

49th Annual Report of the Securities and Exchange Commission

for the fiscal year
ended September 30, 1983





UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON DC 20549

January 30, 1984

The Honorable George Bush
President, U.S. Senate
Washington, D.C. 20510

The Honorable Thomas P. O'Neill, Jr.
Speaker, U.S. House of Representatives
Washington, D.C. 20515

Gentlemen:

The fiscal year ended September 30, 1983 was another record year, in terms of the volume and efficacy of the Commission's efforts.

Investor protections and corporations' financing flexibility were increased, and unnecessary regulatory burdens, paperwork and other expenses were reduced by over a billion dollars per annum.

As a result of productivity improvements, the Commission's major divisions have achieved record results, or the highest levels in several years, in each of the last two fiscal years, despite personnel reductions and budgetary constraints.

By comparison with fiscal 1981, in fiscal 1983:

- 37% more enforcement cases were brought;
- 28% more investment company and adviser inspections were conducted;
- 16% more broker-dealer reports were processed;
- and 15% more full disclosure filings were handled;
- than in fiscal 1981, despite a 3% reduction in personnel.

Registration and other fees amounted to 110% of the Commission's fiscal 1983 budget, as compared with 81% and 94% in the two prior years.

Securities and Exchange Commission

	Fiscal Years			1981-3 Change
	Ended September 30th			
	1981	1982	1983	
Enforcement Cases Brought	191	254	261*	+ 37%
Investment Company and Advisor Inspections Conducted	848	1,065	1,085*	+ 28%
Broker-Dealer Reports Processed	6,106	6,599	7,067*	+ 16%
Full Disclosure Filings Handled	56,919	63,423.	65,550	+ 15%
Total Staff-Years	1,982	1,881	1,921	- 3%
Fees Received as a Percent of the SEC Budget	81%	94%	110%*	

*—A record or the highest level in several years.

Enforcement

Enforcement is the largest activity at the Commission. It accounts for a third of the total budget.

Nearly 60% of the 261 cases brought in fiscal 1983 were injunctive actions. Most concerned broker-dealers, corporate issuers and associated persons, and involved alleged hard-core fraud, such as misrepresentations in the sale of securities, conversions of investors' funds and market manipulation.

Eight percent of the 261 were insider trading cases. The 24 brought in fiscal 1983 and 20 in fiscal 1982 amount to 35% of all the insider trading cases that have been brought by the Commission.

In fiscal 1983, \$11 million in disgorgement and \$53 million in asset freeze orders were obtained for the benefit of investors, and \$33 and \$37 million, respectively, the year before.

Most of the 261 cases have been settled under consent decrees in which the defendants have neither admitted nor denied the charges, but have committed not to engage in such activities in the future.

Insider Trading Sanctions Act

The Commission proposed this bill in fiscal 1983. It has been approved by the House and is pending in the Senate. It would permit the courts to levy civil fines equal to three times insider traders' profits (or losses avoided); and would

increase criminal fines for certain violations, including manipulation and fraud in the sale of securities, from \$10,000 (established in 1934) to \$100,000.

Intermarket Surveillance

At the Commission's initiative, the stock exchanges and the National Association of Securities Dealers (NASD) are enhancing their electronic inter-market surveillance systems and audit trails, which permit the quick identification of market manipulation and insider trading. This program is expected to "pay for itself" by reducing transaction reconciliation costs.

Integration

Corporations' registration and reporting requirements (under the 1933 and 1934 securities acts) were integrated in fiscal 1982. Integration has increased corporations' financing flexibility and reduces their fiscal 1983 expenses (for the benefit of their shareholders) by over \$350 million per annum, as well as the Commission's paperwork, but not disclosures to the investing public.

Shelf-Registration

The revised shelf registration rule, adopted in November 1983, permits the largest and most creditworthy corporations to file a single registration statement covering securities they expect to sell from time to time within two years.

Over \$70 billion of debt and \$13 billion of equity offerings have been filed under the shelf rule.

Based on an independent economic analysis, the discounted present value of interest saving to corporate debt issuers to date under the shelf rule has been hundreds of millions of dollars.

Small Business Financings

For the benefit of smaller businesses, in September 1983, the Commission increased the ceiling from \$5 to \$7.5 million for initial public offerings under Form S-18, an abbreviated registration statement.

Financing Exemptions

Certain offerings, up to \$5 million to others than the general public, were exempted from registration in fiscal 1982. In fiscal 1983 several states adopted similar exemptions, which were the first joint state and federal registration exemptions. The exemptions for larger private placements were also simplified. In fiscal 1983, over \$20 billion of financings were effected under these new exemptions at substantial savings to issuers.

Book Entry Delivery System

Expansion of the institutional book-entry delivery system is expected to save brokers and agent banks over \$350 million per annum. This recommendation by the securities exchanges and the NASD was approved by the Commission in November 1983.

Option Clearing Corporation Deposits

The July 1983 Commission approval of updated Option Clearing Corporation deposit requirements is expected to free-up \$300 million of securities industry

capital. This is in addition to the \$700 million freed-up in fiscal 1982, by updating the net capital and securities clearing house deposit requirements.

SECO Legislation

In a joint effort with the NASD, legislation was enacted in June 1983, which abolished the SECO program, under which the Commission staff has been directly supervising and inspecting 600 over-the-counter firms. These firms are now subject to the NASD's jurisdiction, under the Commission's oversight.

Investment Companies

In August 1983, investment company prospectuses were simplified and improved. This has reduced expenses ultimately borne by investors and the Commission's paperwork, but not investor protections.

National Market System

In January 1983, the Commission approved establishment of the Intermarket Trading System as a permanent electronic linkage of all the exchanges, and the NASDAQ over-the-counter system. In fiscal 1983, over a billion shares were traded through the Intermarket Trading System.

Last sales in over 700 national market system over-the-counter stocks are now being electronically reported throughout the country, as they are executed.

In November 1983, the Commission approved expansion of the New York Stock Exchange's pilot Registered Representative Rapid Response program, which permits derivatively priced, instant execution by account executives of orders up to 599 shares in 200 of the most actively traded NYSE stocks.

The experimental linkage of the markets in listed stocks with the off-board market has not improved the markets in these stocks. Virtually all of the off-board market makers have dropped out of this market. The Commission has, therefore, deferred action on an order exposure rule. As a result of 267 new listings in 1983, 649 issues are now eligible for dual trading on the exchanges and in the off-board market.

Litigation

There were a number of important court decisions in fiscal 1983. A few of the many in which the Commission was a party or filed amicus briefs, include the following appellate cases: *Dirks v. SEC* (insider trading); *O'Brien v. SEC* (right to notice of subpoenas in Commission investigations); *Indiana National Corp. v. Rich* (private rights of action); and *SEC v. Clifton* (standards for granting and dissolving Commission injunctions). Important district court case decisions included: *SEC v. Musella* (parallel proceedings permitted, absent "special circumstances"); *SEC v. Micro-Therapeutics* (joint and several liability for disgorgement of misappropriated funds); *SEC v. Scott* (officers of underwriter liable for failure to amend prospectus); and *SEC v. Materia* (financial printer liable for misappropriation of information).

Of the district court cases decided in fiscal 1983 in which the Commission was a party, the Commission prevailed in virtually all; and in 38 of the 44 appellate and Supreme Court cases.

Financial Reporting

In fiscal 1983, the Commission's accounting related requirements were simplified and improved, and the disclosure guidelines for problem loans of bank holding companies were revised to solicit better information on these risks. The activities of self-regulatory organizations—including the Financial Accounting Standards Board and the American Institute of Certified Public Accountants—were also closely monitored.

Tender Offer Advisory Committee

In July 1983, the SEC Tender Offer Advisory Committee delivered its report to the Commission and Congress. The Committee's 50 recommendations are presently being studied by Commission and congressional staffs, with a view to the proposal of regulatory and legislative initiatives in 1984.

Regulatory Coordination

Firms that engage in securities and commodities brokerage are subject to supervision by the SEC, the Commodities Futures Trading Commission (CFTC), the 50 state securities administrators and over 30 self-regulatory organizations. In fiscal 1983, the following progress was made in simplifying these regulations.

- Standardized financial and operational reports (FOCUS reports) can now be filed with all regulators.
- The SEC and CFTC net capital rules were harmonized.
- And broker-dealer and associated person registration requirements were streamlined.

The SEC and CFTC also jointly solicited industry suggestions on the coordination of their regulations. Recommendations under review include:

- development of a single associated person registration form;
- harmonization of the statutory disqualification provisions of the securities and commodities laws;
- coordination of securities and commodities self-regulatory examinations;
- and consolidation of fingerprint processing.

Task Group

During the past two and a half years, in speeches, congressional testimony and meetings with cabinet members and the chairmen of key congressional committees, the Commission has advocated the formation of a one year task force to help simplify, rationalize and reduce the costs of the regulatory structures of the securities, banking and savings and loan industries for the benefit of investors and depositors.

The Commission's specific recommendations included:

- Regulation by functional activities, rather than by outmoded industry classifications;
- Consolidation of overlapping, duplicative and conflicting regulatory activities;

- And elimination of excessive regulations within and between regulatory agencies.

In January 1983, Vice President Bush formed the Task Group on the Regulation of Financial Services. The Commission has been an active participant in the Task Group, which is expected to propose major legislative initiatives in 1984.

Bank Release

In November 1983, the Commission released for public comment a proposed rule that would, in effect, require banks that offer public brokerage services or in-house investment advice and brokerage services, to conduct such activities in separate affiliates, subject to the same rules and regulations as all others who engage in such activities.

1984

In addition to ongoing programs, major projects in process include the following:

Electronic Filing

In 1983, a staff task force was formed and a feasible contract let, with a view to commencing a pilot electronic filing, processing and information dissemination system in 1984. The objectives are to accelerate the dissemination of corporate information to investors and securities analysts and to reduce investors', issuers' and the SEC's expenses.

As corporations file such information electronically with the SEC, investors and analysts will be able to access it instantly on home and business computer screens. They will be able to display current comparative price-earning, yield and other data on securities; instantly refine such lists by industry, size, markets and other criteria; display the latest SEC filings, annual and quarterly reports of those companies in which they are interested or that appear to be the most undervalued; retain their portfolios in their data banks; price them to the market at any time; and maintain running totals of their dividends, realized and unrealized capital gains and losses. They may also be able to enter orders with their brokers, directly on their computer terminals and receive confirmations. Hard copy can be obtained on accessory print-out equipment.

The system is also intended to reduce transcription and oral communication errors and to accelerate the SEC's identification and processing of filings which require detailed reviews.

The pilot operation will be tested and debugged for a year or more. Industrywide implementation is intended to coordinate with the growth of home computers—from 5 million today to over 50 million within five years.

Legislation

The Commission will continue to be an active participant in legislative initiatives expected by the Bush Task Group, the pending Insider Trading Sanctions Act and major amendments to the Glass-Steagall Act, the Foreign Corrupt Practices Act and the Public Utility Holding Company Act.

In addition to the extensive recommendations of the SEC Advisory Committee on Tender Offers, the merger proxy and contest rules and the Investment Company Act are under review. Regulatory and legislative initiatives in these areas are also expected in 1984.

Conclusion

Progress is being made in improving investor protections and reducing regulatory burdens. The future offers favorable prospects of major improvements in the regulatory structures of the financial service industries and the exciting potential of high speed, electronic communication and analysis of corporate information.

Sincerely,

A handwritten signature in black ink that reads "John S.R. Shad". The signature is written in a cursive style with a large, looping initial "J".

John S.R. Shad

Commissioners and Principal Staff Officers

(As of November 1, 1983)

Commissioners	Term Expires
John S.R. Shad, <i>Chairman</i>	1986
John R. Evans*	1983
Barbara S. Thomas**	1985
Bevis Longstreth	1984
James C. Treadway, Jr.	1987

Secretary: **George A. Fitzsimmons**

Executive Assistant to the Chairman: **John S. Daniels**

Principal Staff Officers

George G. Kundahl, *Executive Director*

Kenneth A. Fogash, *Deputy Executive Director*

John J. Huber, *Director, Division of Corporation Finance*

William C. Wood, *Associate Director*

Mary E.T. Beach, *Associate Director*

Linda C. Quinn, *Associate Director*

Amy L. Goodman, *Deputy Associate Director*

John M. Fedders, *Director, Division of Enforcement*

Theodore A. Levine, *Associate Director*

Gary G. Lynch, *Associate Director*

Frederick B. Wade, *Chief Counsel*

Alexia L. Morrison, *Chief Litigation Counsel*

Douglas Scarff, *Director, Division of Market Regulation*

Edward Kwalwasser, *Associate Director*

Richard P. Wessel, *Associate Director*

Richard G. Ketchum, *Associate Director*

*Resigned from Commission on December 2, 1983. On December 2, 1983 Charles C. Cox was sworn in as Commissioner for the term expiring June 5, 1988.

**Resigned from Commission on November 11, 1983.

Kathryn B. McGrath, *Director, Division of Investment Management*
Gerald Osheroff, *Associate Director*
Jeffrey L. Steele, *Associate Director*

Aaron Levy, *Director, Division of Corporate Regulation*
Grant Guthrie, *Associate Director*

Daniel L. Goelzer, *General Counsel*
Paul Gonson, *Solicitor*
Russell B. Stevenson, Jr., *Deputy General Counsel*
Jacob H. Stillman, *Associate General Counsel*
Linda D. Fienberg, *Associate General Counsel*

Andrew L. Rothman, *Director, Officer of Public Affairs*
Chiles T.A. Larson, *Deputy Director*

A. Clarence Sampson, *Chief Accountant*
Edmund Coulson, *Deputy Chief Accountant*

Jeffrey L. Davis, *Director, Directorate of Economic and Policy Analysis*
Terry M. Chuppe, *Associate Director*
Charles W. Bryson, *Associate Director*

Charles C. Cox, *Chief Economist*

William S. Stern, *Director, Office of Opinions and Review*
Herbert V. Efron, *Associate Director*
R. Moshe Simon, *Associate Director*

Warren E. Blair, *Chief Administrative Law Judge*

Lawrence H. Haynes, *Comptroller*
Herbert S. Silbert, *Assistant Comptroller*

Richard J. Kanyan, *Director, Office of Administrative Services*

James C. Foster, *Director, Office of Personnel*
William E. Ford, II, *Assistant Director*

Wilson Butler, *Director, Office of Applications and Reports Services*

Jonathan G. Katz, *Director, Office of Consumer Affairs and Information Services*

John D. Adkins, *Director, Office of Information Systems Management*
John Faith, *Deputy Director*

Ethel Geisinger, *Director of Legislative Affairs*

James A. Clarkson, III, *Director of Regional Office Operations*

Phillip H. Savage, *Director of Equal Employment Opportunity*

Regional and Branch Offices

Regional Offices and Administrators

Region 1. New York, New Jersey.—**Donald N. Malawsky**, Room 1102, 26 Federal Plaza, New York, New York 10278.

Region 2. Massachusetts, Connecticut, Rhode Island, Vermont, New Hampshire, Maine.—**Willis H. Riccio**, 150 Causeway Street, Boston, Massachusetts 02114.

Region 3. Tennessee, Virgin Islands, Puerto Rico, North Carolina, South Carolina, Georgia, Alabama, Mississippi, Florida, part of Louisiana.—**Michael K. Wolensky**, Suite 788, 1375 Peachtree Street, N.E., Atlanta, Georgia 30367.

Region 4. Illinois, Indiana, Iowa, Kansas City (Kansas), Kentucky, Michigan, Minnesota, Missouri, Ohio, Wisconsin.—**William D. Goldsberry**, Room 1204, Everett McKinley Dirksen Bldg., 219 South Dearborn Street, Chicago, Illinois 60604.

Region 5. Oklahoma, Arkansas, Texas, part of Louisiana, Kansas (except Kansas City).—**Wayne M. Secore**, 8th Floor, 411 West Seventh Street, Fort Worth, Texas 76102.

Region 6. North Dakota, South Dakota, Wyoming, Nebraska, Colorado, New Mexico, Utah.—**Robert H. Davenport**, Suite 700, 410 Seventeenth Street, Denver, Colorado 80202.

Region 7. California, Nevada, Arizona, Hawaii, Guam.—**Michael J. Stewart**, Suite 500 East, 5757 Wilshire Blvd., Los Angeles, California 90036-3648.

Region 8. Washington, Oregon, Idaho, Montana, Alaska.—**Jack H. Bookey**, 3040 Federal Building, 915 Second Avenue, Seattle, Washington 98174.

Region 9. Pennsylvania, Maryland, Virginia, West Virginia, Delaware, District of Columbia.—**Paul F. Leonard**, Room 300, Ballston Center Tower No. 3, 4015 Wilson Blvd., Arlington, Virginia 22203.

Branch Offices

Detroit, Michigan 48226.—231 Lafayette St., 438 Federal Building.

Houston, Texas 77002.—Suite 302, Scanlan Bldg., 405 Main St.

Miami, Florida 33131.—Suite 1114, DuPont Plaza Center, 300 Biscayne Boulevard Way.

Philadelphia, Pennsylvania 19106.—Federal Building, Room 2204, 600 Arch Street.

Salt Lake City, Utah 84111.—Suite 810, Boston Bldg., Nine Exchange Place.

San Francisco, California 94102.—450 Golden Gate Ave., Box 36042.

Biographies of Commissioners

John S.R. Shad, *Chairman*

Vice President Bush swore in John Shad as the 22nd Chairman of the SEC on May 6, 1981. His term expires in 1986.

He was previously Vice Chairman of the E.F. Hutton Group, which he helped build into a major managing underwriter of corporate financings. He has also personally assisted scores of corporations in consummating billions of dollars of financings and mergers; served as a director of 17 domestic and multinational publicly-owned corporations; taught investment banking at the New York University Graduate School of Business Administration; written articles published in leading legal and business reviews; and addressed numerous legal, accounting, business and academic forums.

He resigned from the E.F. Hutton Group and the boards of directors of six other New York Stock Exchange listed corporations to accept the Chairmanship of the Commission.

He was born in Utah in 1923; served in the Pacific and China as a naval officer during World War II; graduated cum laude from the University of Southern California in 1947, the Harvard Business School in 1949 (M.B.A.) and New York University Law School in 1959 (LL.B.). He is a member of Beta Gamma Sigma and Phi Kappa Phi.

He received the Investment Banker of the Year Award (1972) from Finance Magazine; the Brotherhood Award (1981) from the National Conference of Christians and Jews; the Distinguished Leadership Award (1982) from the Girls' Club of New York; the Distinguished Service Award (1983) from the National Association of Investment Clubs; and the Distinguished Alumni Award (1983) from the University of Southern California.

John R. Evans

John R. Evans was sworn in as a member of the Commission on March 3, 1973, and retired from the Commission on December 2, 1983. He was a member of the Professional Staff of the U.S. Senate Committee on Banking, Housing and Urban Affairs from June 1971 to March 1973, and served as minority staff director from July 1964 to June 1971.

Mr. Evans was born in Arizona in 1932. He received his B.S. degree in Economics in 1957 and his M.S. degree in Economics and his Secondary Teaching Certificate in Business in 1959 from the University of Utah.

Mr. Evans came to Washington in February 1963 as Economics Assistant to Senator Wallace F. Bennett of Utah. Prior to that he had been a Research Assistant and later Research Analyst at the Bureau of Economics and Business Research at the University of Utah, where he was also an Instructor of Economics during 1962 and 1963.

Barbara S. Thomas

Barbara S. Thomas was sworn in as the 59th member of the Commission in a White House ceremony on October 21, 1980. She retired from the Commission on November 11, 1983.

A corporate and securities lawyer, Ms. Thomas became a partner of Kaye, Scholar, Fierman, Hays & Handler, a New York law firm, in January 1978. She had been an associate of the firm since 1973 and an associate of the Paul, Weiss, Rifkind, Wharton & Garrison firm, also of New York, from September 1969 to April 1973.

Ms. Thomas has written extensively on the subjects of securities regulation and corporate law, and has a special interest in issues relating to the internationalization of the world's capital markets, corporate finance, and accounting matters.

Ms. Thomas is the recipient of the 1982 Award for Outstanding Service in Government presented by The Financial Marketing Council of Greater Washington. In addition, she was named the 1981 Outstanding Young Woman of America for Washington, D.C. She has also been named one of WETA's Women of the Year for 1983.

Ms. Thomas is a member of the Securities Regulation Committee of the New York State Bar Association, the Committee on Federal Regulation of Securities and the Ad Hoc Task Force on the International Aspects of United States Law of the American Bar Association, and the International Bar Association. In addition, prior to joining the Commission, Ms. Thomas was Chairman of the Corporation Law Committee of the Association of the Bar of the City of New York.

Ms. Thomas is also a member of the Council on Foreign Relations, the Board of Overseers of the Wharton School of Finance at the University of Pennsylvania, the University of Pennsylvania Alumni Council on Admissions, the Economic Club of New York, the Advisory Committee of the Women's Economic Roundtable, and the Financial Women's Association of New York. She also serves as a Trustee for the University of Pennsylvania Alumni Association of New York City.

Ms. Thomas was born in New York City on December 28, 1946. She is a graduate of New York University School of Law, J.D. 1969, *cum laude*, where she placed second in a class of 323, was a member of the Order of the Coif, and was an editor of the *New York University Law Review*. A John Norton Pomeroy Scholar, she received the Jefferson Davis Prize in Public Law and American Jurisprudence Prizes for Excellence in 15 (out of 28) subjects, and was on the Dean's List every semester. In 1966, she earned a B.A., *cum laude*, in history from the University of Pennsylvania.

Bevis Longstreth

Bevis Longstreth was sworn in as the 60th member of the Securities and Exchange Commission on July 29, 1981. His current term expires on June 5, 1984.

From 1962 until July 1981, Mr. Longstreth practiced law with the New York law firm of Debevoise & Plimpton. He was admitted to partnership in that firm in 1970 and specialized in corporate securities and real estate finance law, bankruptcy and

business work-outs and not-for-profit corporations law.

Mr. Longstreth was a Lecturer at Columbia Law School from 1975 until his appointment to the Commission, teaching a seminar on the corporation in modern society. He has also lectured on various securities and corporate law topics for the Practising Law Institute and at other seminars and has written numerous articles on business-related subjects. Mr. Longstreth has served on the boards of a number of charitable and educational organizations active in the New York area.

Mr. Longstreth was born in New York City in 1934 and grew up in Princeton, New Jersey. He graduated from Princeton University in 1956 (B.S.E.) and from Harvard Law School in 1961 (LL.B.). From 1956 to 1958 he served in the U.S. Marine Corps.

James C. Treadway, Jr.

James C. Treadway, Jr., was sworn in as the 61st member of the Securities and Exchange Commission on September 13, 1982. His five year term expires June 5, 1987.

At the time of his appointment, Mr. Treadway, 39, was a partner with the Washington and New York law firm of Dickstein, Shapiro & Morin, where he had been a partner since October 1, 1972. During the preceding 15 years before his appointment, he was engaged in a broad securities and corporate finance practice, representing corporate issuers, officers and directors. In addition, he has represented a U.S. and a foreign securities exchange, investment banking firms and investment companies. He is the author of various articles on the Federal securities laws.

Mr. Treadway, a native of Anderson, S.C., was formerly an associate with the Washington and Boston law firm of Gadsby & Hannah from 1968 to 1972 and prior to that, he was an associate of the Atlanta law firm of Candler, Cox, McClain & Andrews from 1967 to 1968. Mr. Treadway received his undergraduate education from Rollins College and the University of Georgia where he graduated in 1964 with an A.B. degree. He received his LL.B. degree, *summa cum laude*, in 1967 from Washington & Lee University where he was Editor-in-Chief of the Washington & Lee University Law Review. He was a member of Phi Beta Kappa, Order of the Coif and Omicron Delta Kappa.

