior to oral argument. The court noted, however, that if it were to reach the merits of the issues raised, it would have affirmed the ruling in question.<sup>173</sup>

In two cases this year<sup>174</sup> the Commission urged that a creditor may file a claim on behalf of a class of other similarly situated claimants, thereby invoking the class action procedures recognized in ordinary Federal civil litigation outside of bankruptcy. The Commission maintained that the filing of a class claim by a putative class representative is fully consistent with bankruptcy principles since it affords the debtor notice of the type and amount of potential claims outstanding and enables the debtor to formulate a reorganization plan. The Commission suggested that where a debtor desires more specific information concerning the nature and scope of the class claim, class action procedures permit a notice to be sent to all class members which requires the filing of individual claims.

In the *Baldwin United* case the bankruptcy court rejected the Commission's arguments that a class representative can file a claim on behalf of the class as their agent, and found that class claims could not be used to protect the rights of creditors who failed to file their own claims. An appeal to the district court is pending.

*In re Standard Metals*<sup>175</sup> also raised the issue of whether a debtor which had taken no steps to effect notice to potential creditors not listed on its schedules filed with the court, may invoke the procedures of the Bankruptcy Code to cut off the right of such creditors to participate in the reorganization. The bankruptcy court had concluded that, since the claim based on violations of the Federal securities laws by the debtor was unknown to the debtor prior to establishment of the claims bar date, notice of the bar date was not required. On appeal to the district court, the Commission urged that where there is a reasonable likelihood that the debtor may not be able to identify all potential creditors because of the nature and scope of the debtor's business operations, due process at least requires publication notice of a claims bar date calculated to reach unscheduled creditors. The appeal is pending.

In two other cases the Commission objected to proposals that granted significant managerial authority over the debtor to persons other than a trustee or debtor in possession. The Commission was concerned that these other persons did not possess the fiduciary duties which are imposed by the Bankruptcy Code upon those who manage the affairs of the debtor in the interests of the entire estate. In *In re Pizza Time Theatre*,<sup>176</sup> the bankruptcy court approved an agreement ousting the debtor's chief executive officer and replacing him with a "responsible officer," and removing the debtor's board of directors from any control over the debtor's business. The Commission urged reconsideration of the order, arguing that the powers accorded to this officer were more akin to those of a receiver, a type of official that the court is specifically prohibited from appointing under Chapter 11. In the Commission's view, the Bankruptcy Code did not authorize the removal of incumbent management except through

the appointment of a disinterested trustee. The bankruptcy judge denied the Commission's objection without comment.

In *In re Unioil*,<sup>177</sup> the Commission raised a similar objection to a compromise agreement between the unsecured creditors' committee and the debtor in possession, which would appoint a "consultant" to the creditors' committee who was to be given extensive managerial authority over the day-to-day operations of the debtor conducted by the debtor in possession. The Commission's objection was grounded on the fact that the appointment provided for the exercise of managerial authority by a partisan representative of the creditors, rather than a fiduciary having duties to all the interests of the estate, including public investors. The court overruled the Commission's objection, but noted that it would entertain promptly any objection regarding the consultant's actions.

In *In re A/C Photo*,<sup>178</sup> the debtor's application to use cash collateral to purchase inventory for its ordinary business operations was opposed by a major secured creditor. In approving the bulk of the debtor's application, the court adopted the legal standard urged by the Commission that, where a secured creditor is found to be adequately protected, expenditures for ordinary business operations such as inventory should be approved absent a finding that the debtor should not be permitted to operate its business. The bankruptcy court noted that to deny the debtor the ability to continue as a going concern would harm the interests of the other creditors and the stockholders.

*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 questions, bankruptcy rules require service on the Commission of all disclosure statements, and the Bankruptcy Code recognizes the Commission's right to be heard, distinct from its special advisory role, on the adequacy of disclosure.

During the fiscal year, the Commission received approximately 3,600 disclosure statements filed in Chapter 11 cases involving both privately-held and publicly-held corporations. The staff reviewed every statement filed in cases in which the Commission entered an appearance, totalling 54, and 174 others.

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 otherwise in compliance with the Federal securities laws. The Commission also reviews disclosure statements to determine whether there is adequate disclosure concerning the proposed plan. Generally, the Commission seeks to resolve questions concerning bankruptcy 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 in 168 cases. Two objections pressed by the Commission in the bankruptcy

court are particularly significant. In *In re Lionel Corp.*,<sup>179</sup> the Commission reiterated its objections to a disclosure statement previously filed that failed to include financial projections to support an opinion that the plan of reorganization was economically feasible. The bankruptcy court agreed with the Commission and ordered the inclusion of financial projections.

In *In re Unioil*,<sup>180</sup> the bankruptcy court, as urged by the Commission, held that the debtor's five-page disclosure statement, which failed to include current financial information, projections of future performance, alternatives to the proposed plan, or information regarding new management, was inadequate as a matter of law. The court directed the debtor to file an amended disclosure statement. Subsequently the bankruptcy court approved the debtor's amended disclosure statement over the objections of the Commission. The Commission argued that the amended disclosure statement still did not contain adequate information as that term is defined in Section 1125 of the Bankruptcy Code. The bankruptcy court acknowledged that the disclosure statement did not itself contain necessary information, but nevertheless found that the statement was sufficient to put persons on "inquiry notice" and directed the debtor to furnish additional information to persons who requested it. The Commission authorized the staff to pursue the objection, by supporting an appeal taken by a creditor, that "inquiry notice" established a new legal standard of disclosure which conflicts with the express provisions of Section 1125. The Commission urged that such a rule deprives persons voting on the plan of information necessary to make an informed judgment about whether to accept or reject a plan. The creditor subsequently withdrew its appeal without resolution of the Commission's objection by the appellate court.

*Compliance with the Registration Requirements of the Securities Act*—Section 1145 of the Bankruptcy Code contains a limited exemption from registration under the Securities Act for the distribution of securities by a debtor, or an affiliate or successor to the debtor, pursuant to a plan of reorganization and in exchange for claims against or securities of the debtor. The issuance of securities pursuant to a plan is deemed to be a "public offering" which means that there is no restriction on resale of such securities unless the seller is an "underwriter" as specifically defined in Section 1145(b). There was significant litigation in the bankruptcy courts this year over the scope of this exemption. In *In re International Waste Water Management Reclamation Technologies*,<sup>181</sup> the Commission objected to a proposed sale of a debtor's assets in exchange for stock of an unrelated entity on the ground that the proposed transaction violated the Securities Act registration provisions. In the Commission's view, the proposed sale was not within the scope of Section 1145 because (1) the shares were being sold to the debtor's trustee not pursuant to a reorganization plan, and (2) the issuer was not a debtor, or an affiliate or successor to the debtor. The Commission subsequently withdrew its objections upon agreement of the issuer to register the shares under the Securities Act.

In *In re The Diet Institute*,<sup>182</sup> the Commission objected to a debtor's request that the bankruptcy court declare stock sold to three entities outside of a plan of reorganization and not in exchange for claims or interests in the debtor exempt from registration under the Securities Act and freely tradeable. The Commission argued that the bankruptcy court lacked jurisdiction to enter the

declaratory relief sought and that, in any event, the issuance of the shares was clearly not encompassed by the Bankruptcy Code exemption from registration. In light of the Commission's objection, the debtor withdrew its exemption application.

In *In re Amarex*,<sup>183</sup> the Commission, in response to a request for its views, advised the bankruptcy court that a triangular merger proposed in a reorganization plan complied with Section 1145. The plan proposed that assets of the debtor be transferred to an entity specially organized to acquire those assets, and that the parent corporation would exchange its stock for claims and interests in the debtor. The Commission stated that the parent may be deemed to be a "successor" of the debtor under Section 1145. The bankruptcy court, relying on the Commission's views, ruled that the proposed sale of securities by the parent was exempt under Section 1145.

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# **Management, Economic Analysis and Program Support**

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With the Commission's operating environment undergoing unprecedented change, the staff must provide objective economic and statistical analysis and manage financial and human resources in an effective and efficient manner to support achievement of the Commission's mission.

## **Key 1985 Management and Program Developments**

Among the most noteworthy of the Commission's Fiscal 1985 accomplishments was the continued progress made toward an operational electronic disclosure system. See the Edgar section, page 19.

In a related effort, a series of office automation projects were undertaken. This program is designed to demonstrate the effectiveness and utility of state-of-the-art computer applications to operations in line offices and divisions. The demonstration results will be applied to the future implementation of Commission-wide office automation. The Executive Director's Office conducted management studies of the Office of the Secretary and the Public Utility Holding Company program. The latter resulted in a series of recommendations leading to the transfer of the program to the Division of Investment Management. During the year, headquarters staff coordinated two conferences for regional administrators to address important substantive and administrative issues affecting the operation of the Commission's nine regional offices.

## **Economic Research and Statistics**

The economic research and statistics program provides the Commission and the operating divisions with an objective economic perspective and the technical support 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 provides the Commission with economic advice and research studies on rule proposals, established policy and the capital markets. The staff assists the Commission in making decisions affecting the efficiency and structure of our nation's securities industry and markets. In addition, the program encompasses statistical monitoring of major program initiatives impacting the securities industry and markets and publication of the SEC's Monthly Statistical Review.

Changes in the marketplace have increased the number and complexity of economic issues coming before the Commission. New and more complex market structures and trading systems are evolving, which increase the need for economic analysis.

During fiscal 1985, the economic staff reviewed 89 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 the economic effects for reducing regulatory burdens on small business entities. In fiscal 1985 the economic staff reviewed 24 RFA analyses and 33 RFA certifications. During the same time 13 monitoring programs were developed or maintained to study the implementation of major rules, new trading facilities or program changes implemented by self-regulatory organizations. The economic staff also provided advice, technical assistance and empirical analysis of many issues of concern to the Commission and its operating divisions.

Staff economists analyzed rule proposals related to the concentration of the customers' margin debits held by broker-dealers and prepared an analysis of the costs and benefits of possible approaches to regulating currently unregulated dealers in government securities. Another project analyzed the proposal by the National Association of Securities Dealers (NASD) and certain exchanges to establish a standardized options market in NASDAQ traded securities and examined two proposals that would permit unlisted trading privileges on exchanges with respect to NASDAQ securities and would make all National List securities eligible for NMS designation.

During fiscal 1985 the economic staff published a comprehensive study (Capital Study) of the financing and regulatory capital needs of the securities industry. This study was prepared in conjunction with a concept release in which the Commission requested public comment on a broad range of regulatory policy issues regarding the net capital and other financial responsibility rules for broker-dealers. The economic staff also examined the effectiveness and costs of maintaining Rule 15c2-11.

The economics staff organized for the Commission the Economic Forum on Tender Offers in which leading experts from academia and business aired their views on this subject in a public forum. The economics staff produced three major studies in the corporate control/tender offer area. One of these evaluated the relationship between institutional ownership, tender offers, and long-term investments. Another was an economic analysis of any-or-all, partial, and two-tier tender offers. The third dealt with the economic impact of anti-takeover charter amendments. The relationship of the length of the offer to the percent of outstanding shares tendered was also analyzed. Shareholder receptivity to anti-takeover proposals by management was also examined. In other areas, the staff did a study of the Eurobond market and another of the effects of Rule 415 on revenues and profits of national and regional brokerage firms.

The economic staff continued to monitor the effect of Rule 415 (the Shelf Rule) on corporate issues, underwriters and securities markets.

Two research projects completed during fiscal 1985 related to the statutory requirement that investment company shares can only be sold at a price stated in the prospectus. One project examined the shift from a market completely dominated by funds sold with sales charges by salesmen to one in which the majority of funds are offered to investors without a sales charge. The other

project analyzed the relationship of fund sales to market performance of the investment company.

Other issues analyzed during fiscal 1985 included the proposed quarterly filing requirement of sales and net profits by business segments of corporate issuers operating in multiple lines of business and the use of less complex rules affecting shareholder resales of restricted securities that would encourage capital formation while providing necessary protection to investors.

## **Information Systems Management**

The Commission made continued progress under its Productivity Improvement by Computer (PIC) program with the design of a number of innovative systems. Among them was an on-line Corporation Index System to provide the staff and the public with summary information about corporations registered with the Commission. Another enables staff members to check stock purchase prohibitions and disclosure requirements contained in the Commission's conduct regulations prior to personal financial transactions. In addition, the Commission was one of the first federal agencies to develop and implement a merit pay information system, as required by recent changes to the federal personnel regulations.

Efforts were also directed toward the modernization of existing systems. Of particular note are efforts over the past year to enhance the Name Relationship Search System and to integrate that system with all other enforcement information systems. The staff also developed a retirement component for the Commission's recently revamped payroll system.

Expansion of microcomputer technology remains an important aspect of the PIC effort. During the past year, the number of microcomputers employed by the staff grew to 150, a 33% increase over the previous year. This growth was accompanied by a corresponding increase in the services provided by the User Support Information Center (USIC). Over 200 training courses were provided, with total enrollment exceeding 1200. In addition, USIC fielded over 1300 technical assistance inquiries from staff members.

During 1985, all of the Commission's local teleprocessing terminals were replaced with upgraded units. The Commission also acquired and installed a high speed laser printer to replace two less efficient conventional printers.

## **Financial Management**

For the third year in succession and only the fourth year in its history, the Commission collected fees in excess of its annual appropriation. By year end, a record \$144 million in fees had been collected for deposit to the General Fund of the Treasury. This represents 135% of the agency's appropriation and exceeds by \$22 million the previous record amount, collected in 1984. Fees were derived from four sources: securities registered under the Securities Act of 1933 (53%), transactions on securities exchanges (26%), tender offer and merger filings (17%), and miscellaneous filings and reporting fees (5%).

During fiscal 1985, the Commission expanded its use of electronic funds transfer systems to accommodate the receipt of fees from exchanges and other

filers. In excess of \$37 million in fees was electronically transmitted from the exchanges to interest-bearing Treasury accounts, saving the government over \$30,000 in interest revenues. An additional \$5 million in miscellaneous fees was transmitted to Treasury under a "lockbox" arrangement with a commercial bank, rendering further interest savings.

As part of the government-wide financial management initiative known as Reform 88, agencies have been urged to consolidate administrative systems wherever possible. In support of this objective, the Commission has taken steps to make its highly regarded payroll system available to other agencies seeking to reduce costly and duplicative administrative systems. During 1985, the Federal Mediation and Conciliation Service became the first agency to enter into a shared system arrangement with the Commission. In addition, the Commission made presentations or provided technical assistance to 8 other agencies involved in various administrative system reforms.

A number of important steps were taken to improve internal financial controls. In particular, the staff completed revisions to the agency's accounting system in order to permit single-entry posting and has begun development of an automated payments subsystem. These enhancements will improve the accuracy of financial records and ultimately reduce the cost of processing vouchers. The Commission also instituted the use of the Diner's Card by employees on official travel. This combined with other efficiencies has reduced the need for travel advances by 25%.

Microcomputer technology continued to play a central role in the Commission's efforts to improve financial operations. Over the past year, microcomputer applications were devised to track costs associated with temporary employees, prepare OMB appropriation schedules, and improve contingency budget planning.

The Comptroller's Office also worked closely with the Office of Internal Audit to complete an Internal Control Review of the Commission's key financial management operations.

The Commission is prohibited from accepting reimbursement from regulated entities. The 1983 Securities Exchange Act amendments, however, gave the Commission the authority to accept payment and reimbursement from other organizations to defray the cost of travel and subsistence expenses incurred by Commissioners and staff participating in meetings and conferences related to the functions or activities of the SEC. During 1985, Commissioners participated in 62 meetings/conferences. To pay the costs of attendance, private entities reimbursed the SEC in the amount of \$37,364, while the government's portion amounted to \$5,964. SEC staff participated in 432 meetings/conferences. The SEC was reimbursed in the amount of \$156,500; the government's portion of these costs amounted to \$26,389.

## **Facilities Management**

During fiscal 1985, the regional offices required increased administrative support due to relocations of the Miami, Houston, and Salt Lake branch offices. Each required considerable space planning and structural design work. In addition, extensive physical alterations were made at headquarters to support program operations of the Divisions of Corporation Finance, Enforcement, and Investment Management, the Office of Internal Audit, Administrative Services, Public Affairs and the Directorate of Economic Policy and Analysis.

In an effort to improve internal control and accounting, an automated property accounting system was established and related property accountability regulations were revised. The system improves resource planning and property management by permitting property records to be reconciled with the Commission's financial accounting records.

To reduce the Commission's telecommunications costs, conventional office telephone systems in the Atlanta, Denver, and Miami offices were replaced with more efficient direct-line, touchtone systems.

Finally, the Commission's printing facility, recently rated by OMB as among the best in the federal government, continued its impressive record of productivity improvement. During fiscal 1985, the printing plant produced 49 million printed pages, an increase of 14% over 1984 production.

## **Personnel Management**

In the current budget environment, it is vital that the Commission manage its personnel resources efficiently. As a result of prudent staffing practices and an increased emphasis on computer technology, recent years have witnessed notable productivity improvements in many of the Commission's program areas, despite resource limitations.

To improve staffing efficiency, the Commission sought, and was granted, delegated authority from the Office of Personnel Management to conduct a recruitment program for security compliance examiners. In addition, the Commission and the OPM cooperated in the design and implementation of qualification standards for accountants that are closely tailored to the needs of Commission. This has improved the quality and timeliness of staffing in this important area.

During fiscal 1985, the Commission achieved a 5% staff reduction through attrition. The Commission continued efforts to minimize "grade creep" by implementing staffing policies designed to comply with OMB's directive that agencies reduce staff at the GS 11-15 levels by 2% by 1986. In addition, an aggressive program of position management was continued, with approximately 50% of the permanent positions subjected to classification reviews during 1985.

The Commission administered an extensive training program designed to improve the skills and abilities of the staff. During 1985, 900 individuals received training at over 75 courses and seminars.

The staff prepared and distributed revised policy guidelines dealing with merit promotion, performance appraisals, incentive awards, disciplinary practices, and training. In addition, programs were administered to assist employees during enrollment periods for health and life insurance programs.

The Commission also continued to sponsor programs designed to assist handicapped employees. Courses were offered to improve the communication skills of hearing impaired employees and to provide instruction to supervisors of handicapped employees. Finally, the Employee Assistance Program was expanded to provide psychiatric counseling and access to a greater number of in-patient and out-patient services.

## **Public Affairs**

The Office of Public Affairs communicates information on Commission activities to those interested in or affected by Commission actions.

The staff prepares the SEC News Digest, published every business day. It provides information on virtually all SEC actions: issuer filings, acquisition reports, rule changes, actions against individuals or corporate entities, releases, upcoming Commission meetings and events of interest. 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. Press releases are also issued on upcoming events, on-going programs and/or special projects. In all, 72 news releases were published during the year. Information on Commission actions is also disseminated every business day through the Digest, notices of administrative actions, litigation releases and other appropriate material. Where appropriate, actions are brought to the attention of the national and regional press.

The office directs publication of an annual report that provides information on Commission activities to Congress, the securities bar and other interested parties, and, through the Depository Library System, to selected colleges and universities throughout the country. A regular newsletter is published and a daily summary of news clips is prepared for Commission employees. In 1984, the staff responded to approximately 64,500 requests for information from members of the public and coordinated programs for more than 310 foreign visitors. Also during the year, publications for use of investors and others interested in the Commission were updated and revised: *SEC Publications Guide*, *Investigate Before You Invest*, *What Every Investor Should Know*, and *The Work of the SEC*.

## **Consumer Affairs**

During fiscal 1985, the Commission's consumer affairs staff handled more than 30,000 complaints and inquiries. Of these, 44% involved investor disputes with registered broker-dealers, 20% concerned issuers of securities, and 4% pertained to mutual funds. The remainder were related to transfer agents, banks and investment advisers.

Matters appearing to entail violations of the Federal securities laws were referred to an appropriate line division for direct action. Where violations were not apparent, the staff assisted investors by forwarding complaints either to an appropriate self-regulatory authority or to the entity that was the subject of the complaint. In many instances, investors' problems were successfully resolved. During fiscal 1985, the staff also prepared materials to assist investors in understanding new investment products, such as government-backed securities and zero-coupon bonds, and clarifying the jurisdictional responsibilities of the various government regulatory bodies.

During fiscal 1985, 1,710 Freedom of Information Act (FOIA) requests and 2,282 requests for confidential treatment were handled. The requests for confidential treatment were typically made in connection with proprietary cor-

porate information, and were carefully evaluated to prevent the indiscriminate and unwarranted release of information exempt from the FOIA. In addition, the staff processed 46 Privacy Act requests.

Finally, over 18,000 people visited the Commission's Public Reference Room. To assist these visitors, the staff prepared a booklet explaining the operation of the Public Reference Room and identifying the types of materials available for public review.

## **Equal Employment Opportunity**

The Commission continued its program of EEO instruction for the staff. Sixty staff members attended seminars in the headquarters and regional offices dealing with the principles of equal employment opportunity law and affirmative action, the prevention of discrimination and sexual harassment in the workplace, and methods for improving employment opportunities for minorities and women.

While minority employment remained constant during fiscal 1985, the number of females promoted to supervisory and managerial positions showed a particularly strong increase.

The contributions and achievements of minority groups were recognized with special programs highlighting Hispanic Heritage Week, Asian-Pacific Heritage Week, Women's Week, Afro-American History Month, and Dr. Martin Luther King's birthday. In addition, during National Secretaries Week, the staff organized a workshop on emerging occupations and trends in the workplace.

In conjunction with the Securities Industry Committee on Equal Employment Opportunity, the Commission continued its support of a scholarship program for deserving minority students pursuing careers in the securities industry. Five scholarships were awarded in 1985. Brokerage firms, the exchanges, securities industry associations, broker-dealers and investment advisors all contributed to the scholarship fund.



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# **Commissioners and Principal Staff Officers**

(As of September 30, 1985)

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

*Secretary: John Wheeler*

*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*

**Gary G. Lynch**, *Director, Division of Enforcement*

**John C. Sturc**, *Associate Director*

**William R. McLucas**, *Associate Director*

**Phillip B. Parker**, *Chief Counsel*

**Alexia L. Morrison**, *Chief Litigation Counsel*

**Michael D. Mann**, *Office of International Legal Assistance*

**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 Osherooff**, *Associate Director*

**Mary Joan Hoene**, *Associate Director*

**William C. Weeden**, *Office of Public Utility Regulation*

**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  
    **Henry I. Hoffman**, 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  
    **Mary J. Kenney**, Deputy Director  
**Jonathan G. Katz**, Director, Office of Consumer Affairs and Information Services  
**John D. Adkins**, Director, Office of Information Systems Management  
    **John Faith**, Deputy Director  
**Cecile Z. Srodes**, Director of Legislative Affairs  
**James A. Clarkson, III**, Director of Regional Office Operations  
**Ernest G. Miller**, Manager, Equal Employment Opportunity

\* Resigned, effective April 17, 1985

\*\* Resigned, effective July 10, 1985

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# Biographies of Commissioners

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## **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 corporation finance and mergers; and has taught Investment Banking at the NYU Graduate Business School. He was also, in 1985, a recipient of the Harvard Business School's Alumni Achievement Award.

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 61st Member of the Commission on September 13, 1982. He was appointed to a five-year term expiring on June 5, 1987. Mr. Treadway resigned from the Commission on April 17, 1985.

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, various investment banking firms and investment companies, and both U.S. and foreign depositors and banking institutions. 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 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 is a member of Phi Beta Kappa, Order of the Coif, Omicron Delta Kappa and Omicron Delta Epsilon.

## **Charles C. Cox**

Charles C. Cox was sworn in as the sixty-second Member of the Commission on December 2, 1983. His term expires in June 1988. Mr. Cox joined the Commission on September 1, 1982 as Chief Economist. He organized the Office of the Chief Economist to analyze the economic effects of proposed rules and legislation, evaluate established Commission policy, and study various capital market topics. Previously, Mr. Cox was a professor of management at Texas A&M University from 1980 to 1982, and a professor of economics at Ohio State University from 1972 to 1980. He served as a National Fellow of the Hoover Institution at Stanford University from 1977 to 1978.

