

DIVISION OF CORPORATION FINANCE

TRAINING PROGRAM LECTURES

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Subject: Records and Services

Speakers:

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Service Officer

MR. HINDLE: The United States Government is the world's biggest business, using billions of sheets of paper in maintaining its records and millions of square feet of space for their storage. The records which we receive and create become the property of the Government and are maintained for the general use and protection of the public. Such records are used in the settlement of claims and disputes, civil and criminal cases arising under the laws, compilation of history and many other public uses. They are used by the Commission to check on conditions affecting certain segments of our national economy, to effect regulation where necessary and to correct abuses that may affect our economy. Our records bear witness to the effectiveness with which we carry out our statutory duties. You, as professional people, should be particularly concerned with records. Everything you do in your careers as accountants, lawyers, or analysts will result in the production of records. You use them and you produce them. We in the Division of Administrative Management control and protect these records and deliver them when needed.

For many years the keeping of records was considered relatively unimportant. Only in exceptional cases were there statutory requirements for maintaining them. It was once said that the Secretary of any Department could keep all the required records of his department in his hat.

The loss and destruction of many valuable records and the increasing awareness of the importance of records led to the enactment of two important laws: one is an act setting up certain processes for the controlled destruction of records as designated by the Congress. (This law must be kept in mind when you get ready to dispose of records and you should not take it upon yourselves to act without checking first with the records analysts in my office.)

The second law, The Federal Records Act of 1950, provides for the assignment of responsibility for the preservation of records to the National

Archives and agency heads. The Commission has delegated that authority to the records officer, who is thereby made custodian of all records. His responsibility extends to all records, of all types, wherever located throughout the Commission.

These laws were passed in recognition of the fact that all Government records are the property of the American people and must be made available to them.

Records do not die when you have completed an examination, when a statement becomes effective, or when a case is closed. The value of records is a continuing one, both to the Government and to its citizens. As to our records, the Commission receives and transmits during the course of one year about a half-million pieces of material. Less than 20% of this overall volume is sufficiently important to be recorded either in the mailroom, the Docket Section, or the various sections of the Commission. However, all material received originally by staff members, whether through the mails or by hand, is the property of the Commission and may require recording and the recipient should ascertain at once whether recording of receipt is necessary.

After material has been received and briefed, or put on the docket sheet, it is placed in a file. If it is a new file, it is given a file number. How are these numbers designated? There is nothing mysterious about our numbering system for files. We use what is called the duplex numeric system.

The first set of numbers is the key. This key tells you to which Act or section of an Act the material relates. The second set of numbers is assigned in chronological sequence which will differentiate the material from all other material bearing the same key number. We have tried to keep each Act confined as far as possible to a particular group of numbers for purposes of convenience. Thus, key numbers 1 through 29 pertain to the 1933, 1934 and 1939 Acts; 30 through 80 are the key numbers for the 1935 Act; 200 to 300 are the reorganization files under Chapter X of the Bankruptcy Act; 300 to 800 are the general and certain specific subject files; and 800 on are the key numbers for the 1940 Acts.

Each file is subdivided into parts where necessary and the pertinent material classified thereunder, such as registration statements, record of action, transcripts, etc.

The Commission maintains a somewhat loose central control system over its records. All records are not maintained in one place. Experience has demonstrated that in the interests of efficiency some records should be located close to the base of operations. However, we attempt to tie into a central records point -- the Docket Section. At that point is maintained a card index of all formal filings with the Commission. There is also a card index of all records received and briefed in the mailroom. The complaint and litigation files are carded and maintained currently in the

Enforcement Records Unit of the Division of Trading and Exchanges under Miss Curtis. Some of these when closed are turned over to the Docket Section. The "SV", securities violations, records are maintained by Warren Gardner in the Division of Trading and Exchanges. Other, such as personnel, budget and finance, and other housekeeping records, are maintained in the particular divisions, sections, or offices to which they pertain.

There is available to you a Manual of General Records Information, compiled by Miss Mattila, which shows every type of file that we have in the Commission, the locations of those files, and who is responsible for their maintenance.

The maintenance of the integrity of the original files of the Commission, which are required by law to be manually signed, is important for many reasons. It is the full and authentic record of material filed. These original files are often certified and used in court cases, and therefore, must be preserved in their original condition.