Table of Contents

Chairman's Letter of Transmittal	iii
Commissioner's and Principal Staff Officers	xi
Regional and Branch Offices	xiii
Biographies of Commissioners	xv
Enforcement Program	1
Key 1983 Results	1
Introduction	1
Program Areas	2
Corporate Reporting and Accounting	2
Securities Offering Violations	3
Regulated Entities and Associated Persons	4
Insider Trading	5
Market Manipulation	6
Changes in Corporate Control	6
Related Party Transactions	7
Other Developments	7
Litigation	7
Cooperation With Other Authorities	7
Sources for Further Inquiry	8
Full Disclosure System	9
Key 1983 Results	9
Computer-Assisted Operations	9
Projects	9
The Proxy Review Program	9
Tender Offer Advisory Committee	10
Research Forum	11
SEC Government-Business Forum on Small Business Capital Formation	11
SEC/NASAA Conference on Federal-State Securities Regulation	12
Small Business Rulemaking and Interpretive Initiatives	12
Simplified Registration Form Amended	12
Resales	12
Interpretive Advice on Exempt Offers Rules	12
Electronic Filing	13
Foreign Securities	13
American Depositary Receipts	13
Other Rulemaking Initiatives	13

Pro Rata Rule	13
Shelf Registration	14
Electric and Gas Utility Guide	14
Definitional Rule	14
Merger Forms	14
Accounting Matters	14
Oversight Activities	14
SEC Practice Section	15
(1) Peer Review	15
(2) Special Investigative Process	16
FASB Activities	16
(1) Conceptual Framework	16
(2) Financial Reporting Practices for Oil and Gas Producers	17
(3) Timely Guidance on Emerging Accounting Issues	17
(4) Accounting for Pensions	17
(5) Other Projects	18
International Accounting and Reporting	18
Accounting-Related Rules and Interpretations	18
Sunset Review	19
(1) Regulation S-X	19
(2) Financial Reporting Requirements for Banks and Bank Holding Companies	19
(3) Accounting for Computer Software Development Costs	19
Regulation of the Securities Markets	21
Key 1983 Results	21
Securities Markets, Facilities, and Trading	22
The National Market System	22
National System for the Clearance and Settlement of Securities Transactions	22
Options	23
Market Manipulation	23
Issuer Repurchases	23
Issuer Tender Offers	23
Stabilization Reports	23
Publication of Quotations by Broker-Dealers	23
Exemptions from Short Sale Rule	24
Regulation of Brokers, Dealers, Municipal Securities Dealers, and Transfer Agents	24
Broker-Dealer and Transfer Agent Examinations	24
Securities Confirmations	24
Fingerprinting	24
Transfer Agent Regulation	25
Oversight of Self-Regulatory Organizations	25
National Securities Exchanges	25
Allocation of Regulatory Responsibilities	25

National Association of Securities Dealers, Inc.	25
Clearing Agencies	26
Surveillance and Compliance Inspections	26
SIPC Assessment	27
Clearing Agencies	27
Applications for Re-Entry	27
Market Oversight and Surveillance System	27
Municipal Securities Rulemaking Board	28
Investment Companies and Advisers	29
Key 1983 Results	29
Office of Regulatory Policy	29
Disclosure Study	30
Insurance Products	30
Significant Applications and Interpretations	30
Fidelity Fund, Inc.	30
American Property Mortgage, Inc.	31
Venture Capital	31
Repurchase Agreements	32
Peavey Commodity Funds I, II and III	32
Institutional Disclosure Program	32
Other Litigation and Legal Work	35
Key 1983 Results	35
Litigation	36
Appeals in Commission Injunctive Actions	36
Petitions to Review Commission Orders	37
Commission Participation in Private Litigation	37
Litigation Involving Trading on Nonpublic Information	38
Commission Action Under Rule 2(e)	39
Litigation Involving Requests for Access to Commission Records	40
Litigation Against the Commission and Its Staff	40
Significant Legislation	41
Financial Services Industry—Vice President’s Task Group and Glass-Steagall Legislation	41
Mortgage-Related Securities	41
Public Utility Holding Company Act	42
Regulatory Reform	42
Insider Trading Sanctions Act	42
Corporate Reorganizations	42
Public Utility Holding Companies	45
Composition	45
Proposed Legislation	45
Financing	45
Nonutility Subsidiary Matters	46

Fuel Programs and Service Companies	46
Management, Economic Analysis and Program Support	49
Key Management and Program Developments	49
Economic Research and Statistics	50
Information Systems Management	51
Financial Management	52
Facilities Management	52
Personnel Management	53
Public Affairs	54
Consumer Affairs and Information Services	54
Equal Employment Opportunity	55
Footnotes	57
Glossary of Acronyms	67
Appendix	71
The Securities Industry	71
Income, Expenses and Selected Balance Sheet Items	71
Table 1—Unconsolidated Financial Information for Broker-Dealers 1978-1982	72
Table 2—Unconsolidated Annual Revenues and Expenses of Firms Doing a Public Business 1978-1982	73
Table 3—Summary Unconsolidated Balance Sheet for Firms Doing a Public Business Year-End 1978-1982	74
Securities Industry Dollar in 1982 for Carrying and Clearing Firms	75
Chart—Securities Industry Dollar in 1982 for Carrying/Clearing Firms	76
Table 4—Revenues and Expenses of Broker-Dealers Carrying/ Clearing Customer Accounts	77
Table 5—Unconsolidated Balance Sheet for Firms Carrying/ Clearing Customer Accounts	78
Broker-Dealers, Branch Offices, Employees	78
Chart—Broker-Dealers and Branch Offices	79
Table 6—Brokers and Dealers Registered Under the Securities Exchange Act of 1934—Effective Registrations as of September 30, 1983 Classified by Type of Organization and by Location of Principal Office	80
Table 7—Applications and Registrations of Brokers and Dealers and Investment Advisers	81
Table 8—Applications and Registrations of Municipal Securities Dealers and Transfer Agents	82
Self-Regulatory Organizations: Revenues, Expenses, Pre-Tax Income and Balance Sheet Structure	83

Table 9—Consolidated Financial Information of Self-Regulatory Organizations	84
Table 10—Self-Regulatory Organizations—Clearing Agencies 1982 Revenues and Expenses	85
Table 11—Municipal Securities Rulemaking Board Statements of Revenue and Expenses and Change in Fund Balance	86
Exemptions	87
Section 12(h) Exemptions	87
Exemptions for Foreign Private Issuers	87
Rule 10b-6 Exemptions	87
Financial Institutions	87
Table 12—Companies Registered Under the Investment Company Act of 1940 as of September 30, 1983	88
Table 13—Companies Registered Under the Investment Company Act of 1940	89
Table 14—New Investment Company Registrations	90
Table 15—Investment Company Registrations Terminated	90
Securities on Exchanges	91
Market Value and Share Volume	91
Table 16—Market Value of Equity Sales on Registered Securities Exchanges	92
NASDAQ (Volume and Market)	93
Share and Dollar Volume by Exchange	93
Chart—Market Value of Securities Traded on All U.S. Stock Exchanges	94
Table 17—Share Volume by Exchanges	95
Table 18—Dollar Volume by Exchanges	95
Special Block Distribution	96
Table 19—Special Block Distributions Reported by Exchanges ..	96
Value and Number of Securities Listed on Exchanges	97
Table 20—Securities Listed on Exchanges	97
Table 21—Value of Stocks Listed on Exchanges	98
Securities on Exchanges	99
Table 22—Securities Traded on Exchanges	99
Table 23—Unduplicated Count of Securities on Exchanges	99
1933 Act Registrations	99
Effective Registration Statements	99
Table 24—Effective Registrations	100
Chart—Securities Effectively Registered With SEC 1935-1983 (Dollar Value)	101
Chart—Securities Effectively Registered With SEC 1935-1983 (Number of Registrations)	102
Purpose and Type of Registration	103
Table 25—Effective Registrations by Purpose and Type of Security: Fiscal Year 1983	104
Effective Registrations Cash Sale for Account of Issuers	

1935-1983	105
Regulation A Offerings	106
Table 26—Offerings Under Regulation A	106
Enforcement	106
Types of Proceedings	106
Table 27—Types of Proceedings	107
Table 28—Nationwide Enforcement Program	111
Table 29—Investigations of Possible Violations of the Acts Administered by the Commission	112
Table 30—Administrative Proceedings Instituted During Fiscal Year Ending September 30, 1983	112
Table 31—Injunctive Actions	112
Trading Suspensions	112
Foreign Restricted List	113
Right to Financial Privacy	115
Public Utility Holding Companies	116
System Companies	116
Table 32—Public Utility Holding Company Systems	116
Table 33—Key Financial Statistics of Registered Public Utility Holding Company Systems	117
Table 34—Public Financing of Holding Company Systems	118
Table 35—Subsidiary Service Companies of Public Utility Holding Company Systems	120
Table 36—Fuel Program Expenditures of Holding Company Systems (Fiscal 1983)	121
Table 37—Fuel Program Expenditure of Holding Company Systems (1971-1983)	122
Corporate Reorganizations	123
Table 38—Reorganization Proceedings Under Chapter 11 of the Bankruptcy Code in Which Commission Entered Appearance .	123
Table 39—Pending Reorganization Proceedings Under Chapter X of the Bankruptcy Act in Which the Commission Participated .	125
SEC Operations	126
Chart—Appropriated Funds vs Fees Collected	127
Table 40—Budget Estimates and Appropriations	128

Enforcement Program

Key 1983 Results

The Commission maintains an aggressive enforcement program. In fiscal 1983, it commenced 261 enforcement actions, as compared with 254 in 1982, which was a 30% increase over fiscal 1981.

The total includes 151 civil injunctive actions, compared with 136 brought in 1982 and 115 in 1981. There were 416 defendants named in the injunctive actions brought during fiscal year 1983 compared with 418 in 1982.

In addition to injunctions against further violations of the Federal securities laws, the Commission obtained court orders during fiscal 1983 that required defendants to divest themselves of illicit profits amounting to more than \$11 million, either as disgorgement or restitution to defrauded investors. In response to actions initiated by the Commission, courts froze assets estimated to exceed \$55 million to protect the assets until appropriate dispositions could be made by the judge involved.

The Commission instituted 94 administrative proceedings in fiscal 1983, compared with 106 proceedings begun during 1982 and 72 during 1981. There were 189 respondents named in 1983 and 287 respondents named in 1982.

The Commission staff also provided substantial assistance to the Department of Justice and state authorities in connection with potential or pending criminal cases. There were 75 criminal indictments or informations obtained in such cases, many of which arose out of prior Commission investigations.

The emphasis on civil and criminal contempt proceedings is reflected in the 14 actions brought in fiscal 1983 as compared with 9 in 1982.

In addition, there were two reports of investigation under Section 21(a) of the Securities Exchange Act of 1934 (Exchange Act), including one concerning the Silver Crisis of 1980. One court order was obtained under Section 21(e) of the Exchange Act ordering compliance with a previously issued Commission order.

Introduction

The Commission's enforcement program seeks to preserve the integrity, efficiency and fairness of the securities markets. The Federal securities laws provide civil and administrative remedies designed to rectify past violations and prevent future violations.

The Commission's primary enforcement remedy is a Federal court injunction. An injunction directs an individual or entity to comply with the law in the future. If the injunction is violated, contempt of court proceedings may result in imprisonment or the imposition of fines. In addition to "obey the law" injunctions, courts often enter orders providing other equitable relief such as restitution, disgorgement of illicit profits, or other remedies appropriate to a particular case.

Another enforcement remedy against regulated entities is an administrative proceeding. The principal regulated entities are broker-dealers, investment companies and investment advisers. An administrative proceeding may result in a censure or a revocation or suspension of registration for up to 12 months. Regulated entities may not conduct business without an effective registration.

Administrative proceedings may also be instituted against persons associated with regulated entities. The remedies include censure, suspension for up to 12 months or a bar from participation in the securities industry.

In addition, issuers of securities may be subject to administrative proceedings if they fail to comply in a material respect with the Exchange Act's disclosure requirements and certain other provisions. They may be ordered by the Commission to comply with these provisions upon specified terms and conditions.

Criminal sanctions for Federal securities law violations include a fine of up to \$10,000 and imprisonment for up to five years for each violation. The Commission has proposed legislation to increase the maximum criminal fine for most Exchange Act violations from the \$10,000 established in 1934 to \$100,000.

Program Areas

Some of the areas of enforcement activity in fiscal 1983 are discussed below, along with illustrative cases.

Corporate Reporting and Accounting—This category includes violations of the periodic reporting requirements. The Commission initiated 51 cases in this area in fiscal 1983 compared to 36 in 1982.¹

Financial disclosure violations may involve valuation of inventories, assets or liabilities; the remuneration of officers and other related parties; the ability of a corporation to meet its obligations; or the recognition of revenue and expenses. Violations with respect to non-financial information may include material misstatements concerning corporate operating information, or a failure to disclose material facts concerning corporate management.

The cases in this category include 22 delinquent filing actions, as compared with nine in 1982.

Closely related to the emphasis on fraud by reporting companies is enforcement of the accounting provisions of the Foreign Corrupt Practices Act (FCPA). In fiscal 1983 12 such actions were brought. There were 10 in fiscal 1982. The 22 cases brought during the past two years represents two-thirds of all such actions brought since the FCPA was enacted in 1977.

Recent cases brought under the accounting provisions have included some in which issuers have improperly deferred expenses, recognized sales prematurely, overstated inventories and used other improper techniques to inflate profits or decrease losses. One case involved systematic deferral of the recognition of promotional and advertising expenses in amounts of up to \$3.6 million in a fiscal period. In another case, the Commission alleged that the defendants caused the preparation of false documents that failed to reflect a diversion of \$2.2 million to an off-the-books account.

Audited financial statements are the backbone of the disclosure system established under the Federal securities laws. In the past fiscal year, the Commission

has alleged that certain fraudulent filings reflected deficient audits by issuers' accounting firms. An injunctive action was brought against an accounting firm with respect to its audits of the financial statements of three separate issuers. In another case, the Commission brought an administrative proceeding in which it alleged that two auditors, in performing an audit of an insurance company, acquiesced in the use of financial reports based upon an obsolete mortality table.

Several fiscal 1983 reporting cases involved non-financial issues. In one case, the Commission alleged that an insurance company failed to disclose that it faced possible loss of the endorsement of two non-profit organizations whose members bought a substantial portion of its policies. In another case, the Commission alleged that the issuer failed to report that a customer, which had accounted for 15 percent of its revenue and one-third of its earnings, would be making no purchases during the relevant reporting period, and thereafter would make purchases at drastically reduced levels. In a third case, the Commission alleged that an issuer failed to disclose that a control person who had resigned from the company continued to dominate and control the issuer, and also continued to receive remuneration and other significant benefits.

Securities Offering Violations—Some issuers fail to register public offerings of their securities, although required to do so by the Securities Act. Some may rely on purported exemptions to registration requirements which are not available to them. Some may violate anti-fraud provisions of the Federal securities laws by making material misrepresentations in connection with a securities offering or omitting material information in connection with such an offering.

There were 41 cases principally involving offering violations by issuers and other persons brought during 1983.² (This figure does not include 32 cases principally involving offering violations on the part of regulated entities, which are classified as regulated entity cases.) A total of 48 cases were brought in the securities offering category in 1982 (exclusive of those cases involving violations principally on the part of broker-dealers).

Among the injunctive actions alleging securities offering violations were cases involving issuers that offered investments in tax shelters and oil and mineral interests. In one case an issuer offered participation interests in an arbitrage trading program involving U.S. government securities. The Commission alleged in its complaint that more than 2,000 investors were defrauded of \$16 million in a scheme that promised an eight-to-one tax write-off. The promoters allegedly made personal use of the funds instead of investing them. In another case the Commission alleged the sale of \$35 million in limited partnership interests in coal mining projects, without compliance with the registration requirements of the Securities Act. Among other things, the defendants allegedly inflated various projections, failed to disclose the identities of the principal promoters and failed to disclose the profits the promoters made in selling mining interests to the partnerships.

Offerings by first-time issuers increased significantly in fiscal 1983. A number of these had no operating history, no permanent employees, or no stated business purpose. In response to these developments the Commission established a "Hot Issues Task Force" to co-ordinate investigations involving issuers and related

entities. The Task Force consists of members of the staffs of the Commission's Divisions of Enforcement, Market Regulation and Corporation Finance, various regional offices of the Commission, and examiners from the National Association of Securities Dealers.

The Commission also emphasized remedial actions during fiscal 1983 against professionals who provide issuers with access to the securities markets. Broker-dealers and underwriters who engage in questionable or improper sales practices are being subjected to increased scrutiny. One example is an administrative proceeding involving a Denver-based broker-dealer. The Commission alleged that the broker-dealer, acting as an underwriter, had used a false and misleading prospectus in connection with two offerings, and had failed to escrow funds received from investors in a "best efforts" underwriting.

Several cases involving the fraudulent sale of unregistered securities have been brought against those holding themselves out as investment advisers. In addition, the Commission alleged in one case that a sham transfer agent was used to facilitate the distribution of a shell corporation's securities by improperly removing a restrictive legend from the stock certificates.

Regulated Entities and Associated Persons—Fiscal 1983 actions involving regulated entities, including broker-dealers, investment companies, investment advisers and transfer agents, ranged from books and records violation to attempts to defraud customers. There were 110 cases involving regulated entities compared with 118 in fiscal 1982.³ Thirty-two cases involved securities offering violations by regulated entities. Of the other 78 cases, 43 primarily involved broker-dealers, 16 investment advisers, four investment companies and three transfer agents. The total includes 12 actions in which customers or employees were alleged to have defrauded a regulated entity.

During fiscal 1983 the Commission revoked the registration of 19 firms, suspended 3 and censured 12. This compared with 11 revocations, 9 suspensions, and 28 censures in fiscal 1982. There were 54 individuals barred, 44 suspended, and 8 censured in fiscal 1983, compared with 44 bars, 82 suspensions, and 19 censures in fiscal 1982.

One action against a regulated entity involved a failure to maintain proper books and records. The district court found that a broker-dealer's books and records were inaccurate, that it had failed to do proper box counts, failed to deliver customers' money and securities, and used customers' fully paid securities to satisfy its obligations to deliver securities to other broker-dealers. In another case involving two investment companies and their investment adviser, the investment companies were found to have improperly maintained their books and records and inaccurately valued the price of their common shares. The investment companies had recorded as accounts receivable various expenses they incurred for which they allegedly were going to be reimbursed by the investment adviser, when the investment adviser was actually insolvent and unable to meet its obligations.

The Commission brought several cases involving fraud against regulated entities in fiscal 1983. One involving a fraud perpetrated against a broker-dealer by its managing partner, illustrates the swiftness with which the Commission can respond to emergency situations. In late January 1983 the Commission acquired

information indicating that the managing partner had illegally obtained \$47 million from his trading account with the broker-dealer, and that the broker-dealer was insolvent. The Commission filed a complaint in Federal District Court on February 5, 1983, in which it was alleged, among other things, that securities held as collateral were valued at \$278 million, but were actually worth only \$5,000. It was also alleged that another \$105 million in securities, purportedly held as collateral, did not exist. The court thereupon issued a temporary restraining order ordering the defendant to refrain from violating the Federal securities laws and appointed a temporary receiver. On February 10, the broker-dealer consented to the appointment of a trustee under the Securities Investor Protection Act, for the purpose of liquidating the firm, and on February 11 the court issued a permanent injunction against future violations. The managing partner eventually pled guilty to a five-count indictment and was sentenced to 25 years imprisonment.

In another case in this category, the Commission alleged that a foreign corporation engaged in "free-riding" by ordering the sale of \$200 million in securities through U.S. broker-dealers, when it did not have possession of the securities and was therefore unable to tender the securities sold at the time of settlement. (Free-riding consists of placing a buy or sell order for securities and not satisfying the obligation to pay for or deliver the securities unless a favorable price movement occurs.) The Commission alleged that this conduct caused losses of at least \$21 million for six American broker-dealers. In another case the Commission alleged that employees of various broker-dealers facilitated a free-riding scheme by using misappropriated stock loan funds to finance other securities purchases.

Insider Trading—Insider trading is the purchase or sale of securities by persons in possession of material non-public information relating to such securities. This conduct undermines the expectation of fairness and honesty that is the basis of public confidence in the nation's securities markets. The trading of standardized options contracts, coupled with tender offers and other acquisitions, has increased opportunities for those with material non-public information to reap large profits.

Insider trading remained an important enforcement priority during fiscal 1983. The Commission brought 24 insider trading cases, compared with 20 commenced during fiscal 1982, and a total of 121 brought since 1949.⁴

Some of the cases brought during the year involved large groups of persons who learned about a number of prospective offers from informants employed by firms serving either the targets or offerors in a tender offer. These cases appear to reflect a trend toward more sophisticated and elaborate schemes to acquire and benefit from the use of material non-public information.

One case illustrates how an insider may avoid losses by improperly trading securities while in possession of material non-public information. The Commission alleged that two high corporate executives sold warrants and common stock while in possession of material non-public information concerning large unanticipated losses by a major unit of the issuer. One defendant, without admitting or denying the Commission's allegations, consented to an injunction forbidding violations of the Federal securities laws and agreed to disgorge more than \$80,000.

As part of its effort to combat insider trading, the Commission has recommended enactment of the Insider Trading Sanctions Act of 1983. This Act would authorize the courts to impose civil money penalties of up to three times the profit gained or loss avoided in Commission enforcement actions involving the use of material non-public information. On April 13, 1983, the Chairman, the Commission's General Counsel, the Director of the Division of Enforcement and other senior staff members testified on behalf of the proposed law before the Subcommittee on Telecommunications, Consumer Protection and Finance of the House Energy and Commerce Committee. The House of Representatives approved H.R. 559 on September 19, 1983 and, at the close of the fiscal year, the bill was awaiting action in the Senate.

In July 1983, the Supreme Court issued its opinion in *Dirks v. SEC*, a case involving the liability of a person who receives material non-public information from a corporate insider. Future enforcement actions involving tippers must be evaluated in light of this opinion, which is discussed in the Section of this report entitled "Litigation and Other Legal Work."

Market Manipulation—The Commission is charged with insuring the integrity of trading on the national securities exchanges and in the over-the-counter markets. The Commission's staff, the exchanges and the National Association of Securities Dealers engage in surveillance of these markets. The Commission brought 11 cases involving market manipulation during fiscal 1983.⁵ Ten such actions were brought in fiscal 1982.

In one case, the Commission alleged that two individuals falsely created an appearance of active trading and raised the price of a security through 20 accounts they maintained with 10 different broker-dealers. In addition, another individual, an investment adviser, was alleged to have sent "Research Report Recommendations" to 5,000 broker-dealers containing untrue statements and projections made without a reasonable basis concerning the issuer's sales, earnings and marketing of new products. During the relevant period, the price per share of the issuer's stock rose from \$4 to \$25. The three defendants allegedly made profits in excess of \$1.75 million for themselves and others through this scheme.

The Commission also alleged in an injunctive action that two Canadian citizens manipulated the price of a stock traded on the Vancouver Stock Exchange and on the National Association of Securities Dealers Automated Quotation System (NASDAQ). The complaint alleged that the defendants induced persons to purchase the issuer's securities on NASDAQ by creating a false impression of the value of the issuer's oil and gas properties and expected returns in a series of press releases, paid advertisements, and reports to shareholders and broker-dealers. The Commission alleged that each of these contained materially false and misleading information. The price of the issuer's common stock rose over 800 percent during the period in question.

Changes in Corporate Control—Sections 13 and 14 of the Exchange Act govern the activities of persons and entities involved in gaining, attempting to gain or maintain control or ownership of a corporation. These provisions govern proxy solicitations and the filing of reports by persons or groups who make a tender offer or acquire beneficial ownership of more than 5 percent of a class of

equity securities registered with the Commission. These requirements are intended to insure that investors have the material information needed to make informed investment or voting decisions. Five enforcement actions were brought in this area during fiscal 1983, while nine were brought in fiscal 1982.⁶

In one case the Commission alleged that two individuals failed to disclose their relationship and activities in connection with a proxy solicitation and their substantial direct or indirect interests in future transactions with the issuer. In another case an individual and a holding company wholly owned by the individual allegedly failed to disclose their total beneficial ownership position and the close relationship and financing arrangement they had with a foreign nation.

Related Party Transactions—Fundamental to the relationship between an investor and management is the expectation that a company's assets will be used for the benefit of the company and not for the personal benefit of its managers. Accordingly, the Commission's rules require disclosure of transactions by companies with management or related parties. In fiscal 1983 the Commission brought five cases in this category.⁷ Four cases were brought in 1982.

In one case the Commission alleged that an issuer failed to disclose certain transactions between it and companies controlled by the Chairman of its Board of Directors and Chief Executive Officer, and his family. These transactions involved fuel purchases with two companies totalling over \$86 million and equipment leasing with another company amounting to between \$100,000 and \$200,000.

Other Developments

Litigation—Most Commission enforcement actions are settled by the defendants or respondents involved without admitting or denying the Commission's allegations of misconduct. However, a number of the Commission's enforcement actions are litigated rather than settled, and vigorous defenses are often conducted.

In order to obtain quick, effective relief to protect the investing public the staff has sometimes asked courts to freeze defendant's assets pending the outcome of litigation. It also is making increased use of motions for summary judgment.

In addition, civil and criminal contempt proceedings are being used more often as a means of assuring continuing compliance with the Federal securities laws. For example, three of the 14 contempt actions commenced during the past year alleged that an issuer had not complied with an injunctive order requiring the filing of delinquent reports. In each case a control person was named in the contempt action, as well as the issuer. Fines of \$1,000 per day were levied against the control persons. The Commission also seeks criminal contempt sanctions in appropriate cases.

In fiscal 1983, the Commission also obtained a court order, under Section 21(e) of the Exchange Act, to enforce an order previously issued by the Commission under Section 15(c)(4). The Commission's order had directed the issuer to comply with the reporting requirements of Section 13(a) of the Exchange Act.

Cooperation With Other Authorities—The Commission has developed a close working relationship with other law enforcement authorities, both in the United

States and abroad. The Commission has assisted, and been assisted by, a number of state criminal prosecutors and securities regulators. It has provided assistance to the Department of Justice and a number of U.S. Attorneys' offices in the prosecution of criminal violations of the Federal securities laws. The Commission also cooperates closely with various self-regulatory organizations, including the National Association of Securities Dealers and the national securities exchanges.

Sources for Further Inquiry—The Commission publishes litigation releases which describe its civil injunctive actions and criminal proceedings involving securities-related violations. Among other things, these releases report the violative conduct that is either alleged by the Commission or the Department of Justice or found by the court, and the disposition or status of the case.

Each of the enforcement actions brought during fiscal 1983 is listed in the Appendix to this report. Appropriate references are made to the litigation releases published in the SEC Docket.

In addition, Commission orders that institute administrative proceedings and provide remedial relief are published in the SEC Docket. The citations to these orders also are noted.

Copies of the SEC Docket may be reviewed at the Commission's headquarters or in a regional office. Further information can be obtained by contacting the Public Reference Branch at (202) 272-7468 or by mail at 450 Fifth Street, N.W., Washington, D.C. 20549.

Full Disclosure System

The Commission's full disclosure system insures that full and accurate material information about publicly traded companies is available to investors. Full disclosure fosters investor confidence, contributes to the maintenance of fair and orderly markets and facilitates capital formation.

Key 1983 Results

The Commission handled 65,550 full disclosure filings in fiscal 1983. Filings which required detailed reviews increased significantly. For example, first-time Securities Act registration statements increased 41% to 1,393; merger proxies increased 29% to 254; and small offerings registered on Form S-18 increased 135% to 501.

Computer-Assisted Operations—Since the advent of the selective review system in 1980 the staff has made increasing use of computers to aid the screening process. All filings are screened to identify those which present significant disclosure issues.

In fiscal 1983, the Commission began development of an electronic filing, processing and information dissemination system.

Projects—The Commission has made substantial progress in its review of the proxy regulations. The objective is to provide more uniform requirements, less duplicative disclosure, and reduced compliance costs (at shareholders' expense) in a manner consistent with investor protection.

The Commission also established the Advisory Committee on Tender Offers which examined the tender offer rules and related regulations and practices and made recommendations to the Commission for rulemaking and legislative changes.

The Proxy Review Program

In fiscal 1983, the Commission continued the major review of the rules and regulations applicable to the proxy solicitation process begun in 1982. The first initiative under the proxy review program was the adoption on December 2, 1982, of a new item governing disclosure of management relationships and transactions in proxy statements, registration statements and periodic reports.⁹ The new item integrates what had been two separate disclosure provisions relating to these matters.

On September 23, 1983, the Commission adopted substantial revisions to the item governing the disclosure of executive compensation.¹⁰ The revised item simplifies the required disclosure by providing that contingent compensation paid within the year is disclosed in the table and stock option and other contingent compensation plans are described in the text, and (1) limiting individual dis-

closure to the five highest paid executive officers whose cash compensation exceeds \$60,000; (2) imposing a disclosure threshold on noncash, nonsecurities compensation; (3) requiring disclosure of cash compensation paid all executive officers, as a group; (4) streamlining disclosure of compensation paid under plans; (5) requiring disclosure of all fees and other compensation paid directors; and (6) requiring disclosure of all plans or arrangements triggered by a change in control of the registrant, a change in a named individual's responsibilities after such event, or the individual's termination of employment.

On July 28, 1983, the Commission adopted a number of rule amendments relating to the process by which companies communicate with the beneficial owners of securities registered in the name of a broker, bank or other nominee.¹¹ The changes originated with recommendations made by the Advisory Committee on Shareholder Communications. These amendments require, among other things, that brokers keep a record of whether customers object to disclosure of their names, addresses and securities positions to the company. If they do not object, companies that request it must be provided with such information. The timetable for dissemination of the proxy materials was also tightened.