During his academic career, Mr. Cox focused his research on the economics of public regulation of economic activity. He has published various articles on this topic in scholarly journals. Mr. Cox is a member of the American Economic Association.

Mr. Cox was born in Missoula, Montana on May 8, 1945. He received his undergraduate education at the University of Washington where he was elected to Phi Beta Kappa in 1966, and earned a B.A. degree, *magna cum laude*, with distinction in economics in 1967. He received A.M. and Ph.D. degrees in economics from the University of Chicago in 1970 and 1975, respectively.

## **Charles L. Marinaccio**

Charles L. (Lindy) Marinaccio was sworn in as the sixty-third Member of the Commission on May 24, 1984 for a term expiring June 5, 1985. Mr. Marinaccio resigned from the Commission on July 10, 1985.

Mr. Marinaccio served as General Counsel of the U.S. Senate Committee on Banking, Housing and Urban Affairs from May 1975 to 1980 and thereafter as Minority General Counsel. As Counsel to the Committee, Mr. Marinaccio worked closely with Senators and their staffs on financial institutions, securities and international trade legislative and oversight matters. He also worked on SEC oversight matters, and played a key staff role on legislation affecting insured financial institutions and the Securities and Exchange Commission.

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, where he was responsible for, among other matters, the implementation of the Financial Institutions Supervisory Act.

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.

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.

Mr. Marinaccio was born in Stratford, Connecticut in December 1933.

### **Aulana L. Peters**

Aulana L. Peters was sworn in as the sixty-fourth Member of the Commission on June 11, 1984. Her term expires on 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 Southern California Law Center in 1973 and a B.A. in philosophy from the College of New Rochelle in 1963.



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# **Regional and Branch Offices**

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## **Regional Offices and Administrators**

**Region 1.** New York, New Jersey—**Ira L. Sorkin**, Room 1028, 26 Federal Plaza, New York, New York 10278. 212-264-1636.

**Region 2.** Massachusetts, Connecticut, Rhode Island, Vermont, New Hampshire, Maine—**Willis H. Riccio**, 150 Causeway Street, Boston Massachusetts 02114. 617-223-2721.

**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. 404-881-4768.

**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. 312-353-7390.

**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. 817-334-3821.

**Region 6.** North Dakota, South Dakota, Wyoming, Nebraska, Colorado, New Mexico, Utah—**Robert H. Davenport**, Suite 700, 410 Seventeenth Street, Denver, Colorado 80202. 303-844-2071.

**Region 7.** California, Nevada, Arizona, Hawaii, Guam—**Irving M. Einhorn**, Suite 500 East, 5757 Wilshire Blvd., Los Angeles, California 90036-3648. 213-468-3098.

**Region 8.** Washington, Oregon, Idaho, Montana, Alaska—**Jack H. Bookey**, 3040 Jackson Federal Building, 915 Second Avenue, Seattle, Washington 98174. 206-442-7990.

**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. 703-235-3701.

## **Branch Offices**

Detroit, Michigan 48226—**Mark A. Loush**, Attorney in Charge, 231 W. Lafayette St., 438 Federal Building. 313-226-6070.

Houston, Texas 77063—**Edwin J. Tomko**, Assistant Regional Administrator, 7500 San Felipe Street, Suite 550. 713-266-3671.

Miami, Florida 33131—**Charles C. Harper**, Association Regional Administrator, Suite 500, Dupont Plaza Center, 300 Biscayne Boulevard Way. 305-350-5765.

Philadelphia, Pennsylvania 19106—**Thomas H. Monahan**, William J. Green, Jr. Federal Building, Room 2204, 600 Arch Street. 215-597-3100.

Salt Lake City, Utah 84101—**G. Gail Weggeland**, Attorney in Charge, U.S. Post Office and Court House, Room 505 350 S. Main Street. 801-524-5796.

San Francisco, California 94102—**Bobby C. Lawyer**, 450 Golden Gate Ave., Box 36042. 415-556-5264.

## Footnotes

<sup>1</sup>Corporate Reporting and Accounting cases include: *In the Matter of Winter & Co., P.A.*, Securities Exchange Act Release No. 22221 (July 11, 1985), 33 SEC Docket 1039; *In the Matter of Edward S. Markman, CPA*, Securities Exchange Act Release No. 22222 (July 11, 1985), 33 SEC Docket 1045; *In the Matter of David G. Rogers*, Securities Exchange Act Release No. 22311 (August 12, 1985), 33 SEC Docket 1330; *In the Matter of Weintraub & Co., P.C., et al.*, Securities Act Release No. 6603 (August 29, 1985), 33 SEC Docket 1486; *In the Matter of Tonka Corp.*, Securities Exchange Act Release No. 22448 (September 24, 1985), 34 SEC Docket 56; *SEC v. American/Davey Corp., et al.*, Litigation Release No. 10843 (August 12, 1985), 33 SEC Docket 1421; *SEC v. PepsiCo Inc., et al.*, Litigation Release No. 10807 (July 1, 1985), 33 SEC Docket 1005; *SEC v. Caldwell*, Litigation Release No. 10839 (July 31, 1985), 33 SEC Docket 1252; *SEC v. Petro-Lewis Corp.*, Litigation Release No. 10857 (August 29, 1985), 33 SEC Docket 1556; *SEC v. McMahan, et al.*, Litigation Release No. 10867 (September 12, 1985), 33 SEC Docket 1696; *In the Matter of Broadview Financial Corp.*, Securities Exchange Act Release No. 21949 (April 17, 1985), 32 SEC Docket 1579; *In the Matter of Diversified Tech, Inc.*, Securities Exchange Act Release No. 21961 (April 19, 1985), 32 SEC Docket 1708; *In the Matter of Terrence E. Dreiling, C.P.A.*, Securities Exchange Act Release No. 21472 (November 9, 1984), 31 SEC Docket 1086; *In the Matter of Hans V. Andersen, Jr., Accounting and Auditing Enforcement* Release No. 51 (January 22, 1985), 32 SEC Docket 1420, *In the Matter of John E. Harrington, et al.*, Securities Exchange Act Release No. 21945 (April 15, 1985), 32 SEC Docket 1576; *In the Matter of Kay L. Anderson, CPA*, Securities Act Release No. 6586 (June 11, 1985), 33 SEC Docket 396; *In the Matter of The Charter Company*, Securities Exchange Act Release No. 21647 (January 10, 1985), 32 SEC Docket 367; *In the Matter of Burroughs Corp.*, Securities Exchange Act Release No. 21872 (March 20, 1985), 32 SEC Docket 1221; *SEC v. Tandem Computers Inc., et al.*, Litigation Release No. 10550 (October 2, 1984), 31 SEC Docket 739; *SEC v. Chronar Corp.*, Litigation Release No. 10552 (October 3, 1984), 31 SEC Docket 742; *SEC v. Florafax International, Inc., et al.*, Litigation Release No. 10617 (November 27, 1984), 31 SEC Docket 1425; *SEC v. Astradyne Computer Industries, Inc., et al.*, Litigation Release No. 10634 (December 17, 1984), 32 SEC Docket 155; *SEC v. Dhawan*, Litigation Release No. 10646 (December 26, 1984), 32 SEC Docket 218; *SEC v. The Zonderman Corp.*, Litigation Release No. 10703 (March 5, 1985), 32 SEC Docket 1330; *SEC v. Kutz*, Litigation Release No. 10722 (March 28, 1985), 32 SEC Docket 1558, *SEC v. Rynco Scientific Corp.*, Litigation Release No. 10724 (April 15, 1985), 32 SEC Docket 1640; *SEC v. Comserv Corp., et al.*, Litigation Release No. 10750 (May 9, 1985), 33 SEC Docket 79; *SEC v. The Midwestern Companies, Inc.*, Litigation Release No. 10752 (May 14, 1985), 33 SEC Docket 159; *SEC v. Crime Control, Inc., et al.*, Litigation Release No. 10783 (June 3, 1985), 33 SEC Docket 501; *SEC v. Balance Computer Corp., et al.*, Litigation Release No. 10790 (June 4, 1985), 33 SEC Docket 606; *SEC v. Price Waterhouse, et al.*, Litigation Release No. 10796 (June 20, 1985), 33 SEC Docket 611; *SEC v. Oak Industries, Inc.*, Litigation Release No. 10801 (June 25, 1985), 33 SEC Docket 740; *SEC v. Gordon*, Litigation Release No. 10574 (October 16, 1984), 31 SEC Docket 954; *SEC v. Young*, Litigation Release No. 10639 (December 11, 1984), 32 SEC Docket 213; *In the Matter of Magna Corporation*, Securities Exchange Act Release No. 22166 (June 24, 1985), 33 SEC Docket 648; *In the Matter of Robert S. Harrison*, Securities Exchange Act Release No. 22466 (September 26, 1985), 34 SEC Docket 92; *In the Matter of Schoenfeld & Mendelsohn*, Securities Exchange Act Release No. 22467 (September 26, 1985), 34 SEC Docket 108; *SEC v. Petroleum Securities Fund, et al.*, Litigation Release No. 10876 (September 23, 1985), 34 SEC Docket 226; *SEC v. Baldwin-United Corp., et al.*, Litigation Release No. 10878 (September 26, 1985), 34 SEC Docket 229, *SEC v. General Electrodynamics Corp.*, September 30, 1985; *SEC v. Horizon Technology Inc.*, August

12, 1985; *In the Matter of National Computer Systems, Inc.*, Securities Exchange Act Release No. 22489 (September 30, 1985); and *In the Matter of Teletest Corp.*, Securities Act Release No. 6559 (July 11, 1985), 33 SEC Docket 1017.

<sup>2</sup>Insider Trading cases include: *In the Matter of Stephen G. Karanzalis*, Securities Exchange Act Release No. 22054 (May 20, 1985), 33 SEC Docket 182; *In the Matter of James Stivaletti*, Securities Exchange Act Release No. 22156 (June 18, 1985), 33 SEC Docket 567; *In the Matter of William D. Stuart, Sr.*, Securities Exchange Act Release No. 21671 (January 18, 1985), 32 SEC Docket 500; *In the Matter of Stephen R. Tatusko*, Securities Exchange Act Release No. 21849 (March 13, 1985), 32 SEC Docket 1098; *SEC v. Fox, et al.*, Litigation Release No. 10548 (October 1, 1984), 31 SEC Docket 738; *SEC v. Ablan, et al.*, Litigation Release No. 10618 (November 27, 1984), 31 SEC Docket 1428; *SEC v. Huff*, Litigation Release No. 10624 (December 6, 1984), 31 SEC Docket 1496; *SEC v. Morgan*, Litigation Release No. 10630 (December 12, 1984), 31 SEC Docket 1557; *SEC v. Stuart, et al.*, Litigation Release No. 10655 (January 18, 1985), 32 SEC Docket 554; *SEC v. Gaffney, et al.*, Litigation Release No. 10725 (April 18, 1985), 32 SEC Docket 1642; *SEC v. Sarzynski, et al.*, Litigation Release No. 10763 (May 22, 1985), 33 SEC Docket 260; *SEC v. Sharp*, Litigation Release No. 10781 (June 12, 1985), 33 SEC Docket 499; *SEC v. Hoss, et al.*, Litigation Release No. 10789 (May 31, 1985), 33 SEC Docket 606; *SEC v. Orme*, Litigation Release No. 10799 (June 20, 1985), 33 SEC Docket 738; *In the Matter of Paul J. Williams*, Securities Exchange Act Release No. 22450 (September 24, 1985), 34 SEC Docket 73; *In the Matter of Adrian Antoniu*, Securities Exchange Act Release No. 22487 (September 19, 1985), 34 SEC Docket 263; *In the Matter of James Mitchell Newman*, Securities Exchange Act Release No. 22488 (September 19, 1985), 34 SEC Docket 264; *In the Matter of Kenneth P. Felis*, Securities Exchange Act Release No. 22289 (August 5, 1985), 33 SEC Docket 1257; *SEC v. Nugent, et al.*, Litigation Release No. 10858 (August 29, 1985), 33 SEC Docket 1557; and *SEC v. Brauninger, et al.*, Litigation Release No. 10868 (September 12, 1985), 33 SEC Docket 1787.

<sup>3</sup>Regulated Entities and Associated Persons cases include: *In the Matter of David Carey*, Securities Exchange Act Release No. 22428 (September 19, 1985), 33 SEC Docket 1758; *In the Matter of Michel Erlichson*, Securities Exchange Act Release No. 22378 (August 30, 1985), 33 SEC Docket 1569; *In the Matter of Louis R. Trujillo*, Securities Exchange Act Release No. 22394 (September 10, 1985), 33 SEC Docket 1628; *In the Matter of Frank Carbone, et al.*, Securities Exchange Act Release No. 22269 (July 28, 1985), 33 SEC Docket 1157; *In the Matter of Nomura Securities International, Inc.*, Securities Exchange Act Release No. 22378 (August 30, 1985), 33 SEC Docket 1570; *In the Matter of Victor G. Matl, et al.*, Securities Exchange Act Release No. 22395 (September 10, 1985), 33 SEC Docket 1629; *In the Matter of Paragon Planning Corp.*, Securities Exchange Act Release No. 22423 (September 18, 1985), 33 SEC Docket 1747; *In the Matter of Richard S. Field*, Securities Exchange Act Release No. 22424 (September 18, 1985), 33 SEC Docket 1752; *In the Matter of William Orr Henderson, et al.*, Securities Exchange Act Release No. 22242 (July 16, 1985), 33 SEC Docket 1103; *In the Matter of David Ken Yoshinaga, et al.*, Investment Advisers Act Release No. 988 (August 22, 1985), 33 SEC Docket 1692; *In the Matter of Jose L. Gomez*, Securities Exchange Act Release No. 2293 (August 6, 1985), 33 SEC Docket 1266; *SEC v. Donald Sheldon* Litigation Release No. 10848 (August 21, 1985), 33 SEC Docket 1468; *SEC v. ITC, Inc., et al.*, Litigation Release No. 10862 (September 3, 1985), 33 SEC Docket 1616; *In the Matter of Pietro Gattini*, Securities Exchange Act Release No. 21402 (October 17, 1984), 31 SEC Docket 849; *In the Matter of Allied Securities Corp., et al.*, Securities Exchange Act Release No. 21407 (October 19, 1984), 31 SEC Docket 903; *In the Matter of Lylog International Energy Corp., et al.*, Securities Exchange Act Release No. 21430 (October 29, 1985), 31 SEC Docket 966; *In the Matter of Raphael David Bloom*, Securities Exchange Act Release No. 21599 (December 11, 1984), 32 SEC Docket 167; *In the Matter of Daniel Brinkman Investment Securities, Inc., et al.*, Securities Exchange Act Release No. 21605 (December 27, 1984), 32 SEC Docket 174; *In the Matter of Donald C. Henninger, et al.*, Securities Exchange Act Release No. 21666 (January 17, 1985), 32 SEC Docket 441;

*In the Matter of Arthur H. Ross, et al.*, Securities Exchange Act Release No. 21660 (January 15, 1985), 32 SEC Docket 433; *In the Matter of Mid-State Securities Corp.*, Securities Exchange Act Release No. 21692 (January 25, 1985), 32 SEC Docket 573; *In the Matter of Dominick J. Fiorese*, Securities Exchange Act Release No. 21831 (March 8, 1985), 32 SEC Docket 1079; *In the Matter of Thomson McKinnon Securities, Inc.*, Securities Exchange Act Release No. 21668 (January 17, 1985), 32 SEC Docket 444; *In the Matter of Helfer Broughton Inc.*, January 29, 1985; *In the Matter of WZW Financial Services, Inc.*, Securities Exchange Act Release No. 22023 (May 8, 1985), 33 SEC Docket 10; *In the Matter of First Monmouth Securities Corp., et al.*, Securities Exchange Act Release No. 22039 (May 14, 1985), 33 SEC Docket 118; *In the Matter of First Interwest Securities Corp.*, Securities Exchange Act Release No. 21875 (March 20, 1985), 32 SEC Docket 1278; *In the Matter of Marsh & Co., et al.*, Securities Exchange Act Release No. 22141 (June 13, 1985), 33 SEC Docket 433; *In the Matter of Daniel R. Walters*, Securities Exchange Act Release No. 22133 (June 11, 1985), 33 SEC Docket 424; *SEC v. Eastern Capital Corp., et al.*, Litigation Release No. 10571 (October 11, 1984), 32 SEC Docket 952; *SEC v. Chesley & Dunn Inc.*, Litigation Release No. 10667 (December 7, 1984), 32 SEC Docket 720; *SEC v. Brentwood Securities, Inc.*, Litigation Release No. 10688 (February 7, 1985), 32 SEC Docket 967; *SEC v. Pacific Growth Securities, Inc.*, Litigation Release No. 10851 (February 21, 1985), 33 SEC Docket 1550; *SEC v. Collins Securities Corp.*, Litigation Release No. 10728 (April 16, 1985), 32 SEC Docket 1813; *SEC v. Commonwealth Securities of Utah*, Litigation Release No. 10754 (April 26, 1985), 33 SEC Docket 161; *SEC v. MacRae*, Litigation Release No. 10785 (June 12, 1985), 33 SEC Docket 503; *In the Matter of Portfolio Strategies, Inc.*, Securities Exchange Act Release No. 21368 (October 5, 1984), 31 SEC Docket 749; *In the Matter of William Buchanan, et al.*, Securities Exchange Act Release No. 21369 (October 5, 1984), 31 SEC Docket 751; *In the Matter of Peter C. Burd, et al.*, Securities Exchange Act Release No. 21370 (October 5, 1984), 31 SEC Docket 753; *In the Matter of Main Street Securities, Inc., et al.*, Securities Exchange Act Release No. 21410 (October 19, 1984), 31 SEC Docket 907; *In the Matter of Elizabeth J. Euler*, Securities Exchange Act Release No. 21451 (November 2, 1984), 31 SEC Docket 1010; *In the Matter of Glenn A. Miller*, Securities Exchange Act Release No. 21537 (December 3, 1984), 31 SEC Docket 1440; *In the Matter of Waylon Max Nimmo*, Securities Exchange Act Release No. 21575 (December 17, 1984), 32 SEC Docket 17; *In the Matter of Samuel William Sigler*, Securities Exchange Act Release No. 21882 (March 21, 1985), 32 SEC Docket 1284; *In the Matter of Joseph H. Gasperini*, Securities Exchange Act Release No. 21996 (April 29, 1985), 32 SEC Docket 1842; *In the Matter of D.S. Meyers & Co., Inc., et al.*, Securities Exchange Act Release No. 22030 (May 9, 1985), 33 SEC Docket 40; *In the Matter of Clifford B. Murray*, Securities Exchange Act Release No. 22088 (May 29, 1985), 33 SEC Docket 283; *In the Matter of Anderson & Strudwick, Inc., et al.*, Securities Exchange Act Release No. 22089 (May 29, 1985), 33 SEC Docket 286; *In the Matter of Hancock Joseph & Daniels, Inc.*, Securities Exchange Act Release No. 22129 (June 10, 1985), 33 SEC Docket 416; *In the Matter of American Venture Securities Inc.*, May 21, 1985; *In the Matter of Michael J. Welsh*, Securities Exchange Act Release No. 21786 (February 25, 1985), 32 SEC Docket 923; *In the Matter of Roger Dennis Herrmann*, Securities Exchange Act Release No. 21812 (March 5, 1985), 32 SEC Docket 993; *In the Matter of Jonathan Mitchell*, Securities Exchange Act Release No. 21814 (March 5, 1985), 32 SEC Docket 1014; *In the Matter of A-D Limited, et al.*, Securities Exchange Act Release No. 21795 (February 27, 1985), 32 SEC Docket 944; *In the Matter of Jeffrey A. Fischer*, Securities Exchange Act Release No. 22109 (June 3, 1985), 33 SEC Docket 342; *In the Matter of Dyer J. Powell*, Securities Exchange Act Release No. 22131 (June 11, 1985), 33 SEC Docket 420; *Sec v. Nimmo, et al.*, Litigation Release No. 10586 (October 31, 1984), 31 SEC Docket 1073; *SEC v. ESM Group, Inc.*, Litigation Release No. 10681 (March 4, 1985), 32 SEC Docket 896; *SEC v. Gomez*, Litigation Release No. 10705 (March 20, 1985), 32 SEC Docket 1331; *SEC v. D'Angelo*, Litigation Release No. 10706 (March 19, 1985), 32 SEC Docket 1414; *SEC v. Condon, et al.*, Litigation Release No. 10687 (February 19, 1985), 32 SEC Docket

965; *SEC v. Parr Securities Corp., et al.*, Litigation Release No. 10755 (May 6, 1985), 33 SEC Docket 162; *SEC v. Coastal Securities Corp., et al.*, Litigation Release No. 10757 (May 3, 1985), 33 SEC Docket 251; *SEC v. Keenan & Clarey, Inc.*, Litigation Release No. 10777 (June 4, 1985), 33 SEC Docket 496; *In the Matter of Edward Davis*, Securities Exchange Act Release No. 21607 (December 28, 1984), 32 SEC Docket 224; *In the Matter of Joseph V. Ossorio*, Securities Exchange Act Release No. 21608 (December 28, 1984), 32 SEC Docket 226; *In the Matter of New Capital Properties Florida, Inc.*, Securities Exchange Act Release No. 21906 (March 28, 1985), 32 SEC Docket 1383; *In the Matter of L.E. Peterson & Co., Inc., et al.*, Securities Exchange Act Release No. 22107 (June 3, 1985), 33 SEC Docket 341; *In the Matter of Jacob Ederman*, Securities Exchange Act Release No. 22108 (June 3, 1985), 33 SEC Docket 341; *In the Matter of Marshall & Meyer, Inc.*, Securities Exchange Act Release No. 22155 (June 18, 1985), 33 SEC Docket 566; *In the Matter of Dennis Ruppert*, Securities Exchange Act Release No. 21857 (March 15, 1985), 32 SEC Docket 1163; *In the Matter of Smith Barney, Hams Upham & Co., Inc., et al.*, Securities Exchange Act Release No. 21813 (March 5, 1985), 32 SEC Docket 999; *SEC v. Ridenour*, Litigation Release No. 10731 (April 25, 1985), 32 SEC Docket 1896; *SEC v. Forma, et al.*, Litigation Release No. 10766 (May 24, 1985), 33 SEC Docket 317; *SEC v. Bevill Bresler & Schulman, et al.*, April 8, 1985; *In the Matter of C. & R. Pastor Securities, Inc., et al.*, Securities Exchange Act Release No. 21946 (April 15, 1985), 32 SEC Docket 1577; *SEC v. Reid, et al.*, Litigation Release No. 10673 (February 11, 1985), 32 SEC Docket 826; *SEC v. Kennedy*, Litigation Release No. 10797 (June 20, 1985), 33 SEC Docket 613; *SEC v. Alampi, et al.*, Litigation Release No. 10577 (October 16, 1984), 31 SEC Docket 958; *SEC v. Inland Consultants Corp., et al.*, Litigation Release No. 10700 (March 14, 1985), 32 SEC Docket 1328; *In the Matter of E.F. Hutton & Company Inc.*, Securities Act Release No. 6562 (December 11, 1984), 31 SEC Docket 1504; *In the Matter of Charles J. Walsh, et al.*, Securities Exchange Act Release No. 22201 (July 1, 1985), 33 SEC Docket 938; *In the Matter of Janis & Associates, Inc., et al.*, Investment Advisers Act Release No. 937 (October 12, 1984), 31 SEC Docket 884; *In the Matter of Schultz Financial Planning Systems, Inc., et al.*, Investment Advisers Act Release No. 940 (November 2, 1984), 31 SEC Docket 1069; *In the Matter of Joseph E. Karol*, Investment Advisers Act Release No. 942 (November 21, 1984), 31 SEC Docket 1301; *In the Matter of Sali Toda*, Investment Advisers Act Release No. 944 (November 28, 1984), 31 SEC Docket 1391; *In the Matter of Penny Stock Newsletter, Inc., et al.*, Investment Advisers Act Release No. 946 (December 19, 1984), 32 SEC Docket 145; *In the Matter of Arthur Carlson and Associates, et al.*, Investment Advisers Act Release No. 947 (December 24, 1984), 32 SEC Docket 206; *In the Matter of First State Financial, Inc.*, Investment Advisers Act Release No. 948 (December 26, 1984), 32 SEC Docket 206; *In the Matter of In Research Inc., et al.*, Investment Advisers Act Release No. 965 (March 27, 1985), 32 SEC Docket 1410; *In the Matter of Kezer-Wolfenden, Inc.*, Investment Advisers Act Release No. 954 (February 13, 1985), 32 SEC Docket 817; *In the Matter of Securities Management & Research, Inc.*, Investment Advisers Act Release No. 960 (March 8, 1985), 32 SEC Docket 1132; *In the Matter of Jean-Paul Gravell*, Investment Advisers Act Release No. 972 (May 15, 1985), 33 SEC Docket 157; *SEC v. Key Volume Strategies, Inc., et al.*, Litigation Release No. 10602 (November 7, 1984), 31 SEC Docket 1236; *SEC v. Paragon Financial Corp., et al.*, Litigation Release No. 10765 (May 8, 1985), 33 SEC Docket 264; *SEC v. Kuhen*, Litigation Release No. 10788 (June 11, 1985), 33 SEC Docket 605; *In the Matter of Marvin Leibowitz, et al.*, Investment Company Act Release No. 14310 (January 10, 1985), 33 SEC Docket 462; *SEC v. High Technology Capital Corp.*, Litigation Release No. 10561 (October 4, 1984), 31 SEC Docket 888; *In the Matter of Bountiful Registrar & Transfer Co.*, Securities Exchange Act Release No. 21812 (March 6, 1985), 32 SEC Docket 462; *In the Matter of Chesley & Dunn, Inc., et al.*, Securities Exchange Act Release No. 22462 (September 25, 1985), 34 SEC Docket 86; *In the Matter of Kanan Securities Inc.*, Securities Exchange Act Release No. 22463 (September 26, 1985), 34 SEC Docket 89; *In the Matter of James E. Cavallo*, Securities Exchange Act Release No. 22464 (September 26, 1985), 34 SEC Docket 90; *In the Matter of Robert H.*

*Phillips*, Securities Exchange Act Release No. 22465 (September 26, 1985), 34 SEC Docket 91; *In the Matter of David J. Heuwetter*, Securities Exchange Act Release No. 22484 (September 30, 1985), 34 SEC Docket 258; *SEC v. Securities Transfer Inc., et al.*, Litigation Release No. 10888 (September 30, 1985); 34 SEC Docket 395; *SEC v. Johnson*, September 17, 1985; and *SEC v. J. H. Stewart & Co., Inc.*, September 27, 1985.

