

EXECUTIVE

June 1, 1972

MEMORANDUM FOR: MAX FRIEDERSDORF
FROM: RICHARD D. ERB

The accompanying notebook contains some background on what the SEC is doing and what the Administration's review process has been. Tabs C and D include SEC policy statements on a variety of matters that affect the securities industry. This policy is and will be implemented over time through legislation, SEC rule making, and voluntary industry actions. Tabs A and B concern a departmental review which Flanigan requested.

The securities industry faced some severe problems in the latter sixties and 1970. Some firms went out of business; others were at the brink. These problems exposed some fundamental weaknesses in the industry. The Congress, SEC, and the industry itself have been looking at these weaknesses and proposing changes. Since Bill Casey took over the SEC about a year and a half ago, he has been providing aggressive leadership. He has convinced the industry, which is divided within and filled with special interests, to accept some fundamental changes. Casey's working relationship with Congress is reasonably good but there are strong critics on the Democratic side.

The SEC has a good relationship with Senator Tower, but on the House side (Commerce and Finance Subcommittee) James Broyhill appears to be unwilling to support the SEC. We need to be able to persuade Broyhill that what the SEC is doing is the best among many difficult choices. We also need to persuade Broyhill that the Administration strongly supports the SEC and that we would like to see its program achieved. The 1970 financial crisis in the industry could repeat unless fundamental changes are made.

I will put Casey's office in touch with you in order to give you more background and to coordinate an approach to Broyhill.