In response to comments received on several different proposals for modifications to the shareholder proposal process,¹² in August 1983, the Commission adopted rule revisions that retain the framework of the rule governing shareholder proposals by continuing to allow security holders access to issuers' proxy statements and also by continuing federal regulation of the security holder proposal process.¹³ The revisions change certain requirements, such as those relating to: (1) the amount of securities a shareholder must hold in order to submit a proposal; (2) the number of proposals which he or she may submit; (3) the staff's interpretation of one paragraph of the rule so as not to require inclusion of a proposal relating to a report or committee on a matter involving the registrant's ordinary business; (4) the exclusion of proposals dealing with substantially the same subject matter as proposals submitted in prior years; and (5) the percentage of shareholder support required for inclusion of previously submitted proposals in the current proxy statement.

Tender Offer Advisory Committee

In February 1983, the Chairman appointed the Advisory Committee on Tender Offers to review techniques for acquisition of control of public companies and the laws applicable to such transactions.¹⁴ The Committee members included recognized authorities from the business and financial community, academia and the legal and accounting professions. The Committee was requested to consider the acquisition process in terms of the best interests of all shareholders—those of target, bidder and bystander corporations. The Committee held six public meetings, which included participation by commentators, shareholders, and professionals.

The Committee's final July 8, 1983 report contained 50 recommendations, including:

- uniform treatment of cash and exchange offers;

- revision of regulations to effect more timely reporting of open market purchases resulting in holdings of over 20% of a class of voting securities;
- regulatory disincentives to partial two-tier bids;
- elimination of the requirement that shareholders be permitted to withdraw shares tendered to one bidder upon commencement of a competing bid;
- restrictions on the ability of corporations to adopt certain types of “anti-takeover” provisions;
- shareholder advisory voting requirements for certain corporate actions; and
- restrictions on “golden parachute” agreements (contracts relating to change of control compensation).

A copy of the Committee’s report was furnished to the Senate Banking Committee. The Commission is studying the report, with a view to regulatory and legislative initiatives.

Research Forum

To improve communication between the Commission and various users of corporate full disclosure documents, the Commission initiated the first Research Forum, held on November 17, 1982. Over 40 people representing various types of users of Commission documents, such as securities analysts, institutional investors, investment advisers, rating organizations and shareholder groups, were invited to meet with the Commission and staff. The issues discussed related to the form and content of disclosure documents, including non-financial and financial reporting, and proxy statement disclosure requirements. The Research Forum has resulted in improved communication between the Commission and financial analysts. The Commission anticipates that such forums will be scheduled every other year.

SEC Government-Business Forum on Small Business Capital Formation

The second annual SEC Government-Business Forum on Small Business Capital Formation was conducted during June and July 1983. The Commission was directed to host this annual forum by the Small Business Investment Incentive Act of 1980. Participants included other federal agencies, state securities commissioners and leading small business and professional organizations concerned with capital formation.

Five regional forums were held. Over 125 witnesses made presentations. Although considerable attention was devoted to the difficulties that small businesses encounter in the capital formation process, particularly in the tax area, a much more diverse and numerous set of recommendations evolved out of the 1983 forum. Certain subjects, such as minorities in small business, were focused on for the first time. In November 1983, the final report containing the participants’ recommendations in the areas of securities regulation, taxation, banking, small business credit assistance, minorities and certain other small business concerns was forwarded to Congress.

SEC/NASAA Conference on Federal-State Securities Regulation

The Commission and the North American Securities Administrators Association (NASAA) jointly sponsored a conference in September 1983 to enhance uniformity of securities regulation.

The Commission and NASAA solicited private sector comments and recommendations for increasing the efficiency of securities regulation through enhanced federal-state uniformity. Also, a joint SEC/NASAA panel conducted a day of public hearings on September 12, 1983.

The state securities administrators and senior Commission staff reviewed the public comments and met with those who testified, and members of the self-regulatory organizations. An agenda was prepared of the problems to be addressed by the joint efforts of the SEC and NASAA.

The conference represents the first time the SEC and NASAA have met to consider increasing the efficiency of the dual regulatory process through enhanced cooperation and uniformity. As a result of the conference, permanent coordinating committees at the SEC and NASAA will address the problem areas identified and coordinate rulemaking initiatives.

Actions that the SEC and NASAA plan to take, include: (1) the conformation of state rules to federal registration exemptions; (2) reduction of multiple state filings; and (3) coordination of federal and state enforcement and rulemaking initiatives.

Small Business Rulemaking and Interpretive Initiatives

Simplified Registration Form Amended—On September 23, 1983, the Commission increased the initial public offering limit under the simplified registration statement from \$5 to \$7.5 million.¹⁶ The increase is in part in response to a recommendation of the 1982 SEC Government-Business Forum of Small Business Capital Formation. It adjusts the ceiling for inflation since the short form was adopted four years ago. The Commission intends to study the need and implications of an additional increase in the ceiling.

The Commission also revised, on a conditional basis, the short form disclosure requirements for executive compensation. The revisions conform this form, to the extent appropriate given the size of the issuer and the offerings, to the general disclosure requirements for other Securities registration forms.

Resales—On September 23, 1983, the Commission amended the resale provisions which: (1) define persons deemed not to be underwriters under the Securities Act;¹⁷ and (2) govern resales of securities acquired in certain business combination transactions subject to registration under the Securities Act.¹⁸ The revisions eliminate the requirement that information about the registrant be publicly available for resales by non-affiliated shareholders who have held the securities for at least three years.

Interpretive Advice on Exempt Offers Rules—On March 3, 1983, the Commission published the views of its staff on various interpretive questions regarding the recently-adopted exempt offers rules under the Securities Act.¹⁹ By publishing

the staff's views on frequently-raised questions, the Commission assisted those persons who wish to make exempt offerings in compliance with the new rules. Certain offerings, up to \$5 million to others than the general public, were exempted from registration in fiscal 1982. In fiscal 1983, several states adopted similar exemptions, which were the first joint state and federal registration exemptions. The exemptions for larger private placements were also simplified. In fiscal 1983, over \$20 billion of financings were effected under these new exemptions at substantial savings to issuers.

Electronic Filing

The Chairman has established a staff task force to implement a pilot electronic filing, processing and information dissemination system by the fall of 1984. The objective is to permit investors and securities analysts to access such information on home and office computer screens instantly as it is electronically transmitted to the Commission by issuers. This system will use advanced technology to make the delivery, storage and dissemination of information more efficient and less costly, thereby improving the flow of information to investors and facilitating the work of the Commission's staff.

The Commission has entered into a consulting contract with the not-for-profit MITRE Corporation to study all aspects of the system and to provide assistance in developing the prototype. (See further discussion, p. 49.)

Foreign Securities

On October 28, 1982, the Commission published proposed exemptions of the securities of foreign issuers that have not voluntarily sought entry into U.S. markets from Exchange Act registration.²⁰ The final revision, adopted on October 6, 1983, requires foreign securities to be registered under the Exchange Act in order to be quoted on NASDAQ.²¹ Canadian securities on NASDAQ have until January 1986 to either register or withdraw. Other foreign securities already on NASDAQ were grandfathered indefinitely.

American Depositary Receipts

As part of its comprehensive review of the rules and forms for foreign issuers, the Commission revised the regulation of American Depositary Receipts (ADRs).²² The Commission replaced two forms for registration with a single form that codified unwritten practices and eliminated obsolete provisions. In order to simplify and streamline the registration process, a new rule was adopted allowing certain registration statements to become effective upon filing.

Other Rulemaking Initiatives

Pro Rata Rule—On December 15, 1982, the Commission revised the Exchange Act rules which govern acceptances of securities in oversubscribed tender offers.²³ The revised rule requires pro rata acceptance of securities depos-

ited by each depositor during the entire period the offer remains open. The purpose was to provide security holders adequate time to obtain and respond to such offers.

Shelf Registration—The Securities Act rule which governs the registration of securities to be sold on a delayed or continuous basis was adopted temporarily when the Commission adopted the integrated disclosure system in March 1982.²⁴ The rule was effective until December 31, 1983. Subsequent to its adoption, the Commission conducted public hearings²⁵ and monitored the operation and impact of the rule. In June 1983, the Commission once again solicited public comment in order to afford interested parties the opportunity to provide their views and experience under the rule so that the Commission may consider all views in making its final determination with respect to the rule.²⁶

On November 10, 1983, the Commission adopted a revised shelf registration rule. As revised, the rule is available for traditional shelf offerings and for offerings of securities which may be registered on Form S-3 or F-3, the short form registration statements. Over \$70 billion of debt and \$13 billion of equity offerings have been filed under the shelf rule. Based on an independent economic analysis, the discounted present value of interest saving to corporate debt issuers to date under the shelf rule has been hundreds of millions of dollars.

Electric and Gas Utility Guide—On September 16, 1983, the Commission published for comment proposed amendments to the Electric and Gas Utility Guides under the Securities Act and the Exchange Act.²⁷ The amendments, proposed in response to a rulemaking petition filed by the California Association of Utility Shareholders, would require disclosure by electric and gas utilities of the effects on book value and on an alternatively computed earnings per common share, of the issuance of new equity securities at below book value.

Definitional Rule—On September 23, 1983, the Commission adopted a new rule that defines the terms “earnings statement”, “made generally available to its security holders” and “effective date of the registration statement” for purposes of Section 11(a) of the Securities Act.²⁸ Under the terms of the rule, the information and availability requirements of Section 11(a) can be met by the income statements contained in any one or a combination of a registrant’s Exchange Act filings or reports. The rule is intended to provide clarity and uniformity with respect to these terms by building upon the integrated disclosure system.

Merger Forms—The Commission is completing a review of merger registration statement forms. These forms relate to transactions involving the issuance or exchange of securities under a plan of reclassification, merger, consolidation, acquisition or transfer of assets. The forms can be simplified by building upon the existing short-form merger registration statement and the integrated disclosure system. A release seeking comments on a revised business combination is expected to be published early in 1984.

Accounting Matters

Oversight Activities—Among others, the Commission oversees the accounting profession and the Financial Accounting Standards Board (FASB). The

Commission looks to these private sector bodies to provide leadership in the establishment of requirements that guide the activities of auditors and the standards that govern accounting measurement and financial reporting. This oversight entails frequent staff contact with these private sector organizations and direct staff participation in their meetings, public hearings, and task forces. Such contacts and participation speed referral of problems that emerge from the review of filings made by the Commission's staff. Thus, the Commission continues to fulfill its statutory responsibility in these areas through close oversight of private sector initiatives. However, the Commission remains alert to situations that require prompt attention and takes regulatory action if indicated by the circumstances.

SEC Practice Section—As of June 30, 1983, 426 accounting firms had voluntarily become members of the SEC Practice Section (SECPS) of the American Institute of Certified Public Accountants Division for CPA Firms. These firms audit 85% of all publicly held companies. A SECPS member firm agrees to conduct its public accounting practice in accordance with prescribed standards. Among these are requirements to file annual reports, maintain a system of quality control, and test that system once every three years by submission to an independent peer review.

An independent Public Oversight Board (POB) oversees and annually reports on the SECPS. In its report dated June 30, 1983, the POB concluded that the peer review and special investigative processes have reduced the number of audit failures by fostering and improving quality control systems of firms belonging to the Division.²⁹ The Commission agrees with the POB's assessment of the peer review process and strongly encourages all accounting firms that audit publicly held companies to participate in this self-regulatory program.

(1) *Peer Review*—Last year, the Commission reported that, for the first time, its staff had reviewed a sample of the working papers underlying peer reviews under the terms of an "access" arrangement reached by the SECPS and the Commission. This review, combined with the staff's review of the POB's oversight files, enabled the Commission to determine that it can rely to a great extent on the POB's oversight function in fulfilling its own oversight responsibilities.

Similar reviews were performed in 1983 and the Commission continues to believe that this important aspect of the accounting profession's self-regulatory initiative is functioning adequately. The Commission intends to continue its practice of directly monitoring the peer review process by means of the access arrangement. Access to the peer review working papers enhances the Commission's ability to evaluate the peer review process and the POB's oversight of that process.

The SECPS adopted certain procedural changes to the peer review process. The new procedures require peer reviewers to consult immediately with the Peer Review Committee when they discover materially substandard performance, establish deadlines enforceable with sanctions to ensure timely submission of peer review reports, and provide more guidance for the selection for review of audit work performed by other offices for the office primarily responsible for the overall engagement. These changes are responsive to situations encountered during the peer review process and in many instances incorporate suggestions made by the

POB and SEC staffs.

(2) *Special Investigative Process*—In its 1982 Annual Report to Congress, the Commission stated that it “has no basis for reaching any conclusion” about the special investigative process, and “believes that visible evidence as to specific activities is critical to demonstrate to the public the effectiveness of this aspect of the profession’s self-regulation.”³⁰ This continues to be the case.

The Commission can express no conclusions on the process or on the POB’s oversight of that process because very little information about the special investigative activities is available to it. The public is also unable to evaluate that process. The SECPS will not be widely recognized as a credible self-regulatory body unless more specific information about the activities of the special investigative process becomes public.

In addition to urging the SECPS to publicize its disciplinary activities to a greater extent, the Commission also believes the SECPS should revise the requirements for reporting cases to it. Presently, member firms only need to report allegations of audit deficiencies relating to SEC registrants. The Special Investigations Committee (SIC) should look into, and member firms should report, all cases which have generated significant public interest and involve allegations of audit failure.

FASB Activities—While the FASB has continued to perform satisfactorily on most matters, the Commission continues to be disappointed with the absence of significant progress on the Conceptual Framework Project. A description of this Project and certain technical agenda items follow.

(1) *Conceptual Framework*—An exposure draft of a concepts statement on reporting income, cash flows, and financial position was issued in November 1981. Based on review of the comments on the exposure draft, the FASB determined to delay the issuance of the concepts statement until further progress was made on the recognition and measurement phases of the project. In the interim, the staff of the FASB is reviewing the reporting of cash flows in 1982 annual reports. More recently, the FASB decided to consider the measurement, recognition and financial statement display issues concurrently. The Commission believes that it is important for the FASB to expedite development of the concepts underlying the reporting of relevant cash flow information.

The accounting recognition and measurement phases of the project deal with initial recognition of, subsequent changes in, and the appropriate measurement of the asset, liability and equity elements in financial statements. Failure to resolve the measurement issue has delayed this phase significantly and raised considerable doubt about the ultimate success of the Conceptual Framework Project.

The most immediate result of the FASB’s inability to reach hard decisions in this Project is that the resolution of emerging accounting problems is hampered because the underpinnings for resolving those problems have not been decided in the framework project. Furthermore, the FASB may be unable to point to a clear basis for its decision when dealing with a specific issue, and thus will be subject to criticism on all controversial projects. The lack of a conceptual framework makes it difficult to predict the FASB’s decisions on basic issues. Although establishment of a conceptual framework will not eliminate all controversy or

uncertainty, it should assist the FASB and others in reaching decisions and also result in a better understanding of the FASB's decision-making process.

(2) *Financial Reporting Practices for Oil and Gas Producers*—In December 1982, the Commission amended its rules to require presentation of supplemental oil and gas disclosures specified in FASB Statement 69.³¹ This action was consistent with the Commission's policy of deleting its rules whenever they become unnecessary due to actions of the private sector.

(3) *Timely Guidance on Emerging Accounting Issues*—Attention has recently been focused on the FASB's role in the area of providing timely guidance on emerging accounting issues. A report on the operating efficiency of the FASB, issued in August 1982 by a committee of the Financial Accounting Foundation, its oversight body, recommended, among other things, that "the FASB should develop a plan . . . to provide timely guidance regarding the implementation of standards and for implementation questions and emerging issues."³² The FASB formed a task force to study the recommendation and provide advice as to an appropriate response. In July 1983, the task force issued its report after evaluating the comment letters received in response to an FASB Invitation to Comment on this matter. The report recommends that the FASB could improve the provision of timely guidance by: (1) broadening the scope of FASB technical bulletins (which are issued by the FASB staff without formal deliberation by FASB members and without the lengthy due process procedures required of FASB statements or interpretations); and (2) establishing an advisory group to assist the FASB in identifying financial reporting issues. The FASB is presently considering the report and any new procedures that might be necessary to implement the recommendations of the task force.

Prompt implementation of these recommendations would materially aid public (and private) companies to make appropriate decisions for financial reporting. Because of the SEC staff's need to resolve accounting and disclosure questions for particular companies, the Commission will always be involved in emerging problems. Nonetheless, the Commission believes that the FASB can and should have a greater presence in the resolution of emerging accounting issues.

(4) *Accounting for Pensions*—The FASB's current project on employers' accounting for pensions addresses a very significant financial reporting matter that needs to be resolved. In its *Preliminary Views* document, the FASB proposed significant changes in the way companies account for pensions. Under this proposal, employers would be required to use a single actuarial method to compute annual pension expense under defined benefit plans. Where plan benefits measured under this single method exceed the plan's net assets, companies would report a net pension liability on their balance sheets. Conversely, where the plan's net assets exceed plan benefits measured by this single actuarial method, a net pension asset would be reported. The FASB's tentative conclusions on this matter have generated a great deal of interest and controversy in the business community. While there is lack of agreement as to the appropriate resolution of this matter, there clearly exists an urgent need for more comparable reporting of pension costs and liabilities. The FASB's leadership role in establishing accounting standards is being tested by this issue.

(5) *Other Projects*—Other important items on the FASB’s agenda include consolidations and the equity method of accounting, accounting for income taxes as well as some narrow emerging practice problems. The Commission concurs with the FASB’s decision to address these issues and is particularly hopeful that determinations made in the consolidations project will help resolve many of the emerging accounting issues encountered by registrants and their accountants in this area.

International Accounting and Reporting—The disclosure of information by multinational enterprises continues to be of interest to a variety of user groups, including investors, creditors, governments and employee organizations. A number of regional and international bodies continue to devote substantial time and resources to improving the quality of the information included in general purpose reports.

The Commission monitors certain activities of several regional and international standard setting bodies, including those of the European Economic Community, the International Accounting Standards Committee and the International Federation of Accountants. While not a direct participant in such activities, the Commission is interested in and supportive of the development of international standards of accounting and auditing. Some degree of standardization of such requirements would provide more useful and understandable information for investors and other users of financial reports and lessen differences between the reporting requirements applicable to domestic and foreign private issuers which register securities with the Commission.

In addition to monitoring developments in international accounting and reporting, the Commission’s Office of the Chief Accountant maintains communications with various national and international standard-setting bodies and comments on the proposed standards of such bodies from time to time. A staff member from the Office of the Chief Accountant serves as an expert advisor on the United States delegations to the regular meetings of working groups on international accounting and reporting standards established by the United Nations and the Organization for Economic Cooperation and Development. While the Commission recognizes that the harmonization of accounting and reporting standards is a long term process, it is hoped and expected that these efforts will continue and favorably affect the efficiency of the world’s capital markets.

Accounting-Related Rules and Interpretations—The Commission’s principal accounting requirements are embodied in Regulation S-X which governs the form and content of, and requirements for, financial statements filed under the Federal securities laws. The Commission also publicizes its views on various accounting and financial reporting matters in Financial Reporting Releases (FRRs). Accounting and Auditing Enforcement Releases (AAERs) are issued to announce the Commission’s enforcement activities that involve accounting and auditing matters. In addition, the Commission’s staff periodically issues Staff Accounting Bulletins (SABs) as a means of informing the financial community of its views on accounting and disclosure issues.³³

The Commission’s accounting-related rules and interpretations serve primarily to supplement generally accepted accounting principles (GAAP), as established

by the private sector, by addressing those areas which are unique to Commission filings or where GAAP is not explicit. The Commission continually evaluates its requirements as the private sector changes financial reporting standards, and modifies or eliminates those requirements which become unnecessary. To the extent that the FASB and the AICPA accelerate their efforts to enhance financial reporting, the Commission should be able to place more reliance on private sector standards.

Sunset Review—During the past year, the Commission devoted substantial resources to complete its comprehensive review of existing accounting-related rules and interpretations. The objective of this review was to ensure that the Commission's requirements remain necessary and cost-effective in today's environment and that they contribute to the usefulness of financial reporting without imposing unjustified burdens on registrants. Some specific actions in this area are discussed below.

(1) *Regulation S-X*—During the fiscal year, the Commission adopted revised rules regarding financial statement requirements for investment companies and bank holding companies.³⁴ That action substantially completed the project, initiated in 1980, to establish uniform requirements applicable to virtually all filings with the Commission as well as annual reports to security holders.

During the fiscal year, the Commission also revised its requirements regarding independence of accountants,³⁵ and its full cost accounting rules for determining when it is appropriate for oil and gas producers to exclude costs from immediate amortization.³⁶

(2) *Financial Reporting Requirements for Banks and Bank Holding Companies*—In addition to revising the financial statement requirements contained in Regulation S-X, the Commission and its staff undertook a number of other initiatives involving financial reporting requirements for banks and bank holding companies. In October 1982, the Commission issued SAB 49 (later supplemented by SAB 49A) regarding disclosures by bank holding companies about loans in countries that are experiencing liquidity problems. Also discussed was the related need to provide additional disclosures about restructurings of existing debt or funding of additional borrowings in these countries. The staff also issued SAB 50 in March 1983 to express its view as to the appropriate financial statement and industry guide disclosures in filings involving formation of a one bank holding company. In August 1983, the Commission authorized the issuance of revised staff guidelines for disclosures by bank holding companies about nonaccrual, past due and restructured loans; potential problem loans; foreign outstandings; and loan concentrations.³⁷ Because of close cooperation with the Federal banking agencies, the amended guidelines relating to the presentation of information about nonaccrual, past due and restructured loans and foreign outstandings by bank holding companies are consistent with comparable rules applicable to banks in reports filed with the banking agencies.

(3) *Accounting for Computer Software Development Costs*—In August 1983, the Commission announced a moratorium on the practice of capitalization of costs of internally developed computer software for sale or lease to others.³⁸ The Commission imposed this moratorium in order to prevent further divergence in

accounting for these costs. The prohibition of capitalization does not apply to companies which had disclosed a capitalization practice before April 14, 1983. This moratorium will automatically be rescinded concurrent with the effective date of a final FASB pronouncement providing specific accounting guidance on this issue.

Regulation of the Securities Markets

Key 1983 Results

Rapid expansion of new financial products and enhancement to automated securities trading characterized the securities markets during fiscal 1983, while the Commission continued with its cost savings initiatives. The over-the-counter market and the stock exchanges were linked for the first time through the Inter-market Trading System (ITS), furthering progress toward a national market system. Legislation initiated by the Commission and signed into law this year ended the Commission's duplicative program for directly regulating those over-the-counter broker-dealers who are not members of a national securities association (formerly called "SECO" brokers) by requiring them to join an association. The range of approved option products expanded to include options on stock indices and options on certificates of deposit.

The level of activity for processing of broker-dealer reports increased during fiscal 1983. There were 7,067 broker-dealer reports processed, compared to 6,599 and 6,106 in fiscal years 1982 and 1981, respectively.

The Commission adopted rule amendments in the trading practice area designed to enhance the depth and liquidity of the over-the-counter market by reducing restrictions on market-making activity before a distribution of securities. This terminated a 20-year-old program of regulating most purchases by issuers of their own securities.

In the reporting area, the Commission eliminated a requirement that broker-dealers send immediate confirmations of transactions in shares of certain money market funds, resulting in an estimated cost savings of \$35 million to the industry and fund shareholders. The Commission rescinded the requirement that broker-dealers file reports concerning stabilizing activities, saving the industry approximately \$3 million annually.

The Commission's approval of a set of rule changes requiring certain financial institutions to confirm, affirm, and settle trades through the facilities of registered securities depositories, should reduce settlement costs by hundreds of millions of dollars annually. The Commission also approved changes to the formulas for determining participants' contributions to the Options Clearing Corporation clearing fund, thus freeing up more than \$300 million in capital.

New transfer agent rules were approved that establish minimum standards and reporting requirements regarding records of security holders and safeguarding of funds and securities used in performing transfer agent functions. And, in its efforts to facilitate the broker-dealer examination program conducted by the self-regulatory organizations (SROs), the Commission granted the SROs access to computer software for monitoring customer accounts.

Securities Markets, Facilities, and Trading

The National Market System (NMS)—The Commission permitted operation, on an indefinite basis, of the Intermarket Trading System (ITS),³⁹ which is run by seven national securities exchanges and the National Association of Securities Dealers, Inc. (NASD), and of the Cincinnati Stock Exchange's National Securities Trading System (NSTS).⁴⁰ Through its Directorate of Economic and Policy Analysis and Office of the Chief Economist, the Commission continued monitoring trading in Rule 19c-3 securities (*i.e.* securities not subject to exchange off-board trading restrictions) through the automated interface between ITS and the NASD's Computer Assisted Execution System (CAES).⁴¹

In adopting Rule 19c-3, the Commission established a program to monitor the extent of Rule 19c-3 trading and its impact on the market performance of Rule 19c-3 securities. To date, no favorable or adverse effects on the markets for securities traded under Rule 19c-3 have been found. The volume in Rule 19c-3 eligible securities, as a percentage of composite volume executed in the over-the-counter market, has declined substantially in the past year. The same is true for Rule 19c-3 eligible securities traded through the automated interface between ITS and CAES.

Monitoring of the ITS showed that it has become a major trading facility that increases intermarket competition and improves customers' orders.⁴² Monitoring the National Securities Trading System of the Cincinnati Stock Exchange showed that the system provided its users with an effective and efficient mechanism for executing orders and attracting order flow in the eligible securities.

The Commission also deferred action on a repropoed order exposure rule that would apply to Rule 19c-3 securities traded through the ITS/CAES interface. The Commission believes that absent evidence of need, and considering the small amount of over-the-counter trading in these securities, there is insufficient justification for imposing the costs associated with the rule.⁴²

By the end of 1983 over 700 actively-traded OTC securities had been designated as national market system (NMS) securities under Rule 11Aa2-1.⁴³ That rule requires transactions in NMS Securities to be reported in a real-time system which, the Commission believes, increases market efficiency and improves execution of customer's orders.

National System for the Clearance and Settlement of Securities Transactions—The Commission proposed Rule 17Ad-14 that would require registered transfer agents acting as tender agents for bidders during tender offers to establish accounts with registered securities depositories to permit book-entry delivery of tendered securities,⁴⁴ for an anticipated annual saving to brokers and agent banks of over \$350 million.