\*Market Manipulation cases include: *SEC v. Monarch Funding Corp., et al.*, Litigation Release No. 10864 (September 9, 1985), 33 SEC Docket 1693; *In the Matter of Charles M. Blair*, Securities Exchange Act Release No. 21589 (December 20, 1984), 32 SEC Docket 91; *In the Matter of Charles M. Blair & Co., Inc., et al.*, Securities Exchange Act Release No. 21590 (December 20, 1984), 32 SEC Docket 93; *In the Matter of Commonwealth Ventures, Ltd.*, Securities Exchange Act Release No. 21874 (March 20, 1985), 32 SEC Docket 1271; *SEC v. Blair*, Litigation Release No. 10636 (December 14, 1984), 32 SEC Docket 158; *SEC v. March Resources, Ltd., et al.*, Litigation Release No. 10691 (February 28, 1985), 32 SEC Docket 971; and *SEC v. Classic Corp., et al.*, Litigation Release No. 10882 (September 26, 1985), 34 SEC Docket 235.

\*Securities Offering Violations cases include: *SEC v. Financial & Business Services Inc., et al.*, Litigation Release No. 10842 (July 26, 1985), 33 SEC Docket 1327; *SEC v. Chapman, et al.*, Litigation Release No. 10823 (July 16, 1985), 33 SEC Docket 1141; *SEC v. Hasty*, Litigation Release No. 10829 (July 17, 1985), 33 SEC Docket 1194; *SEC v. Alvin Petroleum, Inc., et al.*, Litigation Release No. 10824 (July 1, 1985), 33 SEC Docket 1142; *SEC v. Croy*, Litigation Release No. 10818 (July 1, 1985), 33 SEC Docket 1077; *SEC v. RCH International Inc., et al.*, Litigation Release No. 10828 (July 22, 1985), 33 SEC Docket 1192; *SEC v. Houge, et al.*, Litigation Release No. 10845 (July 31, 1985), 33 SEC Docket 1464; *SEC v. Theron D. Nelsen*, September 19, 1985; *SEC v. Professional Athletes, Inc., et al.*, Litigation Release No. 10854 (August 27, 1985), 33 SEC Docket 1552; *SEC v. Hydro-Wave Corp., et al.*, Litigation Release No. 10865 (August 23, 1985), 33 SEC Docket 1694; *SEC v. Chipperfield, et al.*, Litigation Release No. 10869 (September 10, 1985), 33 SEC Docket 1789; *In the Matter of Military Robot Corp.*, Securities Act Release No. 6572 (March 22, 1985), 32 SEC Docket 1337; *In the Matter of Petrofab International Inc.*, Securities Act Release No. 6564 (January 15, 1985), 32 SEC Docket 405; *In the Matter of Fire Safety Corp.*, Securities Act Release No. 6575 (April 17, 1985), 32 SEC Docket 1564; *In the Matter of Diversified Tech, Inc.*, Securities Act Release No. 6576 (April 19, 1985), 32 SEC Docket 1657; *In the Matter of CinAmerica FilmBank I, Ltd.*, Securities Act Release No. 6587 (June 13, 1985), 33 SEC Docket 400; *In the Matter of Inter Continental Marketing Corp.*, Securities Act Release No. 6560 (December 4, 1984), 31 SEC Docket 1432, *SEC v. Melinworth Financial Securities, Inc., et al.*, Litigation Release No. 10595 (November 7, 1984), 31 SEC Docket 1079; *SEC v. Butcher, et al.*, Litigation Release No. 10612 (November 9, 1984), 31 SEC Docket 1324; *SEC v. Byers, et al.*, Litigation Release No. 10621 (November 20, 1984), 31 SEC Docket 1494; *SEC v. Resource Royalties, Inc., et al.*, Litigation Release NO. 10626 (December 3, 1984), 31 SEC Docket 1498; *SEC v. Telecom Management International, Inc., et al.*, Litigation Release No. 10647 (December 21, 1984), 32 SEC Docket 219; *SEC v. Structured Shelters Inc.*, Litigation Release No. 10647 (December 21, 1984), 32 SEC Docket 219; *SEC v. Structured Shelters Inc.*, Litigation Release No. 10648 (December 18, 1984), 32 SEC Docket 278; *SEC v. Welker Oil Company*, Litigation Release No. 10657 (December 21, 1984), 32 SEC Docket 556; *SEC v. Janus Financial Group, Inc.*, Litigation Release No. 10650 (December 5, 1984), 32 SEC Docket 280, *SEC v. Oxborrow*, Litigation Release No. 10633 (December 13, 1984), 32 SEC Docket 154; *SEC v. Appalachian Railcar Manuf. & Repair, Inc., et al.*, Litigation Release No. 10685 (February 6, 1985), 32 SEC 964; *SEC v. Walker, et al.*, Litigation Release No. 10665 (January 14, 1985), 32 SEC Docket 626; *SEC v. First Oil & Gas Co., et al.*, Litigation Release No. 10709 (February 27, 1985), 32 SEC Docket 1418; *SEC v. Zebady-Jaafar, et al.*, Litigation Release No. 10710 (March 28, 1985), 32 SEC Docket 1419; *SEC v. Northern Pacific Gas & Oil, Ltd.*, Litigation Release No. 10716 (March 6, 1985), 32 SEC Docket 1507; *SEC v. Moeller*, Litigation Release No. 10735 (March 1, 1985), 32 SEC Docket 1899; *SEC v.*

*Kodiak Energy Corp., et al.*, Litigation Release No. 10737 (April 16, 1985), 32 SEC Docket 1901; *SEC v. Zarcon Corp., et al.*, Litigation Release No. 10741 (May 2, 1985), 33 SEC Docket 68; *SEC v. PC Telemart, Inc., et al.*, Litigation Release No. 10745 (May 7, 1985), 33 SEC Docket 72; *SEC v. Elbee International, Inc., et al.*, Litigation Release No. 10758 (May 20, 1985), 33 SEC Docket 253; *SEC v. Suter, et al.*, Litigation Release No. 10764 (May 20, 1985), 33 SEC Docket 263; *SEC v. Ham*, Litigation Release No. 10768 (May 22, 1985), 33 SEC Docket 386; *SEC v. Elmas Trading Corp., et al.*, Litigation Release No. 10771 (May 23, 1985), 33 SEC Docket 389; *SEC v. Great Western Leasing Corp., et al.*, Litigation Release No. 10772 (May 31, 1985), 33 SEC Docket 391; *SEC v. La-Man Corp.*, Litigation Release No. 10773 (June 6, 1985), 33 SEC Docket 393; *SEC v. Lampman, et al.*, Litigation Release No. 10776 (May 20, 1985), 33 SEC Docket 495; *SEC v. Mid-Continental Energy, Inc., et al.*, Litigation Release No. 10806 (June 20, 1985), 33 SEC Docket 1004; *SEC v. Clay*, Litigation Release No. 10812 (May 31, 1985), 33 SEC Docket 1071; *SEC v. Chaney*, Litigation Release No. 10827 (May 28, 1985), 33 SEC Docket 1191; *SEC v. McGivney*, Litigation Release No. 10732 (March 20, 1985), 32 SEC Docket 1897; *In the Matter of American Commercial Securities Corp.*, Securities Exchange Act Release No. 21902 (March 28, 1985), 32 SEC Docket 1372; *In the Matter of Andrew L. Evans, et al.*, Securities Exchange Act Release No. 21697 (January 30, 1985), 32 SEC Docket 590; *In the Matter of Kenman Corp., et al.*, Securities Exchange Act Release No. 21962 (April 19, 1985), 32 SEC Docket 171; *In the Matter of Richard J. Boren*, Securities Exchange Act Release No. 21632 (January 3, 1985), 32 SEC Docket 248; *In the Matter of William G. Walters, et al.*, Securities Exchange Act Release No. 21696 (January 30, 1985), 32 SEC Docket 577; *SEC v. F.X.C. Investment Group, Inc.*, Litigation Release No. 10751 (April 30, 1985), 33 SEC Docket 81; *SEC v. Marsh & Co., et al.*, Litigation Release No. 10786 (June 12, 1985), 33 SEC Docket 504; *SEC v. Edward D. Jones & Co.*, Litigation Release No. 10879 (September 26, 1985), 34 SEC Docket 232; *SEC v. Holley*, Litigation Release No. 10880 (September 12, 1985), 34 SEC Docket 233; *SEC v. Greer*, Litigation Release No. 10081 (September 18, 1985), 34 SEC Docket 234; *SEC v. Clover Mini-marts, Inc.*, Litigation Release No. 10885 (September 24, 1985), 34 SEC Docket 238; *SEC v. Holmes*, September 30, 1985; *SEC v. International Recovery Inc., et al.*, Litigation Release No. 10893 (September 30, 1985), 34 SEC Docket 344; *SEC v. Papaho, Corp., et al.*, Litigation Release No. 10891 (September 30, 1985), 34 SEC Docket 341; and *In the Matter of Thomas J. Fittin, Jr.*, Securities Exchange Act Release No. 22482 (September 30, 1985), 34 SEC Docket 257.

<sup>6</sup>Changes in Corporate Control cases include: *In the Matter of Carnation Company*, Securities Exchange Act Release No. 22214 (July 8, 1985), 33 SEC Docket 1025; *In the Matter of Cooper Laboratories, Inc.*, Securities Exchange Act Release No. 22171 (June 26, 1985), 33 SEC Docket 675; *SEC v. Smith*, Litigation Release No. 10803 (June 27, 1985), 33 SEC Docket 743; *SEC v. XRG International, Inc., et al.*, Litigation Release No. 10662 (January 30, 1985), 32 SEC Docket 621; and *SEC v. Eastern Exchange Group, Inc.*, July 19, 1985.

<sup>7</sup>Related Party Transactions cases include: *SEC v. Lebus, et al.*, Litigation Release No. 10874 (September 24, 1985), 34 SEC Docket 224 and *SEC v. Michigan National Corp., et al.*, Litigation Release No. 10664 (January 24, 1985), 32 SEC Docket 624.

<sup>8</sup>Delinquent Filing: Issuer Reporting cases include: *SEC v. Quadrant Corp.*, Litigation Release No. 10836 (July 30, 1985), 33 SEC Docket 1250; *SEC v. Ran Energy Inc.*, Litigation Release No. 10835 (July 29, 1985), 33 SEC Docket 1249; *SEC v. Context Industries Inc.*, Litigation Release No. 10832 (July 24, 1985), 33 SEC Docket 1197; *SEC v. ABF Energy Corp.*, Litigation Release No. 10844 (August 8, 1985), 33 SEC Docket 1463, *SEC v. Superior Care, Inc.*, Litigation Release No. 10853 (August 23, 1985), 33 SEC Docket 1551; *SEC v. Channel Industries, Inc.*, Litigation Release No. 10870 (September 19, 1985), 34 SEC Docket 221; *In the Matter of Enerdine International Corp.*, Securities Exchange Act Release No. 21620 (December 18, 1984), 32 SEC Docket 235; *In the Matter of Ormont Durg & Chemical Co., Inc.*, Securities Exchange Act Release No. 22157 (June 18, 1985), 33 SEC Docket 569; *SEC v. Apexx Investing Group, Inc.*, Litigation Release No. 10584 (November 1, 1984), 31 SEC

Docket 1006; *SEC v. Sovereign Chemical & Petroleum Products, Inc.*, Litigation Release No. 10641 (December 14, 1984), 32 SEC Docket 215, *SEC v. Petroleum Acreage Corp. of Texas*, Litigation Release No. 10642 (December 14, 1984), 32 SEC Docket 216; *SEC v. National Medplex Corp.*, Litigation Release No. 10693 (March 12, 1985), 32 SEC Docket 1142; *SEC v. Isle Resources, Inc.*, Litigation Release No. 10692 (March 8, 1985), 32 SEC Docket Litigation Release No. 10749 (May 9, 1985), 33 SEC Docket 78; *SEC v. Rockwel Oil Co.*, Litigation Release No. 10753 (May 13, 1985), 33 SEC Docket 161; *SEC v. Vision Communications Corp.*, Litigation Release No. 10784 (April 1, 1985), 33 SEC Docket 502; *SEC v. Universal Energy Corp.*, Litigation Release No. 10802 (June 11, 1985), 33 SEC Docket 743; *SEC v. Puroflow, Inc.*, Litigation Release No. 10886 (September 27, 1985), 34 SEC Docket 337; and *SEC v. TRX Industries, Inc.*, Litigation Release No. 10894 (September 30, 1985), 34 SEC Docket 345.

<sup>9</sup>*SEC v. Price Waterhouse, et al.*, Litigation Release No. 10796 (June 20, 1985), 33 SEC Docket 611; *SEC v. Crime Control, Inc., et al.*, Litigation Release No. 10783 (June 12, 1985), 33 SEC Docket 501; *SEC v. Steven Kutz*, Litigation Release No. 10722 (April 9, 1985), 32 SEC Docket 1558; *SEC v. Jose L. Gomez*, Litigation Release No. 10705 (March 20, 1985), 32 SEC 1331 and Litigation Release No. 10747 (May 8, 1985), 33 SEC 75; *In the Matter of Jose L. Gomez, C.P.A.*, Securities Exchange Act Release No. 22293 (August 6, 1985), 33 SEC Docket 1266; *In the Matter of Schoenfeld & Mendelsohn, et al.*, Securities Exchange Act Release No. 22467 (September 26, 1985), 34 SEC Docket 108; *In the Matter of Weinaug & Company, P.C., et al.*, Securities Act Release No. 6603 (August 29, 1985), 33 SEC Docket 1486; *In the Matter of David G. Rogers*, Securities Exchange Act Release NO. 22311 (August 12, 1985), 33 SEC Docket 1330; *In the Matter of Winter & Co., P.A., Securities Exchange Act Release No. 22221* (July 11, 1985), 33 SEC 1039; *In the Matter of Edward S. Markman, C.P.A.*, Securities Exchange Act Release No. 22222 (July 11, 1985), 33 SEC 1045; *In the Matter of Kay L. Anderson, C.P.A.*, Securities Act Release No. No. 6586 (June 11, 1985), 33 SEC Docket 396. *In the Matter of John E. Harrington, et al.*, Securities Exchange Act Release No. 21945 (April 15, 1985), 32 SEC 1562; *In the Matter of Hans Verlan Andersen, Jr., C.P.A.*, Accounting and Auditing Enforcement Release No. 51 (March 26, 1985), 32 SEC Docket 1420; and *In the Matter of Terrence E. Dreiling, C.P.A.*, Securities Exchange Act Release No. 21472 (November 9, 1984), 31 SEC Docket 1086.

<sup>10</sup>*In the Matter of Broadview Financial Corp.*, Securities Exchange Act Release No. 21949 (April 17, 1985), 32 SEC Docket 1579.

<sup>11</sup>*SEC v. Oak Industries, Inc.*, Litigation Release No. 10801 (June 25, 1985), 33 SEC Docket 740.

<sup>12</sup>*SEC v. Price Waterhouse, et al.*, Litigation Release No. 10796 (June 20, 1985), 33 SEC Docket 611.

<sup>13</sup>*SEC v. Gomez*, Litigation Release No. 10705 (March 20, 1985), 32 SEC Docket 1331.

<sup>14</sup>*SEC v. Abian, et al.*, Litigation Release No. 10618, (November 27, 1984), 31 SEC Docket 1428; and *SEC v. Gaffney, et al.*, Litigation Release No. 10725 (April 18, 1985), 32 SEC Docket 1642.

<sup>15</sup>*U.S. v. Ihne*, see Litigation Release No. 10791, (June 18, 1985), 33 SEC Docket 608.

<sup>16</sup>*U.S. v. Thayer*, Criminal Action No. 85-0066 (D.D.C. 1985).

<sup>17</sup>*In the Matter of Thomson McKinnon Securities, Inc.*, Securities Exchange Act Release No. 21668 (January 17, 1985), 32 SEC Docket 444.

<sup>18</sup>*In the Matter of Smith Barney, Harris Upham & Co., Inc., et al.*, Securities Exchange Act Release No. 21813 (Mrch 5, 1985), 32 SEC Docket 999; and *In the Matter of Victor G. Mail, et al.*, Securities Exchange Act Release No. 22395 (September 10, 1985), 33 SEC Docket 1629.

<sup>19</sup>*Sec v. ESM Group, Inc., et al.*, Litigation Release No. 10681 (March 11, 1985), 32 SEC Docket 1140; *SEC v. Bevill Bresler & Schulman, et al.*, Civil Action No. 85-1715 (D. N.J. 1985); *SEC v. Parr Securities Corp., et al.*, Litigation Release No. 10755 (May 16, 1985), 33 SEC Docket 162; and *SEC v. Donald Sheldon Group, Inc., et al.*, Litigation Release No. 10848 (August 21, 1985), 33 SEC Docket 1468.

<sup>20</sup>*SEC v. Collins Securities Corp.*, Litigation Release No. 10728 (April 24, 1985), 32 SEC Docket 1813.

<sup>21</sup>*SEC v. Elmas Trading Corp., et al.*, Litigation Release No. 10771 (June 5, 1985), 33 SEC Docket 389.

<sup>22</sup>*SEC v. Peggy D. Stines, et al.*, Litigation Release No. 10762 (May 22, 1985), 33 SEC Docket 259.

<sup>23</sup>*SEC v. March Resources Ltd. et al.*, Litigation Release No. 10691 (February 28, 1985), 32 SEC Docket 971.

<sup>24</sup>*In the Matter of Cooper Laboratories, Inc.*, Securities Exchange Act Release No. 22171 (June 26, 1985), 33 SEC Docket 675.

<sup>25</sup>*In the Matter of Carnation Company*, Securities Exchange Act Release No. 22214 (July 8, 1985), 33 SEC Docket 1025.

<sup>26</sup>Request for Comments Concerning a Concept to Improve the Commission's Ability to Investigate and Prosecute Persons Who Purchase or Sell Securities in the U.S. Markets From Other Countries, Securities Exchange Act Release No. 21186 (July 30, 1984).

<sup>27</sup>Securities Act Release No. 6578 (April 23, 1985), 32 SEC Docket 1665

<sup>28</sup>Securities Act Release No. 6579 (April 23, 1985), 32 SEC Docket 1685

<sup>29</sup>Securities Exchange Act Release No. 22195 (July 1, 1985), 33 SEC Docket 751

<sup>30</sup>Securities Exchange Act Release No. 22196 (July 1, 1985), 33 SEC Docket 887

<sup>31</sup>Securities Exchange Act Release No. 22197 (July 1, 1985), 33 SEC Docket 892

<sup>32</sup>Securities Exchange Act Release No. 22198 (July 1, 1985), 33 SEC Docket 894

<sup>33</sup>Securities Exchange Act Release No. 22199 (July 1, 1985), 33 SEC Docket 898

<sup>34</sup>Securities Exchange Act Release No. 21079 (June 21, 1984), 30 SEC Docket 1129

<sup>35</sup>Securities Act Release No. 6568 (February 28, 1985), 32 SEC Docket 914

<sup>36</sup>For further information, see Statement of John S.R. Shad, Chairman, Securities and Exchange Commission, before the House Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce, March 6, 1985.

<sup>37</sup>Staff Accounting Bulletin No. 58 (March 19, 1985), 32 SEC Docket 1332 (LIFO Inventory Practices).

<sup>38</sup>Staff Accounting Bulletin No. 59 (September 5, 1985), 33 SEC Docket 1702 (Accounting for Noncurrent Marketable Equity Securities).

<sup>39</sup>Financial Reporting Release No. 20 (November 27, 1984) 31 SEC Docket 1328.

<sup>40</sup>Financial Reporting Release No. 21 (June 6, 1985), 33 SEC Docket 321.

<sup>41</sup>Release No. 33-6585 (June 6, 1985), 33 SEC Docket 324.

<sup>42</sup>Release No. 33-6577 (April 23, 1985), 32 SEC Docket 1663.

<sup>43</sup>Release No. 33-6590 (June 27, 1985), 33 SEC Docket 619.

<sup>44</sup>Report of the Special Task Force on Audits of Repurchase Securities Transactions (June 1985), American Institute of Certified Public Accountants.

<sup>45</sup>Release No. 33-6592 (July 1, 1985), 33 SEC Docket 751.

<sup>46</sup>*Id.*

<sup>47</sup>Release No. 33-6594 (July 1, 1985), 33 SEC Docket 892.

<sup>48</sup>Statement of Financial Accounting Standards No. 84, *Induced Conversions of Convertible Debt*; Proposed FASB Technical Bulletin No. 85-c, *Issues Relating to Accounting for Business Combinations*.

<sup>49</sup>FASB Technical Bulletin No. 85-1, *Accounting for the Receipt of Federal Home Loan Mortgage Corporation Participating Preferred Stock*.

<sup>50</sup>Public Oversight Board, Annual Report (1984-1985) at 21.

<sup>51</sup>Review of the Structure and Operations of the SEC Practice Section, Report of the SECPs Review Committee (October 1984) American Institute of Certified Public Accountants.

<sup>52</sup>Public Oversight Board, Annual Report (1984-1985) at 9.

