

December 29, 1971

MEMORANDUM FOR: PETER FLANIGAN

FROM: GEORGE CRAWFORD

SUBJECT: SEC STUDY ON UNSAFE AND UNSOUND PRACTICES

Chairman Casey transmitted this study to Congress on December 28, in order to meet the January 1 deadline imposed by the SIPC legislation. We were not given an advance look at the report, which Chairman Casey directed to be released by phone from Switzerland, where he was skiing. I have told his assistant we are unhappy at learning about it first from the newspapers; I think it was an oversight rather than deliberate and run.

As the attached transmittal letter indicates, the report proposes four legislative initiatives. These all involve extension of SEC regulatory authority, rather than imposition of substantive standards. SEC authority would be extended:

- over transfer and depository institutions;
- over self-regulatory bodies' rules;
- to permit SEC enforcement of the rules of self-regulatory bodies;
- to permit SEC review of disciplinary proceedings by self-regulatory bodies.

I am told that these proposals to some extent simply formalize existing practice; to some extent adopt proposals already made by the self-regulatory bodies; and on the whole will not greatly upset the financial and brokerage communities.

Congressman Moss, John E. and Senator Williams, Harrison A. are both interested in introducing implementing legislation themselves as soon as Congress returns. I have suggested to Casey's assistant that the SEC immediately draft legislation which it believes appropriate to carry out its recommendations, so that we will have a chance to comment on it and hopefully produce a unified Administration position before the return of Congress. Then these proposals can be introduced as an SEC bill in cooperation with the minority leaders of the committees, rather than as a Moss and Williams initiative.

I have informed Dick Erb of these developments and have given him my copy of the full-three-volume report to look over.