The Commission approved rule changes proposed by five registered securities exchanges and the NASD requiring certain financial institutions to confirm, affirm, and settle institutional trades through the facilities of registered securities depositories. These rule changes will substantially reduce settlement costs for those institutions.⁴⁵ The Commission also approved a proposal submitted by the Midwest Securities Trust Company that modernizes the settlement of municipal

securities transactions.⁴⁶

Options—During fiscal year 1983, new legislation clarified the Commission's regulatory responsibility regarding options and futures.⁴⁷ Under that authority, the Commission approved the issuance and trading of 23 new products including options on stock market indices,⁴⁸ foreign currencies,⁴⁹ U.S. Treasury securities,⁵⁰ Government National Mortgage Association securities⁵¹ and certificates of deposit.⁵² The Commission also raised no objection to the issuance of futures on a number of stock indices. Trading has not begun on all approved options and futures.

Market Manipulation—On March 22, 1983, the Commission adopted amendments to Exchange Act Rule 10b-6. The rule governs trading in securities by persons participating in a distribution of those securities.⁵³ The amendments: (1) defined the term "distribution" for purposes of the rule; (2) codified existing staff positions concerning some of the exceptions to the rule; (3) relaxed the prohibitions of the rule to permit participants in a distribution of certain securities and issuers of those securities to continue purchasing such securities until two business days before the commencement of the sales of the securities being distributed; and (4) excepted non-convertible investment grade debt and preferred securities from the rule. Simultaneously, the Commission adopted an amendment to Exchange Act Rule 10b-8 that extended the scope of the rule to cover purchasing activity by broker-dealers who act as "standby underwriters" in connection with a call for redemption by an issuer of its convertible securities.

Issuer Repurchases—On November 30, 1982, the Commission adopted Exchange Act Rule 10b-18.⁵⁴ The rule regulates purchases of an issuer's securities by or on behalf of an issuer and certain other persons. The rule provides a "safe harbor" from liability under the anti-manipulative provisions of Section 9(a)(2) of the Exchange Act and Rule 10b-5 under the Exchange Act for issuer repurchases complying with specified time, price, and volume limitations.

Issuer Tender Offers—On August 2, 1983, the Commission adopted amendments to Exchange Act Rule 13e-4,⁵⁵ which regulates cash tender offers and exchange offers by issuers for their equity securities. The amendments exempt from the Rule's application tender offers by issuers to purchase shares from security holders, excluding participants in employee or shareholder stock purchase plans, who own less than 100 shares. A companion amendment to Exchange Act Rule 13e-3 was also adopted.

Stabilization Reports—On September 7, 1983, the Commission amended Exchange Act Rules 17a-2 and 10b-7 and rescinded related Rule X-17a-1.⁵⁶ The effect of the change is to eliminate the requirement that underwriting syndicate members file a report with the Commission of all of their transactions in a stabilized security. Instead, the manager of an underwriting syndicate is now required to maintain, in a separate file, records of only stabilizing transactions by the syndicate.

Publication of Quotations by Broker-Dealers—On April 26, 1983, the Commission published for comment amendments to Exchange Act Rule 15c2-11.⁵⁷ The rule generally requires that a broker-dealer have certain information concerning an issuer before initiating quotations on the issuer's securities. The proposed

amendments would require broker-dealers to maintain information with respect to additional categories of issuers and would broaden the types of quotations to which the rule would apply. The Commission also announced its intention to review the rule in its entirety.

Exemption from Short Sale Rule—On September 27, 1983, the Commission published for comment an amendment to Exchange Act Rule 10a-1, the short sale rule.⁵⁸ If adopted, the amendment would permit a broker-dealer selling a security acquired in the capacity of a block positioner to ignore, for purposes of compliance with the “tick” provisions of the rule, a hedged short position in that security arising from arbitrage or hedging activities. The amendment is designed to facilitate block positioning.

Regulation of Brokers, Dealers, Municipal Securities Dealers, and Transfer Agents

Broker-Dealer and Transfer Agent Examinations—In fiscal 1983, the number of completed field examinations of broker-dealers was 11% less than the previous year because the Commission had fewer examiners and some of them were redeployed to handle widespread problems related to the “hot issue” market. Nevertheless, the Commission continued to emphasize improved efficiency, thoroughness, and overall quality of regional office examinations, particularly oversight examinations of SRO member firms. Also, one particular oversight examination found that an SRO had failed to discover fraudulent activities at one firm involving approximately \$40 million. Consequently, the firm was placed in Securities Investor Protection Corporation (SIPC) liquidation, and the firm’s principal officer was barred from the securities business, indicted and sentenced to 25 years in prison.

Refinements were made to the computerized Customer Account Statement Evaluation System (CASE), which permits more rapid analysis of activity in customer accounts and contributes to increased examiner productivity and effectiveness. Further, the Commission granted SRO access to the CASE program for use in their examinations.

During the fiscal year, the staff reviewed approximately 165 transfer agent examinations performed by the regional offices and the federal bank regulators and 796 regional office broker-dealer examinations in order to identify any novel or unique national concerns and to assist in promoting better regional office examination programs.

Securities Confirmations—On April 18, 1983, the Commission approved amendments to Rule 10b-10, the customer confirmation rule. The amendments allow use of monthly confirmations as a limited exception from the immediate delivery requirements of the rule for transactions in shares of those investment companies usually referred to as money market funds. This exception is expected to save the securities industry about \$35 million annually. The amendments also require disclosure of yield and call features in transactions in debt securities, except municipal securities.⁵⁹

Fingerprinting—The Commission amended Rule 17f-2 to reduce the cost of,

and to simplify the procedures for, requesting certain exemptions from the fingerprinting requirements under the Exchange Act.⁶⁰

Transfer Agent Regulation—The Commission adopted rules establishing uniform minimum standards for registered transfer agents. The rules ensure the prompt and accurate creation and maintenance of issuer security holder records and the safeguarding of funds and securities in the possession or control of transfer agents.⁶¹

Oversight of Self-Regulatory Organizations

National Securities Exchanges—As of September 30, 1983, ten exchanges were registered with the Commission as national securities exchanges.⁶² During the fiscal year the Commission granted applications by exchanges to delist 44 equity and 12 debt issues, and granted applications by issuers requesting withdrawal from listing and registration for 22 equity and 10 debt issues. In addition, during the fiscal year the Commission granted 775 applications by exchanges for unlisted trading privileges.

The exchanges reported to the Commission 475 final disciplinary actions imposing a variety of sanctions upon member firms and their employees. This contrasts to 334 final disciplinary actions in fiscal 1982.

During the fiscal year, the Commission received 194 proposed rule changes from exchanges. Among the significant rule filings approved by the Commission were: (1) amendments to the Philadelphia Stock Exchange's by-laws and rules relating to disciplinary procedures;⁶³ (2) amendments to the American Stock Exchange, Inc. (Amex) listing standards;⁶⁴ and (3) amendments to the New York Stock Exchange, Inc.'s (NYSE) Constitution limiting the number of NYSE physical access memberships to 24.⁶⁵

During the fiscal year, the Commission amended Rule 6a-2 and Form 1 and 1-A under the Exchange Act regarding the form of applications for registration as a national securities exchange and of periodic amendments to an exchange's registration statement.⁶⁶

Allocation of Regulatory Responsibilities—On September 8, 1983, the Commission approved a plan filed jointly by seven SROs: the Amex, Chicago Board Options Exchange, Inc. (CBOE), Midwest Stock Exchange, Inc. (MSE), NASD, NYSE, Pacific Stock Exchange, Inc. (PSE), and Philadelphia Stock Exchange, Inc. (Phlx). The plan allocates regulatory responsibility for certain option-related sales practice matters with respect to broker-dealers which are members of more than one participating SRO. It is designed to reduce regulatory duplication.

National Association of Securities Dealers, Inc.—The NASD, which has 4,232 members, is the only national securities association registered with the Commission. At the close of the fiscal year, the NASD reported to the Commission the disposition of approximately 227 significant disciplinary actions and 100 summary actions by the NASDAQ Trading Committee, as compared with approximately 429 and 248 a year earlier. In addition, the Commission received from the NASD 17 filings of proposed rule changes, down 1 from 1982.

Under the amendments to the Exchange Act, the Commission's SECO pro-

gram terminated on December 6, 1983.⁶⁷ The NASD has cooperated with the Commission to phase out the SECO program and has submitted a number of rule filings to permit the conversion of SECO members to NASD members.⁶⁸

Clearing Agencies—The Commission granted full registration to nine clearing agencies under Sections 17A and 19 of the Exchange Act.⁶⁹ The Commission also extended the temporary registration of two clearing agencies until September 30, 1984.⁷⁰

Surveillance and Compliance Inspections—During the fiscal year, the staff conducted 18 inspections of SRO market surveillance, disciplinary, compliance and operational programs. When notified of the inspection findings, each SRO took steps to respond to staff recommendations.

During 1983, the staff focused several of its surveillance inspections on the adequacy of transaction audit trails. Through a series of special inspections, the staff monitored the NYSE's progress in developing its equity audit trail. In June 1983, the NYSE and member firms completed systems and procedural modifications to use the comparison process to collect and pass through to the exchange essential audit trail data elements. An inspection of the CBOE found that surveillance for intramarket and intermarket violations at the exchange would be enhanced greatly by an automated options audit trail. Also, an inspection of the NASD's program for surveillance of securities quoted in NASDAQ disclosed significant deficiencies caused largely by the NASD's inability to capture and use for automated surveillance certain detailed information on individual trades. Accordingly, the Commission recommended that the NASD create an adequate audit trail for transactions in all NASDAQ stocks.

In addition, the staff inspected the NASD's enforcement of its standards for inclusion of securities in NASDAQ. While the inspection disclosed that the NASD had improved its tracking of issuers' compliance with qualifications standards, it also disclosed that the NASD had not verified the accuracy of issuers' financial filings. The Commission recommended that the NASD hire additional staff to perform routine analyses of these filings. In addition, the staff completed an inspection of the CSE which was prompted by the CSE's request for permanent approval of its National Securities Trading System (NSTS). The inspection disclosed no major problems with the CSE's operational surveillance programs which would prevent the Commission's permanent approval of the NSTS.

Also during 1983, the staff conducted a series of inspections to examine the exchanges' capability to detect certain intermarket trading violations. A comparative study of surveillance techniques to detect stock/option manipulation discovered certain surveillance weaknesses at each of the options exchanges. A staff review of the treatment of frontrunning violations by the options exchanges, conducted in conjunction with a joint SRO task force, discovered variations in SRO interpretations of the frontrunning prohibition. Finally, several limited inspections of SRO trading programs for options on debt instruments and foreign currency disclosed that surveillance capability for these new products appeared adequate in light of the low trading volume.

At the end of the fiscal year, five surveillance inspections were in progress: Amex disciplinary program, BSE surveillance and operational programs, PSE

stock and options surveillance programs, and the MSE surveillance program.

The staff conducted an inspection of the NYSE to evaluate the exchange's handling of margin maintenance violations at a member firm. As a result, the staff recommended the adoption of procedures to assure the prompt abatement of margin violations by member firms and to assure a more thorough sales practices review. The staff also conducted an inspection of the NYSE concerning routine examinations of member firms and began an inspection of the NASD Central Registration Depository. These inspections were in progress at the end of the fiscal year.

SIPC Assessment—On May 1, 1983, SIPC reimposed its assessment on member broker-dealers at the annual rate of one-fourth of 1% of aggregate gross revenues from the securities business. The renewed assessment on gross revenues followed SIPC's notification to the Commission that the SIPC fund had fallen below the statutory minimum of \$150 million on April 13, 1983. This is the first time that the fund dropped below the statutory minimum since that level was achieved in 1977.

The Commission did not disapprove two SIPC bylaw amendments relating to the SIPC assessment. On April 29, 1983, the Commission considered, and did not disapprove, SIPC's requested change in the instructions of the SIPC assessment forms permitting SIPC members a deduction from "gross revenues" of 40% of the interest earned on customers' securities accounts. On August 11, 1983, the Commission considered, and did not disapprove, SIPC's request that, in computing "gross revenues" for assessment purposes, SIPC members be allowed to net all interest expense in connection with repurchase agreements and securities borrowing activities against the interest income generated by such transactions.

Clearing Agencies—During fiscal year 1983, the Commission approved many proposed rule changes reducing clearing costs and refining clearing agency systems for controlling financial exposure. For example, the Commission permitted the Options Clearing Corporation to accept letters of credit issued by foreign-based banks to secure participants' margin obligations⁷¹ and to modify the formulas for calculating participants' contributions to the clearing fund, thereby freeing up three hundred million dollars in capital.⁷²

Applications for Re-Entry—During the fiscal year, the Division of Market Regulation received 80 applications to permit persons subject to statutory disqualifications, as defined in Section 3(a)(39) of the Exchange Act, to become associated with broker-dealers. The following SROs filed applications: NASD-49; NYSE-22; Amex-6; CBOE-2; and MSE-1. Six of the 80 applications were subsequently withdrawn, 64 were processed and 10 were pending at year end.

Market Oversight and Surveillance System—The Market Oversight and Surveillance System (MOSS) was initiated on a pilot basis in 1980. It is designed to automate the Commission's surveillance and oversight capabilities. In August 1981, at the Commission's initiative, the SROs submitted a proposal for an SRO intermarket surveillance program, to which the Commission would have ready access. The SRO program, when fully implemented, should result in significantly enhanced intermarket surveillance. Therefore, the Commission has deferred ma-

for enhancement of MOSS pending implementation and evaluation of the SRO program, in the interest of avoiding unnecessary costs and duplication.

During fiscal year 1983, the staff refined and expanded the oversight and research capabilities of MOSS. During this period, the SROs made significant progress towards the implementation of their program. Under the requirement in the Congressional budget authorization for MOSS, the Commission submitted reports to Congress on the MOSS project on April 1, 1983 and October 1, 1983, which provide greater detail on MOSS and the SRO project.

Municipal Securities Rulemaking Board—As in the case of the NASD, the Commission reviews proposed rule changes of the Municipal Securities Rulemaking Board (MSRB). During the last nine months of the fiscal year, the MSRB filed 13 proposed rule changes.

A number of these proposed rule changes revised the content of inter-dealer and customer confirmations. These changes were necessitated by the Tax Equity and Fiscal Responsibility Act of 1982, which provided that municipal securities be issued in registered form to maintain their tax exempt status, and by the advent of new products, such as the zero coupon bond, which require additional disclosure on the confirmation.⁷³

Investment Companies and Advisers

Key 1983 Results

Despite budgetary constraints and personnel reductions, as a result of increasing productivity, during fiscal 1983 the Commission completed a record 1,085 examinations of investment companies and investment advisers, an increase over the 1,065 inspections conducted in fiscal 1982. In addition, through its examination program, the Commission recovered \$5.1 million during the year which was returned to investment company shareholders and investment advisory clients.

The number of registered investment companies and investment advisers increased significantly during fiscal 1983: 12% in the case of investment companies and 34% for investment advisers. In anticipation of continued growth in the industry and in the complexity of financial products, the Commission initiated a program to increase the number and effectiveness of investment company and investment adviser examinations to be conducted in future years. Existing examination procedures will be streamlined through increased use of computers for developing priorities, scheduling examinations and analyzing collected information. These changes will improve the cost-effectiveness of the inspection program without reducing investor protections.

Office of Regulatory Policy

Early in fiscal 1983, the Investment Company Act Study Group and the Investment Advisers Act Study Group were combined to form the Office of Regulatory Policy. This office is responsible for the Division of Investment Management's ongoing review of the Investment Company Act of 1940 (Investment Company Act), the Investment Advisers Act of 1940 (Advisers Act), and the rules, regulations and administrative practices adopted under those Acts. The objective is to alleviate regulatory burdens imposed upon investment companies and investment advisers without reducing investor protection. During fiscal 1983, the Office responded to recent market and industry trends by examining and proposing several significant deregulatory initiatives.

On the Office's recommendation, the Commission issued two advance concept releases during the fiscal year. The first requested comment on alternatives for mutual fund governance.⁷⁴ The second requested comment on alternatives for the establishment of a self-regulatory organization to conduct investment company inspections.⁷⁵ The Commission also proposed, at the recommendation of the Office, Rule 22d-6 under the Investment Company Act that would permit investment companies to sell redeemable securities at prices that reflect different sales loads.⁷⁶ Also, the Commission proposed Rule 205-3 under the Advisers Act that would permit registered investment advisers to charge certain financially sophisticated clients advisory fees that are based upon capital gains.⁷⁷

The Commission adopted an amended registration form for investment advisers, thereby reducing their compliance burden.⁷⁸

Disclosure Study

The Division established a Disclosure Study Group in fiscal 1979 to undertake a thorough review of the disclosure requirements for investment companies under the Securities Act of 1933 (Securities Act) and the Investment Company Act.

During fiscal 1983, upon the recommendation of the Study Group, the Commission adopted a new registration form under the Securities and Investment Company Acts for all open-end management investment companies other than insurance company separate accounts.⁷⁹ The new form, Form N-1A, establishes a two-part format for disclosure to investors. The first part is a shortened and simplified prospectus that may be used to satisfy the delivery requirements of the Securities Act. The second is a "Statement of Additional Information" that is available to investors upon request, without charge.

The Commission also adopted temporary amendments to Rule 482 under the Securities Act.⁸⁰ The temporary amendments permit mutual funds to mail advertisements in the form of an "omitting prospectus" directly to investors. Money market mutual funds are permitted to include in such advertisements an effective yield comparable to the compound interest rates advertised by banking institutions.

Insurance Products

During fiscal 1983, the Commission took action on three exemptive rules relating to variable annuity contracts. These initiatives were designed to eliminate the many individual exemptive applications under the Investment Company Act filed by insurance company separate accounts offering variable annuity contracts. The rules codify the standards that the Commission has developed in connection with certain routine applications for exemption.

On October 18, 1982, the Commission proposed Rule 6c-7 and amended Rule 14a-2 under the Act.⁸¹ Proposed Rule 6c-7 would provide separate accounts with exemptive relief to permit them to comply with applicable Texas law in the sale of variable annuity contracts to certain employees of Texas institutions of higher education. Amended Rule 14a-2 expands the availability of existing relief from the Investment Company Act's minimum net worth requirement. On July 28, 1983, the Commission adopted Rule 11a-2 under the Investment Company Act⁸² which eliminates the need for separate accounts to obtain individual orders of the Commission approving the terms of certain routine exchange offers. Rule 6c-8, adopted on the same day,⁸³ eliminates the need for individual orders of the Commission permitting separate accounts to impose a deferred sales load on their variable annuity contracts and to deduct a full annual fee for administrative services in certain instances.

Significant Applications and Interpretations

Fidelity Fund, Inc.—During fiscal 1983, the Division approved requests by the

Fidelity and Federated groups of investment companies to effect certain types of securities transactions with affiliated banks. Such transactions included purchases and sales of municipal securities as well as purchases of certificates of deposit and repurchase agreements issued by certain of the affiliated banks. Exemptive relief was particularly important for those funds that are designed for institutional investors or as "private label" funds sold exclusively to the customers of a single bank. In both situations, securities trading by the Fidelity and Federated funds with those affiliated banks would have been prohibited by the Investment Company Act without Commission approval. This would have had the effect of depriving the entire Fidelity and Federated groups of needed portfolio management flexibility.

American Property Mortgage, Inc.—The Division processed an application of American Property Mortgage, Inc., for a Commission order under Section 17 of the Investment Company Act and Rule 17d-1 thereunder, which limit transactions between registered investment companies and their affiliates. This application concerned the organization of a closed-end investment company, Tax Exempt Equity Fund, Inc., which proposed to offer investors a new type of investment opportunity. Under the proposed arrangement, proceeds from the sale of shares of the fund would be used to purchase tax-exempt, industrial development bonds from municipalities. The proceeds of the bond sales would be loaned by the municipalities to companies jointly owned by the fund and an affiliate of the fund's investment adviser, which would use the loans to purchase and develop commercial real estate projects for lease to qualified tenants. The applicant represented that Fund shareholders would benefit from this arrangement by receiving not only a return of principal and tax-exempt interest, but also a share of the residual value of the real estate projects after the 20 year life of the bonds. The Division, under delegated authority, issued a notice of the filing of this application on July 29, 1983.

Venture Capital—During the fiscal year, the Division facilitated the operations of venture capital companies, including business development companies (BDCs), by granting them various types of exemptive relief under the Investment Company and Advisers Acts. For example, orders were issued to Allied Capital Corporation and to Narragansett Capital Corporation to allow those companies to pass the Section 18(k) exclusion from the 300% asset coverage test of Section 18(a) of the Investment Company Act (concerning indebtedness of small business investment companies) through to the companies' parents. In addition, the Division issued an order to Allied Capital to allow that company, which does not meet the definitional requirements of a BDC under the Investment Company Act, to engage in certain joint transactions under Section 17 of the Act with downstream affiliates on a basis comparable to that of a BDC. Furthermore, the Division issued an order to Narragansett to allow it to issue stock options so that it can attract and retain qualified managerial talent. While meeting the definitional requirements of a BDC under the Act, Narragansett, for tax reasons, has not elected to register as a BDC. Finally, the Division issued an order to Merrill Lynch Venture Partners I to permit that company to engage in certain parallel investments with affiliates.

Repurchase Agreements—Upon the Division's recommendation, the Commission issued an interpretive release revising the Division's position concerning the basis on which mutual funds should enter into repurchase agreements (repos). Issuance of the release was precipitated, in part, by a finding of the Office of the General Counsel that a fund that enters into a repo may be exposed to the risk that it will be unable to liquidate immediately the "collateral" underlying the repo if the issuing party initiates bankruptcy proceedings. The Division advised that, pending either judicial or legislative resolution of the uncertainty regarding the status of repos under the Bankruptcy Code, issuance of a new interpretive release⁸⁴ would be appropriate to ensure that investment companies will avoid entering into repo transactions with parties that present a serious risk of becoming bankrupt. The interpretive release announced: (1) that the Division was modifying a prior "no-action" position by requiring that mutual fund boards of directors evaluate the creditworthiness of the brokers or dealers with which their funds propose to enter into repos; and (2) the Division's position that directors of money market funds using the amortized cost or pennyrounding valuation methods under a Commission order or Rule 2a-7 are required to evaluate the creditworthiness of all entities with which they propose to enter into repos.

Peavey Commodity Funds, I, II and III—On May 2, 1983, the staff advised Peavey Funds I, II and III that, as long as they did not invest in securities, the staff would not recommend any enforcement action if the funds invested primarily in futures contracts and other specified forms of options without registering as investment companies. This action was taken in light of the jurisdictional accord between the Commission and the Commodity Futures Trading Commission. The staff said it would treat a fund as being primarily engaged in investing in futures contracts and other specified forms of options, if investing in such interests is its primary source of gains and risks, even if the fund's assets consist mostly of Government securities.

Institutional Disclosure Program

Section 13(f)(5) of the Exchange Act requires certain "institutional investment managers" to file reports on Form 13F on a calendar quarterly basis. Managers required to file 13F reports disclose certain equity holdings of the accounts over which they exercise investment discretion. In fiscal 1983, Form 13F reports were filed on behalf of 1,050 managers for holdings totalling \$703 billion.

Form 13F reports are available to the public at the Commission's Public Reference Room promptly after filing. Two tabulations of the information contained in Form 13F reports are also available for inspection at the Public Reference Room. The first of these tabulations includes a listing, arranged according to the individual security, showing the number of shares held and the name of the money manager reporting the holding. The second tabulation is a summary listing showing the number of shares of a security reported by all institutional investment managers filing reports. Both tabulations normally are available 10-14 days after the deadline for filing Form 13F, which is 45 days following the close of the calendar quarter.

Both tabulations are produced by an independent contractor selected through the competitive bidding process. The contractor provides its services to the Commission without charge, and is required to make a variety of specified tabulations available to the public at reasonable prices within ten days after receipt of the reports.

Other Litigation and Legal Work

The General Counsel represents the Commission in all litigation in the United States Supreme Court and the courts of appeals, defends the Commission and its employees when they are sued, prosecutes administrative proceedings under Rule 2(e), and appears *amicus curiae* on behalf of the Commission in significant private litigation under the Federal securities laws. In this litigation, the General Counsel seeks to insure that the objectives of the Commission's enforcement program are attained, that judicial interpretations of the Federal securities laws afford adequate protection to investors, and that the Commission is able to discharge its statutory responsibilities, unimpeded by law suits against the agency or its staff.

In fiscal year 1983 the Division of Corporate Regulation represented the Commission in court appearances in corporate reorganizations where there was a substantial public investor interest.

Key 1983 Results

The General Counsel represented the Commission in 239 litigation matters during the past fiscal year, many of which are still pending. Forty-four appellate and Supreme Court cases were concluded, 38 favorably to the Commission. There were 52 appellate cases before the Supreme Court and Federal courts of appeals in which a party subject to a Commission injunctive action challenged the lower court's resolution of the case in a manner favorable to the Commission or, much less frequently, the Commission challenged an adverse decision. Of these appeals, 16 were concluded, with only two outcomes unfavorable to the Commission. The foregoing compares with the following cases in fiscal 1982: a total of 251 matters, of which 62 were appellate cases in which a party subject to Commission injunctive action challenged the lower court's resolution of the case in a manner favorable to the Commission, or the Commission challenged an adverse decision. Of those appellate cases 34 were concluded, two of which were unfavorable to the Commission.

There were also 19 appellate actions seeking to overturn Commission orders, primarily those issued in Commission administrative proceedings or those affirming self-regulatory organization disciplinary proceedings against broker-dealers. Thirteen of these appeals were concluded, with only one adverse result. In fiscal year 1982, there were 38 such actions.

In 53 cases during the year (compared to 58 such instances in fiscal year 1982) Commission participation as a friend of the court in litigation conducted by private parties was considered in order to afford the court the benefit of the Commission's views on significant questions of concern to the Commission. Amicus briefs were filed, and 13 private cases in which the Commission participated were concluded. Only one of these resulted in a decision adverse to the

views which the Commission advocated.

In addition, the General Counsel handled more than 115 other proceedings before the Commission or in the Federal trial courts, compared to 90 in fiscal year 1982. These included 35 suits brought against the Commissioners or the Commission's staff, and 46 suits, including actions under the various public information statutes, seeking access to Commission documents. In fiscal year 1982, there were 23 suits brought against the Commissioners or the Commission's staff, and 19 suits under the various public information statutes.

During the fiscal year, 79 debtors with publicly issued securities outstanding entered Chapter 11 reorganizations. The Division of Corporate Regulation entered its appearance in 15 of these cases, with assets of \$1.9 billion and about 75,000 public investors.

Litigation

Appeals in Commission Injunctive Actions—This litigation consists primarily of appeals in which a defendant attempts to reverse a trial court's entry of an injunction. Occasionally, however, the Commission appeals the denial of injunctive relief. These appeals frequently raise highly significant issues concerning the scope and interpretation of the securities laws.