<sup>53</sup>*Report on the Activities of the Special Investigations Committee of the SEC Practice Section of the AICPA Division for CPA Firms*; American Institute of Certified Public Accountants, 1985.

<sup>54</sup>Securities Exchange Act Release No. 21583 (December 18, 1984), 32 SEC Docket 37.

<sup>55</sup>Securities Exchange Act Release No. 22127 (June 21, 1985), 30 SEC Docket 1190.

<sup>56</sup>Securities Exchange Act Release No. 21708 (February 4, 1985), 32 SEC Docket 650. *See Also* Securities Exchange Act Release No. 21903 (March 28, 1985), 32 SEC Docket 1379.

<sup>57</sup>Securities Exchange Act Release No. 21498 (November 16, 1984), 31 SEC Docket 1257.

<sup>58</sup>Securities Exchange Act Release No. 21703 (February 1, 1985), 32 SEC Docket 630.

<sup>59</sup>Securities Exchange Act Release No. 22505 (October 4, 1985), 34 SEC Docket 388. *See also* Securities Exchange Act Release No. 22506 (October 4, 1985), 34 SEC Docket 400.

<sup>60</sup>Securities Exchange Act Release No. 21383 (October 9, 1984), 31 SEC Docket 778.

<sup>61</sup>Securities Exchange Act Release No. 21742 (February 12, 1985), 32 SEC Docket 732.

<sup>62</sup>Securities Exchange Act Release No. 20581 (March 1, 1984), 29 SEC Docket 1106.

<sup>63</sup>Securities Exchange Act Release No. 21421 (October 22, 1984), 31 SEC Docket 913 (Pacific Securities Depository Trust Company), Securities Exchange Act Release No. 21747 (February 12, 1985) 32 SEC Docket 746 (Philadelphia Depository Trust Company).

<sup>64</sup>Securities Exchange Act Release No. 22116 (June 5, 1985), 33 SEC Docket 350.

<sup>65</sup>Securities Exchange Act Release No. 20365 (November 14, 1983), 29 SEC Docket 203.

<sup>66</sup>Securities Exchange Act Release No. 22168 (June 25, 1985), 33 SEC Docket 658.

<sup>67</sup>Securities Exchange Act Release No. 21958 (April 18, 1985), 32 SEC Docket 1617. The Commission extended the deadline for submitting comments to September 30, 1985. *See* Securities Exchange Act Release No. 22190 (June 28, 1985), 33 SEC Docket 933.

<sup>68</sup>Securities Exchange Act Release No. 21959 (April 19, 1985), 32 SEC Docket 1698.

<sup>69</sup>*Report by the Securities and Exchange Commission to the Subcommittee on Telecommunications, Consumer Protection and Finance of the Committee on Energy and Commerce of the U.S. House of Representatives, Regulation of the Government Securities Market* (June 20, 1985)

<sup>70</sup>Securities Exchange Act Release No. 21710 (February 4, 1985), 32 SEC Docket 656.

<sup>71</sup>Securities Exchange Act Release No. 21759 (February 14, 1985), 32 SEC Docket 773.

<sup>72</sup>Securities Exchange Act Release No. 22044 (May 17, 1985), 33 SEC Docket 171; Securities Exchange Act Release No. 22094 (May 31, 1985), 33 SEC Docket 328; Securities Exchange Act Release No. 22098 (May 31, 1985), 33 SEC Docket 332; Securities Exchange Act Release No. 22103 (May 31, 1985), 33 SEC Docket 336; Securities Exchange Act Release No. 22104 (May 32, 1985), 33 SEC Docket 338; Securities Exchange Act Release No. 22117 (June 6, 1985), 33 SEC Docket 350.

<sup>73</sup>Securities Exchange Act Release No. 21782 (February 28, 1985), 32 SEC Docket 918.

- <sup>74</sup>Securities Act Release No. 6596 (July 1, 1985), 33 SEC Docket 898.
- <sup>75</sup>Securities Exchanges Act Release No. 22510 (October 10, 1985), 34 SEC Docket 378.
- <sup>76</sup>Securities Exchange Act Release No. 21651 (January 11, 1985), 32 SEC Docket 416.
- <sup>77</sup>Securities Act Release No. 22499 (October 3, 1985), 34 SEC Docket 282.
- <sup>78</sup>Securities Exchange Act Release No. 22468 (September 26, 1985), 34 SEC Docket 119.
- <sup>79</sup>Securities Exchange Act Release No. 22397 (September 11, 1985), 33 SEC Docket 1643.
- <sup>80</sup>Securities Exchange Act Release No. 21470 (November 15, 1984), 31 SEC Docket 1041.
- <sup>81</sup>Securities Exchange Act Release No. 21914 (April 10, 1985), 32 SEC Docket 1434.
- <sup>82</sup>Securities Exchange Act Release No. 22205 (July 1, 1985), 33 SEC Docket 941.
- <sup>83</sup>Securities Exchange Act Release No. 31495 (November 16, 1984), 31 SEC Docket 1253.
- <sup>84</sup>Securities Exchange Act Release No. 21577 (December 18, 1984), 32 SEC Docket 20.
- <sup>85</sup>Securities Exchange Act Release No. 22172 (June 27, 1985), 33 SEC Docket 685.
- <sup>86</sup>Securities Exchange Act Release No. 21499 (November 19, 1985), 31 SEC Docket 1262 (New York Stock Exchange); Securities Exchange Act Release No., 22064 (May 22, 1985), 33 SEC Docket 201 (American Stock Exchange).
- <sup>87</sup>Securities Exchange Act Release No. 21950 (April 23, 1985), 32 SEC Docket 18.
- <sup>88</sup>Securities Exchange Act Release No. 21449 (November 1, 1984), 31 SEC Docket 981 (Boston Stock Exchange). Securities Exchange Act Release No. 22442 (Sept. 20, 1985), 34 SEC Docket 46 (American Stock Exchange).
- <sup>89</sup>Securities Exchange Act Release No. 21688 (January 25, 1985), 31 SEC Docket 566.
- <sup>90</sup>Securities Exchange Act Release No. 21863 (March 18, 1985), 32 SEC Docket 1171.
- <sup>91</sup>Securities Exchange Act Release No. 21578 (December 18, 1984), 32 SEC Docket 22.
- <sup>92</sup>See Release No. 21838 (March 12, 1985), 32 SEC Docket 1088.
- <sup>93</sup>See Release No. 21843 (March 12, 1985), 32 SEC Docket 1094.
- <sup>94</sup>See Release No. 21434 (October 29, 1984), 31 SEC Docket 969.
- <sup>95</sup>Letter to AFC Securities Inc. et al. from John Wheeler, Secretary, SEC, March 20, 1985.
- <sup>96</sup>Letter from William O. Guffey, Metropolitan Mortgage & Securities Co., Inc. to the Commission, received May 17, 1985.
- <sup>97</sup>Securities Exchange Act Release No. 22083 (May 28, 1985), 33 SEC Docket 276.
- <sup>98</sup>Securities Exchange Act Release No. 22374 (August 30, 1985), 33 SEC Docket 1560.
- <sup>99</sup>Securities Exchange Act Release No. 22123 (June 6, 1985), 33 SEC Docket 353.
- <sup>100</sup>Securities Exchange Act Release No. 21706 (February 4, 1985), 32 SEC Docket 645.
- <sup>101</sup>Securities Exchange Act Release No. 21908 (March 29, 1985), 32 SEC Docket 1424.
- <sup>102</sup>Securities Exchange Act Release No. 22021 (May 7, 1985), 33 SEC Docket 9.
- <sup>103</sup>Securities Exchange Act Release No. 21335 (September 20, 1984), 31 SEC Docket 579.
- <sup>104</sup>50th Annual Report at 28.
- <sup>105</sup>Includes 200 limited purpose inspections of money market fund Repurchase Agreement practices.
- <sup>106</sup>Securities Act Release No. 6580 (May 14, 1985), 33 SEC Docket 84.
- <sup>107</sup>Securities Act Release No. 6570 (March 18, 1985), 32 SEC Docket 1154.
- <sup>108</sup>Securities Act Release Nos. 6563 (January 4, 1985), and 6591 (July 1, 1985), 32 SEC Docket 283 and 33 SEC Docket 747.

<sup>109</sup>Securities Act Release No. 6556 (November 9, 1984), 31 SEC Docket 1082.

<sup>110</sup>Securities Act Release No. 6598 (July 10, 1985), 33 SEC Docket 1015.

<sup>111</sup>Investment Company Act Release Nos. 14244 (November 21, 1984), and 14559 (June 6, 1985), 31 SEC Docket 1308 and 33 SEC Docket 377.

<sup>112</sup>Investment Company Act Release No. 14193 (October 12, 1984), 31 SEC Docket 128.

<sup>113</sup>Investment Company Act Release No. 14275 (December 14, 1984), 32 SEC Docket 832.

<sup>114</sup>Investment Company Act Release No. 14299 (January 4, 1985), 32 SEC Docket 289.

<sup>115</sup>Investment Company Release Nos. 14300 (January 4, 1985), and 14606 (July 1, 1985), 32 SEC Docket 283 and 33 SEC Docket 747.

<sup>116</sup>Investment Company Act Release No. 14390 (February 22, 1985), 32 SEC Docket 949.

<sup>117</sup>Investment Company Act Release No. 14556 (May 31, 1985), 33 SEC Docket 374.

<sup>118</sup>Investment Company Act Release No. 14548 (May 30, 1985), 33 SEC Docket 364.

<sup>119</sup>Investment Company Act Release No. 14607 (July 1, 1985), 33 SEC Docket 986.

<sup>120</sup>Investment Advisers Act Release No. 967 (April 24, 1985), 32 SEC Docket 1774.

<sup>121</sup>Investment Advisers Act Release No. 952 (January 11, 1985), 32 SEC Docket 493.

<sup>122</sup>Investment Advisers Act Release No. 961 (March 15, 1985), 32 SEC Docket 1321.

<sup>123</sup>Investment Advisers Act Release Nos. 956 (February 25, 1985) and 983 (July 12, 1985), 32 SEC Docket 959 and 33 SEC Docket 00.

<sup>124</sup>Securities Exchange Act Release No. 22038 (May 14, 1985), 33 SEC Docket 115.

<sup>125</sup>Investment Company Act Release No. 14234 (November 14, 1984), 31 SEC Docket 1113.

<sup>126</sup>Investment Company Act Release No. 14190 (October 11, 1984), 31 SEC Docket 813.

<sup>127</sup>Investment Company Act Release No. 14575 (June 14, 1985), 33 SEC Docket 508.

<sup>128</sup>Securities Act Release No. 6558 (November 21, 1984), 31 SEC Docket 1243.

<sup>129</sup>Holding Company Act Release No. 23693, ( ), 33 SEC Docket 130.

<sup>130</sup>Holding Company Act Release No. 23744 (June 27, 1985), 33 SEC Docket 105.

<sup>131</sup>Holding Company Act Release No. 23704 (May 23, 1985), 33 SEC Docket 235.

<sup>132</sup>Holding Company Act Release No. 23578 (January 22, 1985), 32 SEC Docket 525.

<sup>133</sup>Holding Company Act Release No. 23340 (October 1, 1984), 32 SEC Docket 1234.

<sup>134</sup>Holding Company Act Release Nos. 23724 (June 7, 1985) and 00 (July 31, 1985), 33 SEC Docket 458 and 00 SEC Docket 000.

<sup>135</sup>760 F.2d 706 (6th Cir. 1985).

<sup>136</sup>No. 85-6111 (2d Cir. filed May 1, 1985).

<sup>137</sup>*SEC v. Drysdale Securities Corp.*, 606 F. Supp. 295 (S.D.N.Y. 1985).

<sup>138</sup>760 F.2d 945 (9th Cir. 1985).

<sup>139</sup>17 C.F.R. 240.13e-4.

<sup>140</sup>475 F. Supp. 783 (S.D.N.Y. 1979), *aff'd* 602 F.2d 355, *cert. denied*, 103 S. Ct. 1522.

<sup>141</sup>No. 83-2378 (7th Cir. July 22, 1985).

<sup>142</sup>757 F.2d 1066 (9th Cir. 1985).

<sup>143</sup>No. 85-1138 (D.C. Cir. filed July 17, 1985).

<sup>144</sup>757 F.2d 676 (5th Cir. 1985).

<sup>145</sup>No. 7730 (Del. Ch. January 29, 1985), *appeal docketed*, No. 37, 1985 (Sup. Ct. Del. filed March 19, 1985).

<sup>146</sup>675 F.2d 168 (8th Cir. 1982), *aff'd.*, 768 F.2d 949 (8th Cir. 1985) (en banc), *cert. pending sub nom Randall v. Loftsgaarden*, No. 85-519. In a related case, on May 13, 1985, the Supreme Court requested the views of the United States in *Salcer v. Envicon Equities Corp.*, 744 F.2d 935 (2nd Cir. 1984), *cert. pending*, No. 84-1447 (S. Ct.). On October 9, 1985, the United States filed an amicus brief recommending a writ of certiorari in both *Salcer* and *Loftsgaarden*.

<sup>147</sup>764 F.2d 939 (3rd Cir. 1985).

<sup>148</sup>No. 84-2501 (10th Cir. Filed April 8, 1985).

<sup>149</sup>Nos. 84-1631, 84-1714 (7th Cir. filed July 24, 1985).

<sup>150</sup>Nos. 84-1631, 84-1714 (7th Cir., September 9, 1985).

<sup>151</sup>601 F. Supp. 685 (S.D.N.Y. 1985).

<sup>152</sup>612 F. Supp. 827 (S.D.N.Y. 1985), *appeal docketed*, Nos. 85-1312, 1313, 1314 (2d Cir. Aug. 15, 1985).

<sup>153</sup>105 S. Ct. 2622 (1985).

<sup>154</sup>No. 85 C 376 (N.D. Ill. filed May 1, 1985).

<sup>155</sup>105 S. Ct. 2297 (1985).

<sup>156</sup>105 S. Ct. 2308 (1985).

<sup>157</sup>758 F.2d 459 (9th Cir. 1985).

<sup>158</sup>105 S. Ct. 2557 (1985).

<sup>159</sup>No. 83-3011 (7th Cir. July 2, 1985).

<sup>160</sup>Admin. File No. 3-6381.

<sup>161</sup>Admin. Proc. File No. 3-6196 (April 15, 1985).

<sup>162</sup>*Russell Davy v. SEC*, No. 85-7328 (9th Cir. filed June 11, 1985).

<sup>163</sup>609 F. Supp. 1162 (N.D. Cal. 1985).

<sup>164</sup>No. 84-4749 (E.D.N.Y. filed May 23, 1985).

<sup>165</sup>[1984] Fed. Sec. L. Rep. (CCH) ¶91,437 (N.D. Ill. 1984).

<sup>166</sup>*In re Cook United, Inc.*, No. B84-2537 (Bankr., D. Colo.) (granted); *In re Crompton Co., Inc.*, No. 84B11496 (Bankr., S.D.N.Y. \*) granted; *In re Energy Exchange Corp.* (Bankr., W.D. Okla.) (pending); *In re Koss* (Bankr., W.D. Okla.) (pending); *In re Pizza Time Theatre, Inc.* (Bankr., N.D. Cal.) (denied); *In re Salant Corp.* (Bank., S.D.N.Y.) (granted); *In re Standard Metals Corp.* (Bankr., D. Colo.) (granted); *In re Storage Technology, Inc.* (Bankr., D. Colo.) (moot); *In re Towner Petroleum Co.*, No. 84-02814B (Bankr., W.D. Okla.); *In re Union Oil*, No. 84-3959J (Bankr., D. Colo.) (granted); and *In re Wheeling Pittsburgh Steel Corp.* (Bankr., W.D. Pa.) (pending).

<sup>167</sup>No. 85-793 (W.D. Pa.).

<sup>168</sup>Nos. 84-289-BK-J-GP through 84-332-BK-J-GP (M.D. Fla.).

<sup>169</sup>No. 84-02058-414 (E.D. Wash.).

<sup>170</sup>No. 85-00430 (M.D. Fla.).

<sup>171</sup>No. 84-01223-BKC-SMW (S.D. Fla.).

<sup>172</sup>772 F.2d 1063 (2d Cir. 1983)

<sup>173</sup>*Per curiam*, No. 85-5519 (11th Cir. August 13, 1985).

<sup>174</sup>*In re Baldwin-United*, No. 1-83-02495, Contested Docket #3 (Bankr., S.D. Ohio, August 7, 1985), *appeal docketed*, No. C-1-85-1605 (S.D. Ohio); and *In re Standard Metals Corp.* (Bankr., D. Colo.), on appeal, No. 84 x 396 (D. Colo.).

<sup>175</sup>*In re Standard Metals*, No. 84 B00945, (Bankr., D. Colo.), on appeal, No. 84 x 396 (D. Colo.).

<sup>176</sup>No. 584 00941 M (Bankr., N.D. Cal.).

<sup>177</sup>No. 84-B-3959J (Bankr., D. Colo.).

<sup>178</sup>No. 185 50388-90-21, 185 50397-99-21 (Bankr., E.D.N.Y.).

<sup>179</sup>No. 82-B-10318 through 82-B-10320 (Bankr., S.D.N.Y.).

<sup>180</sup>No. 84-B-3959J (Bankr., D. Colo.).

<sup>181</sup>No. 5-82-00914 (Bankr., M.D. Pa.).

<sup>182</sup>No. 84-04985 (Bankr., D. N.J.).

<sup>183</sup>No. BK-82-02335 (Bankr., N.D. Okla.).

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## Glossary of Acronyms

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- 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—Organization for Economic Cooperation 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



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# **Appendix**

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## **THE SECURITIES INDUSTRY**

### **Revenues, 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 produced revenues of \$40.0 billion in 1984, eight percent above the 1983 level.<sup>1</sup> Almost 34 percent of this increase in revenues stemmed from the growth of revenues from outside the principal securities activities (brokerage, principal transactions and underwriting). These "all other" revenues, which include interest income from securities purchased under agreements to resell and fees from handling private placements, mergers and acquisitions, accounted for 38 percent of revenues in 1984.

Trading gains on firms' securities accounts increased \$1 billion, or 12 percent, and represented 24 percent of total revenues in 1984. Profits from underwriting decreased \$842 million, but rose as a percent of total revenues to eight percent in 1984. Securities commission income declined 11 percent, while mutual fund sales fell to three percent.

Pre-tax income dropped 47 percent from the preceding year to \$2.8 billion, as expenses grew by \$5.2 billion (16 percent) to \$37.2 billion in 1984.

Assets rose by \$64.7 billion to \$316.9 billion and liabilities grew \$62.6 billion to \$298.3 billion. Ownership equity increased \$2.1 billion during 1984 to \$18.7 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 was developed for prior

years and Table I now presents unconsolidated data for all years. This data will not be comparable to the Table I published in the SEC Annual Report for 1981 and prior years.

**Table 1**  
**UNCONSOLIDATED FINANCIAL INFORMATION FOR BROKER-DEALERS**  
**1980-1984**  
(Millions of Dollars)

	1980	1981	1982	1983 <sup>R</sup>	1984 <sup>P</sup>
<b>A Revenues</b>					
1 Securities Commissions	\$ 6,800	\$ 6,589	\$ 7,370	\$ 10,493	\$ 9,343
2 Gain (Loss) in Trading	4,309	5,401	7,668	8,690	9,732
3 Gain (Loss) in Investments	807	635	867	1,178	1,125
4 Profit (Loss) from Underwriting and Selling Groups	1,594	1,860	2,688	4,097	3,255
5 Revenue from Sale of Investment Company Securities	278	342	629	1,494	1,453
6 All Other Revenues	6,196	9,545	9,579	11,191	15,044
7 Total Revenues	\$ 19,984	\$ 24,372	\$ 28,801	\$ 37,143	\$ 39,952
<b>B Expenses</b>					
8 All Employee Compensation and Benefits (Except Registered Representatives' Compensation)	\$ 3,402	\$ 3,951	\$ 4,714	\$ 6,442	\$ 6,809
9 Commissions and Clearance Paid to Other Brokers	1,079	1,104	1,299	1,818	1,929
10 Interest Expense	3,893	6,506	6,452	6,914	10,927
11 Regulatory Fees and Expenses	100	121	149	202	225
12 Compensation to Partners and Voting Stockholder Officers	883	1,056	1,179	1,555	1,509
13 All Other Expenses (Including Registered Representatives' Compensation)	7,574	8,845	10,935	14,979	15,754
14 Total Expenses	\$ 16,931	\$ 21,583	\$ 24,728	\$ 31,910	\$ 37,153
15 Pre-Tax Income	\$ 3,053	\$ 2,789	\$ 4,073	\$ 5,233	\$ 2,799
<b>C Assets, Liabilities and Capital</b>					
16 Total Assets	\$120,152	\$155,063	\$201,275	\$252,270	\$316,945
17 Liabilities					
a Total Liabilities (Excluding Subordinated Debt)	109,742	142,865	186,028	232,551	293,257
b Subordinated Debt	1,859	1,869	2,306	3,083	4,997
c Total Liabilities (17a + 17b)	111,601	144,734	188,334	235,634	298,254
18 Ownership Equity	8,551	10,329	12,941	16,636	18,691
19 Total Liabilities and Ownership Equity	\$120,152	\$155,063	\$201,275	\$252,270	\$316,945
Number of Firms	5,283	5,714	6,165	7,429	7,788

P = Preliminary

R = Revised

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

Source FOCUS Report

**Table 2**  
**UNCONSOLIDATED ANNUAL REVENUES AND EXPENSES FOR BROKER-DEALERS**  
**DOING A PUBLIC BUSINESS**  
**1980-1984**  
(Millions of Dollars)

	1980	1981	1982	1983 <sup>R</sup>	1984 <sup>P</sup>
<b>Revenues</b>					
1 Securities Commission	\$ 6,454	\$ 6,163	\$ 7,129	\$ 9,829	\$ 8,828
2. Realized and Unrealized Gains or Losses in Trading and Investment Accounts	4,686	5,481	8,138	9,106	9,894
3 Commodities Revenues	669	699	731	951	764
4 Profits or Losses From Underwriting and Selling Groups	1,519	1,797	2,673	3,990	3,197
5 Revenues From Sale of Investment Company Securities	274	338	625	1,474	1,441
6 Margin Interest	2,136	2,884	2,060	2,150	2,882
7. All Other Revenues	2,993	5,320	6,536	7,405	10,343
8 Total Revenues	<b>\$18,731</b>	<b>\$22,682</b>	<b>\$27,892</b>	<b>\$34,905</b>	<b>\$37,349</b>
<b>Expenses</b>					
9 Salaries and Other Employment Costs for General Partners and Voting Stockholder Officers	\$ 793	\$ 944	\$ 1,095	\$ 1,389	\$ 1,354
10 All Other Employee Compensation and Benefits (Except Registered Representatives' Compensation) <sup>1</sup>	3,116	3,749	4,592	6,166	6,549
11 Commissions and Clearance Paid	949	972	1,231	1,615	1,749
12 Interest Expense	3,778	6,016	6,389	6,513	10,016
13 Regulatory Fees and Expenses	85	103	137	170	203
14 All Other Expenses <sup>1</sup>	7,251	8,389	10,722	14,390	15,151
15 Total Expenses	<b>\$15,972</b>	<b>\$20,173</b>	<b>\$24,166</b>	<b>\$30,243</b>	<b>\$35,022</b>
16 Pre-Tax Income	<b>\$ 2,759</b>	<b>\$ 2,510</b>	<b>\$3,726</b>	<b>\$ 4,662</b>	<b>\$ 2,327</b>
Number of Firms	.	.	.	.	.
	2,613	2,836	3,256	3,648	4,706

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, 1980-1984**  
(Millions of Dollars)

	1980	1981	1982	1983 <sup>R</sup>	1984 <sup>P</sup>
<b>A Assets</b>					
1 Cash	\$ 2,611	\$ 2,671	\$ 4,636	\$ 3,755	\$ 4,078
2 Receivables from Other Broker-Dealers					
a Securities Failed to Deliver	3,280	6,257	5,899	5,860	7,024
b Securities Borrowed	7,752	9,228	15,936	17,992	18,730
c Other	1,177	1,906	2,700	3,544	2,913
3 Receivables from Customers	23,464	21,076	24,762	31,947	30,101
4 Long Positions in Securities and Commodities	33,001	41,714	71,408	80,498	109,110
5 Securities Owned - not Readily Marketable	121	104	155	208	510
6 Securities Borrowed under Subordinated Agreements and Partners' Individual and Capital Securities Accounts					
90	90	90	98	50	
7 Securities Purchased under Agreement to Resell	32,888	45,222	53,733	78,362	108,378
8 Secured Capital Demand Notes	305	309	306	303	389
9 Exchange Memberships	213	216	286	306	295
10 Other Assets	5,579	6,771	9,716	12,121	14,444
11 Total Assets	\$111,082	\$132,587	\$189,985	\$234,994	\$296,022
<b>B Liabilities and Equity Capital</b>					
12 Bank Loans Payable					
a Secured by Customer Collateral	\$ 3,892	\$ 3,633	\$ 2,843	\$ 4,416	\$ 4,790
b Secured by Firm Collateral	5,592	7,583	8,749	15,606	22,728
13 Securities Sold under Repurchase Agreements	34,949	55,679	77,330	93,270	135,560
14 Payable to Other Broker-Dealers and Clearing Organizations					
a Securities Failed to Receive	4,095	3,298	6,766	4,769	6,917
b Securities Loaned	7,184	8,273	14,029	15,432	14,302
c Other	1,105	1,418	2,529	4,267	3,727
15 Payable to Customers	14,833	12,705	16,400	16,697	19,517
16 Short Positions in Securities and Commodities	21,160	18,698	30,960	40,521	45,447
17 Other Liabilities	9,444	11,001	16,211	20,181	21,293
18 Total Liabilities Excluding Subordinated Liabilities	102,254	122,288	175,817	217,159	274,281
19 Subordinated Liabilities	1,648	1,698	2,158	2,711	4,546
20 Total Liabilities	\$123,986	\$177,975	\$216,904	\$219,870	\$278,827
21 Equity Capital	\$ 8,601	\$ 12,010	\$ 14,788	\$ 15,124	\$ 17,195
22 Total Liabilities and Equity Capital	\$111,082	\$132,587	\$189,985	\$234,994	\$296,022
Number of Firms	2,613	2,836	3,256	3,648	4,706

P = Preliminary

R = Revised

Note Figures may not sum due to rounding

Source FOCUS Report

## **Securities Industry Dollar In 1984 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. This group produced 87 percent of the securities industry total revenues.

