

7841 Ridge Avenue  
Apartment B 133  
October 20, 1981

The Honorable R. Lawrence Coughlin  
Member, U.S. House of Representatives  
607 One Montgomery Plaza  
Norristown, Pennsylvania 19401

Dear Congressman Coughlin:

I am writing to you at the direction of your assistant, Mr. Rob Buchanan, to whom I had the pleasure of speaking last week. The issue which this letter addresses will have an immediate effect on me, but, more importantly, will be of substantial consequence to your constituents.

As you are aware, President Reagan has proposed an additional 12.5 percent budget cut for all government agencies for fiscal year 1982. The Office of Management and Budget (O.M.B.) has called upon agency heads to draft contingent plans to be implemented in the event that Congress approves the cut. As an attorney employed by the Philadelphia Branch Office (P.B.O.) of the Securities and Exchange Commission I have been made aware of Chairman John Shad's plan for coping with the cut. I might add that a summary of the plan appeared in October 16, 1981 issue of the Wall Street Journal.

The proposed cut would require an immediate Reduction in Force (R.I.F.) of 400 employees, reducing the Commission's staff to approximately 1,500 members. As a result, the Commission projects a 15 percent reduction in enforcement cases. Additionally, the Commission would cease its regular inspection of investment companies and securities firms. Most importantly, the plan calls for the immediate closing of all but one of the Commission's Branch Offices as well as of the Washington Regional Office.

The P.B.O. is a branch of the Washington Regional Office. The closing of these offices would require that the New York and Atlanta Regional Offices assume the responsibility of monitoring activities in Pennsylvania, Maryland, West Virginia, Delaware, Virginia and the District of Columbia. It is unlikely that those responsibilities could be effectively met in light of the budget and personnel cuts that would be suffered by the New York and Atlanta offices as well.

In order to determine the scope of these responsibilities it would be helpful to review our history. Over the past nine years, the P.B.O. has brought numerous actions to protect local investors, including actions to revoke the licenses of unscrupulous

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broker-dealers and to enjoin illegal market activities. Additionally, in the past year the P.B.O. has addressed itself to the resolution of 10 percent of investor complaints received nationwide. I am quite sure that you are knowledgeable of our contribution to the local citizenry since we had the pleasure of handling a problem at your request for one of your constituents in May of 1980.

Upon the closing of the P.B.O. this kind of service will be unavailable. Furthermore, the Philadelphia area, which ranks fourth among the principal financial centers in the nation, will become, de facto, unsupervised and open to potential securities abuses.

I would like you to understand that I am not requesting that the Commission be exempted from all proposed budget cuts. I fully understand and support the need for tightening our belts in these difficult times. However, unlike many agencies, the record of the Commission is one of effective service and fiscal responsibility. We currently have less than two hundred more staff members than we had in 1941. This is truly remarkable when you consider the growth and complexity experienced by the securities industry since that time.

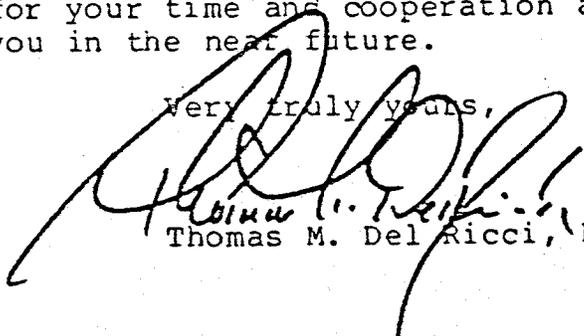
An impact study submitted to Congress by the Commission states that a \$6 million cut can be absorbed without the necessity of personnel reduction. The proposed budget cut calls for a total reduction in spending of \$10 million. Hence, for the small sum of \$4 million this agency can maintain its effectiveness and continue to provide our services in branch offices around the country, including Philadelphia.

As I stated earlier, I am interested in the impact that the proposed closing of the P.B.O. would have on me and my twenty co-workers who would become unemployed as early as December 4, 1981. However, I am sure that you agree that considered on its own merits, the proposed budget cut, as it would adversely affect the Commission, should be denied.

I would like to meet with you at your convenience to further discuss this matter. Mr. Buchanan has advised me that your schedule is extremely busy at this time. Accordingly, if a personal meeting should be impractical, I would appreciate the opportunity to speak with you by telephone. My office number is (215) 597-2278.

Again, I thank you for your time and cooperation and I look forward to hearing from you in the near future.

Very truly yours,

  
Thomas M. Del Ricci, Esquire