One case which was litigated during the fiscal year raised the constitutionality of enjoining an investment adviser from publishing a newsletter recommending securities investments.⁸⁵ The defendant in that case had been criminally convicted of fraud and misappropriation of customers' funds, and the Commission therefore barred him from the investment advisory industry. Notwithstanding the bar, the district court, on First Amendment grounds, refused to issue an injunction against further newsletter publication. On appeal, the Commission asserted that investment advisory newsletters constitute commercial speech which may be subject to a greater degree of regulation than political or ideological speech. The Commission further urged that, because of the delicate fiduciary relationship between an investment adviser and his client, there is need to protect the public by barring unfit persons. (On January 18, 1984, the court of appeals reversed the opinion of the district court.)

The standard for obtaining injunctive relief against future violations of the securities laws is a frequent subject of appeals in Commission enforcement actions. This year the Commission appealed the refusal of a district court to enjoin a defendant whom that court found to have violated antifraud, reporting and proxy provisions of the securities laws.⁸⁶ The Commission maintained that, in declining to grant an injunction, the court erroneously afforded undue weight to a single factor—whether the defendant's occupation at the time of trial provided an opportunity to commit future violations. The Commission urged that, consistent with investor protection, the proper analysis requires consideration of various factors, including the egregious nature of the defendant's past violations, not merely current occupation.

In another case, the Commission successfully resisted an attempt to vacate a consent injunction entered in 1976.⁸⁷ In the defendant's appeal from the district

court's refusal to vacate the injunction, the court of appeals relied on the district court's findings that there was no harm to the defendant flowing from the decree and that the injunction continued to protect investors. The court of appeals recognized that "significant governmental interests" were involved in efforts to vacate consent decrees, noting that consent injunctions allow the Commission to secure the protections of an injunction while preserving its own, and judicial, resources. In exchange for the defendant's consent, the Commission surrenders its right to the entry of findings of fact. The court of appeals was "reluctant to upset this balance of advantages and disadvantages" by dissolving consent injunctions, "unless it is clearly inequitable for the decree to continue in effect."⁸⁸

Petitions to Review Commission Orders—Petitions to review Commission orders arise from Commission administrative proceedings and from Commission orders on review of disciplinary action by national securities exchanges and the National Association of Securities Dealers, Inc. Like appeals in injunctive actions, these administrative cases frequently involve issues central to the Commission's enforcement program and thus to the integrity of the securities markets. In one such case, the court of appeals upheld Commission sanctions imposed on a securities salesman based on findings that, without disclosure to his customers, the salesman charged excessive markups and illegally sold unregistered securities.⁸⁹ In another case, the court of appeals affirmed the Commission's determination that a broker introducing accounts to a clearing broker has a duty to disclose material information concerning the credit-worthiness of its customers.⁹⁰

Commission Participation In Private Litigation—The Commission also participates as a friend of the court in private litigation which raises significant securities laws issues or other issues of concern to the Commission. Private actions serve to supplement the Commission's own enforcement program, deterring violations as well as affording relief to injured investors. Also, because the Federal securities laws provide for both governmental enforcement actions and private remedies, decisions in private cases which interpret provisions of those laws may have precedential effect in Commission enforcement actions.

Early in 1983, the Supreme Court adopted the position urged by the Commission in a case which concerned the relation between the express and implied remedies available to investors under the Federal securities laws (*Herman & McLean v. Huddleston*).⁹¹ In a strongly worded opinion, the Supreme Court emphasized the remedial purposes of the securities laws and the necessity of construing them broadly to protect investors. Consistent with this analysis, the Court held that the availability of the express remedy for falsehoods in registration statements in Section 11 of the Securities Act does not prevent defrauded purchasers from suing under Exchange Act Rule 10b-5 as well. The Supreme Court also agreed with the Commission that the standard of proof in private antifraud cases is a preponderance of the evidence, not the more stringent clear and convincing evidence standard.

At the request of the Supreme Court, the Commission also filed a brief in response to a petition for review of *Walck v. American Stock Exchange* in which the court of appeals had held that private parties cannot seek damages from a

stock exchange under Section 6 of the Exchange Act for failure to enforce its rules.⁹² The Commission's brief disagreed with the conclusion of the court of appeals, pointing out that an implied right of action against exchanges is well-recognized and that the existence of such a right is important to investor protection. The Commission stated, however, that review should not be granted because of the limited precedential value of the case, which interpreted the language of Section 6 prior to its amendment in 1975. Consistent with the Commission's recommendation, the Supreme Court denied review.

In 1983, the Commission participated in several private actions which considered the scope of the term "security." In two such cases, the Commission disagreed with lower court decisions requiring instruments that come within the term "note" in the definition of "security" also to meet the test for "investment contract," another term in the definition, in order to qualify as securities.⁹³ In briefs filed in these cases, the Commission expressed concern that the exclusive use of the investment contract test for determining whether instruments are securities would restrict the coverage of the securities laws and limit investor protection.

In another case raising this basic jurisdictional issue, the Commission argued that time deposits issued to persons in the United States by a foreign bank are securities if issued in investment—as distinguished from commercial—transactions.⁹⁴ The Commission argued that, merely because the foreign issuer is a bank, the securities laws should not be construed to deny United States residents protection; where instruments, unregulated by Federal banking agencies, are offered to the general public as investments, the securities laws should apply.

The Commission also urged in several cases that shareholders and their companies can sue for injunctive and other equitable relief to enforce Section 13(d) of the Exchange Act.⁹⁵ That provision requires persons who acquire more than 5% of the securities of an issuer, and thus could potentially effect changes in corporate control, to disclose their holdings and certain other information to the investing public. In one such case, the Court of Appeals for the Seventh Circuit ruled, in accordance with the Commission's position, that such a right of action is consistent with congressional intent.⁹⁶ Other cases raising this issue are pending.

Litigation Involving Trading On Nonpublic Information—Trading on the basis of material nonpublic information—a practice which impairs confidence in the integrity of the securities markets—has been the subject of a number of recent cases. Last year, in *Dirks v. SEC*, the Supreme Court set aside the Commission's censure of an officer of a securities brokerage firm who had conveyed adverse nonpublic information received from officers and employees of a corporation to potential sellers.⁹⁷ This conduct caused institutions to sell \$17 million of securities to public investors who did not know that the securities were in fact virtually worthless. The decision strongly reaffirmed that both insider and tippee trading on the basis of nonpublic, material information is prohibited under the Federal securities laws. But the Supreme Court rejected the Commission's theory that a corporate outsider assumes the fiduciary duties of his inside sources by receiving confidential corporate information from them. However, the Court stated that outsiders can acquire a duty to disclose or abstain from trading in

several situations. First, outsiders may become fiduciaries of the shareholders when they receive confidential information solely for a corporate purpose. Second, outsiders acquire derivatively the fiduciary duties of their inside sources when they obtain confidential corporate information from insiders who transmit it with the expectation of direct or indirect personal benefit, or make a gift of the confidential information to the recipient.

Following the Supreme Court's ruling in that case, the Commission successfully opposed the Supreme Court review in *United States v. Newman*, in which the defendant had been criminally convicted for trading on confidential information concerning possible takeovers. His confederates misappropriated the information from their employer, investment banking firms, and their clients.⁹⁸ The defendant purchased securities of the companies that were the subject of the proposed takeovers and, after the stock rose as a result of announcement of the takeovers, sold at a profit. The court of appeals held that the proscriptions of the antifraud provisions are not limited to situations where the fraud is perpetrated on the purchaser or seller of securities.⁹⁹ The defendant's subsequent petition for Supreme Court review argued that the misappropriation by the defendant and his confederates did not give rise to liability under the securities laws, but involved only the breach of state law contractual or fiduciary obligations. The government, in response, emphasized the broad, remedial nature of the antifraud provisions, the nexus between the fraud and the defendant's purchase and sale of securities, and the fact that the misappropriated information concerned proposed purchases of securities by clients of the investment bankers.

The Commission also filed a friend of the court brief in a related private action for damages. The plaintiff in that case sold shares of a target company on the same day that the criminal defendant purchased the securities.¹⁰⁰ The district court dismissed the complaint on the ground that any duty owed to the investment banking firms and their clients did not give rise to a separate duty to the target company's shareholders. In its brief, the Commission recognized that persons who gain superior market information by reason of acumen, industry, or intelligence owe no disclosure duty to those with whom they trade. The Commission argued that, nonetheless, a person who purchases securities on the basis of nonpublic information which he knows to have been misappropriated, owes a duty of disclosure to the selling shareholders—independent of any other relationship. Otherwise, the Commission argued, the law would encourage theft of information. The court of appeals rejected the Commission's position, commenting that such a holding would grant a private plaintiff a "windfall."¹⁰¹ In so doing, the court of appeals distinguished its earlier decision in the criminal case: the critical defendants traded on the basis of misappropriated information, in violation of duties owed to their employers and the firms' clients; the defendants did not, however, violate any duty owed to persons, like the plaintiff, with whom they traded in the market.

Commission Action Under Rule 2(e)—Under Rule 2(e) of its Rules of Practice,¹⁰² the Commission may suspend or bar professionals (generally lawyers and accountants) from practicing before it if they have violated the Federal securities laws or engaged in unethical professional conduct in their Commission

practice. Accountants and lawyers play a critical role in the disclosure of information to the investing public. The Commission relies on the integrity of these professionals, and the ability to bar those who have engaged in misconduct is necessary to protect the Commission's internal processes.

In the last year, Rule 2(e) proceedings were instituted against one lawyer, five individual accountants, and one accounting firm. In all but one of these proceedings the respondents agreed to suspensions from practice before the Commission for varying lengths of time. Before these professionals may be readmitted to practice, they must demonstrate that they have undertaken further professional education and that they will be subject to adequate supervision. The remaining matter was pending before an administrative law judge at the close of the fiscal year. During the year, the Commission readmitted two attorneys to practice before it.

Litigation Involving Requests For Access To Commission Records—In fiscal 1983, the Commission received 1,424 requests under the Freedom of Information Act (FOIA) for access to Commission records. The majority of these requests were for investigatory files. At the same time, the Commission received 1,392 requests for confidential treatment from persons who submitted information. The foregoing compares with 1,420 FOIA requests and 939 confidentiality requests in fiscal 1982.

Despite the large number of requests handled by the Commission's FOIA office, only 129 requesters appealed the denial of FOIA requests to the Commission's General Counsel, who has been delegated authority to decide such appeals.¹⁰³ Additionally, 20 of the confidential treatment requesters filed appeals. Notwithstanding the number of FOIA/confidential treatment appeals decided, only three court actions were filed against the Commission in 1983. Two of these actions were settled,¹⁰⁴ and in the third the court upheld the Commission's denial of access to the documents sought.¹⁰⁵

Litigation Against The Commission And Its Staff—During fiscal year 1983, the Commission and its staff members were defendants in 12 district court actions in which persons sought to enjoin Commission law enforcement efforts or to obtain damage awards against the staff. In each case the action was dismissed or the Commission's motion for summary judgment granted. Eight appeals from district court decisions dismissing such actions were taken during the year. Four of these were decided favorably,¹⁰⁶ the other four are still pending,¹⁰⁷ although one of those resulted in an unfavorable court of appeals decision.¹⁰⁸ (On December 2, 1983, one of the pending cases was decided favorably to the Commission.)

In *O'Brien v. SEC*,¹⁰⁹ the Court of Appeals for the Ninth Circuit held that, absent special circumstances, the Commission must notify "targets" of its non-public investigations whenever it issues subpoenas to third parties. This notice requirement could substantially impede the Commission's ability to conduct investigations by providing targets of investigations with prior notice of all witnesses who are subpoenaed. They would thus be enabled to either attempt to influence the witness not to cooperate or to file court actions challenging the Commission's subpoenas. Indeed, since *O'Brien*, the Commission has defended three lawsuits brought by subjects of Commission investigations to enforce their

"O'Brien rights."¹¹⁰ The Commission has successfully defended two of these actions.¹¹¹ Because of the far-reaching ramifications of *O'Brien* on the Commission's investigatory powers, the Commission has petitioned for review of this decision in the Supreme Court. (The Supreme Court granted the Commission's petition for a writ of certiorari on January 9, 1984.)

In addition, five actions were filed under the Right to Financial Privacy Act involving 16 Commission subpoenas for customer records from financial institutions. In each case, the district court found that the Commission was properly seeking the subpoenaed records and enforced the Commission's subpoena.

Significant Legislation

Financial Services Industry—Vice President Bush's Task Group and Glass-Steagall Legislation—During fiscal year 1983, the Chairman participated as a member of the Vice President's Task Group on Regulation of Financial Services. The Task Group resulted in part from the Commission's proposal that a one-year task force be formed to review the regulatory structure for the securities, banking, thrift and insurance industries; that financial services be regulated by functional activities rather than by outmoded industry classification; that overlapping, duplicative and conflicting regulatory activities be consolidated; and that excessive regulations within and between agencies be eliminated.

Of the many significant proposals under the Task Group's consideration at year end, two of the most relevant to investors were: repeal of the current exemptions in the Securities Act for registration of securities issued by banks and savings and loan associations; and transfer to the SEC of administration of the periodic reporting, proxy solicitation, and shortswing profits provisions of the Act as they relate to such institutions. These proposals would consolidate within the Commission administration of securities disclosure requirements for banks and savings and loan associations. It would result in more uniform financial disclosure to public shareholders and securities analysts, facilitating evaluation of comparative investment risks. Delays in conforming regulations governing bank and savings and loan association filings with those applicable to all other issues would be eliminated and duplication of agency staff requirements in establishing, interpreting, processing, and enforcing securities disclosure requirements would be reduced. The Commission would become the repository for filings of all publicly-held banks, savings and loan associations, and holding companies, as it is for all other publicly-owned companies.

The Task Group is expected to make recommendations concerning the future regulatory structure for the financial services industry early in 1984.

The Commission also continued to support legislative efforts to revise the Glass-Steagall and McFadden Acts in order to reflect the contemporary financial services marketplace. The Commission has supported legislative efforts that would allow bank and thrift holding companies to sponsor mutual funds and underwrite municipal revenue bonds if these activities are carried out by separate corporate affiliates subject to the Federal securities laws.

Mortgage-Related Securities—In the closing weeks of fiscal 1983, the Com-

mission prepared and submitted comments to Congress on legislation to facilitate development of the private secondary mortgage market. The legislation seeks to expand substantially the role of the private sector in providing home buyers with mortgage credit supplied by investors. Significant shifts in sources of housing capital from the savings and loan and banking industries to the investor community have occurred since the mid-1970s. The Commission staff provided technical assistance in drafting the two bills introduced in the Senate.

Public Utility Holding Company Act—Two bills proposing modification of the Holding Company Act were introduced in the 98th Congress. Generally, these bills would create additional exemptions from the Act and remove some of the regulatory controls on holding company system financing and diversification. The Commission testified in support of the objectives of these bills.

Regulatory Reform—In testimony before a congressional subcommittee in July 1983, the Commission stated that it has, to the extent practicable, voluntarily incorporated cost-benefit analysis into its rulemaking proceedings. The Commission suggested that Congress, in examining proposals for regulatory reform, consider the cumulative impact on agencies, and the benefits to the public, of existing procedural statutes.

Insider Trading Sanctions Act—As proposed by the Commission and passed by the House on September 19, 1983, the Insider Trading Sanctions Act would authorize the Commission to seek a civil penalty of up to three times the profit gained or loss avoided as a result of insider trading transactions. The Commission's authority to obtain injunctive and other equitable relief against such conduct would not be affected. The bill would also increase the current maximum fine of \$10,000 (established in 1934) for a criminal violation of the Act to \$100,000 and would amend Section 15(c)(4) of the Exchange Act to permit administrative proceedings to remedy violations of Section 14 of that Act. At the close of the fiscal year, the bill was pending in the Senate.

Corporate Reorganizations

Reorganization proceedings, administered in the United States courts, are commenced by a debtor or by its creditors. In a reorganization under Chapter 11 of the Bankruptcy Code, a debtor usually continues to operate under the court's protection while it attempts to rehabilitate its business and work out a plan to pay its debts. On the average, about 70 companies with publicly held securities file for Chapter 11 relief each year. Reorganization plans often provide for the issuance to creditors and shareholders of new securities which may be exempt from registration under the Securities Act of 1933.

Under the Bankruptcy Code, the Commission may enter its appearance and raise, or present its views on, any issue in a Chapter 11 case. Although Chapter 11 relief is available to businesses of all sizes, the Commission generally limits its participation to cases in which a substantial public investor interest is involved. The Commission acts to protect the rights of those investors and to render independent, expert assistance to the courts and parties in these complex proceedings.

During the fiscal year, 79 debtors with publicly issued securities outstanding

entered Chapter 11 reorganization proceedings. The Commission entered its appearance in 15 of these cases, with aggregate assets of \$1.9 billion and about 75,000 public investors. A list of these proceedings is set forth in Table 38 in the Appendix to this Report. In these cases, and in those pending from prior years, the Commission presented its views on a variety of issues including: (1) the need for appointment of additional committees to represent classes of public debt holders or equity security holders; (2) the debtor's operations, including proposed sales of major assets; (3) the need for appointment of a trustee to direct the debtor's affairs or an examiner to conduct an investigation; (4) questions concerning the status and rights of the securities held by public investors, the classification of their claims, and proposed treatment in reorganization plans; (5) the adequacy of the disclosure statements required to be transmitted to creditors and investors when their votes on a plan are being solicited; (6) the reasonableness of fees sought by counsel and other professionals; and (7) interpretive questions concerning the applicability of the securities laws to bankruptcy proceedings.

During the fiscal year, the commission moved, or supported others' motions, for the appointment of committees to represent investors in six Chapter 11 cases involving about 90,000 investors. Committees were appointed in all but one of these cases.

On proof of past mismanagement, the Commission successfully moved for the appointment of a trustee to direct the reorganization of a debtor with \$50 million of claims held by 6,000 investors. The Commission also supported successful motions to appoint a trustee in three other cases. The Commission moved for the appointment of an examiner to investigate the debtor's affairs in two cases; one motion was denied and the other is still pending.

During the past year, the Commission reviewed 22 disclosure statements for plans in 16 cases, filing objections asserting that, without certain specified amendments, the statements were either misleading or lacked sufficient information to enable a typical investor to make an informed judgment about the plan. In virtually all instances the plan proponents corrected the deficiencies voluntarily or after the Commission's objections were sustained by the court.

The Commission was also successful in its objection to full payments in applications for interim allowances filed by professionals. As a result of the Commission's efforts, courts have adhered to the longstanding policy of granting interim allowances that were less than the full amount claimed. Generally the award was limited to about 75% of the requested amount.

(After the end of the fiscal year the Commission reviewed its statutory responsibilities under the Bankruptcy Code and adopted a series of recommendations made by Commissioner Bevis Longstreth after a lengthy study of the Commission's role in reorganization proceedings. A significant recommendation adopted was the revocation of all delegated authority to the staff in this area and the requirement that the Commission authorize all participation in and substantive positions taken in such cases. The Commission transferred management of the program from the Division of Corporate Regulation to the Office of the General Counsel.

Although, the Commission voted to reorient its priorities in appearing and

participating in Chapter 11 cases involving public investor interest, many aspects of the Commission's involvement in Chapter 11 cases will not be changed. The new focus of the Commission's bankruptcy program rests on three major premises: First, so long as public security holders are adequately represented through the committee process, there is less need for day-to-day Commission participation in reorganization cases; second, the Commission should work even more closely with United States Trustees and should support expansion of the United States Trustee pilot program; and third, the Commission should exercise caution to avoid partisan involvement in negotiations for a plan to reorganize the company. Based on these conclusions, the Commission determined that, as a general matter, the focus of its participation in Chapter 11 cases should principally be on legal and policy issues which are of concern to public investors generally and which may have an impact beyond the facts of the particular case. By so concentrating its efforts the Commission will be better able to participate in those Chapter 11 cases entailing significant investor interest. The Commission will, of course, continue to address matters of traditional Commission expertise and interest relating to securities—for example, by commenting, where appropriate, on the adequacy of reorganization plan disclosure statements and by participating where there is a Commission law enforcement interest. In addition, where special circumstances warrant, the Commission may participate on matters which do not meet these criteria.

The Commission will be participating in Chapter 11 cases in support of the formation of security holder committees in order to ensure that public investors are adequately represented and will be monitoring cases having significant public investor interest in order to identify issues of Commission concern.)

Public Utility Holding Companies

Composition

Under the Public Utility Holding Company Act of 1935 (Holding Company Act), the Commission regulates interstate public utility holding company systems in the electric utility business or in the retail distribution of gas. The Commission's jurisdiction also covers natural gas pipeline companies and nonutility companies within a registered holding company system.

There are presently 13 holding companies registered with the Commission. As of June 30, 1983, their total assets were \$66.1 billion, representing an increase of \$3.1 billion over the previous 12 month period. Total operating revenues, as of June 30, 1983, were \$31.3 billion, a \$1.3 billion increase over the previous year. In the 13 systems, there are 66 electric and/or gas utility subsidiaries, 65 nonutility subsidiaries and 19 inactive companies, for a total of 163 system companies (including the parent companies but excluding 7 power supply company subsidiaries). Table 32 in the Appendix lists the systems and Table 33 lists their aggregate assets and operating revenues.

Proposed Legislation

Two bills proposing modifications of the Holding Company Act were introduced in the 98th Congress. The bills would create additional exemptions from the Act, permit diversification of registered holding companies into non-functionally related businesses, and change the standards under which financings are approved. The Commission has testified in favor of the legislation.

Financing

During fiscal year 1983, the Commission approved approximately \$4.5 billion of senior securities and common stock financing for the 13 registered holding company systems. Of this amount, approximately \$3.9 billion was long-term debt financing, \$5.1 billion was short-term debt financing and \$421 million was pollution control financing. The short-term debt amounted to approximately 17 percent more than the authorized amount in fiscal year 1982. Table 34 in the Appendix presents the amount and types of securities issued by the holding company systems under the Holding Company Act.

On September 2, 1982, the Commission authorized securities issuers to adopt alternative procedures, other than those prescribed in Rule 50(b) of the Holding Company Act, to develop and procure two or more competitive offers for securities. This step was taken in conjunction with the extension of Rule 415 under the Securities Act of 1933 and applies only to offers which have been authorized for sale by the Commission under Sections 6 and 7 of the Holding Company Act.

During fiscal year 1983, the following companies filed applications for approval to sell preferred stock with an adjustable dividend rate: New England Power Company,¹¹² Central Power and Light Company,¹¹³ West Texas Utilities Company,¹¹⁴ The Connecticut Light and Power Company (CL&P),¹¹⁵ and Mississippi Power & Light Company.¹¹⁶ The basic terms of the security were similar in each case. The dividend rate for the initial dividend period is a fixed percentage. Thereafter, the rate is adjustable each dividend period and is determined on the basis of a certain percentage above or below a variable index. Typically, there is a predetermined maximum and minimum percentage rate limit on the variable rate with a maximum permissible spread of 500 basis points between such limits.

The Commission authorized Georgia Power Company¹¹⁷ and the CL&P,¹¹⁸ utility subsidiaries of registered holding company systems, to organize new, wholly-owned financing subsidiaries to borrow for the utilities in the Eurodollar market. The financing subsidiaries will be organized in the Netherlands Antilles. Their purpose is to take advantage of alternatives and cost savings in the Eurodollar market which may be unavailable in the domestic market. In the case of CL&P, the financing subsidiary has been authorized to sell intermediate term debentures and to make the proceeds available to the utility.

The Commission also authorized CL&P to negotiate an interest rate swap.¹¹⁹ This is a type of hedging agreement for the purpose of effectively converting variable rate debt into fixed rate debt. Under such an agreement, CL&P, which has variable rate debt, would be contractually obligated to make fixed rate payments to a financial institution. The financial institution would, in turn, make variable rate payments to CL&P.

Nonutility Subsidiary Matters

The Commission authorized Central and South West Corporation (CSW) to organize and finance a new, nonutility subsidiary.¹²⁰ The primary business of the subsidiary will be to invest and participate in qualifying cogeneration facilities and in small power production facilities, as defined by the Public Utility Regulatory Policies Act of 1978. Cogeneration is a form of power production in which both usable heat, usually in the form of steam, and electricity are produced in the same process. CSW intends to commit up to \$50 million toward the activities of the new subsidiary which will invest with nonaffiliated companies, directly and indirectly, in cogeneration projects located in the CSW system service area. Sales of electric power from any project will be made to CSW system companies or to nonaffiliated, nonutility companies.

Fuel Programs and Service Companies

During fiscal year 1983, the Commission authorized over \$823.4 million for fuel exploration and development activities of the holding company systems. Since 1971, the Commission has authorized over \$6.6 billion for such expenditures (see Tables 36 and 37 in the Appendix to this Report).

At the end of calendar year 1982, there were 12 subsidiary service companies providing managerial, accounting, administrative and engineering service to 11 of

the 13 holding companies registered under the Holding Company Act. The billings for these services amounted to \$1.073 billion or 3.49 percent of the total revenues generated by the electric and gas operating utilities. The subsidiary service companies are heavily labor-intensive, employing over 16,790 people, and have assets of over \$474 million. Table 35 in the Appendix lists the subsidiary service companies along with the total billings, total assets, total personnel, and number of operating utility companies served.

The Commission's examination of service company and fuel procurement activities has resulted in savings to consumers during the fiscal year of approximately \$12.3 million.

Management, Economic Analysis and Program Support

Key Management and Program Developments

The Commission's effectiveness has been due in part to its flexibility and innovation in the face of a changing operating environment. In this tradition, fiscal 1983 was marked by a number of significant initiatives to improve the management, operational efficiency, and analytical resources of the Commission. The Commission took steps to upgrade its computer and data processing capabilities. Increased emphasis was placed upon economic analysis and statistical research.

The most noteworthy management initiative was the Productivity Innovation by Computer (PIC) effort. PIC is a comprehensive, five-year program that will implement a full range of technological applications to increase productivity in the Commission's regulation, enforcement and management functions.

Despite government-wide budgetary restraints and unprecedented growth and change in the securities markets, PIC will improve the Commission's productivity.

The Commission plans to commence a pilot electronic filing, processing and information dissemination system in 1984. The objective is to automate registration and reporting by public companies and regulated entities and to make such information instantly accessible to investors and securities analysts on home and office computer screens. Industrywide application is intended to coordinate with the growth of home computers from 5 million today to over 50 million within five years. The first steps were in fiscal 1983. A staff task force has been formed and the Commission has let a contract to the MITRE Corporation to perform the technical requirements analysis. Optical scanning equipment is being tested and pilot operations are being planned within the Division of Corporation Finance (see p. 13).

The PIC initiative also involves efforts to improve and consolidate the Commission's existing management and analytical systems. A number of the Commission's support offices were modernized in 1983.

The Office of the Executive Director conducted management reviews in support of the Division of Investment Management and the New York Regional Office. The recommendations implemented are designed to improve managerial effectiveness and increase productivity. Management reviews of the Office of the General Counsel and the Administrative Law Judges are scheduled for completion early in fiscal 1984.