Securities commissions and trading gains accounted for 21 cents and 25 cents, respectively, of each revenue dollar in 1984. Together these two items accounted for 46 cents of each revenue dollar generated in 1984 as compared to 51 cents in 1983. In terms of dollars, they accounted for \$16.2 billion of the \$34.9 billion of total revenues earned by carrying and clearing firms. Margin interest income accounted for nine cents of each revenue dollar in 1984 compared with seven cents in 1983.

Total expenses consumed 94 cents of each revenue dollar earned in 1984, seven cents more than the 1983 level of 87 cents. This cut the industry's pre-tax profit margin from 13 cents per revenue dollar in 1983 to six cents in 1984.

Interest expense, again the single largest expense item, rose in 1984 by 59 percent to absorb 31 cents of each

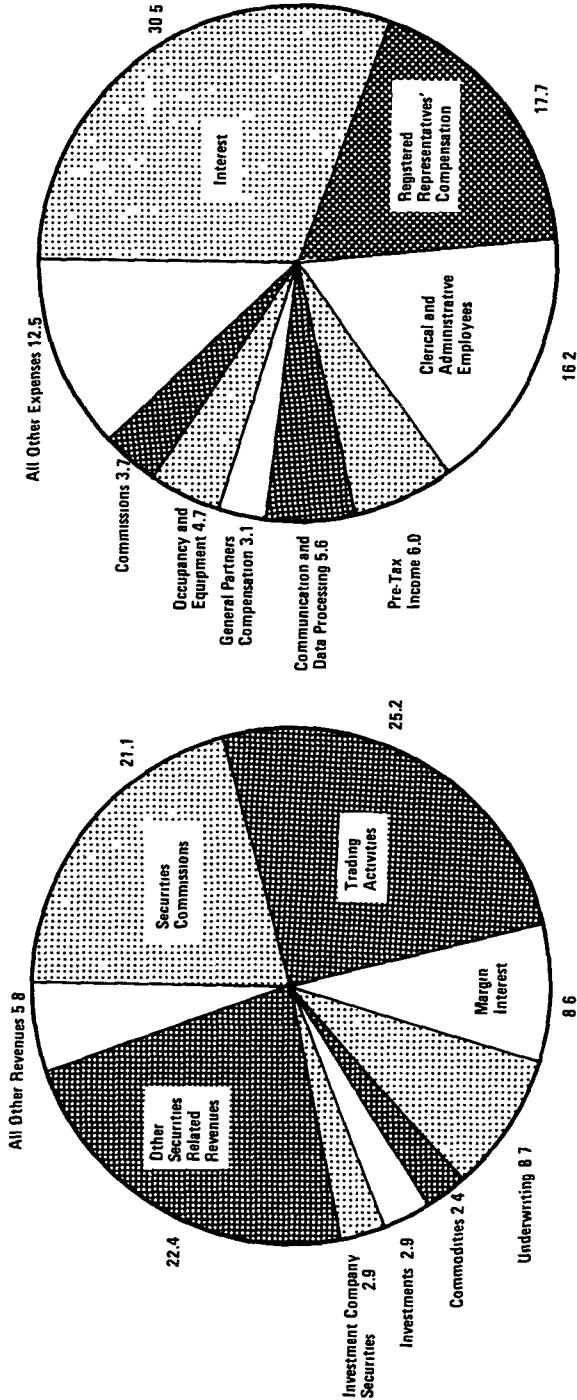
revenue dollar, which compares to 21 cents in 1983. In dollars, interest expense climbed to \$10.7 billion, \$4.0 billion more than the year before. Employee-related expenses (registered representatives' compensation and clerical and administrative employees' expenses) consumed 34 cents of the revenue dollar in 1984, three cents below the 37-cent level in 1983. Registered representatives' compensation was seven percent less than the 1983 level and absorbed 18 cents of each revenue dollar in 1984 compared to 21 cents in the previous year. In dollar terms, employee-related expenses accounted for \$11.8 billion of the \$32.8 billion of total expenses. Other expense categories consumed about the same proportion of the industry revenue dollar in 1984 as they did in 1983.

Total assets of broker-dealers carrying and clearing customer accounts rose by \$72.1 billion to \$308.7 billion in 1984. About 89 percent of this increase in assets can be attributed to two items: resale agreements rose \$32.2 billion, and long positions increased \$37.3 billion.

Total liabilities, including subordinated debt, increased \$70.2 billion or 32 percent to \$292.8 billion with increases in repurchase agreements of \$49.0 billion and short positions in securities of \$7.1 billion. Owners' equity rose 14 percent from \$14.0 billion in 1983 to \$15.9 billion, and total capital increased 23 percent to \$20.6 billion from \$16.8 billion in 1983.

# Securities Industry Dollar In 1984 For Carrying/Clearing Firms

## SOURCES OF REVENUE



*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)

	1983 <sup>R</sup>		1984 <sup>P</sup>		1983-1984
	Dollars	Percent of Total Revenues	Dollars	Percent of Total Revenues	Percent Change
<b>Revenues</b>					
1 Securities Commissions	\$ 8,531	26.4%	\$ 7,380	21.1%	(13.5)%
2 Gain (Loss) in Trading	7,791	24.1	8,795	25.2	12.9
3 Gain (Loss) in Investments	967	3.0	1,012	2.9	4.6
4 Profit (Loss) from Underwriting and Selling Groups	3,793	11.8	3,022	8.7	(20.3)
5 Revenue from Sale of Investment Company Securities	1,174	3.6	1,016	2.9	(13.5)
6 Margin Interest Income	2,271	7.0	3,013	8.6	32.7
7 Commodities Revenue	947	2.9	823	2.4	(13.1)
8 Other Revenue Related to Securi- ties Business	5,479	17.0	7,810	22.4	42.6
9 Revenue from All Other Sources	1,336	4.2	2,034	5.8	52.3
10 Total Revenues	\$32,289	100.0%	\$34,905	100.0%	8.1%
<b>Expenses</b>					
11 Registered Representatives' Compensation	\$ 6,611	20.5%	\$ 6,184	17.7%	(6.5)%
12 Clerical and Administrative Employees' Expenses	5,313	16.4	5,643	16.2	6.2
13 Commissions and Clearance Paid to Others	1,245	3.9	1,283	3.7	3.1
14 Interest Expense	6,697	20.7	10,654	30.5	59.1
15 Communication and Data Processing	2,066	6.4	2,406	6.9	16.5
16 Occupancy and Equipment	1,268	3.9	1,659	4.7	30.8
17 Compensation to Partners and Voting Stockholder Officers	1,138	3.5	1,098	3.1	(3.5)
18 All Other Expenses	3,638	11.3	3,892	11.2	7.0
19 Total Expenses	\$27,976	86.6%	\$32,819	94.0%	17.3%
<b>Pre-Tax Income</b>					
20 Pre-Tax Income	\$ 4,313	13.4%	\$ 2,086	6.0%	(51.6)%
Number of Firms	1,329		1,316		(1.0)%

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 1983 <sup>R</sup>	Percent	Year End 1984 <sup>P</sup>	Percent	% Change 1983-1984
<b>Assets</b>					
1 Cash	\$ 3,660	1 6%	\$ 3,959	1 3%	8 2 %
2 Receivable From Other Broker-Dealers	33,052	14 0	35,122	11 3	6 3
a Securities Borrowed	20,602	8 7	22,272	7 2	8 1
b Other Receivables	12,450	5 3	12,850	4 1	3 2
3 Receivables From Customers	32,852	13 9	30,554	9 9	(7 0)
4 Resale Agreements	78,600	33 2	110,788	35 9	41 0
5 Long Positions in Securities and Spot Commodities	78,272	33 1	115,586	37 5	47 7
6 Other Assets	10,146	4 2	12,654	4 1	24 7
7 Total Assets	\$236,582	100 0%	\$308,663	100 0%	30 5 %
 <i>Liabilities and Equity</i>					
<i>Capital</i>					
8 Bank Loans	\$ 20,674	8 8%	\$ 28,619	9 3%	38 4 %
a Secured by Customer Sec	4,465	1 9	4,877	1 6	9 2
b Secured by Proprietary Sec	16,209	6 9	23,742	7 7	46 5
9 Payable to Other Broker-Dealers	22,054	9 3	24,072	7 8	9 2
a Securities Loaned	17,045	7 2	16,922	5 5	(0 7)
b Other Payables	5,009	2 1	7,150	2 3	42 7
10 Payable to Customers	19,241	8 1	20,093	6 5	4 4
a Free Credit Balances	6,902	2 9	8,454	2 7	22 5
b Other Credit Balances	12,339	5 2	11,639	3 8	(5 7)
11 Repurchase Agreements	95,240	40 3	144,264	46 7	51 5
12 Short Positions in Securities	39,013	16 5	46,142	15 0	18 3
13 Subordinated Debt	2,780	1 2	4,720	1 5	69 8
14 Other Liabilities	23,570	9 9	24,846	8 0	5 4
15 Total Liabilities	222,572	94 1	292,756	94 8	31 5
16 Owners' Equity	14,010	5 9	15,907	5 2	13 5
17 Total Liabilities and Owners' Equity	\$236,582	100 0%	\$308,663	100 0%	30 5 %
Total Capital	\$ 16,790		\$ 20,627		22 9 %
Number of Firms	1,329		1,316		(1.0)%

P = Preliminary

R = Revised

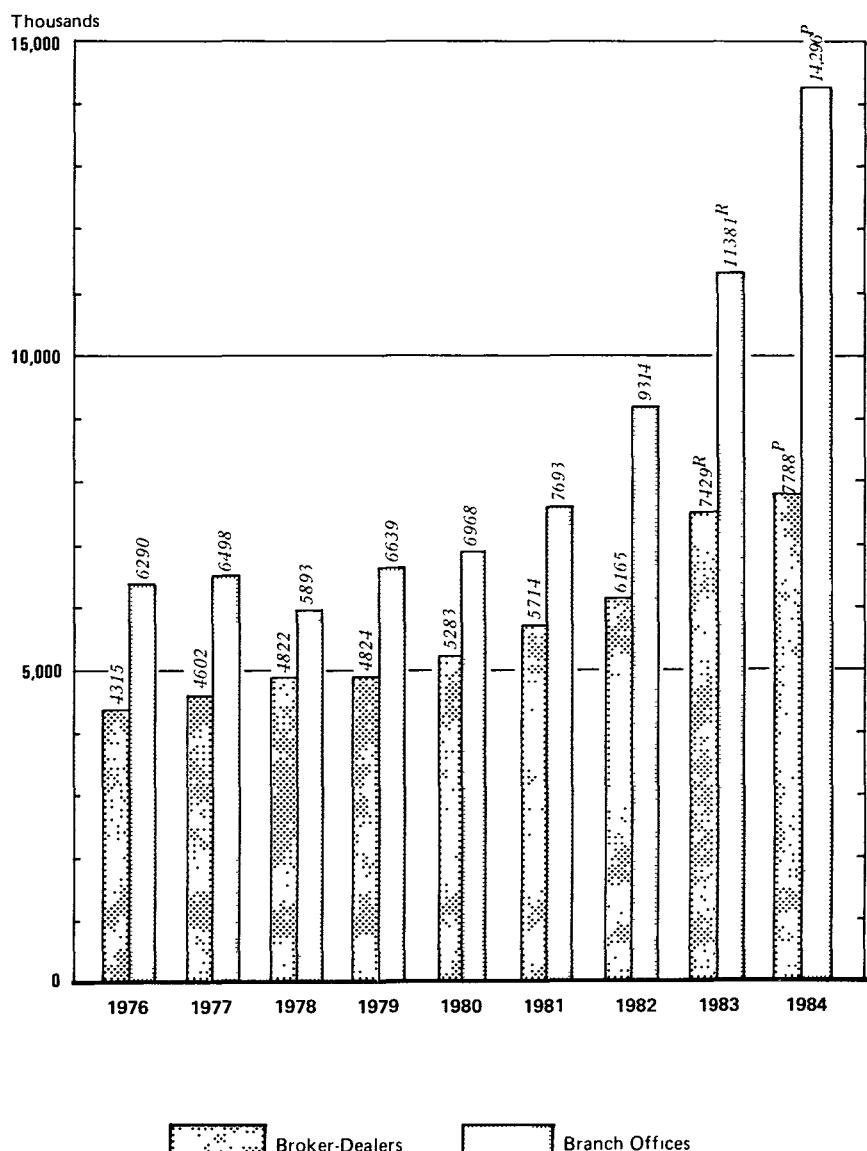
Source FOCUS Report

## Broker-Dealers, Branch Offices, Employees

The number of broker-dealers filing FOCUS Reports rose five percent from 7,429 in 1983 to 7,788 in 1984. During the same period, the number of branch

offices increased 26 percent from 11,381 to 14,296. The number of full-time personnel employed in the securities industry rose from 296,000 to 330,000 in 1984, an 11 percent increase.

# Broker-Dealers and Branch Offices



SOURCE . FORM X-17-A-10 AND FOCUS REPORTS

**Table 6**  
**BROKERS AND DEALERS REGISTERED UNDER THE SECURITIES EXCHANGE ACT OF**  
**1934—EFFECTIVE REGISTRANTS AS OF SEPTEMBER 30, 1985 CLASSIFIED BY**  
**TYPE OF ORGANIZATION AND BY LOCATION OF PRINCIPAL OFFICE**

	Number of Registrants			
	Total	Sole Proprietorships	Partnerships	Corporations <sup>1</sup>
Alabama	46	2	0	44
Alaska	4	0	0	4
Arizona	68	2	1	65
Arkansas	62	3	1	58
California	1,335	336	125	874
Colorado	250	7	6	237
Connecticut	170	20	14	136
Delaware	14	1	2	11
District of Columbia	46	3	3	40
Florida	417	17	15	385
Georgia	137	3	4	130
Hawaii	22	0	1	21
Idaho	13	2	0	11
Illinois	2,847	1,855	302	690
Indiana	77	9	1	67
Iowa	52	2	1	49
Kansas	40	2	2	36
Kentucky	27	3	0	24
Louisiana	90	9	5	76
Maine	15	0	2	13
Maryland	100	3	1	96
Massachusetts	248	30	15	203
Michigan	116	8	2	106
Minnesota	127	4	0	123
Mississippi	26	0	1	25
Missouri	116	7	3	106
Montana	7	1	0	6
Nebraska	26	0	1	25
Nevada	18	4	1	13
New Hampshire	10	1	0	9
New Jersey	349	66	39	244
New Mexico	22	1	0	21
New York	2,573	779	375	1,419
North Carolina	71	7	0	64
North Dakota	8	1	0	7
Ohio	154	5	9	140
Oklahoma	61	4	0	57
Oregon	55	1	1	53
Pennsylvania	454	26	95	333
Rhode Island	21	5	1	15
South Carolina	44	1	2	41
South Dakota	6	0	0	6
Tennessee	118	5	3	110
Texas	517	40	8	469
Utah	60	3	1	56
Vermont	10	2	1	7
Virginia	83	8	2	73
Washington	128	8	2	118
West Virginia	10	1	0	9
Wisconsin	101	8	2	91
Wyoming	8	1	0	7
Total	11,379	3,306	1,050	7,023
Foreign <sup>2</sup>	25	2	3	20
Grand Total	11,404	3,308	1,053	7,043

<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 1985

BROKER-DEALER APPLICATIONS	
Applications pending at close of preceding year	230
Applications received during fiscal 1985	2,832
Disposition of Applications	
Accepted for filing	2,008
Returned	843
Withdrawn	11
Denied	0
Total applications disposed of	2,862
Applications pending as of September 30, 1985	200
BROKER-DEALER REGISTRATIONS	
Effective registrations at close of preceding year	10,414
Registrations effective during fiscal 1985	2,010
Total Registrations	12,424
Registrations terminated during fiscal 1985	
Withdrawn	770
Revoked	0
Cancelled	250
Total registrations terminated	1,020
Total registrations at end of fiscal 1985	11,404
INVESTMENT ADVISER APPLICATIONS	
Applications pending at close of preceding year	265
Applications received during fiscal 1985	4,086
Total applications for disposition	4,351
Disposition of applications	
Accepted for filing	2,993
Withdrawn	13
Returned	1,141
Denied	0
Total applications disposed of	4,147
Applications pending as of September 30, 1985	204
INVESTMENT ADVISER REGISTRATIONS	
Effective registrations at close of preceding year	9,083
Registrations effective during fiscal 1985	2,912
Total registrations	11,995
Registrations terminated during fiscal 1985	
Withdrawn	518
Revoked	3
Cancelled	566
Total registrations terminated	1,087
Total registrations at end of fiscal 1985	10,908

**Table 8**  
**APPLICATIONS AND REGISTRATIONS OF MUNICIPAL SECURITIES**  
**DEALERS AND TRANSFER AGENTS**  
Fiscal Year 1985

MUNICIPAL SECURITIES DEALERS APPLICATIONS	
Applications pending at close of preceding year	1
Applications received during fiscal 1985	27
Total applications for disposition	28
Disposition of Applications	
Accepted for filing	24
Returned	4
Denied	0
Total applications disposed of	28
Applications pending as of September 30, 1985	0
MUNICIPAL SECURITIES DEALERS REGISTRATIONS	
Effective registrations at close of preceding year	399
Registrations effective during fiscal 1985	24
Total registrations	423
Registrations terminated during fiscal 1985	
Withdrawn	12
Cancelled	0
Suspended	0
Total registrations terminated	12
Total registrations at end of fiscal 1985	411
TRANSFER AGENTS APPLICATIONS	
Applications pending at close of preceding year	1
Applications received during fiscal year 1985	83
Total applications for disposition	84
Disposition of applications	
Accepted for filing	83
Returned	0
Withdrawn	1
Denied	0
Total applications disposed of	84
Applications pending as of September 30, 1985	0
TRANSFER AGENTS REGISTRATIONS	
Effective registrations at close of preceding year	1,119
Registrations effective during fiscal 1985	83
Total registrations	1,202
Registrations terminated during fiscal 1985	
Withdrawn	28
Cancelled	31
Suspended	1
Total registrations terminated	60
Total registrations at end of fiscal 1985	1,142

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

In 1984 the total revenues of self-regulatory organizations ("SROs") rose approximately \$43.5 million to \$559.9 million, a yearly increase of only 8% compared to the 1983 increase of 27.8%. The New York Stock Exchange ("NYSE"), National Association of Securities Dealers ("NASD") and American Stock Exchange ("Amex") accounted for over 70% of SROs' total revenues. Most SRO revenues came from listing, trading and market data fees. The NYSE reported total revenues of \$223.3 million, of which approximately 55% was made up of listing and trading fees. The Amex reported a total revenue figure of \$75.7 million. Approximately 72% of these revenues were derived from transaction and communications charges. The NASD reported total revenues of \$91.4 million.

The total expenses of all SROs were \$500.2 million in 1984, an increase of \$66 million, 15% over 1983. The Cincinnati Stock Exchange ("CSE"), Chicago Board Options Exchange ("CBOE"), and NASD had the largest percentage increases in total expenses. Conversely, the Philadelphia Stock Exchange ("Phlx") and the Boston Stock Exchange ("BSE") reduced total expenses by 15% and 7% respectively.

Aggregate pre-tax income of all SROs fell to \$55.9 million in 1984, from a high in 1983 of \$82.0 million, a reduction of approximately 30%. This can be attributed to increased operational expenses, and decreases in listing and transaction fees. The NYSE showed a decrease in pre-tax income of \$21.3 million, a reduction of 57% from 1983. The CBOE showed a reduction of over 75% or approximately \$4.5 million. This can largely be attributed to a 34% rise in operating expenses at the CBOE combined with lower transaction and application fees. The Amex dropped in pre-tax

income by \$3.6 million—28%—from \$12.9 million in 1983 to \$9.2 million in 1984. The BSE's pre-tax income surged past its 1983 figure of \$2.5 million by over 130%, to \$5.8 million. This was due largely to an increase in trading volume and a corresponding increase in transaction fees. This was followed by an NASD increase of 21% or \$3.4 million over 1983's figure of \$16.1 million, to \$19.5 million. The PSE showed a pre-tax loss of \$1 million, a reduction of over twice the previous year's pre-tax income figure of \$397 thousand. The CSE reported a pre-tax loss of \$775 thousand for 1984, a loss of \$759 thousand over its \$16 thousand pre-tax loss of 1983.

The total assets of all SROs were \$827.5 million in 1984, a decrease of 6% from 1983. The NYSE's total assets were \$272.6 million, an increase of 9% over 1983. The CBOE increased total assets by 30% to \$88.1 million from \$68 million in 1983. The NASD increased its assets by 33% from \$70.2 million in 1983 to \$93.3 million in 1984. The largest relative decrease in total assets occurred at the PSE where assets fell 38% to \$114.7 million in 1984, from \$183.8 million in 1983.

The aggregate net worth of the SROs rose to \$352.2 million from \$309.0 million in 1983, an increase of 14%. The largest percentage increases over the previous year occurred at the Spokane Stock Exchange ("SSE") 89%, the NASD 36%, and the BSE 29%. The only decrease in total assets occurred at the CSE, which decreased \$152 million from \$263 million in 1983 to \$111 million in 1984, a 58% reduction.