Our records become inactive after a certain period of time and are placed in other buildings under the care of the Archives and General Services Administration. At the present time the National Archives has the first 5,000 registration statements filed under the Securities Act of 1933.

There is also a current records depository, which may be said to be a sort of intermediary stop on the way to the final stop at National Archives, where 3,000 additional 1933 Act filings are presently kept as well as a large number of other files under the other Acts which have been withdrawn or have ceased to have any current value. These are available on call through the Section of Records Management.

In addition to the use of the Commission's records in civil and criminal actions in the courts, both by the Commission and by private litigants, copies are made available to state agencies for use in regulating public utilities, securities transactions, etc. In certifying copies for court cases, there is also a negative certification to the effect that no material of a particular nature has been filed. The Records Officer and the Deputy Records Officer are authorized by the Commission to make such certification.

When asking us to make a certification, do not ask us for an interpretation. We certify only that such and such a particular sheet is a sheet marked "balance sheet" filed by a particular company with the annual report. Whether it is or is not a true balance sheet, we do not know.

There are certain restrictions and penalties as to the use and abuse of Government records. Under the various Acts there is the requirements that material filed thereunder must be made available to the public without any time limitation. The interpretation placed thereon by the Office of the General Counsel is that we are required to keep all records until such time as the Acts are amended and a definite date prescribed for their disposition.

Hence, we have maintained all original filings since 1933. There are penalties fixed for the wilful destruction or loss of records and files. For the usual employees this may mean one year in jail or \$300 fine. In addition to these penalties, the person charged with the responsibility of records may be subject to permanent separation from Government service. These penalties, as well as instructions for handling records, are contained in a Commission release.

How may the employee help in the preservation and maintenance of records, not only for the Commission but for his fellow employee and himself? He can do this in the following ways:

1. Try to maintain a free flow of records by returning a file promptly when finished with it. This will make files readily accessible to other persons.
2. Take all material received by any means whatsoever which does not show on its face that it has been properly recorded or is not a part of a file and have it properly recorded. If the material is stamped or marked "file," you will know that it has been through the docketing section.
3. Do not take a file apart, except when urgently necessary, and only then after making proper arrangements with the filing section. Much material has been lost and misplaced by failure to follow this precaution. The result is that the next person who handles the file will not have a complete story.
4. Make a notation of all files transmitted by you to other persons.

I should like each of you to remember that, as you do your research on a case, everyone is depending upon your having done your work thoroughly. To do this, your research material must be complete. Be sure to check for all of the material which may be available both in the filing sections and in your own examining section. Check sheets are used in some sections, and where applicable, will be of great help to you. So far the Division of Corporation Finance has not found it convenient to make much use of check sheets, but if you decide that these can be used within your Division, we can provide you with them.

A check sheet lists the various types of filings and the various types of material available in the filing section under the names listed. The people who are actually in charge of a particular file check the file cards to see if there is a file that relates to any of the listings on the check sheet. When you get the file number, the next step is to get the file to see if there is any material pertinent to the matter on which you are working.

Perhaps the most important thing to remember about our records is that they are of two types: public and non-public. There are restrictions in our own rules and regulations, restrictions in the various Acts, and restrictions in the Federal Code about disclosing certain types of information. You will have to learn the subdivision of the files in this regard. The guide is found in the ending file number -- or what we call the tertiary number.

The tertiary number on our files run this way: -1 for a public document; -2 also for a public document, in most cases; -3 for correspondence, never available to the public; -4 for withdrawn material, still public; and -5 for transcripts of testimony and other materials in private cases, non-public.

The law gives persons the right to look at our files and you should cooperate by making the files on which you are working available to the public reference room upon call.

Our service is complete as far as the public is concerned. Persons may come in person to examine files or write in for copies of information contained in the public files. We are frequently serving Internal Revenue, Department of Justice, Federal Trade Commission, and Federal Power Commission, among other Government agencies.

Inquiries from the public, for information concerning the obtaining of copies of filed material, should be sent to the public reference room for processing. Sometimes these requests are difficult to interpret and require research. When the request has been interpreted, or a definite request is received, Public Reference gets the file, counts the pages, determines the cost, and makes up an order and forwards it to the person requesting the information.

Public Reference is in charge of sending out upon request copies of Commission releases. If requested information is not available in the Commission, the public is advised where such information may be obtained, whether from libraries or the Government Printing Office.