The Office of the Executive Director also performed a cost/benefit analysis of the Market Oversight and Surveillance System, an assessment of the Commission's fee structure, and an evaluation of staff productivity.

In October 1982, the Commission sponsored a conference on major issues confronting the nation's financial institutions and markets in the 1980s. The con-

ference was attended by over 500 business and government leaders. Some of the recommendations have been implemented and others are in process.

Two members of the Commission's corps of senior executives were honored with Presidential rank awards. Lee B. Spencer, Director of the Division of Corporation Finance, was designated the rank of Distinguished Executive, the highest award given to a Federal employee. Robert H. Davenport, Regional Administrator of the Denver Regional Office, was awarded the rank of Meritorious Executive.

Economic Research and Statistics

The economic research and statistics program provides an objective perspective of the Commission's regulatory activities. This task is carried out by the Office of the Chief Economist and the Directorate of Economic and Policy Analysis.

The program provides the Commission with economic advice and research studies on rule proposals, established policy and the capital markets. In addition, it encompasses statistical monitoring and publication of the SEC's *Monthly Statistical Review*.

To the extent practical, cost-benefit analyses are intended to ensure that the Commission's rules and regulations are cost effective. The Commission is committed to reducing regulatory burdens in a manner consistent with investor protection.

The rapid erosion of boundaries between segments of the financial service industry, and the dramatic increase in new financial products and services have increased the need to assess and respond to changing economic and market conditions.

Economic research projects completed during fiscal 1983 include: the shelf registration rule, linkage of exchange and over-the-counter securities trading, revision of broker-dealer net capital requirements, and aspects of tender offers.

The staff analyzed the impact of the temporary shelf registration rule on issuers' interest and underwriting expenses, identifying substantial savings which were a factor in the Commission's decision to adopt a revised rule on a permanent basis.

The effects of over-the-counter trading in exchange listed securities (under Rule 19c-3) were carefully monitored. These studies indicated that linkage neither improved nor hurt the market in these securities, which was a factor in the Commission's decision to defer action on an order exposure rule.

Studies of the effects of updating broker-dealer net capital requirements disclosed that over \$500 million of the industry's capital had been freed up for more productive employment for the benefit of investors and issuers. This additional capital facilitated the industry's ability to handle the significant increase in the volume of trading and financings in fiscal 1983.

During the fiscal year the Commission published a Staff Report on the Securities Industry. The report provides a comprehensive analysis of the financial condition of 2,500 NASD and exchange members which conducted a public business as broker-dealers. The following are a few of the report's highlights:

- The 10 largest investment banking houses were the outstanding clearing and carrying firms during 1981; their pre-tax income increased by 36% to over \$870

million.

- Pre-tax income of the 11 national full line broker-dealers fell 28% from a record level of \$798 million the previous year.
- Interest revenues from margin lending, U.S. government securities trading, and repurchase agreements increased but did not offset declines in commission revenue, commodities revenue, and gains from trading equities and options.

An analysis of the growth of output and productivity in the U.S. and Japanese manufacturing sectors demonstrated that capital formation is the main determinant of differences in rates of growth and output per worker-hour in these two countries.

In recent years, the U.S. has experienced a significant increase in the number and size of tender offers. One of the most widely publicized corporate takeover contests involved the Bendix Corporation, Martin Marietta Corporation, United Technologies Corporation and Allied Corporation. A detailed analysis of the effects of this contest upon the shareholders of the four companies concluded that they were not adversely affected.

During fiscal 1983 advice was given to the operating divisions on the requirements of the Regulatory Flexibility Act, particularly, the economic effects of proposed rules and alternatives for reducing regulatory burdens on small business entities.

Information Systems Management

Under the PIC initiative, a number of automated systems have been implemented that have resulted in immediate cost savings and improved internal controls. During fiscal 1983, the use of microcomputers was expanded to each of the regional offices and nearly 800 staff members were trained in the usage of these machines. Using this capability, a computerized data base for broker-dealer customer accounts was compiled. The availability of these data will aid in expediting broker-dealer examinations and enforcement investigations. Software was also developed which will enable the Commission to maintain up-to-date registration data on broker-dealers. This system will for the first time provide on-line access to registration data and will eventually be expanded to include investment companies and advisers, municipal securities dealers, and transfer agents.

The Commission further improved its internal computing capability with the creation of the User Support Information Center (USIC). The objective of the USIC is to provide the professional staff with greater access to automatic data processing facilities. The USIC is being utilized to improve selective review of disclosure documents, index enforcement case information, track FOIA and Privacy Act requests, and perform stock transaction analyses. The USIC has become an important factor in the overall effort to increase the Commission's productivity.

The Commission significantly improved its market surveillance capability by replacing inefficient contractor-provided services with improved in-house procedures. The staff now retrieves trading information directly from the Securities Industry Automation Corporation (SIAC), rather than through an intermediate contractor. In addition, staff developed software provides an internal price history

service and eliminates the need for contractual services. These two modifications are saving the agency \$170,000 per annum.

The growing volume of corporate mergers and acquisitions has increased public demand for the prompt access to tender offer filings. The Commission is responding to this demand by developing an on-line information system, designed to provide the public rapid access to such filings.

During fiscal 1983, the Commission's automated employee payroll system was also modified to permit on-line revision of employee status records and direct interaction with the Commission's personnel management system. An automated property accountability system was implemented which provides a comprehensive inventory of all agency property and interfaces with the Commission's automated financial accounting systems. This system has improved the Commission's equipment utilization.

Financial Management

During fiscal 1983, the Commission collected a record \$98.6 million in fees for deposit into the General Fund of the Treasury. Such fees amounted to nearly 110% of the Commission's fiscal 1983 appropriation, compared with 94% in fiscal 1982. The four sources of fees were: registration of securities under the Securities Act of 1933 (68%), transactions on securities exchanges (24%), miscellaneous filings and reporting fees (7%), and the registration of regulated broker-dealers (1%).

The staff processed nearly 34,000 fee checks from filers. For the first time, microcomputers were used to assist in this labor-intensive effort. The use of microcomputers to process employee travel vouchers also eliminated time-consuming manual review of agency travel files. These innovations have improved the accuracy and control of financial operations.

Under a government-wide cash management initiative, the Commission obtained Department of the Treasury approval to conduct fee transactions via electronic funds transfer systems. This will save \$35,000 annually in interest that would otherwise be expended by the Federal government, due to delayed payment of fees. The recently enacted Prompt Payment Act requires Federal agencies to make timely disbursements to private vendors in order to avoid interest penalties. During fiscal 1983, the Commission did not incur any interest penalties.

Over the past year, the Commission executed six major employee compensation adjustments: the July 1st Federal tax reduction, the executive pay cap raise, the Medicare tax adjustment, the military buy-back program, the October cost-of-living adjustment, and health benefit modifications by 30 percent of all Commission employees. To accommodate these adjustments, the Commission significantly expanded the data processing and storage capabilities of its automated payroll system.

Facilities Management

Fiscal 1983 was the Commission's first full year in its consolidated headquarters building. Adapting the new building to the Commission's needs required the

installation of electronic security devices to safeguard sensitive data, the development of more efficient evacuation procedures, improvement of the building's accessibility for handicapped persons, and tagging all Commission property for identification purposes.

Greater administrative support was also provided to the regional offices. The headquarter staff performed seven on-site assessments of regional facilities, and the Los Angeles Regional and Detroit Branch Offices were relocated.

As part of a government-wide space reduction initiative, the Commission took steps to reduce space allocations to 135 square feet per employee. A study of the agency's space requirements produced a plan to comply with GSA space management directives.

Some routine support functions can be performed less expensively by private contractors than in-house. During the past year, contracts were negotiated with private firms for transportation, specialty printing, key-punching and other data processing tasks. An estimated \$200,000 in annual savings was realized as a result of these contracts. The Commission also renegotiated its nationwide stenographic service contract.

The productivity of the Commission's administrative personnel increased significantly during fiscal year 1983. Despite a reduction in staffing, the printing plant achieved a 10% increase in production over 1982. In addition, the staff handled nearly two million pieces of mail in 1983, a 21% increase over 1982.

Personnel Management

The Commission had 1,922 total employee staff-years in fiscal 1983. This compared to 1,881 and 1,982 in fiscal 1982 and 1981, respectively.

Personnel actions and training decisions are evaluated in terms of their impact on staff productivity. During fiscal 1983, the Commission conducted 193 employee classification reviews; processed over 7,000 personnel actions; and issued final regulations for its merit pay and performance appraisal system and temporary regulations governing in-grade pay increases for non-merit pay employees.

Fiscal 1983 saw the completion of the first agency-wide merit employee appraisal cycle. A study conducted by an independent consultant determined that while the Commission's procedures were in compliance with the standards of the Civil Service Reform Act, managers were in need of greater instruction in the implementation of the Act's employee appraisal procedures. A managerial training program was therefore established.

The Commission conducted personnel management evaluations of seven of its regional offices to determine the extent of compliance with Office of Personnel Management and internal personnel policies. Regional practices were modified in order to achieve agency-wide uniformity in the administration of personnel policies.

During fiscal 1983, employee assistance services provided included seminars to assist employees in selecting health care plans and to advise prospective retirees of modifications in the Federal Retirement System.

The Commission's commitment to affirmative action led to creation of a minority recruitment program for undergraduates in the fields of business or finance at

Howard University. The objective is to place students in permanent careers within the Commission upon completion of their undergraduate studies. The Commission continued its handicapped employment efforts by tailoring a program to the needs of disabled veterans.

Public Affairs

Efficient dissemination of information about Commission activities is essential to the effective enforcement of the securities laws. In fiscal 1983, an estimated 640 articles on Commission enforcement actions, new and revised rules and regulations and other topics were published and circulated to 700 million readers.

In addition to media coverage, the Office of Public Affairs works closely with the Commission's major divisions on major projects.

OPA was one of the three offices principally responsible for the Commission's second Major Issues Conference. This proved to be an extremely successful event, attracting some 500 leaders of the financial services industry, the private bar and the accounting profession. The "Proceedings" of the conference were published and made available to the public.

OPA provided public relations support for the work of the Advisory Committee on Tender Offers and the SEC Government-Business Forum on Small Business; arranged a seminar on the Commission during the annual meeting of the Society of American Business and Economic Writers; and produced an updated version of the Commission's audiovisual program, "Eagle on the Street." Distribution began during 1983 of "What Every Investor Should Know," a handbook for new investors that represents the most ambitious effort in this area ever undertaken by the Commission. Its publication coincided with the beginning of the dramatic increase in securities transactions and prices, which has attracted into the market millions of first-time investors. Free distribution of the first 25,000 copies was underwritten by the White House Office of Consumer Affairs. Subsequent distribution has been at a price of \$4.50 per copy. In July, the Consumer Information Center operated by the General Services Administration reported that the handbook was its fourth-ranked sale publication.

Consumer Affairs and Information Services

The resurgence in the securities markets was reflected in the workload of the Commission's consumer affairs program. Investor inquiries and complaints increased 37% to 26,000 in fiscal 1983. Of the complaints, 45% involved investor conflicts with registered broker-dealers, 27% concerned issuers of securities, and 8% pertained to mutual funds. The remaining complaints were related to transfer agents, banks and investment advisers. At the same time, the Public Reference room received 172,000 inquiries, an increase of 23% over 1982.

The Commission also processed 1,424 Freedom of Information Act and 55 Privacy Act requests. In addition, there were 1,392 requests for confidential treatment in connection with documents filed with the Commission, a 48% increase over 1982. Each of these requests was carefully evaluated, consistent with the policy of preventing indiscriminate and unwarranted release of information ex-

empt from the Freedom of Information Act. During 1983, the Commission also conducted a training conference for complaint specialists from headquarters and the regional offices to increase agency-wide uniformity in processing consumer matters.

Equal Employment Opportunity

During 1983, the number of women at the Senior Executive Service (SES) level increased from two to seven. Women now represent 15.2% of the Commission's SES employees. In addition, despite recent staffing constraints, the Commission has made steady improvement in the overall number of minorities employed. Minorities represented 27.6% of the Commission's work force in 1983, as compared with 23.8% in 1979.

In conjunction with the Securities Industry Committee on Equal Employment Opportunity, the Commission continued its support of the achievement scholarship program for outstanding minority students pursuing careers in the securities industry. During 1983, scholarships were awarded to seven deserving students. The program's first recipient of a four-year scholarship was graduated from Harvard University in 1983.

More than 100 of the Commission's senior managers and supervisors attended one-day equal employment training courses this year. These courses provide instruction on equal opportunity laws and regulations, affirmative action guidelines, methods of improving employment opportunities for minorities and women, and techniques for preventing discrimination and sexual harassment.

Observations were conducted in honor of Hispanic Heritage Week, Afro-American History Month, Asian-Pacific Heritage Week and the birthdate of Dr. Martin Luther King, Jr.

Footnotes

¹Corporate Reporting and Accounting cases include: *SEC v. Goldfield Deep Mines Co. of Nevada*, Litigation Release No. 9969 (April 20, 1983), 27 SEC Docket 1298; *In the Matter of Bruce R. Ashton*, Litigation Release No. 9975 (April 27, 1983), 27 SEC Docket 1440; *In the Matter of George L. Simmon*, Securities Exchange Act Release No. 20064 (August 9, 1983), 28 SEC Docket 822; *SEC v. Drown*, Litigation Release No. 9836 (December 15, 1982), 26 SEC Docket 1583; *SEC v. Consolidated Publishing Inc.*, Litigation Release No. 9975 (December 15, 1982), 26 SEC Docket 1583; *SEC v. WF Industries Inc.*, Litigation Release No. 9840 (December 16, 1982), 26 SEC Docket 1586; *SEC v. Amundsen*, Litigation Release No. 9896 (December 17, 1983), 27 SEC Docket 473; *In the Matter of Russell G. Davy*, Securities Act Release No. 6440 (December 2, 1982), 26 SEC Docket 1296; *SEC v. McCormick & Company Inc.*, Litigation Release No. 9846 (December 21, 1982), 26 SEC Docket 1671; *SEC v. Maxwell*, Litigation Release No. 9885 (February 1, 1983), 27 SEC Docket 355; *In the Matter of Clabir Corp.*, Securities Exchange Act Release No. 19504 (February 16, 1983), 27 SEC Docket 424; *In the Matter of Richard A. Chepul*, Securities Exchange Act Release No. 19968 (July 14, 1983), 28 SEC Docket 448; *In the Matter of Aetna Life & Casualty Co.*, Securities Exchange Act Release No. 19949 (July 7, 1983), 28 SEC Docket 394; *SEC v. Fox & Co.*, Litigation Release No. 10022 (June 8, 1983), 28 SEC Docket 71; *In the Matter of Fox & Co.*, Securities Exchange Act Release No. 19930 (June 8, 1983), 28 SEC Docket 71; *SEC v. AM International, Inc.*, Litigation Release No. 9980 (March 2, 1983), 27 SEC Docket 1504; *In the Matter of Ronson Corp.*, Securities Exchange Act Release No. 19212 (November 4, 1982), 26 SEC Docket 860; *SEC v. Datametrics Corp.*, Litigation Release No. 10118 (September 12, 1983), 28 SEC Docket 1274; *In the Matter of Stanley I. Goldberg*, Securities Exchange Act Release No. 20209 (September 22, 1983), 28 SEC Docket 1326; *SEC v. Nitron, Inc.*, Litigation Release No. 10147 (September 30, 1983), 28 SEC Docket 1635; *SEC v. Croff Oil Co.*, Litigation Release No. 9971 (April 22, 1983), 27 SEC Docket 1435; *SEC v. Permeator Corp.*, Litigation Release No. 9948 (April 4, 1983), 27 SEC Docket 1063; *SEC v. Anefco Inc.*, Litigation Release No. 10082 (August 2, 1983), 28 SEC Docket 797; *SEC v. Agoil Inc.*, Litigation Release No. 10105 (August 25, 1983), 28 SEC Docket 1116; *SEC v. Orthomolecular Nutrition Institute, Inc.*, Litigation Release No. 10083 (August 3, 1983), 28 SEC Docket 198; *SEC v. The Equilink Corp.*, Litigation Release No. 9833 (December 9, 1982), 26 SEC Docket 1472; *SEC v. IBI Security Service Inc.*, Litigation Release No. 9895 (February 16, 1983), 27 SEC Docket 472; *SEC v. Cordyne Corp.*, Litigation Release No. 9868 (January 17, 1983), 27 SEC Docket 141; *SEC v. Canaveral International Corp.*, Litigation Release No. 9883 (January 31, 1983), 27 SEC Docket 352; *SEC v. Dynamic American Corp.*, Litigation Release No. 10080 (July 27, 1983), 28 SEC Docket 730; *SEC v. Plaza Realty Investors*, Litigation Release No. 10059 (July 5, 1983), 28 SEC Docket 433; *SEC v. Millcrest Products Corp.*, Litigation Release No. 10064 (July 7, 1983), 28 SEC Docket 439; *SEC v. First General Resources Co.*, Litigation Release No. 10067 (July 8, 1983), 28 SEC Docket 505; *SEC v. Mini-Computer Systems Inc.*, Litigation Release No. 9939 (March 25, 1983), 27 SEC Docket 993; *SEC v. OSR Corp.*, Litigation Release No. 9986 (March 5, 1983), 27 SEC Docket 1513; *SEC v. Applied Devices Corp.*, Litigation Release No. 10008 (May 20, 1983), 27 SEC Docket 1816; *SEC v. Fifth Avenue Cards, Inc.*, Litigation Release No. 9810 (November 17, 1982), 26 SEC Docket 1121; *SEC v. Satellite Television & Associated Resources, Inc.*, Litigation Release No. 9826 (November 30, 1982), 26 SEC Docket 1354; *SEC v. Reltron Corp.*, Litigation Release No. 9802 (November 9, 1982), 26 SEC Docket 1007; *SEC v. CV American Corp.*, Litigation Release No. 10155 (October 4, 1983), 28 SEC Docket 1642; *SEC v. Delta Petroleum & Energy Corp.*, Litigation Release No. 10156

(October 4, 1983), 28 SEC Docket 1642; *SEC v. Interscience Systems, Inc.*, Litigation Release No. 10128 (September 20, 1983), 28 SEC Docket 1395; *SEC v. Ronson Corp.*, Litigation Release No. 10093 (August 15, 1983), 28 SEC Docket 1040; *SEC v. Equity Gold Inc.*, Litigation Release No. 9891 (February 22, 1983), 27 SEC Docket 420; *SEC v. American Free Enterprise Institute*. Litigation Release No. 10201 (November 15, 1983), 29 SEC Docket 283; *In the Matter of Colonial Penn Group, Inc.*, Securities Exchange Release No. 19186 (October 18, 1982), 26 SEC Docket 783; *SEC v. McGoff*, Litigation Release No. 10122 (September 14, 1983), 28 SEC Docket 1278; *SEC v. Nashwinter*, Litigation Release No. 9940 (March 25, 1983), 27 SEC Docket 993; *SEC v. Numex Corp.*, Litigation Release No. 9944 (March 30, 1983), 27 SEC Docket 996; *In the Matter of Robert E. Schulman* (April 28, 1983); *In the Matter of Gary L. Jackson* (June 10, 1983).

²Securities Offering Violations cases include: *SEC v. Quinn*, Litigation Release No. 9964 (April 14, 1983), 27 SEC Docket 1149; *SEC v. Firestone*, Litigation Release No. 9977 (April 29, 1983), 26 SEC Docket 1501; *SEC v. Dal-tex Oil Company Inc.*, Litigation Release No. 9947 (April 4, 1983), 27 SEC Docket 1063; *SEC v. Maxvill*, Litigation Release No. 10092 (August 12, 1983), 28 SEC Docket 1039; *SEC v. Tashof*, Litigation Release No. 10086 (August 5, 1983), 28 SEC Docket 891; *In the Matter of Orthomolecular Inc.*, Securities Act Release No. 6477 (August 8, 1983), 28 SEC Docket 807; *In the Matter of Union Home Loans*, Securities Exchange Act Release No. 19346 (December 16, 1982), 26 SEC Docket 1517; *SEC v. Coombs*, Litigation Release No. 9850 (December 27, 1983), 27 SEC Docket 1754; *SEC v. Zolp*, Litigation Release No. 9831 (December 9, 1982), 26 SEC Docket 1470; *SEC v. American Completion & Development Corp.*, Litigation Release No. 9865 (January 17, 1983), 26 SEC Docket 1982; *SEC v. Monarch Oil & Gas Corp.*, Litigation Release No. 9875 (January 24, 1983), 27 SEC Docket 262; *SEC v. Dynergy Corp.*, Litigation Release No. 9859 (January 5, 1983), 26 SEC Docket 1824; *SEC v. Solomon*, Litigation Release No. 10078 (July 26, 1983), 28 SEC Docket 728; *SEC v. Sharp*, Litigation Release No. 10028 (June 10, 1983) 28 SEC Docket 194; *SEC v. Traiger*, Litigation Release No. 10042 (June 20, 1983), 28 SEC Docket 283; *SEC v. Freitag*, Litigation Release No. 10044 (June 21, 1983), 28 SEC Docket 284; *SEC v. Federal Bank & Trust Ltd.*, Litigation Release No. 10149 (June 29, 1983), 28 SEC Docket 386; *SEC v. River Entertainment Inc.*, Litigation Release No. 9996 (March 11, 1983), 27 SEC Docket 1615; *SEC v. Cylinder Technology Ltd.*, Litigation Release No. 9926 (March 15, 1983), 27 SEC Docket 827; *SEC v. Omni Resource Development Corp.*, Litigation Release No. 9929 (March 16, 1983), 27 SEC Docket 830; *SEC v. Stange*, Litigation Release No. 9930 (March 17, 1983), 27 SEC Docket 831; *SEC v. Wills*, Litigation Release No. 9912 (March 2, 1983), 27 SEC Docket 649; *SEC v. Daystar (West Indies) Ltd.*, Litigation Release No. 9931 (March 21, 1983), 27 SEC Docket 903; *SEC v. Kerr*, Litigation Release No. 9936 (March 24, 1983), 27 SEC Docket 907; *SEC v. Paradyne Corp.*, Litigation Release No. 9938 (March 25, 1983), 27 SEC Docket 991; *SEC v. Golden Triangle Royalty & Oil Inc.*, Litigation Release No. 9913 (March 3, 1983), 27 SEC Docket 650; *SEC v. Hansen*, Litigation Release No. 10000 (May 16, 1983), 27 SEC Docket 1695; *SEC v. Kenney*, Litigation Release No. 9989 (May 5, 1983), 27 SEC Docket 1516; *SEC v. Homestead Oil Co., Inc.*, Litigation Release No. 9993 (May 9, 1983), 27 SEC Docket 1612; *SEC v. Tentex Petroleum Inc.*, Litigation Release No. 9809 (November 16, 1982), 26 SEC Docket 1119; *SEC v. HLS Enterprises Inc.*, Litigation Release No. 10164 (October 11, 1983), 28 SEC Docket 1682; *SEC v. Golden Petroleum Corp.*, Litigation Release No. 10167 (October 12, 1983), 28 SEC Docket 1684; *SEC v. Johnson*, Litigation Release No. 9783 (October 14, 1982), 26 SEC Docket 663; *SEC v. Alpha & Omega Realty, Inc.*, Litigation Release No. 9794 (October 29, 1982), 26 SEC Docket 929; *SEC v. Triunion*, Litigation Release No. 10160 (October 7, 1983), 28 SEC Docket 1680; *SEC v. Colorado Development Corp.*, Litigation Release No. 10130 (September 22, 1983), 28 SEC Docket 1397; *SEC v. Greenlaw*, Litigation Release No. 10132 (September 26, 1983), 28 SEC Docket 1498; *In the Matter of Martin Hecht*, Securities Exchange Act Release No. 20234 (September 27, 1983), 28 SEC Docket 1421; *SEC v. Gulf Resources Inc.*, Litigation Release No. 10139 (September 27, 1983), 28 SEC Docket 1502; *SEC v.*

Legare, March 2, 1983; *In the Matter of Chipwich Inc.*, Securities Exchange Act Release No. 6491 (September 30, 1983), 28 SEC Docket 1516.