The clearing corporation and depository SROs reported that aggregate service revenue increased by \$16.2 million in 1984, or over 9%. This consisted of increases of \$9.9 million for depositories and \$6.3 million for clearing agencies. The increase in depository service revenues was due to increases of \$6.5 million for the Depository Trust Company ("DTC"), \$2.7 million for the Midwest Securities Trust Company and

\$1 million for Philadelphia Depository Trust Company.

Service revenue or clearing corporations increased \$6.3 million primarily because of increases of \$5.3 million at the Options Clearing Corporation ("OCC") and a \$1.1 million increase at the Midwest Clearing Corporation. The OCC, which is a common clearing organization for all of the listed options exchanges, experienced its first year-to-year decrease in the number of equity option contracts traded of 12%, but an increase in the number of index and currency options caused overall option volume to increase almost 31% to a new high of 196.4 million contracts. Aggregate interest income at the SROs was up almost \$24 million, with the depositories accounting for all of the increases. The increase in interest income paralleled increases in the value of transactions at the depositories.

Depository expenses for 1984 increased by \$32 million, rising 23% for the second straight year. Employee costs accounted for almost half of this increase, which is attributable to the labor-intensive nature of traditional depository operations. The total number of all transactions at depositories decreased by 8%, but participants continued to make net deposits of all types of securities. Deposits are processed manually and therefore are expensive transactions. Once the deposit is in the system, however, the cost-savings associated with book-entry deliveries of securities between participants may be realized. The largest increase in deposits was in debt securities which have increased nine fold since 1980, to approximately \$550 billion. Over \$500 billion of this amount is at DTC. The costs associated with this activity increased DTC's costs by almost \$30 million of the \$32 million increase in all depository expenses.

Clearing corporation cost increases were attributable to OCC's expenses of processing the large increases in non-equity option contracts. The aggregate

clearing corporation expense increase was almost \$4.5 million with OCC's increase being over \$4.5 million. Their largest increases occurred in employee costs and data processing. The Pacific Clearing Corporation ("PCC") and the Pacific Securities Depository Trust Company ("PSDTC") incurred several losses in 1984. First, they had operational losses of \$678,000 and \$46,000, respectively. These losses would have been substantially greater had their parent firm, the Pacific Stock Exchange, not forgiven their allocated administrative and financial costs of \$802,000 and \$2.2 million respectively. Also, PCC recorded an additional loss of \$359,000 as the result of a participant's inability to settle its securities trades. Further, to reduce duplication of expense, PCC and PSDTC consolidated their operations in San Francisco, at additional costs of \$358,000 and \$795,000, respectively.

Combined clearing and depository net worth increased 8% to almost \$25 million. In case of participant default, the net worth (or shareholders' equity) and participants' (or clearing) funds provide financial protection to the depositories and clearing agencies. The depository and equity-clearing agencies' participants' funds remained unchanged at \$214 million and \$208 million, respectively.

OCC's participants' fund declined from \$211 million to \$153 million at the end of 1984. OCC determined that recent increases in trading volume did not necessitate a proportionate increase in their participants' fund, so members' contribution requirements were reduced. OCC also reduced the minimum clearing fund requirement for non-equity options to reflect OCC's re-evaluation of the risks associated with this activity. In addition to the participants' fund, OCC had shareholders' equity of \$3.3 million and \$7,600 million in margin deposits at the end of 1984, providing further financial protection.

**Table 9**  
**CONSOLIDATED FINANCIAL INFORMATION OF SELF-REGULATORY ORGANIZATIONS**  
**1981-1984**

(Thousands of Dollars)

	Amex <sup>a</sup>	BSE <sup>a</sup>	CBOE <sup>a</sup>	CSE <sup>a</sup>	ISE <sup>a</sup>	MSE <sup>a</sup>	NASD <sup>a</sup>	NYSE <sup>a</sup>	PSE <sup>a</sup>	Phlx <sup>a</sup>	SSE <sup>a</sup>	TOTAL
Total Revenues												
1981	\$57,493	\$ 7,851	\$55,035	\$ 204	\$ 14	\$ 26,162	\$ 46,815	\$ 153,235	\$ 32,218	\$ 13,220	\$ 30	\$372,277
1982 <sup>b</sup>	58,525	7,926	35,797	330	21	29,344	54,675	168,984	32,228	15,506	30	403,966
1983	73,115	8,411	46,124	444	26	39,778	75,101	216,804	37,206	19,258	43	516,311
1984	75,775	8,011	54,812	987	23	45,505	91,478	223,301	38,645	21,161	56	559,754
Total Expenses												
1981	46,236	8,781	30,739	280	26	24,337	40,780	143,811	29,902	13,070	32	371,006
1982 <sup>b</sup>	50,584	8,714 <sup>c</sup>	33,500	387	16	27,073	51,345	153,063	31,800	14,494	30	371,006
1983	60,189	8,156	39,939	460	20	33,893	58,971	179,251	36,809	16,600	37	434,325
1984	61,665	7,423	53,405	1,762	19	38,889	71,896	207,086	37,892	19,168	36	560,241
Pre-Tax Income												
1981	11,257	(930)	4,296	(76)	(12)	1,825	6,035	9,424	2,316	150	(2)	34,283
1982 <sup>b</sup>	7,941	(788) <sup>c</sup>	2,297	(57)	5	2,271	3,330	15,921	1,028	1,012	.	32,960
1983	12,927	255	6,185	(16)	6	5,885	16,130	37,553	397	2,658	6	81,986
1984	9,267	588	1,406	(775)	8	5,383	19,582	16,215	(759)	1,994	19	56,930
Total Assets												
1981	52,787	21,287	38,254	525	20	110,352	50,344	164,943	165,125	25,712	13	629,362
1982 <sup>b</sup>	58,090	17,255	39,083	605	30	95,730	52,818	190,948	170,645	37,810 <sup>d</sup>	14	663,028
1983	62,390	8,455	68,006	568	40	165,738	70,247	250,457	183,841	40,682	21	683,292
1984	66,329	8,317	88,152	694	51	136,994	93,363	272,639	114,740	46,219	40	827,538
Total Liabilities												
1981	18,117	20,073	11,642	440	1	100,262	15,911	56,111	154,361	16,900	.	393,818
1982 <sup>b</sup>	18,912	16,080	10,907	578	1	84,233	15,055	73,363	156,888	26,177 <sup>d</sup>	.	404,192
1983	16,839	7,136	36,688	305	1	155,733	16,354	115,579	171,121	26,653	2	574,255
1984	16,122	6,614	53,748	583	1	118,290	19,888	128,010	101,748	30,269	4	475,277
Net Worth												
1981	34,670	1,214	26,612	85	19	10,090	34,433	108,832	10,764	8,812	13	235,544
1982	39,178	1,176	28,176	27	29	11,497	37,763	117,585	11,757	11,633	14	258,836
1983	45,554	1,319	31,318	263	39	15,006	53,893	134,878	12,220	14,029	19	309,037
1984	\$50,207	\$ 1,702	\$34,434	\$11	\$49	\$ 18,704	\$73,475	144,629	\$ 12,992	\$ 15,950	\$36	362,289

\* = Less than \$500

R = Revised

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

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

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

<sup>d</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—CLEARING AGENCIES**  
**1984 REVENUES AND EXPENSES<sup>1</sup>**

	Boston Stock Exchange Clearing Corporation 9/30/84	Depository Trust Company 12/31/84	Midwest Securities Clearing Corporation 12/31/84	National Securities Clearing Corporation 12/31/84	Options Clearing Corporation 12/31/84	Pacific Clearing Corporation 12/31/84 <sup>2</sup>	Pacific Securities Depository Trust Company 12/31/84 <sup>3</sup>	Stock Clearing Corporation of Philadelphia 12/31/84 <sup>4</sup>	Total
<b>Revenues</b>									
Clearing services	\$3,383	\$ 81,614	\$6,935	\$43,986	\$ 19,331	\$4,776	\$ 6,710	\$4,260	\$1,702
Depository services	251	55,803	1,369	\$17,827	1,476	1,388	2,727	321	110,411
Interest			561	1,238		1,889	14		66,595
Other	181		1,323						5,243
<b>Total revenues<sup>5</sup></b>	<b>3,815</b>	<b>137,417</b>	<b>8,865</b>	<b>20,388</b>	<b>45,462</b>	<b>22,608</b>	<b>6,006</b>	<b>10,195</b>	<b>2,987</b>
<b>Expenses</b>									
Employee costs	799	78,703	3,212	7,292	3,622	9,970	2,461	5,302	1,715
Data processing and communications costs	1,064	15,400	1,163	2,151	28,103	6,424	2,986	2,326	972
Occupancy costs	338	19,214	658	1,571	693	1,721	327	638	160
Contracted services cost	300			3,374	7,643				25,487
All other expenses	498	23,669	2,793	4,921	4,681	4,413	930	1,975	200
<b>Total expenses</b>	<b>2,989</b>	<b>136,986</b>	<b>7,826</b>	<b>19,319</b>	<b>44,742</b>	<b>22,528</b>	<b>6,684</b>	<b>10,241</b>	<b>4,337</b>
<b>Excess of revenues over expenses<sup>6</sup></b>	<b>\$ 816</b>	<b>\$ 431</b>	<b>\$1,039</b>	<b>\$ 1,069</b>	<b>\$ 720</b>	<b>\$ 80</b>	<b>(\$ 678)</b>	<b>(\$ 46)</b>	<b>\$ 282</b>
Shareholders' Equity	<b>\$ 859</b>	<b>\$ 8,626</b>	<b>\$2,192</b>	<b>\$ 2,761</b>	<b>\$ 3,900</b>	<b>\$ 3,307</b>	<b>\$ 576</b>	<b>\$ 308</b>	<b>\$ 823</b>
Clearing Fund									
Depository		\$200,000			\$12,360				
Option Clearing									
Equity Clearing		\$ 645		\$3,375		\$197,789	\$152,537	\$1,923	\$4,289

<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.

<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 those charges not been forgiven, PCC and PSDTC's expenses would have been greater by \$802,000 and \$2,248,000, respectively. PCC recorded an additional loss of \$559,000 as the result of a participant's inability to settle its securities trades. PCC and PSDTC relocated all operations to San Francisco, incurring additional costs of \$358,000 and \$795,000, 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 is the result of operations and before the consideration of participant failure, relocation expense, and before the effect of income taxes.

**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

	1984	1983
<i>Revenues</i>		
Assessment fees	\$ 830,534	\$ 943,938
Annual fees	220,125	197,400
Initial fees	29,800	24,200
Investment income	113,950	133,521
Board manuals and other	30,716	21,201
	1,225,125	1,320,260
<i>Expenses</i>		
Salaries and employee benefits	556,151	570,566
Board and committee	377,914	337,300
Operations	178,690	182,199
Education and communication	228,057	212,930
Professional services	61,603	15,803
Depreciation and amortization	23,292	
	1,425,707	1,318,798
Revenues over (under) expenses	(200,582)	1,462
Fund balance, beginning year	1,412,449	1,410,987
Fund balance, end of year	\$1,211,867	\$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, 1984 9 applications were pending, and an additional 13 applications were filed during the year. Of these 22 applications, 14 were granted, and 3 were withdrawn. Four 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 domicile or in which it is incor-

porated 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 July 31, 1985 and contains a total of 559 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 25 exemptions pursuant to paragraph (h) of Rule 10b-6 under circumstances indicating that proposed purchase transactions did not appear to constitute manipulative or deceptive devices or contrivances comprehended within the purposes of the rule.

## **FINANCIAL INSTITUTIONS**

There were 2,583 companies registered under the Investment Company Act of 1940 as of September 30, 1985. New registrations totaled 299, with 47 registrations terminated during the fiscal year. This compares with 1984 fiscal year figures of 2,331 total registrations, 256 new registrations and 54 terminations.

**Table 12**  
**COMPANIES REGISTERED UNDER THE INVESTMENT COMPANY**  
**ACT OF 1940 AS OF SEPTEMBER 30, 1985**

	Number of Registered Companies			Approximate Market Value of Assets of Active Companies (Millions)
	Active	Inactive <sup>a</sup>	Total	
Management open-end ("Mutual Funds")	1,735	56	1,791	437,000
Management closed-end				
Small Business investment companies	177	57	234	10,000
All other closed-end companies				
Unit investment trust	541	24	565	76,000
Face-amount certificate companies	5	4	9	2,000
Total	2,458	141	2,599	525,000

<sup>a</sup> Inactive refers to registered companies which as of September 30, 1985, 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> Assets of investment companies were calculated using various published sources as well as staff estimates.

**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
1985	2,331	299	47	2,583	525,000

\* Began Fiscal Year Ending September 30, 1977

**Table 14**  
**NEW INVESTMENT COMPANY REGISTRATIONS**

	1985
Management open-end	242
Management closed-end	
SBIC's	1
All others	15
Sub-total	16
Unit investment trust	41
Face amount certificates	0
Total Registered	299

**Table 15**  
**INVESTMENT COMPANY REGISTRATIONS TERMINATED**

	1985
Management open-end	37
Management closed-end	
SBIC's	0
All others	5
Sub-total	5
Unit investment trust	5
Face amount certificates	0
Total terminated	47

## **SECURITIES ON EXCHANGES**

### **Market Value and Share Volume**

The total market value of all equity securities transactions on registered exchanges totaled \$993 billion in 1984. Of this total, \$959 billion, or 97 percent, represented the market value of transactions in stocks and \$34 billion, or almost all of the remaining three percent, the market value of options transactions. The value of equity transactions on the New York Stock Exchange was \$823 billion, up one percent from the previous year. The market value of such transactions dropped 35 percent to \$30 billion on the American Stock Exchange and declined nine percent to \$141 billion

on all regional exchanges combined. The volume of trading in stocks on all registered exchanges totaled 30 billion shares in 1984, a one percent increase over the previous year, with 83 percent of the total accounted for by trading on the New York Stock Exchange.

The number of contracts traded on options exchanges declined 11 percent during 1984 to 119 million contracts and the market value of such contracts decreased 43 percent to \$34 billion. The volume of contracts executed on the Chicago Board Options Exchange decreased 17 percent to 59 million; trading on the American Stock Exchange went down eight percent; Philadelphia Stock Exchange contract volume decreased three percent; and Pacific Stock Exchange contract volume went up two percent.

**MARKET VALUE AND VOLUME OF EQUITY SALES ON REGISTERED SECURITIES EXCHANGES**  
 (All Data are in Thousands)

	TOTAL MARKET VALUE (Dollars)	STOCKS*		OPTIONS*		WARRANTS		RIGHTS	
		Market Value (Dollars)	Number of Shares	Market Value (Dollars)	Number of Contracts	Market Value (Dollars)	Number of Units	Market Value (Dollars)	Number of Units
All Registered Exchanges									
Calendar Year			All Registered Exchanges for Past Six Years						
1979	323,364,620	299,749,680	10,849,825	22,860,058	64,347	747,948	76,902	6,934	38,184
1980	522,205,543	475,849,870	15,495,686	45,789,163	96,828	559,601	61,434	6,909	37,089
1981	532,712,860	490,688,155	15,910,315	41,695,816	109,406	327,293	46,553	1,596	12,530
1982	637,021,183	602,937,000	22,423,023	53,659,797	137,266	423,234	56,053	1,152	21,500
1983*	1,017,902,908*	957,139,047	30,146,335	59,598,740*	134,286*	1,162,124	157,942	2,997	11,737
1984	993,469,133	959,206,923	30,466,438	33,822,259	118,926	430,292	77,452	9,659	13,924
Breakdown of 1984 Data by Registered Exchanges									
* American Stock Exchange									
* American Stock Exchange	30,355,345	21,349,189	1,563,971	8,869,218	33,079	115,957	20,204	981	2,237
* Boston Stock Exchange	8,087,854	8,087,854	0	0	0	0	0	0	0
* Cincinnati Stock Exchange	1,834,703	1,834,703	55,000	0	0	0	0	0	0
* Midwest Stock Exchange	62,291,419	62,291,419	1,843,171	0	0	0	0	0	0
* New York Stock Exchange	823,023,558	822,714,485	25,150,155	2,819,300	1,006,126	2,819,324	300,395	53,041	8,678
* Pacific Stock Exchange	30,697,194	27,884,301	0	11,189	0	13,569	3,984	+ 3,984	60
* Philadelphia Stock Exchange	18,521,430	15,052,087	55,599	3,468,972	1,101	371	0	223	0
* Intermountain Stock Exchange	659	659	0	0	0	0	0	0	0
* Spokane Stock Exchange	12,226	12,226	12,577	0	0	0	0	0	0
* Chicago Board Options*	18,644,745	0	0	18,644,745	58,674	0	0	0	0

\* 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

\* 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.

; Includes voting trust certificates, certificates of deposit for stocks, and American Depository Receipts for stocks but excludes rights and warrants.

; Includes only equity options. Exercises are not included in these totals.

\* Data for June 1, 2 and 3, 1983 are not included.

Source SEC Form R-31

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

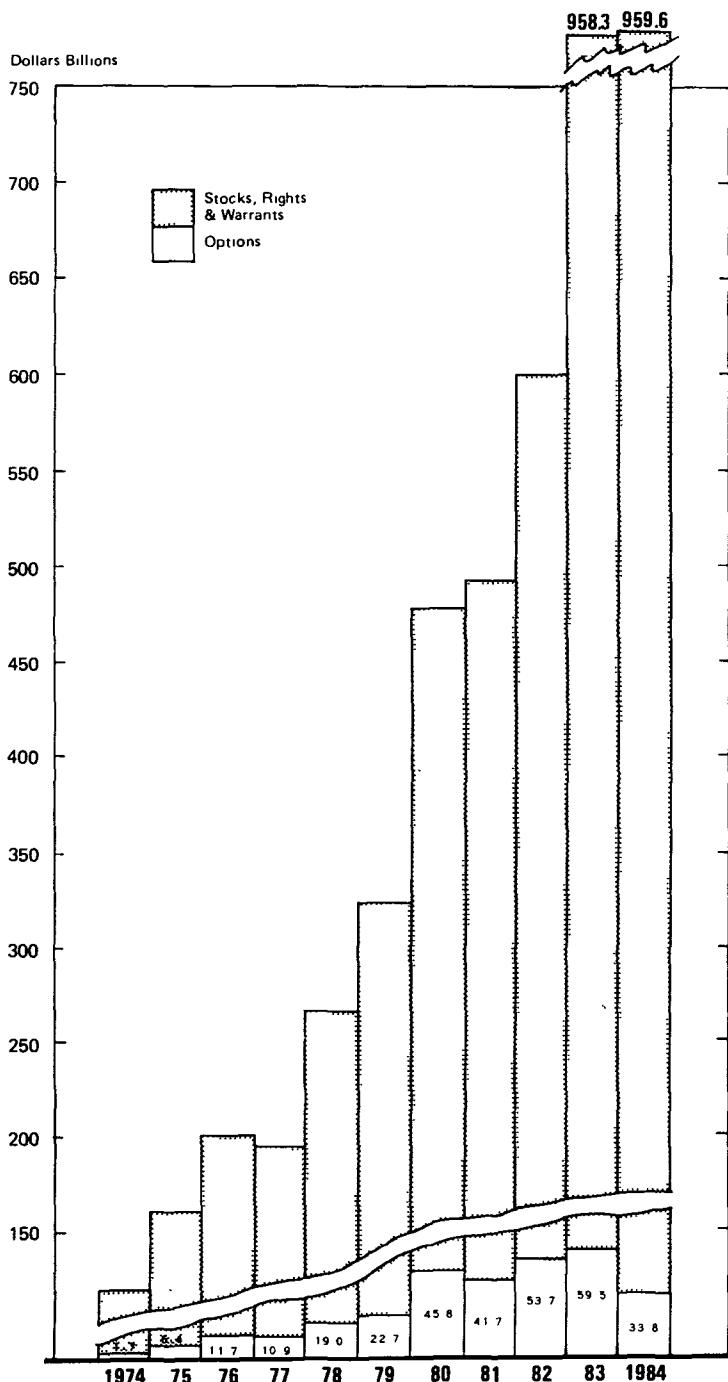
NASDAQ share volume and market value information for over-the-counter trading has been reported on a daily basis since November 1, 1971. At the end of 1984, there were 4,723 issues in the NASDAQ system, an increase of six percent during the year. Volume for 1984 was 15 billion shares, down four percent from the 16 billion shares traded in the previous year. It was the second highest volume in NASDAQ's 14-year history. 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 \$207 billion at the end of 1984.

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

Share volume in 1984 for stocks, rights, and warrants on exchanges totaled 31 billion, an increase of three percent from the previous year. The New York Stock Exchange accounted for 83 percent of the 1984 share volume; the American Stock Exchange, five percent; the Midwest Stock Exchange, six percent; and the Pacific Stock Exchange, three percent.

The market value of stocks, rights, and warrants traded was \$960 billion, slightly higher over the previous year. Trading on the New York Stock Exchange contributed 86 percent of the total. The American Stock Exchange accounted for two percent of dollar volume. The Midwest Stock Exchange and Pacific Stock Exchange obtained six percent and three percent, respectively.

# 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)	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	1.49	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
1983r	30,316,014	80.37	7.45	5.48	3.56	2.20	0.65	0.19	0.10
1984	30,547,814	82.54	5.26	6.03	3.31	1.79	0.85	0.18	0.04

<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

r=revised

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

Year	Total Dollar Volume (Thousands)	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	195,224,815	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
1983r	958,304,168	85.13	3.32	6.28	2.86	1.55	0.66	0.16	0.04
1984	959,646,874	85.76	2.24	6.49	2.91	1.56	0.84	0.19	0.01

<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

r=revised

## Special Block Distribution

In 1984, there were 23 special block distributions with a value of \$681 million. 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	15,233,141	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
1984	23	21,180,207	680,543	0	0	0	0	0	0

Source NYSE and AMEX

## Value and Number of Securities Listed on Exchanges

The market value of stocks and bonds listed on U.S. exchanges at the end of 1984 was \$2.6 trillion, an increase of four percent over the previous year. The market value of stocks was \$1.6 trillion, a decrease of one percent during the year. The value of listed bonds increased 14 percent. Stocks with primary listing

on the New York Stock Exchange had a market value of \$1.5 trillion and represented 96 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 four percent of the total and were valued at \$52 billion, a decrease of 35 percent over the previous year.

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

December 31, 1984

EXCHANGES	COMMON		PREFERRED		BONDS		TOTAL SECURITIES	
	Number	Market Value (Million)	Number	Market Value (Million)	Number	Market Value (Million)	Number	Market Value (Million)
Registered								
American	763	\$ 49,793	108	\$ 2,209	284	\$ 9,522	1,155	\$ 61,524
Boston	87	1,423	0	0	2	10	89	1,433
Cincinnati	5	113	3	11	6	43	14	167
Midwest	15	341	6	19	0	0	21	360
New York	1,458	1,484,090	803	45,368	3,637	1,012,485	5,898	2,541,943
Pacific	51	1,400	28	988	79	2,689	158	5,077
Philadelphia	19	400	21	1,026	35	872	75	2,298
Intermountain	28	60	0	0	0	0	28	60
Spokane	26	9	0	0	0	0	26	9
Total	2,452	\$ 1,537,629	969	\$ 49,621	4,043	\$ 1,025,621	7,464	\$ 2,612,871
Includes Foreign Stocks								
New York	53	\$ 56,522	5	\$ 117	114	\$ 9,306	172	\$ 65,945
American	50	17,338	3	119	6	124	59	17,581
Pacific	3	52	0	0	1	20	4	72
Total	106	\$ 73,912	8	\$ 236	121	\$ 9,450	235	\$ 83,598

<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
1984	1,529 5	52 0	5 8	1,587 3

Source SEC Form 1392

## Securities on Exchanges

As of September 30, 1985, a total of 7,570 securities, representing 2,995 issuers, were admitted to trading on securities exchanges in the United States. This compares with 7,270 issues, involving 3,064 issuers a year earlier. Over 5,000 issues were listed and registered on

the New York Stock Exchange, accounting for 62.6 percent of the stock issues and 86.9 percent 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	902	993	—	21	1,014
Boston	1,205	159	—	1,103	1,262
Chicago Board of Trade	4	1	—	6	7
Cincinnati	1,111	34	—	1,102	1,136
Intermountain	43	54	—	3	57
Midwest	1,418	318	—	1,204	1,522
New York	1,868	2,441	2	—	2,443
Pacific Coast	846	761	—	266	1,027
Philadelphia	926	255	—	802	1,057
Spokane	38	36	—	3	39

<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, 1985)

	Stocks	Bonds	Total	Issuers Involved
Registered and Listed	3,887	3,678	7,565	2,995
Temporarily Exempted from Registration	2	—	2	2
Admitted to Unlisted Trading Privilege	11	5	16	2
Total	3,900	3,683	7,583	2,999

## Certificate Immobilization

The securities industry continued to immobilize certificates during 1984. For example, the number of certificates withdrawn from Depository Trust Company (DTC) declined almost 26% from 13.6 million to 10.1 million. In addition, book-entry deliveries of securities decreased 4% from 50 million to 48

million transactions at DTC, despite an 8% decline in total trading transactions reported by the Consolidated Tape Association. As a result, the ratio of book-entry deliveries to total certificates withdrawn increased to 4.8 deliveries per certificate from 3.7 in 1983 and 1.8 in 1980.