Scheduling of photostating requests are on a first in, first out basis to the extent possible. We try to get work out within three to five days from the request. The various processes involved in getting out material make this time necessary. A couple of times during the year, such as during the filing of annual reports and the proxy season, we get behind -- as much as two weeks and more. Eventually we pull back into the five-day period. We do handle emergency requests and everything will be done to expedite material needed in a hurry.

When answering a request for photostat copies of filed material you should not quote prices. The price of material depends upon the size of pages as well as their number. Also you should not promise specific delivery dates since we often cannot meet the time of delivery promised.

We have a publications unit as part of public reference which furnishes copies of rules and regulations and forms to the public. We supply only the minimum number of copies of those which are also on sale at the Government Printing Office.

We have one other service, the reproduction service. You will need that a great many times. When you have a copying job that has to be done and stenographic help is not available, we are ready to help you. But don't overload us, or order extra copies just to have them on hand. Such a practice increases the expense as well as the load of work placed on these people. Be sure you need the material requested.

MR. DESSECKER: After the Commission began to operate in 1934 it soon became apparent that a collection of reference books, financial manuals, and other working tools would be required to assist the staff of the Commission in the performance of their duties. In November 1934 the S.E.C. library was established. The library presently has a collection of 55,000 volumes and 184 current newspapers and periodic subscriptions. It provides the staff of the Commission and the Regional Offices with library service that includes a rather comprehensive collection of publications on the subject matter of law (principally administrative law), economics, accounting, finance, statistics, public utilities, engineering and related subjects, together with the necessary work materials for the research and administrative work of the Commission.

Our library is classified as a special library. You are perhaps accustomed to the facilities of a large comprehensive library. Our library being specialized covers only published materials in our particularly narrow field.

Restrictions as to space and money have made it necessary for us to be very critical of any new accessions to our library. To give you an example, when the library was established it grew rapidly until the point was reached where we had approximately 100,000 volumes. When the Commission transferred back from Philadelphia, it was necessary to dispose of approximately 44,000 volumes of this collection in order to get it into our present room.

Since that time, the librarian has depended very much upon the advice and assistance of the professional staff of the Commission in adding to the collection. When there are several books on a particular subject, we always get a consensus of the staff and the experts in that field as to which of the several books we should buy. In that way we have, I believe, managed to keep our library small, but but at the same time efficient.

One of the most important parts of our collection is the legislative history compilations. These legislative histories relate to all of the Acts administered by the Commission. These are basic source materials for the use of the Commission's staff.

Another important asset of the library is the collection of legal interpretative memoranda. Prior to 1950 there were four separate but incomplete

memoranda files in the Commission: one in the library, one in the General Counsel's Office, one in Trading and Exchanges, and another in Corporation Finance. On November 6, 1950, the Commission directed the Commission Librarian and the General Counsel to establish a central file of legal memoranda in the library, and to file, index, and prepare these legal memoranda for the use of the staff. I cannot over-emphasize the importance of such a file. It makes available to the staff of the Commission research on the important interpretative problems confronting the staff of the Commission. Many hours and days of work may be saved by their use. It is always very important for any attorney working on a research problem to exhaust first the possibilities of the legal interpretative memoranda files.

As to the maintenance of the legal memoranda files, the person drafting a memorandum is the one who should make certain that the fruits of his labor ends up in this file, so that it is constantly available to other members of the staff of the Commission. We urge all attorneys drafting legal interpretative memoranda to make certain that at least two copies are placed in the library file.

The library renders certain special services to the staff, including the inter-library loan facilities. The most important of the many Government libraries in Washington is the Library of Congress. We are able to keep the collections in our library to a relatively small size because we have the loan facilities of these other libraries to draw upon for material needed by the staff.

We also digest the daily Congressional Record, pointing up items in it of interest to the staff. We maintain current files of the bills, reports, hearings, public laws, etc., on legislation of interest to the staff on legislation of interest to the staff of the Commission. We also circulate to the staff a list of current accessions and items of interest contained in the periodical publications received by the library.

The library asks your cooperation in the transfer of publications once you have borrowed them. Please advise the library regarding such transfers in order that charge records may be kept current. General Reference books are available to the staff on loan for a period of two weeks. Extensions will be granted where material is still needed. The legal memoranda may be charged out, but we prefer that it be restricted to use within the Commission and not carried home.

Legal memoranda, of course, are confidential and are not a public section of our library.