³Regulated Entities and Associated Persons cases include: *In the Matter of Advest, Inc.*, Securities Exchange Act Release No. 20096 (August 17, 1983), 28 SEC Docket 1003; *SEC v. Park Ryan, Inc.*, Litigation Release No. 10088 (August 5, 1983), 28 SEC Docket 892; *SEC v. Northridge Securities, Inc.*, Litigation Release No. 9841 (December 17, 1982), 26 SEC Docket 1665; *In the Matter of First Miami Securities Inc.*, Securities Exchange Act Release No. 19552 (February 28, 1983), 27 SEC Docket 578; *In the Matter of First Discount Securities Corp.*, Securities Exchange Act Release No. 19982 (July 18, 1983), 28 SEC Docket 525; *SEC v. Western Pacific Securities Inc.*, Litigation Release No. 10068 (July 8, 1983), 28 SEC Docket 505; *In the Matter of J. Daniel Bell & Co., Inc.*, Securities Exchange Act Release No. 19867 (June 13, 1983), 28 SEC Docket 108; *In the Matter of James J. Keegan*, Securities Exchange Act Release No. 19872 (June 13, 1983), 28 SEC Docket 126; *In the Matter of Hyun Kowal Farley & Co., Inc.*, Securities Exchange Act Release No. 19876 (June 15, 1983), 28 SEC Docket 130; *SEC v. Gibrasco, Inc.*, Litigation Release No. 10076 (June 21, 1983), 28 SEC Docket 727; *In the Matter of International Securities Inc.*, Securities Exchange Act Release No. 19738 (March 17, 1983), 27 SEC Docket 1477; *In the Matter of Judith Briles & Co.*, Securities Exchange Act Release No. 19632 (March 28, 1983), 27 SEC Docket 916; *SEC v. Swink & Co., Inc.*, Litigation Release No. 9914 (March 3, 1983), 27 SEC Docket 651; *SEC v. First Miami Securities, Inc.*, Litigation Release No. 9918 (March 3, 1983), 27 SEC Docket 754; *In the Matter of Justin S. Colin*, Securities Exchange Act Release No. 19766 (May 13, 1983), 27 SEC Docket 1623; *In the Matter of Northridge Securities, Inc.*, Securities Exchange Act Release No. 19770 (May 15, 1983), 27 SEC Docket 1626; *In the Matter of Royer Securities Co.*, Securities Exchange Act Release No. 19201 (November 1, 1982), 26 SEC Docket 847; *In the Matter of RW Peters Rickel & Co.*, Securities Exchange Act Release No. 20173 (September 13, 1983), 28 SEC Docket 1233; *SEC v. Blinder Robinson & Co., Inc.*, Litigation Release No. 9968 (April 20, 1983), 17 SEC Docket 1296; *In the Matter of William N. Miller*, Securities Exchange Act Release No. 20200 (August 29, 1983), 28 SEC Docket 1177; *SEC v. Lewis & Company*, Litigation Release No. 9853 (December 29, 1982), 27 SEC Docket 1756; *In the Matter of Lewis & Co.*, Securities Exchange Act Release No. 19381 (December 29, 1982), 26 SEC Docket 1711; *In the Matter of John Bryant Meaux, Jr.*, Securities Exchange Act Release No. 19314 (December 9, 1982), 26 SEC Docket 1398; *In the Matter of Stalvey & Associates, Inc.*, Securities Exchange Act Release No. 19553 (February 28, 1983), 27 SEC Docket 579; *SEC v. Rappaport*, Litigation Release No. 10081 (July 29, 1983), 28 SEC Docket 797; *In the Matter of Trenton H. Parker & Associates*, Securities Exchange Act Release No. 19950 (July 6, 1983), 27 SEC Docket 1296; *In the Matter of Howard Goodstein*, Securities Exchange Act Release No. 19873 (June 14, 1983), 28 SEC Docket 127; *In the Matter of John D. Gilles*, Securities Exchange Act Release No. 19899 (June 21, 1983), 28 SEC Docket 228; *In the Matter of Robert D. Peterson*, Securities Exchange Act Release No. 19764 (March 13, 1983), 27 SEC Docket 1620; *In the Matter of Charles Schwab & Co., Inc.*, Securities Exchange Act Release No. 19598 (March 14, 1983), 27 SEC Docket 777; *In the Matter of V. Malcolm Cipar*, Securities Exchange Act Release No. 19204 (November 1, 1982), 26 SEC Docket 882; *In the Matter of Thomas J. Houston*, Securities Exchange Act Release No. 20180 (September 14, 1983), 28 SEC Docket 1241; *In the Matter of John H. Turner*, Securities Exchange Act Release No. 20235 (September 28, 1983), 28 SEC Docket 1452; *In the Matter of Combined Equity Securities, Inc.*, Securities Exchange Act Release No. 20238 (September 30, 1983), 28 SEC Docket 1536; *In the Matter of E. J. Pittock & Co., Inc.*, Securities Exchange Act Release No. 19307 (December 7, 1982), 26 SEC Docket 1383; *In the Matter of Bruce R. Frederick*, Securities Exchange Act Release No. 20016 (July 27, 1983), 28 SEC Docket 633; *SEC v. Wolfish*, Litigation Release No. 10033 (June 14, 1983), 28 SEC Docket 198; *In the Matter of John Latshaw*, Securities Exchange Act Release No. 19903 (June 23, 1983), 26 SEC Docket 233; *In the Matter of Stewart F. Beck*, Securities Exchange Act Release No.

19916 (June 27, 1983), 28 SEC Docket 303; *In the Matter of Bruce Paul*, Securities Exchange Act Release No. 20355 (November 3, 1983), 29 SEC Docket 132; *In the Matter of Bache Halsey Stuart Shields*, Securities Exchange Act Release No. 19725 (May 3, 1983), 27 SEC Docket 1462; *SEC v. Drysdale Securities Corporation*, Litigation Release No. 10188 (November 1, 1983), 29 SEC Docket 114; *SEC v. Schipa*, Litigation Release No. 9967 (April 19, 1983), 27 SEC Docket 1294; *SEC v. Hyman*, Litigation Release No. 9953 (April 5, 1983), 27 SEC Docket 1067; *In the Matter of Edward P. Wolfram, Jr.*, Securities Exchange Act Release No. 19653 (April 5, 1983), 27 SEC Docket 1016; *SEC v. Crumpley*, Litigation Release No. 10097 (August 16, 1983), 28 SEC Docket 1044; *SEC v. Bell & Beckwith*, Litigation Release No. 9887 (February 7, 1983), 27 SEC Docket 413; *SEC v. Robb*, Litigation Release No. 10071 (July 14, 1983), 28 SEC Docket 507; *SEC v. Cook*, Litigation Release No. 9932 (March 21, 1983), 27 SEC Docket 904; *SEC v. D'angelo*, Litigation Release No. 9807 (November 16, 1982), 26 SEC Docket 1117; *SEC v. C&R Pastor Securities Inc.*, Litigation Release No. 10159 (October 7, 1983), 28 SEC Docket 1679; *In the Matter of William Harty*, Securities Exchange Act Release No. 20182 (September 15, 1983), 28 SEC Docket 1243; *In the Matter of Professional Capital Management, Inc.*, Investment Advisers Act Release No. 856 (April 22, 1983), 26 SEC Docket 1431; *In the Matter of Hammon Capital Management Corp.*, Investment Advisers Act Release No. 848 (April 5, 1983), 27 SEC Docket 1061; *SEC v. Bishop Baldwin Rewald Dillingham & Wong, Inc.*, Litigation Release No. 10103 (August 23, 1983), 28 SEC Docket 1115; *In the Matter of Donald F. Kreger*, Investment Advisers Act Release No. 872 (August 3, 1983), 28 SEC Docket 796; *SEC v. Kroll*, Litigation Release No. 10091 (August 9, 1983), 28 SEC Docket 894; *In the Matter of Manus, Inc.*, Investment Advisers Act Release No. 838 (February 3, 1983), 27 SEC Docket 349; *In the Matter of Willamette Management Associates, Inc.*, Investment Advisers Act Release No. 837 (January 17, 1983), 27 SEC Docket 135; *In the Matter of Sherwood Grant Peterson*, Securities Exchange Act Release No. 19943 (July 5, 1983), 28 SEC Docket 389; *In the Matter of Atlantic Financial Management, Inc.*, Securities Exchange Act Release No. 19898 (June 21, 1983), 28 SEC Docket 227; *In the Matter of Sam E. Whittaker*, Investment Advisers Act Release No. 864 (June 3, 1983), 28 SEC Docket 66; *In the Matter of Carl P. Herbert, Jr.*, Investment Advisers Act Release No. 861 (March 18, 1983), 27 SEC Docket 1690; *SEC v. Herbert*, Litigation Release No. 10014 (March 25, 1983), 27 SEC Docket 1820; *In the Matter of Richard D. Farrer*, Investment Advisers Act Release No. 847 (March 31, 1983), 27 SEC Docket 981; *In the Matter of PAD Investment Corp.*, Investment Advisers Act Release No. 880 (September 13, 1983), SEC Docket 1271; *In the Matter of Edith C. Alter*, Investment Advisers Act Release No. 827 (October 6, 1982), 26 SEC Docket 548; *SEC v. Investment Notes Research Group, Inc.*, Litigation Release No. 10145 (September 30, 1983), 28 SEC Docket 1633; *In the Matter of David M. Barrera*, Investment Advisers Act Release No. 853 (April 15, 1983), 27 SEC Docket 1291; *SEC v. Archer*, Litigation Release No. 9974 (April 27, 1983), 27 SEC Docket 1439; *In the Matter of CMC Funding Limited*, Investment Advisers Act Release No. 838 (January 31, 1983), 27 SEC Docket 323; *SEC v. Amdisco Corp.*, Litigation Release No. 10032 (June 13, 1983), 28 SEC Docket 197; *SEC v. Peterson*, Litigation Release No. 9960 (April 11, 1983), 27 SEC Docket 1145; *SEC v. General Security Enterprises Inc.*, Litigation Release No. 9966 (April 15, 1983), 27 SEC Docket 1294; *SEC v. Executive Investment Corp.*, Litigation Release No. 9973 (April 26, 1983), 27 SEC Docket 1438; *In the Matter of Mountain Pacific Investment, Co., Inc.*, Securities Exchange Act Release No. 19650 (April 4, 1983), 27 SEC Docket 1009; *In the Matter of Money Placement Service, Inc.*, Securities Exchange Act Release No. 19651 (April 4, 1983), 27 SEC Docket 1013; *In the Matter of Financial Planning Center of Greater Washington, Inc.*, Securities Exchange Act Release No. 20083 (August 15, 1983), 28 SEC Docket 1037; *SEC v. The American Board of Trade Inc.*, Litigation Release No. 10108 (August 29, 1983), 28 SEC Docket 1175; *SEC v. Best*, Litigation Release No. 10109 (August 29, 1983), 28 SEC Docket 1176; *In the Matter of Lebkeucher, Spencer, Inc.*, Securities Exchange Act Release No. 19324 (December 10, 1982), 26 SEC Docket 1487; *In the Matter of Carl John Peterson*, Securities Exchange Act Release No. 19340 (December 15, 1982), 26 SEC Docket 1506;

In the Matter of Donald Messenger, Securities Exchange Act Release No. 19517 (February 22, 1983), 27 SEC Docket 484; *In the Matter of Josephthal & Co., Inc.*, Securities Exchange Act Release No. 19518 (February 22, 1983), 27 SEC Docket 486; *In the Matter of Alan Bennett Harp*, Securities Exchange Act Release No. 19425 (January 13, 1983), 27 SEC Docket 1853; *In the Matter of Mabon Nugent & Co.*, Securities Exchange Act Release No. 19424 (January 13, 1983), 26 SEC Docket 1846; *In the Matter of Rooney Pace Inc.*, Securities Exchange Act Release No. 19453 (January 27, 1983), 27 SEC Docket 208; *In the Matter of Melvin Meckler*, Securities Exchange Act Release No. 19468 (January 31, 1983), 27 SEC Docket 278; *In the Matter of C. Joseph Manfredo*, Securities Exchange Act Release No. 19966 (July 13, 1983), 28 SEC Docket 466; *In the Matter of Steven R. Grayson*, Securities Exchange Act Release No. 19978 (July 15, 1983), 28 SEC Docket 521; *In the Matter of Neil Stephens Associates, Inc.*, Securities Exchange Act Release No. 19900 (June 21, 1983), 28 SEC Docket 229; *In the Matter of S. Paul Palmer*, Securities Exchange Act Release No. 19835 (June 1, 1983), 27 SEC Docket 1856; *In the Matter of A. Larry Lindsey*, Securities Exchange Act Release No. 19560 (March 2, 1983), 27 SEC Docket 592; *In the Matter of Roger Berry Smith*, Securities Exchange Act Release No. 19631 (March 28, 1983), 27 SEC Docket 914; *SEC v Bangs Securities, Inc.*, Litigation Release No. 9915 (March 3, 1983), 27 SEC Docket 652; *SEC v Murdock*, Litigation Release No. 9991 (May 6, 1983), 27 SEC Docket 1610; *SEC v Goldman*, Litigation Release No. 9992 (May 9, 1983), 27 SEC Docket 1611; *In the Matter of Universal Securities Inc.*, Securities Exchange Act Release No. 19741 (May 9, 1983), 27 SEC Docket 1526; *SEC v Arture*, Litigation Release No. 9814 (November 19, 1982), 26 SEC Docket 1265; *In the Matter of Herbert A. Schley*, Securities Exchange Act Release No. 19277 (November 29, 1982), 26 SEC Docket 1286; *In the Matter of A. L. Williamson & Co.*, Securities Exchange Act Release No. 19177 (October 26, 1982), 26 SEC Docket 774; *In the Matter of Jack J. Illare, II*, Securities Exchange Act Release No. 19103 (October 4, 1982), 26 SEC Docket 484; *In the Matter of MBD Investors Inc.*, Securities Exchange Act Release No. 20195 (September 16, 1983), 28 SEC Docket 1206; *In the Matter of Alan D. Platt*, Securities Exchange Act Release No. 20210 (September 22, 1983), 28 SEC Docket 1337, *In the Matter of First Independent Transfer Agent, Inc.*, Securities Exchange Act Release No. 19608 (March 17, 1983), 27 SEC Docket 792; *SEC v National Bond & Share Co.*, Litigation Release No. 9832 (March 29, 1982), 27 SEC Docket 924; *In the Matter of National Bond & Share Co.*, Securities Exchange Act Release No. 19638 (March 29, 1983), 27 SEC Docket 924; *Report on Silver Crisis*, October 18, 1982; *SEC v Davis*, March 30, 1983; *In the Matter of E. F. Hutton Co., Inc.*, Securities Exchange Act Release No. 19339 (December 15, 1982), 26 SEC Docket 1503.

⁴Insider Trading cases include: *SEC v Gaspar*, Litigation Release No. 9970 (April 20, 1983), 27 SEC Docket 1299; *SEC v Olzman*, Litigation Release No. 10104 (August 14, 1983), 28 SEC Docket 1115; *SEC v Carmichael*, Litigation Release No. 10094 (August 16, 1983), 28 SEC Docket 1041; *SEC v Maurer*, Litigation Release No. 10098 (August 18, 1983), 28 SEC Docket 1045; *In the Matter of Frank Joseph Bauer*, Securities Exchange Act Release No. 20099 (August 18, 1983), 28 SEC Docket 1007; *In the Matter of Everett J. Wadler*, Securities Exchange Act Release No. 20109 (August 24, 1983), 28 SEC Docket 1076; *SEC v Lewis*, Litigation Release No. 10114 (August 31, 1983), 28 SEC Docket 1180; *SEC v Deyoung*, Litigation Release No. 10084 (August 4, 1983), 28 SEC Docket 798; *SEC v Muth*, Litigation Release No. 9808 (December 16, 1982), 26 SEC Docket 1118; *SEC v Petrou*, Litigation Release No. 9828 (December 2, 1982), 26 SEC Docket 1357; *SEC v Clements*, Litigation Release No. 9844 (December 20, 1982), 26 SEC Docket 1668; *SEC v Platt*, Litigation Release No. 9886 (February 1, 1983), 27 SEC Docket 356; *SEC v Johnson*, Litigation Release No. 9899 (February 17, 1983), 27 SEC Docket 475; *SEC v Musella*, Litigation Release No. 9862 (January 11, 1983), 26 SEC Docket 1979; *SEC v Griffith*, Litigation Release No. 10072 (July 20, 1983), 28 SEC Docket 608; *SEC v Kapachunes*, Litigation Release No. 10073 (July 21, 1983), 28 SEC Docket 610; *SEC v Madan*, Litigation Release No. 10063 (July 7, 1983), 28 SEC Docket 437; *SEC v G. Heileman Brewing Co.*, Litigation Release No. 10049 (June 29, 1983), 28 SEC Docket 368; *SEC v Smith*, Litigation Release No. 9933 (March 22, 1983), 27 SEC

Docket 905; *SEC v. Montgomery*, Litigation Release No. 9782 (October 13, 1982), 26 SEC Docket 662; *SEC v. Hall*, Litigation Release No. 10129 (September 21, 1983), 28 SEC Docket 1396; *SEC v. Groth*, Litigation Release No. 10138 (September 26, 1983), 28 SEC Docket 1501; *SEC v. Kassir*, Litigation Release No. 10137 (September 26, 1983), 28 SEC Docket 1500; *SEC v. Wattenbarger*, Litigation Release No. 10143 (September 29, 1983), 28 SEC Docket 1508.

⁵Market Manipulation cases include: *SEC v. Texas General Resources Inc.*, Litigation Release No. 9866 (January 13, 1983), 26 SEC Docket 1983; *SEC v. First Jersey Securities Inc.*, Litigation Release No. 9870 (January 19, 1983), 27 SEC Docket 142; *In the Matter of Shelley Cohen*, Securities Exchange Act Release No. 19942 (July 5, 1983), 28 SEC Docket 387; *SEC v. Cohen*, Litigation Release No. 10053 (July 5, 1983), 28 SEC Docket 428; *SEC v. Choset*, Litigation Release No. 10036 (June 15, 1983), 28 SEC Docket 200; *SEC v. Bionic Instruments of Delaware Inc.*, Litigation Release No. 9911 (March 2, 1983), 27 SEC Docket 647; *SEC v. Goldman*, Litigation Release No. 9985 (March 5, 1983), 27 SEC Docket 1512; *In the Matter of Marc Goldman*, Securities Exchange Act Release No. 19724 (May 3, 1983), 27 SEC Docket 1457; *In the Matter of American Western Securities Inc.*, Securities Exchange Act Release No. 19275 (November 26, 1982), 26 SEC Docket 1284; *SEC v. Frontier Resources Corp.*, Litigation Release No. 10125 (September 16, 1983), 28 SEC Docket 1392; *SEC v. United Greenwood Exploration Ltd.*, Litigation Release No. 10131 (September 23, 1983), 28 SEC Docket 1495.

⁶Changes in Corporate Control cases include: *SEC v. Instrument Systems Corp.*, Litigation Release No. 9871 (January 19, 1983), 27 SEC Docket 143; *SEC v. Canal-Randolph Corp.*, Litigation Release No. 9909 (March 1, 1983), 27 SEC Docket 644; *SEC v. Canran Associates I, L.P.*, Litigation Release No. 9908 (March 1, 1983), 27 SEC Docket 642; *In the Matter of Montagu Investment Management Limited*, Securities Exchange Act Release No. 19591 (March 10, 1983), 27 SEC Docket 703; *SEC v. Tristate Holding Group Inc.*, Litigation Release No. 9937 (March 24, 1983), 27 SEC Docket 909.

⁷Related Party Transaction cases include: *SEC v. Transnet Corp.*, Litigation Release No. 10050 (June 30, 1983), 28 SEC Docket 369; *SEC v. Scharf*, Litigation Release No. 9942 (March 29, 1983), 27 SEC Docket 994; *SEC v. Mid Continent Systems, Inc.*, Litigation Release No. 10016 (March 31, 1983), 27 SEC Docket 1906; *SEC v. Walco National Corp.*, Litigation Release No. 9798 (November 9, 1982), 26 SEC Docket 1003; *SEC v. Alplex Computer Corp.*, Litigation Release No. 10144 (September 29, 1983), 28 SEC Docket 1510.

⁸Contempt cases include: *SEC v. Enderline International Corp.*, Litigation Release No. 9979 (April 29, 1983), 27 SEC Docket 1504; *SEC v. RT Systems Inc.*, Litigation Release No. 9954 (April 5, 1983), 27 SEC Docket 1068; *SEC v. Martin*, Litigation Release No. 9894 (February 16, 1983), 27 SEC Docket 471; *SEC v. Monarch Oil & Gas Corp.*, Litigation Release No. 9875 (January 24, 1983), 27 SEC Docket 262; *SEC v. Diversified Growth Corp.*, Litigation Release No. 10030 (June 13, 1983), 28 SEC Docket 195; *SEC v. Ormont Drug & Chemical Co., Inc.*, Litigation Release No. 10011 (March 24, 1983), 27 SEC Docket 1818; *SEC v. Smith*, Litigation Release No. 10170 (October 17, 1983), 28 SEC Docket 1746; *SEC v. Greenspan*, Litigation Release No. 9976 (April 28, 1983), 27 SEC Docket 1441; *SEC v. Martin*, Litigation Release No. 9894 (February 16, 1983), 27 SEC Docket 471; *SEC v. Wolfish*, Litigation Release No. 10033 (June 14, 1983), 28 SEC Docket 198; *SEC v. Murphy*, Litigation Release No. 9999 (March 13, 1983), 27 SEC Docket 1694; *SEC v. Johnson*, Litigation Release No. 9987 (March 5, 1983), 27 SEC Docket 1314; *SEC v. Smith*, Litigation Release No. 10170 (October 17, 1983), 28 SEC Docket 1746; *SEC v. Fry*, June 30, 1983.

⁹Securities Act Release No. 6441 (December 2, 1982), 26 SEC Docket 1276.

¹⁰Securities Act Release No. 6486 (September 23, 1983), 28 SEC Docket 1406.

¹¹Securities Exchange Act Release No. 20021 (July 28, 1983), 28 SEC Docket 677.

¹²Securities Exchange Act Release No. 19135 (October 14, 1982), 26 SEC Docket 601.

¹³Securities Exchange Act Release No. 20091 (August 16, 1983), 28 SEC Docket

- 989.
- ¹⁴Securities Exchange Act Release No. 19528 (February 25, 1983), 27 SEC Docket 504.
- ¹⁵Securities Act Release No. 6474 (July 22, 1983), 28 SEC Docket 615.
- ¹⁶Securities Act Release No. 6489 (September 23, 1983), 28 SEC Docket 1419.
- ¹⁷Securities Act Release No. 6488 (September 23, 1983), 28 SEC Docket 1418.
- ¹⁸Securities Act Release No. 6487 (September 23, 1983), 28 SEC Docket 1417.
- ¹⁹Securities Act Release No. 6455 (March 3, 1983), 27 SEC Docket 561.
- ²⁰Securities Exchange Act Release No. 19188 (October 28, 1982), 26 SEC Docket 800.
- ²¹Securities Exchange Act Release No. 20264 (October 6, 1983), 28 SEC Docket 1530.
- ²²Securities Act Release No. 6459 (March 18, 1983), 27 SEC Docket 834.
- ²³Securities Exchange Act Release No. 19336 (December 15, 1982), 26 SEC Docket 1599.
- ²⁴Securities Act Release No. 6383 (March 3, 1982), 24 SEC Docket 1318.
- ²⁵Securities Act Release No. 6391 (March 12, 1982), 24 SEC Docket 1579.
- ²⁶Securities Act Release No. 6470 (June 9, 1983), 28 SEC Docket 2.
- ²⁷Securities Act Release No. 6482 (September 16, 1983), 28 SEC Docket 1283.
- ²⁸Securities Act Release No. 6485 (September 23, 1983), 28 SEC Docket 1403.
- ²⁹Public Oversight Board, Annual Report (1982-1983) at 19.
- ³⁰48th Annual Report at 16.
- ³¹Statement of Financial Accounting Standards No. 69, *Disclosures About Oil and Gas Producing Activities*, November 1982.
- ³²Operating Efficiency of the FASB, Report of the Structure Committee, Financial Accounting Foundation, August 1982 at 5.
- ³³Staff Accounting Bulletin No. 49 (October 26, 1982), 26 SEC Docket 838 (bank holding company disclosures); Staff Accounting Bulletin No. 49A (January 18, 1983), 27 SEC Docket 143 (bank holding company disclosures); Staff Accounting Bulletin No. 50 (March 3, 1983), 27 SEC Docket 759 (financial statements of bank holding companies); Staff Accounting Bulletin No. 51 (March 29, 1983), 27 SEC Docket 1000 (subsidiary's sales of stock); Staff Accounting Bulletin No. 52 (May 16, 1983), 27 SEC Docket 1700 (pension plans); Staff Accounting Bulletin No. 53 (June 13, 1983), 28 SEC Docket 192 (guarantors of securities).
- ³⁴Financial Reporting Release No. 8 (December 6, 1982), 26 SEC Docket 1360 and Financial Reporting Release No. 11 (March 7, 1983), 28 SEC Docket 673, respectively.
- ³⁵Financial Reporting Release No. 10 (February 25, 1983), 27 SEC Docket 549.
- ³⁶Financial Reporting Release No. 14 (September 16, 1983), 28 SEC Docket 1286.
- ³⁷Financial Reporting Release No. 13 (August 11, 1983), 28 SEC Docket 808.
- ³⁸Financial Reporting Release No. 12 (August 8, 1983), 28 SEC Docket 802.
- ³⁹Securities Exchange Act Release No. 19456 (January 27, 1983), 27 SEC Docket 212.
- ⁴⁰Securities Exchange Act Release No. 19315 (December 9, 1982), 26 SEC Docket 1399.
- ⁴¹Securities Exchange Act Release No. 19372 (December 23, 1982), 27 SEC Docket 146.
- ⁴²Securities Exchange Act Release No. 20074 (August 12, 1983), 28 SEC Docket 938.
- ⁴³Securities Exchange Act Release No. 17549 (February 17, 1981), 22 SEC Docket 22.
- ⁴⁴Securities Exchange Act Release No. 19678 (April 15, 1983), 27 SEC Docket 1158.
- ⁴⁵Securities Exchange Act Release No. 19227 (November 9, 1982), 26 SEC Docket 946.
- ⁴⁶Securities Exchange Act Release No. 19888 (June 20, 1983), 28 SEC Docket 211.
- ⁴⁷Pub. L. No. 97-303, 96 Stat. 1409; Pub. L. No. 97-444, 96 Stat. 2294. *See also* 7 U.S.C. §2a(iv) (1983 Supp.).

⁴⁸Securities Exchange Act Release No. 19264 (November 22, 1982), 26 SEC Docket 1166; Securities Exchange Act Release No. 19486 (February 4, 1983), 27 SEC Docket 358; Securities Exchange Act Release No. 19709 (April 27, 1983), 27 SEC Docket 1325; Securities Exchange Act Release No. 20075 (August 12, 1983), 28 SEC Docket 963; Securities Exchange Act Release No. 20125 (August 26, 1983), 28 SEC Docket 1125; Securities Exchange Act Release No. 20178 (September 13, 1983), 28 SEC Docket 1238.

⁴⁹Securities Exchange Act Release No. 19133 (October 14, 1982), 26 SEC Docket 597; Securities Exchange Act Release No. 19274 (November 24, 1982), 26 SEC Docket 1182.

⁵⁰Securities Exchange Act Release Nos. 19126-27 (October 14, 1982), 26 SEC Docket 585.

⁵¹Securities Exchange Act Release No. 19125 (October 14, 1982), 26 SEC Docket 580.

⁵²Securities Exchange Act Release No. 19263 (November 22, 1982), 26 SEC Docket 1162.

⁵³Securities Exchange Act Release No. 19565 (March 22, 1983), 27 SEC Docket 656.

⁵⁴Securities Exchange Act Release No. 19244 (November 30, 1982), 26 SEC Docket 1012.

⁵⁵Securities Exchange Act Release No. 19988 (August 2, 1983), 28 SEC Docket 536.

⁵⁶Securities Exchange Act Release No. 20155 (September 7, 1983), 28 SEC Docket 953.

⁵⁷Securities Exchange Act Release No. 19673 (April 26, 1983), 27 SEC Docket 1099.

⁵⁸Securities Exchange Act Release No. 20230 (September 27, 1983), 28 SEC Docket 1447.

⁵⁹Securities Exchange Act Release No. 19687 (April 18, 1983), 27 SEC Docket 1176.

⁶⁰Securities Exchange Act Release No. 19268 (November 18, 1982), 26 SEC Docket 1173.

⁶¹Securities Exchange Act Release No. 19860 (June 10, 1983), 28 SEC Docket 81.

⁶²On July 5, 1983, the Spokane Stock Exchange filed with the Commission an application for exemption from registration as a national securities exchange pursuant to Section 5 of the Exchange Act. The Commission has not yet acted upon this application.

⁶³Securities Exchange Act Release No. 19351 (December 20, 1982), 26 SEC Docket 1603.

⁶⁴Securities Exchange Act Release No. 19619 (March 21, 1983), 27 SEC Docket 862.