**Table 24**  
**IMMOBILIZATION TRENDS**

	1984	1983	1982	1981	1980
Book-entry Deliveries at DTC (in thousands)	43 000	50,000	37,000	35,000	28,000
Total Certificates Withdrawn from DTC (in thousands)	10 100	13,600	12,500	14,400	15,800
Book-entry Deliveries per Certificates Withdrawn	4.8	3.7	3.0	2.4	1.8

## **1933 ACT REGISTRATIONS**

### **Effective Registration Statements**

During the fiscal year ending September 30, 1985, 4,805 registration statements valued at \$285 billion became effective. This represents a decrease in registrations of 282

statements; however, total dollar valued increased by \$75 billion.

Among issuers whose registration statements became effective, there were 1,143 first-time registrants in fiscal year 1985, a decrease of 618 registrants (35 percent) from previous fiscal year's total of 1,761.

**Table 25**  
**EFFECTIVE REGISTRATIONS**  
(Millions of Dollars)

Fiscal Year	Number of Statements	Cash Sale for Account of Issuers					
		Total		Bonds, Debentures and Notes		Preferred Stock	
		Value	Common Stock <sup>1</sup>				Total
<b>Fiscal Year ended June 30</b>							
1935	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
<b>Transition Quarter</b>							
July Sept 1976	639	15,010	6,767	5,066	413		12,246
<b>Fiscal Year ended September 30</b>							
1977	2,915	92,579	47,116	28,026	2,426		77,568
1978'	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	144,123	49,276	40,163	2,505		91,944
1982	4,846	164,455	50,486	63,950	3,939		118,375
1983	5,503	240,058	77,403	80,718	9,339		167,460
1984	R 5,087	209,866	66,571	74,136	4,984		145,691
1985	P 4,805	284,583	70,044	114,062	6,737		190,843
<b>Cumulative Total</b>		<b>90,488</b>	<b>\$2,347,236</b>	<b>\$845,407</b>	<b>\$810,893</b>	<b>\$68,903</b>	<b>\$1,725,203</b>

R = Revised

P = Preliminary

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

For 10 months ended June 30, 1935

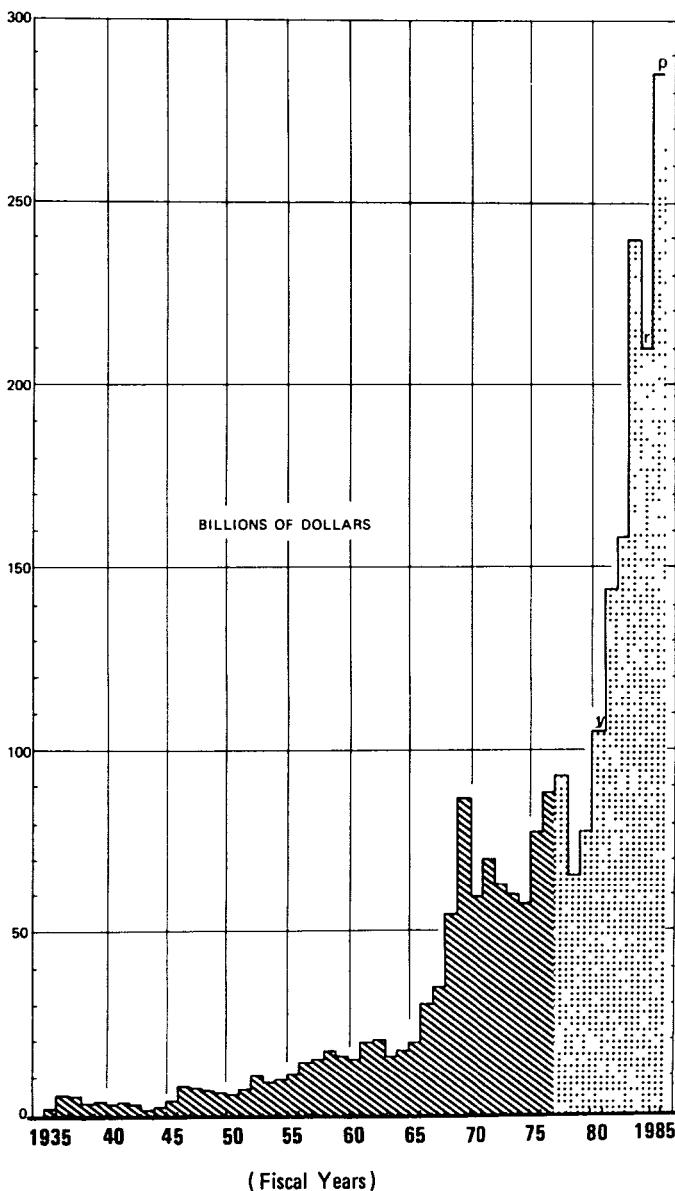
The adoption of Rule 24f-2 (17 CFR 270.24f-2) effective November 3, 1977 made it impossible to report the dollar value of securities registered by investment companies

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

Source 1933 Act Registration Statements

# Securities Effectively Registered With S.E.C.

1935-1985



(Fiscal Years)

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

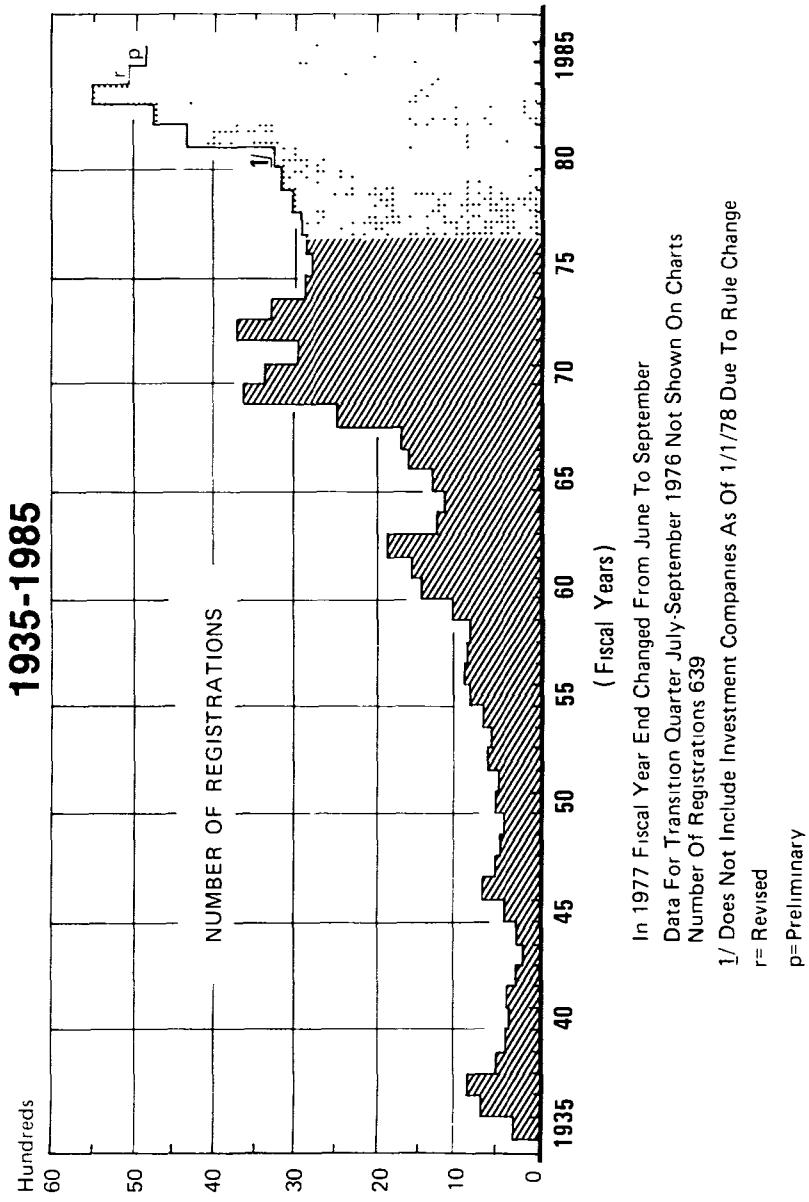
Data For Transition Quarter July-September 1976 Not Shown On Charts  
Number Of Registrations 639

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

r= Revised

p=Preliminary

## Securities Effectively Registered With S.E.C.



## **Purpose and Type of Registration**

Effective registrations for cash sale for the account of issuers in fiscal year 1985 amounted to \$191 billion, a 31 percent increase from \$146 billion registered a year ago. Some \$60 billion (31 percent) was intended for immediate cash, an increase of \$21 billion (54 percent) from fiscal year 1984. Nearly all of this amount consisted of securities registered by business to be offered to the general public. Such registrations totalled \$59 billion, an increase of \$21 billion (55 percent).

Of this \$60 billion, debt securities accounted for \$30 billion (50 percent), common stock and other equity accounted for \$26 billion (43 percent) and preferred stock \$5 billion (eight percent). Cash right offerings (offerings to security holders) came to \$523 million, a decrease of \$37 million (seven percent) of such offerings from the previous fiscal year. Immediate cash offerings by foreign governments in fiscal year 1985 totalled \$600 million, an increase of \$351 million (141 percent) from 1984.

Delayed and extended cash sales registered for the account of the issuer totalled \$131 billion (46 percent of all registrations). Registrations pursuant to Rule 415, (or so-called "shelf registrations") amounted to \$96 billion, or 73 percent of this amount. Securities

registered for the account of issuers other than cash sale (in conjunction with exchange offers for example) amounted to \$85 billion for fiscal year 1985 (30 percent of all registrations). Registrations of securities for secondary offerings (for the account of security holders rather than issuers) amounted to \$9 billion (three percent) in fiscal year 1985. Of these latter registrations \$3 billion (33 percent) were for cash sale and \$6 billion (67 percent) were other secondary offerings.

The value of registrations aggregating \$285 billion in fiscal year 1985 consisted of \$121 billion in bonds, debentures and notes, \$13 billion in preferred stock and \$150 billion in common stock and other equity. Of the \$121 billion of debt securities registered, \$30 billion (25 percent) were registered for immediate cash sale to the general public for the account of the issuer. Delayed and extended cash sales accounted for \$84 billion (69 percent). Fifty percent of \$13 billion in preferred stock registrations consisted of immediate cash offerings, while delayed and extended registrations for cash sale for the account of issuer comprised 16 percent of the total. The \$150 billion volume for common stock and other equity consisted of \$26 billion in immediate cash, \$44 billion in delayed or extended cash sale, \$72 billion of non-cash registrations for the account of the issuer and \$7 billion of secondary offerings.

**Table 26A**  
**EFFECTIVE REGISTRATIONS BY PURPOSE AND TYPE OF SECURITY:**  
**FISCAL YEAR 1985P**  
(Millions of Dollars)

Purpose of Registrations	Type of Security			
	Total	Bonds, Debentures and Notes	Preferred Stock	Common Stock and Other Equity <sup>1</sup>
All registrations (estimated value)	\$284,583	\$121,359	\$13,473	\$149,751
For account of issuer for cash sale	190,843	114,062	6,737	70,044
Immediate offering	60,264	29,986	4,541	25,737
Corporate	59,664	29,386	4,541	25,737
Offered to				
General Public	59,141	29,383	4,535	25,223
Security Holders	523	3	6	514
Foreign Governments	600	600	0	0
Delayed and extended cash sale and other issues	130,579	84,076	2,196	44,307
Corporate Delayed ("Shelves")	95,683	84,034	2,195	9,454
Other	34,896	42	1	34,853
For account of issuer for other than cash sale	84,723	5,717	6,661	72,345
Secondary Offerings	9,017	1,580	75	7,362
Cash Sale	3,451	240	3	3,208
Other	5,566	1,340	72	4,154

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

P = Preliminary

Source 1933 Act Registration Statements

**Table 26B**  
**EFFECTIVE REGISTRATIONS BY PURPOSE AND TYPE OF SECURITY:**  
**FISCAL YEAR 1984R**  
(Millions of Dollars)

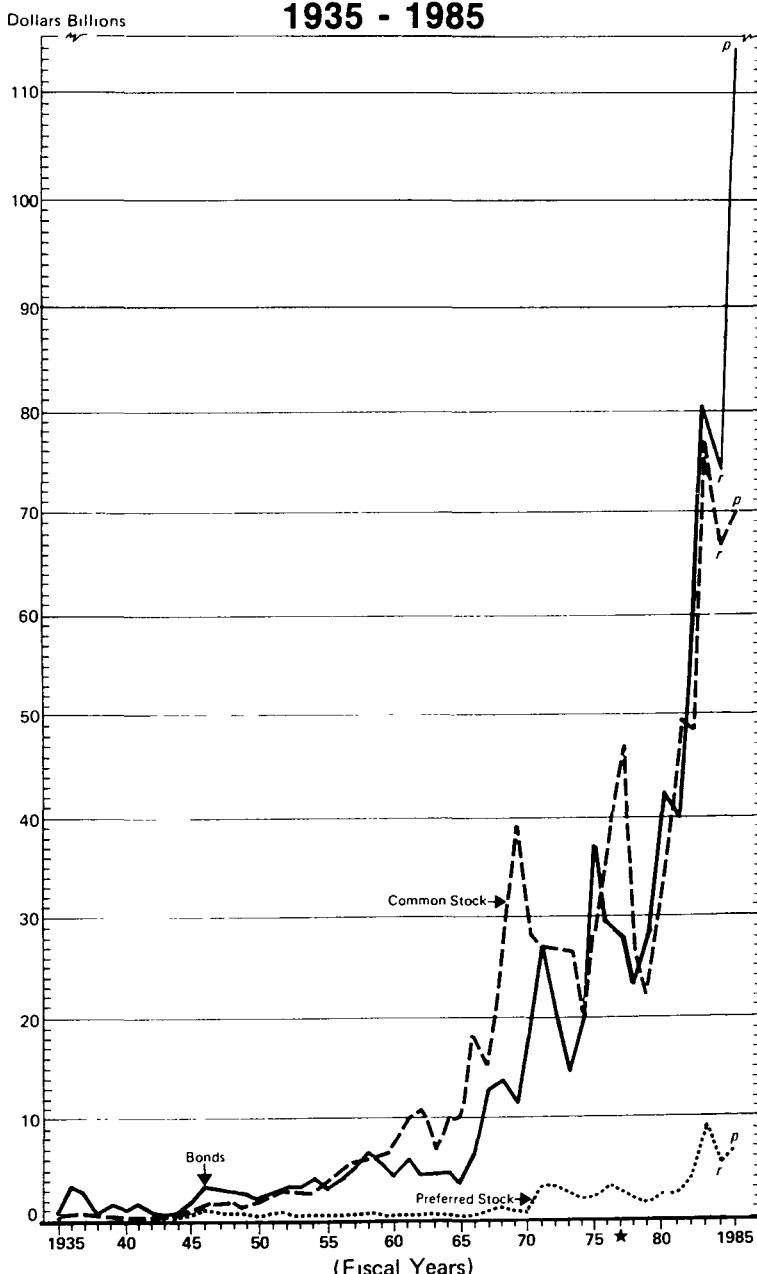
Purpose of Registrations	Type of Security			
	Total	Bonds Debentures and Notes	Preferred Stock	Common Stock and Other Equity <sup>1</sup>
All registrations (estimated value)	\$209,866	\$78,229	\$8,618	\$123,019
For account of issuer for cash sale	145,691	74,136	4,984	66,571
Immediate offering	38,946	17,169	3,047	18,730
Corporate	38,697	16,920	3,047	18,730
Offered to				
General Public	38,137	16,908	3,038	18,191
Security Holders	560	12	9	539
Foreign Governments	249	249	0	0
Delayed and extended cash sale and other issues	106,745	56,967	1,937	47,841
Corporate Delayed ("Shelves")	69,027	56,823	1,937	10,267
Other	37,718	144	0	37,574
For account of issuer for other than cash sale	58,725	3,778	3,313	51,634
Secondary Offerings	5,450	315	321	4,814
Cash Sale	2,145	0	25	2,120
Other	3,305	315	296	2,694

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

R = Revised

Source 1933 Act Registration Statements

**Effective Registrations  
Cash Sale For Account Of Issuers  
1935 - 1985**



★ 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 the first eleven months of fiscal year 1985, 87 offering statements for proposed offerings under Regulation A were processed and cleared.

**Table 27  
OFFERINGS UNDER REGULATION A (CLEARED)**

	Fiscal 1985 (Thru August)	Fiscal 1984	Fiscal 1983	Fiscal 1982
<b>Size</b>				
\$500,000 or Less	36	40	58	82
500,001-\$1,000,000	23	24	30	55
1,000,001-\$1,500,000	28	42	41	83
Total	87	106	129	220
<b>Underwriters</b>				
Used	14	37	67	129
Not Used	73	69	62	91
Total	87	106	129	220
<b>Offerors</b>				
Issuing Companies	87	106	129	220
Stockholders	0	0	0	0
Issuers and Stockholders				
Jointly	0	0	0	0
Total	87	106	129	220

## **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 civil or criminal contempt against the violator.

**Table 28**  
**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 laws or rules, 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, §§ 15(b)(2)–(6), 15(b)(4)–(6), Advisers Act, § 203(e)–(f))
<b>Registered securities association</b>	
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>	
Entry of Commission order against person pursuant to 1934 Act, § 15(b), willful violation of securities laws or rules thereunder or rules of Municipal Securities Rulemaking Board, effecting transaction for other person with reason to believe that person was committing violations of securities laws	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>	
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 person</b>	
Entry of Commission order against person pursuant to 1934 Act, § 15(b), willful violation of securities laws or rules thereunder, effecting transaction for other person with reason to believe that person was committing violations of securities laws	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>	
Entry of Commission order against participant pursuant to 1934 Act, § 15(b)(4), willful violation of clearing agency rules, effecting transaction for other person with reason to believe that person was committing violations of securities laws	Suspension or expulsion from clearing agency (1934 Act, § 19(h)(2))

**Table 28—Continued**  
**TYPES OF PROCEEDINGS**

ADMINISTRATIVE PROCEEDINGS	
<b>Persons Subject to Acts Constituting, and Basis for, Enforcement Actions</b>	<b>Sanction</b>
<b>Securities information processor</b> Violation of or inability to comply with provisions of 1934 Act or rules thereunder	Censure or limitation of activities, 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 rules thereunder	Censure or limitation of activities, denial, suspension, or revocation of registration (1934 Act, § 17A(c)(3))
<b>Any person</b> Willful violation of 1933 Act, 1934 Act, Investment Company Act or rules thereunder; aiding or abetting such violation, willful misstatement in filing with Commission	Temporary or permanent prohibition against serving in certain capacities with 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 becoming associated with a broker-dealer (SIPA, §10(b))
<b>1933 Act registration statement</b> Statement materially inaccurate or incomplete	Stop order refusing to permit or suspending effectiveness (1933 Act, § 8(d))
<b>Issuer subject to §§ 12, 13, 14 or 15(d) of the 1934 Act or associated person</b> Failure to comply with such provisions or having caused such failure by an act of omission that person knew or should have known would contribute thereto	Order directing compliance or steps effecting compliance (1934 Act, § 15(c)(4))
<b>Securities registered pursuant to §12 of the 1934 Act</b> Noncompliance by issuer with 1934 Act or rules thereunder	Denial, suspension of effective date, suspension or revocation of registration, prohibition against trading in securities when registration suspended or revoked (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> Failure to file Investment Company Act registration statement or required report, filing materially incomplete or misleading statement or report	Suspension or 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	Stop order under 1933 Act, suspension or revocation of registration (Investment Company Act, § 14(a))

**Table 28—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 of appearing or practicing before the Commission (17 CFR 201.2(e)(1))
Attorney suspended or disbarred by court, expert's license revoked or suspended, conviction of a felony or of a misdemeanor involving moral turpitude	Automatic suspension from appearance or practice before the Commission (17 CFR § 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 practicing, censure, permanent or temporary disqualification from practicing before the Commission, (17 CFR § 201.2(e)(3))
<b>Member of Municipal Securities Rulemaking Board</b>	
Willful violation of 1934 Act, rules thereunder, or rules of the Board, abuse of authority	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 laws, 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), Holding Company 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))
Trading while in possession of material non-public information in a transaction on an exchange or from or through a broker-dealer (and transaction not part of a public offering), or aiding and abetting such trading	Maximum civil penalty: three times profit gained or loss avoided as a result of transaction (1934 Act, § 21(d))
<b>Securities Investor Protection Corporation</b>	
Refusal to commit funds or act for the protection of customers	Order directing discharge of obligations and other appropriate relief (SIPA, § 7(b))
<b>National securities exchange or registered securities association</b>	
Failure to enforce compliance by members or persons associated with its members with the 1934 Act, rules or 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>	
Failure to enforce compliance by its participants with its own rules	Writ of mandamus, injunction or order directing clearing agency to enforce compliance (1934 Act, § 21(e))

**Table 28—Continued**  
**TYPES OF PROCEEDINGS**

CIVIL PROCEEDINGS IN FEDERAL DISTRICT COURTS	
Persons Subject to Acts Constituting, and Basis for, Enforcement Action	Sanction
<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))
<b>Registered Investment company</b>	
Name of company or of security issued by it deceptive or misleading	Injunction against use of name (Investment Company Act, § 36(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))
III CRIMINAL PROSECUTION BY DEPARTMENT OF JUSTICE	
Basis for Enforcement Action	Sanction or Relief
<b>Any person</b>	
Willful violation of securities laws or rules thereunder, willful misstatement in any document required to be filed by securities laws or rules, willful misstatement in any document required to be filed by self-regulatory organization in connection with an application for membership or association with member	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, §§ 20(b), 24, 1934 Act, §§ 21(d), 32(a), Holding Company Act, §§ 18(f), 29, Trust Indenture Act, §§ 321, 325, Investment Company Act, §§ 42(e), 49, Advisers Act, §§ 209(e), 217)
<b>Persons who engage in Foreign Corrupt practices</b>	
Any issuer (which has securities subject to reporting requirements of the 1934 Act) which violates § 30A(a) of the 1934 Act	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 29**  
**NATIONWIDE ENFORCEMENT PROGRAM**  
**ENFORCEMENT CASES INITIATED BY THE COMMISSION**  
**DURING FISCAL 1985 IN VARIOUS PROGRAM AREAS**

(Each case initiated has been included in only one category listed below, even though many cases involve 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</sup>	Administrative Proceedings	21(a) Reports <sup>1</sup>	Total <sup>1</sup>	% of Total Cases
<b>Broker-Dealer Cases</b>					
(a) Backoffice	7 (10)	19 (38)		26 (48)	
(b) Fraud against customer	10 (27)	28 (37)		38 (64)	
(c) Stock Loan	2 (6)			2 (6)	
(d) Other	3 (3)	10 (14)		13 (32)	
<b>Total Broker-Dealer Cases</b>	<b>22 (61)</b>	<b>57 (89)</b>		<b>79 (150)</b>	<b>29.4%</b>
<b>Securities Offering Cases</b>					
(a) Non-regulated Entity	43 (120)	6 (6)		49 (126)	
(b) Regulated Entity	6 (23)	6 (12)		12 (35)	
<b>Total Securities Offering Cases</b>	<b>49 (143)</b>	<b>12 (18)</b>		<b>61 (161)</b>	<b>22.7%</b>
<b>Issuer Financial Statement and Reporting Cases</b>					
(a) Issuer Financial Disclosure	22 (62)	17 (21)		39 (83)	
(b) Issuer FCPA Violation		2 (2)		2 (2)	
(c) Issuer Reporting Other	3 (3)			3 (3)	
<b>Total Issuer Financial Statement and Reporting Cases</b>	<b>25 (65)</b>	<b>19 (23)</b>		<b>44 (88)</b>	<b>16.3%</b>
<b>Other Regulated Entity Cases</b>					
(a) Investment Advisers	4 (11)	15 (24)		19 (35)	
(b) Investment Companies	1 (1)	1 (2)		2 (3)	
(c) Transfer Agents	1 (5)	1 (1)		2 (6)	
<b>Total Other Regulated Entity Cases</b>	<b>6 (17)</b>	<b>17 (2)</b>		<b>23 (4)</b>	<b>8.6%</b>
<b>Insider Trading Cases</b>	<b>12 (32)</b>	<b>8 (8)</b>		<b>20 (40)</b>	<b>7.4%</b>
<b>Market Manipulation Cases</b>	<b>4 (18)</b>	<b>3 (5)</b>		<b>7 (23)</b>	<b>2.6%</b>
<b>Fraud Against Regulated Entity</b>	<b>3 (11)</b>	<b>3 (6)</b>		<b>6 (17)</b>	<b>2.2%</b>
<b>Corporate Control Violations</b>	<b>3 (13)</b>	<b>1 (1)</b>	<b>1 (1)</b>	<b>5 (15)</b>	<b>1.9%</b>
<b>Contempt Proceedings—Civil</b>	<b>3 (6)</b>			<b>3 (6)</b>	<b>1.1%</b>
<b>Related Party Transactions</b>	<b>2 (7)</b>			<b>2 (7)</b>	<b>0.7%</b>
<b>SUBTOTALS</b>	<b>129 (373)</b>	<b>120 (177)</b>	<b>1 (1)</b>	<b>250 (551)</b>	
<b>Delinquent Filings Issuer Reporting</b>	<b>17 (18)</b>	<b>2 (2)</b>		<b>19 (20)</b>	<b>7.1%</b>
<b>GRAND TOTALS</b>	<b>146 (391)</b>	<b>122 (179)</b>	<b>1 (1)</b>	<b>269 (571)</b>	<b>100%</b>

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

This category includes injunctive actions, court orders pursuant to Section 21(e) of the Exchange Act, and contempt proceedings

**Table 30**  
**INVESTIGATIONS OF POSSIBLE VIOLATIONS OF THE ACTS  
ADMINISTERED BY THE COMMISSION**

Pending as of October 1, 1984	737
Opened in fiscal year 1985	339
Total	1,076
Closed in fiscal year 1985	356
Pending as of September 30, 1985	720

During the fiscal year ending September 30, 1985, 119 Formal Orders of Investigation were issued by the Commission upon recommendation of the Division of Enforcement.

