

AUCHINCLOSS & LAWRENCE

INCORPORATED

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July 23, 1981

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Presidential Task Force on Regulation -
Proposed amendment of Section 13(f) of
Securities Exchange Act of 1934

Dear Mr. Gray:

As President of Auchincloss & Lawrence Incorporated, a registered investment adviser under the Investment Advisers Act of 1940, I am writing you in your capacity as director of the Presidential Task Force to eliminate excessive and unnecessary federal regulation. The specific purpose of this letter is to propose an amendment to Section 13(f)(1) of the Securities Exchange Act of 1934.

Presently Rule 13(f)(1) requires every "institutional investment manager" exercising investment discretion with respect to accounts holding equity securities with an aggregate fair market value of at least \$100 million to file a report, on Form 13F attached herewith, of each such equity security on the last day of each quarterly reporting period. Five copies of this report must be filed with the Securities and Exchange Commission on a quarterly basis.

The legislative history in connection with the adoption of Section 13(f)(1) ((see Conference Committee Report #94-229 (1975), page 109)) indicates that sub-section (f) was adopted in order "to begin to accumulate . . . data to permit reasoned discussion and decisions about the influence and impact of the large institutional investment managers on the securities markets." (Emphasis added)

I have been involved in institutional investment management for the past 16 years, the last 12 of which have been with Auchincloss & Lawrence Incorporated. It is my strong opinion, supported by the views of my associates and many others in our profession, that an institutional investment

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manager with discretionary investment management authority over equity securities of \$100 million does not today constitute a large institutional investment manager that can have any influence or impact upon the securities markets as they are presently constituted. For example, the estimated total value of outstanding equities on securities exchanges in the United States at the end of 1979 was about \$1.1 trillion. Furthermore, assets of just the private and public pension funds committed to equity securities investments in 1980 totaled about \$17.5 billion, and this annual commitment is expected to grow substantially in future years because of large expected increases in annual pension fund contributions.

While institutional investment managers with less than \$1 billion of equities under discretionary management tend to be highly individualistic and eclectic in their investment approach, should an institutional investment manager have a substantial adverse impact on the investment public in connection with his trading of any particular equity security, the Securities and Exchange Commission can avail itself of its long standing remedial powers under the anti-fraud and anti-manipulation provisions contained in the Securities Exchange Act of 1934.

In view of the foregoing I respectfully submit that sub-section (f) of Section 13 of the Securities Exchange Act be amended to require disclosure of the information called for by Form 13F only on the part of institutional investment managers with discretionary powers over the management of at least \$1 billion of equity securities. I urge your Task Force to investigate the question of how many institutional investment managers registered under the Investment Advisers Act are currently filing under Section 13(f). It is my general understanding that there are over 1,000 such investment managers. This is exclusive of filings by banks and insurance companies. My proposed change, I believe, would substantially reduce this number without any harm to the public or without any reduction in meaningful data required by the SEC in connection with its monitoring of the activities of investment managers and the securities markets.

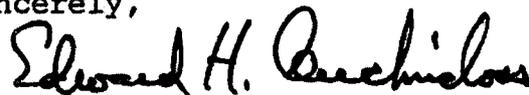
The adoption of my proposal, I am sure, would lead to savings of manpower and storage costs to the U.S. Government and it would certainly reduce the cost of regulation to members of our profession in view of the considerable time required to prepare and file these quarterly reports. Since

our company is at present too small to be required to file Form 13F, I have made inquiries of other small institutional investment management companies regarding their cost burden of regulatory compliance with Section 13(f). My investigation reveals that a small firm required to file Form 13F spends 3 man days, or a total of about 21 hours, to prepare Form 13F every 3 months. This amounts to 84 man hours per year. A small firm typically needs at least 5 pages to set forth the data, and the Rules under Section 13(f) require that 5 copies be filed with the Commission. Therefore, a small firm typically files 100 pages of Form 13F with the Commission each year.

In the interest of reduction of expense at the Securities and Exchange Commission, the Task Force might find it appropriate to investigate the actual uses of the information provided under Section 13(f). I have no knowledge of how this information has been used.

Please do not hesitate to be in touch with me should you have any questions with respect to my proposal or if I can be of any assistance to the Task Force in this regard.

Sincerely,



Edward H. Auchincloss

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