**Table 31**  
**ADMINISTRATIVE PROCEEDINGS INSTITUTED DURING FISCAL YEAR  
ENDING SEPTEMBER 30, 1985**

Broker Dealer Proceedings	76
Investment Adviser, Investment Company and Transfer Agent Proceedings	16
Stop Order and Regulation A Proceedings	7
Rule 2(e) Proceedings	11
Disclosure Proceedings (Section 15(c)(4) of the Exchange Act)	7
Total Proceedings in fiscal year 1985	117

**Table 32**  
**INJUNCTIVE ACTIONS**

Fiscal Year	Actions Initiated	Defendants Named
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
1985	143	385

## Trading Suspensions

During fiscal year 1985, the Commission suspended trading in the securities of 6 companies. This compares with 4 in fiscal year 1984. In most instances, the trading suspension was ordered 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)
  - . 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. Empresia 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. Hotelera Playa Flamingo, S.A.
52. Intercontinental Technologies Corp. (Canada)
53. International Communications Corporation (British West Indies)
54. International Monetary Exchange (Panama)
55. International Trade Development of Costa Rica, S.A.
56. Ironco Mining & Smelting Company, Ltd. (Canada)
57. James G. Allan & Sons (Scotland)
58. Jojoba Oil & Seed Industries S.A. (Costa Rica)
59. Jupiter Explorations, Ltd. (Canada)
60. Kenilworth Mines, Ltd. (Canada)
61. Klondike Yukon Mining Company (Canada)
62. KoKanee Moly Mines, Ltd. (Canada)
63. Land Sales Corporation (Canada)
64. Los Dos Hermanos, S.A. (Spain)
65. Lynbar Mining Corp. Ltd. (Canada)
66. Massive Energy Ltd. (Canada)
67. Mercantile Bank and Trust & Co., Ltd. (Cayman Island)
68. J.P. Morgan & Company, Ltd., of London, England (not to be confused with J.P. Morgan & Co., Incorporated, New York)
69. Norart Minerals Limited (Canada)
70. Normandie Trust Company, S.A. (Panama)
71. Northern Survey (Canada)
72. Northern Trust Company, S.A. (Switzerland)
73. Northland Minerals, Ltd. (Canada)
74. Obsco Corporation, Ltd. (Canada)
75. Pacific Northwest Developments, Ltd. (Canada)
76. Pan-Alaska Resources, S.A. (Panama)
77. Panamerican Bank & Trust Company (Panama)
78. Pascar Oils Ltd. (Canada)
79. Paulpic Gold Mines, Ltd. (Canada)
80. Pyrotex Mining and Exploration Co., Ltd. (Canada)
81. Radio Hill Mines Co., Ltd. (Canada)
82. Rancho San Rafael, S.A. (Costa Rica)
83. Rodney Gold Mines Limited (Canada)
84. Royal Greyhound and Turf Holdings Limited (South Africa)
85. S.A. Valles & Co., Inc. (Philippines)
86. San Salvador Savings & Loan Co., Ltd. (Bahamas)
87. Santack Mines Limited (Canada)
88. Security Capital Fiscal & Guaranty Corporation S.A. (Panama)
89. Silver Stack Mines, Ltd. (Canada)
90. Societe Anonyme de Refinancement (Switzerland)
91. Strathmore Distillery Company, Ltd. (Scotland)
92. Strathross Blending Company Limited (England)
93. Swiss Caribbean Development & Finance Corporation (Switzerland)
94. Tam O'Shanter, Ltd. (Switzerland)
95. Timberland (Canada)
96. Trans-American Investments, Limited (Canada)
97. Trihope Resources, Ltd. (West Indies)
98. Trust Company of Jamaica, Ltd. (West Indies)
99. United Mining and Milling Corporation (Bahamas)
100. Unitrust Limited (Ireland)
101. Vacationland (Canada)
102. Valores de Inversion, S.A. (Mexico)
103. Victoria Oriente, Inc. (Panama)
104. Warden Walker Worldwide Investment Co. (England)
105. Wee Gee Uranium Mines, Ltd. (Canada)
106. Western International Explorations, Ltd. (Bahamas)
107. 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)(21)] 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 two applications to courts for orders pursuant to the subparagraphs and clauses of Section 21(h)(2) to obtain access to financial

records of a customer. In these applications, the provisions of Subsections 21(h)(2)(A)(iv) and (A)(v), (B) 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
17	201	8

# PUBLIC UTILITY HOLDING COMPANIES

## System Companies

During fiscal year 1985, there were 13 holding companies registered under the Public Utility Holding Company Act of 1935 of which 12 were "active." The

registered systems include 65 electric and/or gas utility subsidiaries, 72 non-utility subsidiaries and 22 inactive companies, or a total of 172 system companies including the parent but excluding seven power supply company subsidiaries. The following table lists the active systems.

Table 33  
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>	4	4	0	9	2 <sup>a</sup>
American Electric Power Company (AEP)	1	0	12	15	5	33	2 <sup>a</sup>
Central and South West Corporation (CSW)	1	1 <sup>d</sup>	4	7	1	13	1 <sup>b</sup>
Columbia Gas System (CGS)	1	0	8	13	1	23	0
Consolidated Natural Gas Company (CNG)	1	0	5	9	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	4	3	14	1 <sup>b</sup>
National Fuel Gas Company (NFG)	1	0	1	4	1	7	0
New England Electric System (NEES)	1	0	5	3	3	12	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>65<sup>d</sup></b>	<b>72</b>	<b>22</b>	<b>172</b>	<b>18</b>

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

<sup>b</sup>Arklaohoma Corp

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

30% NEES, 31 5% NEU,

4 5% EUA

Indiana-Kentucky Elec Corp  
electric utility

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

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

37 8% AEP

12.5% APS

49 7% Other Companies

<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 34**  
**KEY FINANCIAL STATISTICS OF REGISTERED PUBLIC UTILITY**  
**HOLDING COMPANY SYSTEMS**

Name of Company	As of June 30, 1985 (000) Omitted)	
	Total Assets	Operating Revenues
Allegheny Power System	\$ 3,928,436	\$ 1,777,592
American Electric Power Company, Inc	13,554,679	4,951,936
Central and South West Corporation	6,850,605	2,710,028
Columbia Gas System, Inc	4,975,644	4,194,213
Consolidated Natural Gas Company	3,376,002	3,370,651
Eastern Utilities Associates	672,316	342,633
General Public Utilities Corp	6,149,647	2,819,437
Middle South Utilities, Inc	12,944,442	3,180,839
National Fuel Gas Company	910,266	978,507
New England Electric System	3,548,333	1,451,782
Northeast Utilities	5,794,918	2,099,532
Philadelphia Electric Power Company	65,238	11,319
Southern Company, The	15,425,665	6,496,480
Total =	\$78,196,191	\$34,384,949

## CORPORATE REORGANIZATIONS

During the fiscal year the Commission entered its appearance in 53 reorganization cases filed under Chapter 11 of the Bankruptcy Code involving companies with aggregate stated assets of about \$6.3 billion and close to 165,000 public investors. Including these new cases, the

Commission was a party in a total of 113 Chapter 11 cases during the fiscal year. In these cases the stated assets totalled approximately \$33 billion and about 620,000 public investors were involved. During the fiscal year, 31 cases were concluded through confirmation of a plan of reorganization or liquidation, leaving 82 cases in which the Commission was a party at year-end.

Table 35  
REORGANIZATION PROCEEDINGS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE  
IN WHICH COMMISSION ENTERED APPEARANCE

Debtor	District	Fiscal Year Filed	Fiscal Year Closed
A H Robins Co., Inc	E D VA	1985	
AIA Industries, Inc	E D PA	1984	
AIC Photo	E D NY	1985	
Air Florida System, Inc	S D FL	1984	
Air One Inc	E D MO	1985	
Airlift International, Inc	S D FL	1981	
Altec Corp	C D CA	1985	
AM International <sup>1</sup>	N D IL	1982	1985
Amarex Inc	W D OK	1983	
Anglo Energy, Ltd	S D NY	1984	
ATI, Inc	D NJ	1985	
Baldwin United Corp	S D OH	1984	
Bear Lake West Inc <sup>1</sup>	D ID	1982	
Beehive International	D UT	1985	
Berry Industries Corp	C D CA	1985	
The Bishop's Glen Fndtn , Inc <sup>1</sup>	N D FL	1985	
Branch Industries, Inc	S D NY	1985	
Briggs Transportation <sup>1</sup>	D MN	1983	1985
Capitol Air Inc	S D NY	1985	
Chalet Gourmet Corp	C D CA	1985	
Charter Co	M D FL	1984	
Citel, Inc	N D CA	1985	
Citywide Securities Corp <sup>1</sup>	S D NY	1985	
Colonial Discount Corp <sup>2</sup>	S D IN	1982	1985
Columbia Data Products, Inc	D MD	1985	
Commodore Corporation	N D IN	1985	
Commonwealth Oil Refining Co , Inc	W D TX	1984	
Computer Communications, Inc <sup>2</sup>	C D CA	1981	1985
Computer Devices, Inc	D MA	1984	
Computer Usage Co	N D CA	1985	
Consolidated Packaging Corp	D CO	1984	
Continental Airlines Corp	S D TX	1984	
Cook United, Inc	N D OH	1985	
Crompton Co , Inc	S D NY	1985	
The Diet Institute, Inc	D NJ	1985	
Dreco Energy Service Ltd	S D TX	1982	
Emons Industries, Inc	S D NY	1984	
Empire Oil & Gas Co	D CO	1982	
Energetics Inc <sup>2</sup>	D CO	1985	1985
Energy Exchange Corp	W D OK	1985	
Enterprise Technologies, Inc	S D TX	1984	
ESM Securities, Inc <sup>3</sup>	S D FL	1985	
EVANS Products Co	S D FL	1985	

Table 35—Continued

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

Debtor	District	Fiscal Year Filed	Fiscal Year Closed
Equestrian Ctrs of America, Inc	C D CA	1985	
Fidelity American Financial Corp <sup>1</sup>	E D PA	1981	
Flight Transportation Co <sup>3</sup>	D MN	1983	1985
General Resources Corp	N D GA	1980	
Grove Finance Company <sup>1,2</sup>	D UT	1981	1985
Hardwick Cos , Inc <sup>1</sup>	S D NY	1984	1985
Haven Properties, Inc <sup>1</sup>	D OR	1981	
ICX, Inc	D CO	1984	
Information Displays, Inc <sup>3</sup>	S D NY	1984	1985
International Waste Water <sup>1</sup>	M D PA	1985	
Internat'l Inst of App Tech Inc	D DC	1983	
Interstate Motor Freight Systems <sup>3</sup>	W D MI	1984	1985
K-Tel International, Inc	D MN	1985	
Kelly-Johnson Enterprises, Inc	W D OK	1985	
Koss Corp	D WI	1985	
Robert C LaBine/Pro Assoc <sup>1</sup>	E D MI	1983	
The Lionel Corp <sup>2</sup>	S D NY	1982	1985
Magic Circle Energy Corp	W D OK	1985	
Manoa Finance Co , Inc <sup>1</sup>	D HA	1983	
Mansfield Tire & Rubber Co	N D OH	1980	
Manville Corp	S D NY	1982	
Marion Corp	S D AL	1983	
Midwestern Companies Inc	W D MO	1984	
Mobile Home Industries, Inc	N D FL	1985	
ND Resource, Inc	D AZ	1985	
New Brothers, Inc	S D GA	1985	
North Atlantic Airlines, Inc <sup>1</sup>	D VT	1984	
Nucorp Energy Inc	S D CA	1982	
OmniDentex Systems Corp <sup>2</sup>	D MA	1985	1985
Pacific Express Holding, Inc	E D CA	1984	
Paute Oil & Mining Corp	D UT	1985	
Peoples Restaurants, Inc	M D FL	1985	
Pizza Time Theatre, Inc <sup>2</sup>	N D CA	1984	1985
Provincetown-Boston Airline	M D FL	1985	
Quickprint of America, Inc <sup>2</sup>	C D CA	1984	1985
Revere Copper & Brass Inc <sup>2</sup>	S D NY	1983	1985
Roblin Industries, Inc	W D NY	1985	
Ronco Teleproducts, Inc	N D IL	1984	
SPW Corporation	N D TX	1985	
Sambo's Restaurants, Inc <sup>2</sup>	C D CA	1982	1985
Salant Corp	S D NY	1985	
Satelco, Inc	N D TX	1985	
Saxon Industries, Inc <sup>2</sup>	S D NY	1982	1985
Seatrain Lines, Inc	S D NY	1981	
Seneca Oil Co	W D OK	1985	
Shelter Resources Corp <sup>2</sup>	N D OH	1982	1985
South Atlantic Financial Corp <sup>2</sup>	S D FL	1983	1985
Southern Industrial Banking Corp <sup>1,2</sup>	E D TN	1983	1985
Standard Metals Corp	D CO	1984	
State Capital Corp	M D FL	1985	
Stewart Energy Systems <sup>1,2</sup>	D ID	1982	1985
Storage Technology, Inc	D CO	1985	
Swanton Corp	S D NY	1985	
Taco Eds, Inc <sup>1</sup>	N D OH	1984	
Taurus Oil Co <sup>2</sup>	D CO	1984	1985
Texas General Resources, Inc <sup>2</sup>	S D TX	1983	1985
Tomlinson Oil Co , Inc <sup>2</sup>	S D NY	1984	1985
Towner Petro	W D OK	1985	
Trans Western Exploration	N D OK	1985	
Transcontinental Energy Corp	N D TX	1985	

**Table 35—Continued**  
**REORGANIZATION PROCEEDINGS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**  
**IN WHICH COMMISSION ENTERED APPEARANCE**

Debtor	District	Fiscal Year Filed	Fiscal Year Closed
Unioil <sup>2</sup>	D CO	1985	1985
Victor Technologies, Inc. <sup>3</sup>	N D CA	1984	1985
Videostation, Inc.	C D CA	1985	
Visa Energy Corp. <sup>2</sup>	D CO	1984	1985
Wheatland Investment Co. <sup>1</sup>	E D WA	1985	
Wheeling-Pitts Steel Corp	W D PA	1985	
Wickes Companies <sup>2</sup>	C D CA	1982	1985
Woods Communication Corp. <sup>4</sup>	E D MI	1984	1985
Wright Air Lines, Inc.	N D OH	1985	
Xonics, Inc. <sup>2</sup>	N D IL	1984	1985
Total Cases Opened (FY 1985)		53	
Total Cases Closed (FY 1985)			31

<sup>1</sup>Debtor's securities not registered under Section 12(g) of the Exchange Act

Plan of reorganization confirmed

<sup>2</sup>Debtor liquidated under Chapter 7

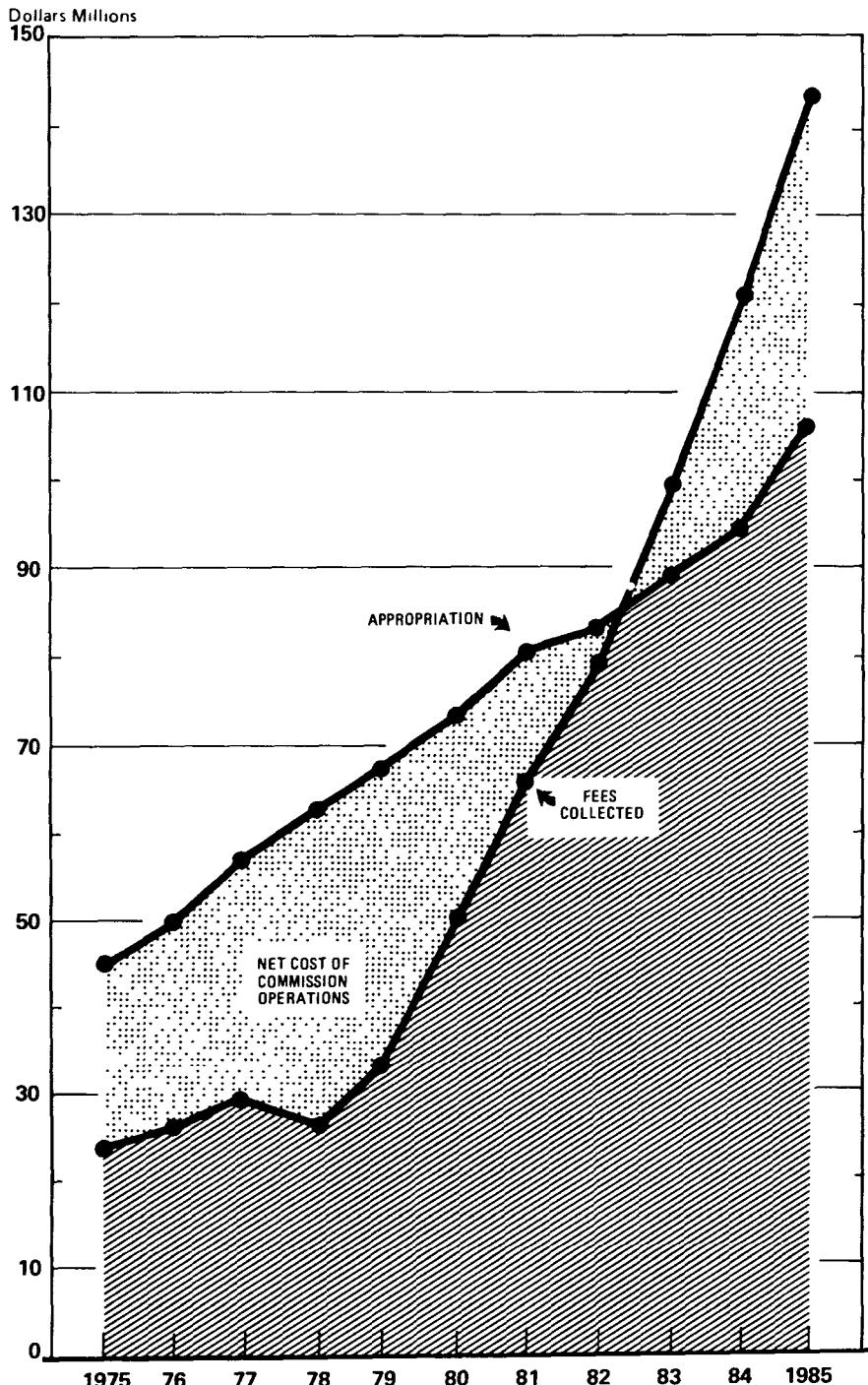
<sup>3</sup>Chapter 11 case dismissed

## **SEC OPERATIONS**

During fiscal 1985, the Commission estimates that it will collect a record \$144 million in fees for deposit into the General Fund of the Treasury. Such fees will amount to nearly 136% of the Commission's fiscal 1985 appropriation, com-

pared with 111.5% in fiscal 1984. The four sources of fees were registration of securities under the Securities Act of 1933 (53%), transactions on securities exchanges (26%), tender offer and merger filings (17%) and miscellaneous filings and reporting fees (5%).

## Appropriated Funds vs Fees Collected



**Table 40**  
**BUDGET ESTIMATES AND APPROPRIATIONS**

Action	Fiscal 1981		Fiscal 1982		Fiscal 1983		Fiscal 1984		Fiscal 1985		Post-tions Money	Post-tions Money
	Posi-tions	Money										
<b>Estimate submitted to the Office of Management and Budget</b>												
Action by the Office of Management and Budget	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	2,181	\$117,314,000
Amount allowed by the Office of Management and Budget	-426	-9,653,000	-248	-9,559,000	-120	-3,923,000	-125	-3,065,000	-94	-1,197,000	(121)	19,197,000
Action by the House of Representatives	+23	+255,000	+20	-1,130,000	-4,300,000	+203	+3,847,000	+4	-2,215,000	28	1,650,000	
Sub-Total	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	2,088	109,767,000
Action by the Senate	+750,000	+19	+2,594,000	-560,000	-170	-5,190,000	-4	+2,469,000	(23)	105,337,000	2,060	588,000
Sub-Total	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	2,060	110,355,000
Action by conferees	-750,000	-1,394,000	-1,394,000	+1,968,000	+92	+1,968,000	+4	93,000,000	2,021	93,000,000	20	745,000
Annual appropriation	2,021	76,350,000	2,021	82,906,000	2,021	89,340,000	+350,000	1,000,000	2,046	105,337,000	2,080	111,100,000
Total appropriation	2,021	80,200,000	2,021	83,306,000	2,021	89,690,000	2,021	94,000,000				

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

<sup>b</sup>Original submission to Congress was 2,141 positions and \$383,560,000, subsequently reduced by OMB