⁶⁵Securities Exchange Act Release No. 19520 (February 22, 1983), 27 SEC Docket 491.

⁶⁶Securities Exchange Act Release No. 19814 (May 26, 1983), 27 SEC Docket 1753.

⁶⁷Pub. L. No. 98-38 (June 6, 1983), 97 Stat. 205.

⁶⁸Securities Exchange Act Release No. 19383 (December 29, 1982), 26 SEC Docket 1713; Securities Exchange Act Release No. 20009 (July 27, 1983), 28 SEC Docket 626; Securities Exchange Act Release No. 20273 (October 12, 1983), 28 SEC Docket 1653.

⁶⁹Securities Exchange Act Release No. 20221 (September 23, 1983), 28 SEC Docket 1424.

⁷⁰Securities Exchange Act Release No. 20222 (September 23, 1983), 28 SEC Docket 1439.

⁷¹Securities Exchange Act Release No. 19422 (January 12, 1983), 26 SEC Docket 1842.

⁷²Securities Exchange Act Release No. 19999 (July 21, 1983), 28 SEC Docket 560.

⁷³Securities Exchange Act Release No. 19742 (May 9, 1983), 27 SEC Docket 1531; Securities Exchange Act Release No. 20039 (August 2, 1983), 28 SEC Docket 745; Securities Exchange Act Release No. 20032 (August 1, 1983), 28 SEC Docket 743; Securities Exchange Act Release No. 20031 (August 1, 1983), 28 SEC Docket 742; Securities Exchange Act Release No. 20110 (August 24, 1983), 28 SEC Docket 1077; Securities Exchange Act Release No. 20118 (August 25, 1983), 28 SEC Docket 1085; Securities Exchange Act Release No. 20127 (August 29, 1983), 28 SEC Docket 1130; Securities Exchange Act Release No. 20128 (August 29, 1983), 28 SEC Docket 1131;

- Securities Exchange Act Release No. 20153 (September 6, 1983), 28 SEC Docket 1187; Securities Exchange Act Release No. 20189 (September 16, 1983), 28 SEC Docket 1296.
- ⁷⁴Investment Company Act Release No. 12888 (December 10, 1983), 26 SEC Docket 1552, requesting comment on regulatory alternatives for mutual fund governance.
- ⁷⁵Investment Company Act Release No. 13044 (February 23, 1983), 27 SEC Docket 532, requesting comment on the utilization of private entities in investment company examination and imposition of examination fees.
- ⁷⁶Investment Company Act Release No. 13183 (April 22, 1983), 27 SEC Docket 532.
- ⁷⁷Investment Advisors Act Release No. 865 (June 10, 1983), 28 SEC Docket 187.
- ⁷⁸Investment Advisors Act Release No. 840 (February 28, 1983), 27 SEC Docket 639.
- ⁷⁹Securities Act Release No. 6479 (August 12, 1983), 28 SEC Docket 899.
- ⁸⁰Securities Act Release No. 6454 (February 28, 1983), 27 SEC Docket 559.
- ⁸¹Investment Company Act Release No. 12745 (October 18, 1982), 26 SEC Docket 727.
- ⁸²Investment Company Act Release No. 13407 (July 28, 1983), 28 SEC Docket 709.
- ⁸³Investment Company Act Release No. 13406 (July 28, 1983), 28 SEC Docket 700.
- ⁸⁴Investment Company Act Release No. 13005 (February 2, 1983), 27 SEC Docket 332.
- ⁸⁵*SEC v. Lowe*. Nos. 83-6108, 83-6116 (2d Cir.) *appeal denied*, January 18, 1984.
- ⁸⁶*SEC v. Youmans*. *appeal pending*, No. 83-5054 (6th Cir.).
- ⁸⁷*SEC v. Clifton*. 700 F.2d 744 (D.C. Cir. 1983).
- ⁸⁸*SEC v. Clifton*, *id.*
- ⁸⁹*Ryan v. SEC*. No. 82-7312 (9th Cir. May 23, 1983).
- ⁹⁰*Boylan v. SEC*. No. 82-711 (9th Cir. Mar. 7, 1983).
- ⁹¹*Herman & McLean v. Huddleston*, 113 S. Ct. 683 (1983).
- ⁹²*Walck v. American Stock Exchange, Inc.*, 103 S. Ct. 2118 (1983).
- ⁹³*Hunsinger v. Rockford Business Credits*. *appeal pending*, No. 83-2169 (7th Cir.); *Spinuzza v. Wencke*. *appeal pending*, No. 83-2251 (7th Cir.). The Commission also filed a brief on rehearing en banc in *Villeneuve v. Advanced Business Concepts Corp.*, 698 F.2d 1121 (11th Cir. 1983), *rehearing en banc granted*, concerning the proper formulation of the investment contract test.
- ⁹⁴*Wolf v. Banco Nacional de Mexico*. *appeal pending*, No. 83-1534 (9th Cir.).
- ⁹⁵*Liberty National Ins. Holding Co. v. The Charter Co.*. *appeal pending*, No. 82-7260 (11th Cir.); *Indiana National Corp. v. Rich*, 712 F.2d 1180 (7th Cir. 1983); *San Francisco Real Estate Investors v. Real Estate Investors of America*. 701 F.2d 1000 (1st Cir. 1983).
- ⁹⁶*Indiana National Corp. v. Rich*, 712 F.2d 1180 (7th Cir. 1983).
- ⁹⁷*Dirks v. SEC*. 103 S. Ct. 3255 (1983).
- ⁹⁸*United States v. Newman*. *cert. denied*, No. 82-1653 (S. Ct. Oct. 3, 1983).
- ⁹⁹*United States v. Newman*. 664 F.2d 12 (2d Cir. 1981).
- ¹⁰⁰*Moss v. Morgan Stanley*. No. 83-7120 (2d Cir. Sept. 9, 1983).
- ¹⁰¹*Dirks v. SEC*. 103 S. Ct. 3255 (1983); *Chiarella v. United States*. 445 U.S. 222 (1980).
- ¹⁰²17 CFR 201.2(e).
- ¹⁰³17 CFR 200.83.
- ¹⁰⁴*Hunt v. SEC*. No. C82-5912 RPA (N.D. Cal.); *Furch v. SEC*. No. 82-CV-1138 (N.D.N.Y.).
- ¹⁰⁵*Atkinson v. SEC*. No. 83-2030 (D.D.C. Oct. 27, 1983).
- ¹⁰⁶*Jan Allison v. SEC*. No. 82-4133 (9th Cir.); *First Jersey Securities, Inc. v. SEC*. No. 82-5784 (3d Cir.); *Blinder-Robinson v. SEC*. No. 82-2041 (10th Cir.); *Sprecher v. Graber*. No. 82-6188 (2d Cir.).
- ¹⁰⁷*First Multifund v. SEC*. Nos. 81-4057, 81-6092, 83-4039 (2d Cir.); *Catalano v. SEC*. No. 83-6092 (2d Cir.). Dist. Court Judgment affirmed, December 2, 1983; *Friedman v. Bache, Halsey*. No. 83-1249 (D.C. Cir.); *Jerry T. O'Brien v. SEC*. 704 F.2d 1065 (9th Cir.); *cert. granted*. No. 83-751 (Supreme Court, January 9, 1984).
- ¹⁰⁸*Jerry T. O'Brien, Inc. v. SEC*. 704 F.2d 1065 (9th Cir.).

¹⁰⁹*Id.* at 1069.

¹¹⁰*Wedbush v. SEC*, [Current] Fed. Sec. L. Rep. (CCH) ¶99,468 (1983); *Pepisco v. SEC*, 563 F.Supp. 828 (S.D.N.Y. 1983); *SEC v. Murphy*, No. CV 75-2775 (D.C. Cal. Aug. 15, 1983).

¹¹¹*Pepisco v. SEC*, 563 F.Supp. 828; *SEC v. Murphy*, No. CV 75-2775.

¹¹²*New England Power Company*, Holding Company Act Release No. 22992 (June 30, 1983), 28 SEC Docket 339; and Holding Company Act Release No. 23025 (August 5, 1983), 28 SEC Docket 867.

¹¹³*Central Power and Light Company*, Holding Company Act Release No. 22873 (March 8, 1983), 27 SEC Docket 717; and Holding Company Act Release no. 22996 (July 1, 1983), 28 SEC Docket 400.

¹¹⁴*West Texas Utilities Company*, Holding Company Act Release No. 22916 (April 20, 1983), 27 SEC Docket 1190; and Holding Company Act Release No. 22964 (June 6, 1983), 28 SEC Docket 31.

¹¹⁵*The Connecticut Light and Power Company*, Holding Company Act Release No. 22972 (June 10, 1983), 28 SEC Docket 143.

¹¹⁶*Mississippi Power and Light Company*, Holding Company Act Release No. 22854 (February 15, 1983), 27 SEC Docket 440.

¹¹⁷Holding Company Release No. 22959 (May 27, 1983), 27 SEC Docket 1869.

¹¹⁸Holding Company Act Release No. 22715 (November 17, 1982), 26 SEC Docket 1067.

¹¹⁹Holding Company Act Release No. 22940 (May 17, 1983), 28 SEC Docket 1651.

¹²⁰Holding Company Act Release No. 23021 (August 4, 1983), 28 SEC Docket 775.

Glossary of Acronyms

AAER—Accounting and Auditing Enforcement Releases
ADR—American Depositary Receipts
AICPA—American Institute of Certified Public Accountants
Amex—American Stock Exchange
BDC—Business Development Company
CAES—Computer Assisted Execution System
CASE—Customer Account Statement Evaluation System
CBOE—Chicago Board Options Exchange
CFTC—Commodity Futures Trading Commission
FASB—Financial Accounting Standards Board
FCPA—Foreign Corrupt Practices Act
FRRs—Financial Reporting Releases
GAAP—Generally Accepted Accounting Principles
ITS—Intermarket Trading System
MOSS—Market Oversight and Surveillance System
MSE—Midwest Stock Exchange
MSRB—Municipal Securities Rulemaking Board
NASAA—North American Securities Administrators Association
NASD—National Association of Securities Dealers
NASDAQ—National Association of Securities Dealers Automated Quotation System
NMS—National Market System
NSTS—National Securities Trading System
NYSE—New York Stock Exchange
Phlx—Philadelphia Stock Exchange
PIC—Productivity Innovation by Computer
POB—Public Oversight Board
PSE—Pacific Stock Exchange
SAB—Staff Accounting Bulletin
SECPS—SEC Practice Section of American Institute of Certified Public Accountants
SES—Senior Executive Service
SIAC—Securities Industry Automation Corporation
SIA—Securities Industry Association
SIC—Special Investigations Committee of SEC Practice Section of American Institute of Certified Public Accountants
SIPC—Securities Investor Protection Corporation
SRO—Self-Regulatory Organization
USIC—User Support Information Center

Appendix



THE SECURITIES INDUSTRY

Income, Expenses and Selected Balance Sheet Items

Broker-dealers which are self-regulated through their membership in a national securities exchange or the National Association of Securities Dealers earned revenues of \$29.0 billion in 1982, 19 percent above the 1981 level.¹ Almost 50 percent of this increase in revenues stemmed from the growth of the trading gains on firms' securities accounts ("trading gains").

Securities commission income grew \$850 million but declined to 26 percent of total revenues. Trading gains increased \$2.3 billion and rose as a percent of total revenues from 22 percent in 1981 to 26 percent in 1982. Despite a 23 percent increase in the market value of equity sales on all registered exchanges, securities commission income rose only 13 percent while trading gains increased 42 percent.

The volume of large transactions, which generate fewer commission dollars relative to trading volume, accounted for a disproportionately large portion of the increase. Revenue from underwriting rose by 46 percent in 1982 which reflects a 12 percent increase in gross proceeds from primary public offerings in 1982 over 1981.

Expenses grew by \$3.4 billion to \$24.9 billion in 1982. Interest expenses declined by \$27 million to \$6.5 billion reflecting the decline of the broker call loan rate and the margin debt in 1982. The 19 percent growth in revenues outstripped the 16 percent rise in expenses and increased pre-tax income to \$4.1 billion, up 47 percent from the preceding year.

Assets rose by \$52.9 billion to \$207.9 billion and liabilities grew \$49.9 billion to \$194.6 billion. Ownership equity rose \$2.9 billion during 1982 to \$13.2 billion at year's end.

¹Due to changes in FOCUS reporting requirements, consolidated information for 1981 is not available. In order to provide consistent information, new financial data

was developed for prior years and Table I now presents unconsolidated data for all years. This data will not be comparable to the Table I of previous years.

Table 1
UNCONSOLIDATED FINANCIAL INFORMATION FOR BROKER-DEALERS
1978-1982

(Millions of Dollars)

	1978	1979	1980	1981	1982 ^P
A Revenues					
1 Securities Commissions	\$ 4,430	\$ 4,737	\$ 6,800	\$ 6,589	\$ 7,439
2 Gain (Loss) in Trading	1,925	2,909	4,309	5,401	7,691
3 Gain (Loss) in Investments	385	732	807	635	878
4 Profit (Loss) from Underwriting and Selling Groups	927	930	1,594	1,860	2,717
5 Revenue from Sale of Investment Company Securities	160	197	278	342	629
6 All Other Revenues	3,446	4,452	6,196	9,545	9,690
7 Total Revenues	\$ 11,273	\$ 13,957	\$ 19,984	\$ 24,372	\$ 29,044
B Expenses					
8 All Employee Compensation and Benefits (Except Registered Representatives' Compensation)	\$ 2,129	\$ 2,475	\$ 3,402	\$ 3,951	\$ 4,770
9 Commissions and Clearance Paid to Other Brokers	787	845	1,079	1,104	1,320
10 Interest Expense	1,967	3,058	3,893	6,506	6,479
11 Regulatory Fees and Expenses	72	75	100	121	152
12 Compensation to Partners and Voting Stockholder Officers	602	664	883	1,056	1,198
13 All Other Expenses (Including Registered Representatives' Compensation)	4,644	5,188	7,574	8,845	11,029
14 Total Expenses	\$ 10,201	\$ 12,305	\$ 16,931	\$ 21,583	\$ 24,948
15 Pre-Tax Income	\$ 1,072	\$ 1,652	\$ 3,053	\$ 2,789	\$ 4,096
C Assets, Liabilities and Capital					
16 Total Assets	\$ 65,354	\$ 87,068	\$120,152	\$155,063	\$207,927
17 Liabilities					
a Total liabilities (excluding subordinated debt)	58,506	79,537	109,742	142,865	192,348
b Subordinated debt	1,167	1,296	1,859	1,869	2,335
c Total liabilities (17a + 17b)	59,673	80,833	111,601	144,734	194,683
18 Ownership Equity	5,681	6,235	8,551	10,329	13,244
19 Total Liabilities and Ownership Equity	\$ 65,354	\$ 87,068	\$120,152	\$155,063	\$207,927
Number of Firms	4,822	4,824	5,283	5,714	6,100

P = Preliminary

Note Includes only those broker-dealers self-regulated through their membership in the National Association of Securities Dealers or a registered securities exchange

Source FOCUS Report

Table 2
**UNCONSOLIDATED ANNUAL REVENUES AND EXPENSES OF FIRMS
DOING A PUBLIC BUSINESS
1978-1982**

(Millions of Dollars)

	1978	1979	1980	1981 ^R	1982 ^P
<i>Revenues</i>					
1 Securities Commissions	\$ 3,983	\$ 4,518	\$ 6,454	\$ 6,163	\$ 7,049
2 Realized and Unrealized Gains or Losses in Trading and Investment Accounts	2,043	3,378	4,686	5,481	8,060
3 Commodities Revenues	345	481	669	699	704
4 Profits or Losses From Under- writing and Selling Groups	871	900	1,519	1,797	2,643
5 Revenues From Sale of Invest- ment Company Securities	148	179	274	338	619
6 Margin Interest	1,115	1,669	2,136	2,884	2,034
7 All Other Revenues	1,533	2,038	2,993	5,320	6,462
8 Total Revenues	<u>\$ 10,038</u>	<u>\$ 13,163</u>	<u>\$ 18,731</u>	<u>\$ 22,682</u>	<u>\$ 27,572</u>
<i>Expenses</i>					
9 Salaries and Other Employment Costs for General Partners and Voting Stockholder Officers	\$ 540	\$ 600	\$ 793	\$ 944	\$ 1,073
10 All Other Employee Compensation and Benefits (Except Registered Representatives' Compensation) ¹	1,908	2,353	3,116	3,749	4,552
11 Commissions and Clearance Paid	702	791	949	972	1,197
12 Interest Expense	1,817	2,957	3,778	6,016	6,229
13 Regulatory Fees and Expenses	60	65	85	103	133
14 All Other Expenses ¹	4,097	4,944	7,251	8,389	10,599
15 Total Expenses	<u>\$ 9,124</u>	<u>\$ 11,710</u>	<u>\$ 15,972</u>	<u>\$ 20,173</u>	<u>\$ 23,783</u>
16 Pre-Tax Income	<u>\$ 914</u>	<u>\$ 1,453</u>	<u>\$ 2,759</u>	<u>\$ 2,510</u>	<u>\$ 3,789</u>
17 Number of firms as of end-of-year	2,516	2,479	2,613	2,836	3,187

P = Preliminary

R = Revised

¹ Registered representatives' compensation is included in "All Other Expenses" because it is not reported separately on Part IIA of the FOCUS Report

Note Figures may not sum due to rounding

Source FOCUS Report

Table 3
**SUMMARY UNCONSOLIDATED BALANCE SHEET FOR FIRMS
DOING A PUBLIC BUSINESS YEAR-END, 1978-1982**

(Millions of Dollars)

	1978	1979	1980	1981 ^R	1982 ^P
A Assets					
1 Cash	\$ 1,162	\$ 2,078	\$ 2,611	\$ 2,671	\$ 4,413
2 Receivables from other broker-dealers					
a Securities failed to deliver	2,436	3,138	3,881	3,280	6,204
b Securities borrowed	2,611	4,319	7,752	9,228	15,550
c Other	872	827	1,177	1,906	2,438
3 Receivables from customers	15,796	16,942	23,464	21,076	24,520
4 Long positions in securities and commodities	17,624	23,757	33,001	41,714	61,931
5 Securities owned - not readily marketable	57	67	121	104	147
6 Securities borrowed under subordinated agreements and partners' individual and capital securities accounts	69	74	90	90	88
7 Securities purchased under agreement to resell	15,469	26,630	32,888	45,222	52,915
8 Secured capital demand notes	276	292	305	309	297
9 Exchange memberships	122	171	213	216	277
10 Other Assets	3,225	4,320	5,579	6,771	9,337
11 Total Assets	<u>\$59,719</u>	<u>\$82,615</u>	<u>\$111,082</u>	<u>\$132,587</u>	<u>\$178,117</u>
B Liabilities and Equity Capital					
12 Bank loans payable					
a Secured by customer collateral	\$ 5,045	\$ 4,284	\$ 3,892	\$ 3,633	\$ 2,776
b Secured by firm collateral	5,443	5,554	5,592	7,583	8,683
13 Securities sold under repurchase agreements	17,587	27,105	34,949	55,679	67,908
14 Payable to other broker-dealers and clearing organizations					
a Securities failed to receive	2,491	3,080	4,095	3,298	6,711
b Securities loaned	2,041	3,843	7,184	8,273	13,734
c Other	790	829	1,105	1,418	2,168
15 Payable to customers	7,784	9,613	14,833	12,705	16,188
16 Short positions in securities and commodities	7,106	14,492	21,160	18,698	30,542
17 Other liabilities	5,717	7,097	9,444	11,001	15,744
18 Total liabilities excluding subordinated liabilities	54,004	75,896	102,254	122,288	164,454
19 Subordinated liabilities	1,042	1,198	1,648	1,698	2,126
20 Total Liabilities	<u>\$55,046</u>	<u>\$77,094</u>	<u>\$103,902</u>	<u>\$123,986</u>	<u>\$166,580</u>
21 Equity Capital	\$ 4,672	\$ 5,521	\$ 7,180	\$ 8,601	\$ 11,537
22 Total Liabilities and Equity Capital	<u>\$59,719</u>	<u>\$82,615</u>	<u>\$111,082</u>	<u>\$132,587</u>	<u>\$178,117</u>
23 Number of firms	2,516	2,479	2,613	2,836	3,187

P = Preliminary

R = Revised

Note: Figures may not sum due to rounding

Source: FOCUS Report

Securities Industry Dollar In 1982 For Carrying and Clearing Firms

Data for *carrying and clearing* firms only are presented here to allow for more detail, as reporting requirements for *introducing* and *carrying and clearing* firms differ and data aggregation of these two types of firms necessarily results in loss of detail. Carrying and clearing firms are those firms which clear securities transactions or maintain possession or control of customers' cash or securities. The 87 percent of industry revenues earned by carrying and clearing firms in 1982 suggests that this group is a suitable proxy for the industry.

Securities commissions and trading gains accounted for 24 cents and 28 cents, respectively, of each revenue dollar in 1982. Together these two items accounted for 52 cents of each revenue dollar earned in 1982 as compared to 49 cents in 1981. In terms of dollars, they accounted for \$13.1 billion of the \$25.4 billion of total revenues earned by carrying and clearing firms. Margin interest income declined to account for 8 cents of each revenue dollar in 1982 compared with 14 cents in 1981.

Total expenses consumed 86 cents of each revenue dollar earned in 1982, a decrease over the 1981 level of 89 cents. The industry's pre-tax profit margin increased to 14 cents per revenue dollar in 1982 from 11 cents in 1981.

Interest expense, again the single largest expense item, in 1982 rose by less than one percent to absorb 24 cents of each

revenue dollar, which compares to 29 cents in 1981. In dollars, interest expense grew only slightly to \$6,184 million in 1982 from \$6,176 in 1981. Employee-related expenses (registered representatives' compensation and clerical and administrative employees' expenses) consumed 34 cents of the revenue dollar in 1982, one cent above the 33 cent level in 1981. Registered representatives' compensation while increasing by 22 percent over the 1982 level, absorbed 18 cents of each revenue dollar in 1982 as it did the previous year. In dollar terms, employee-related expenses accounted for \$8,593 million of the \$21,938 of total expenses.

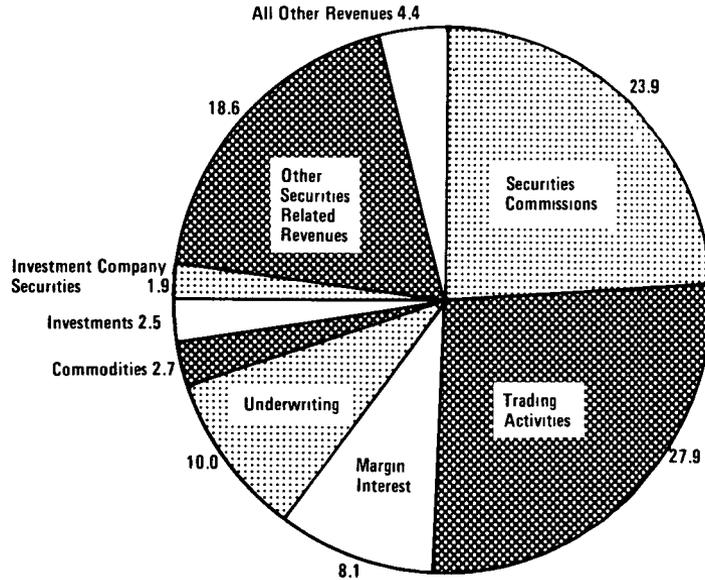
The "All Other Expense" category, which includes promotional costs, regulatory fees and expenses and miscellaneous items, consumed 11 cents of each revenue dollar, compared to 10 cents in 1981.

Total assets of broker-dealers carrying and clearing customer accounts rose by \$42.4 billion to \$179.1 billion in 1982. About 91 percent of this increase in assets can be attributed to four items: long positions with \$19.7 billion, receivables from other broker-dealers with \$9.4 billion, resale agreements with \$6.0 billion and \$3.4 billion for receivables from customers.

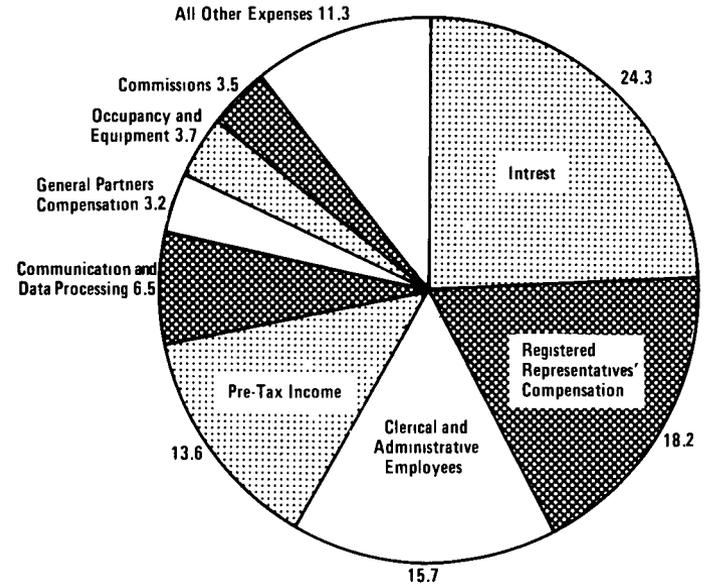
Total liabilities, including subordinated debts moved up \$39.7 billion or 31 percent to \$168.5 billion with increases in repurchase agreements of \$12.8 billion and short positions in securities of \$10.3 billion. Owners' equity rose 33 percent from \$8.0 billion in 1981 to \$10.6 billion and total capital increased 32 percent to \$12.6 billion from \$9.6 billion in 1981.

Securities Industry Dollar In 1982 For Carrying/Clearing Firms

SOURCES OF REVENUE



EXPENSES AND PRE-TAX INCOME



NOTE: Includes information for firms that carry customer accounts or clear securities transactions

SOURCE: X-17A-5 FOCUS REPORTS

Table 4
**REVENUES AND EXPENSES OF BROKER-DEALERS
 CARRYING/CLEARING CUSTOMER ACCOUNTS**

(Millions of Dollars)

	1981 ^R		1982 ^P		1981-1982
	Dollars	Percent of Total Revenues	Dollars	Percent of Total Revenues	Percent Increase
<i>Revenues</i>					
1 Securities Commissions	\$ 5,425	25.5%	\$ 6,062	23.9%	11.7%
2 Gain (Loss) in Trading	5,009	23.6	7,086	27.9	41.5
3 Gain (Loss) in Investments	527	2.5	642	2.5	21.8
4 Profit (Loss) from Underwriting and Selling Groups	1,717	8.1	2,550	10.0	48.5
5 Revenue from Sale of Investment Company Securities	209	1.0	469	1.9	124.4
6 Margin Interest Income	2,914	13.7	2,043	8.1	(29.9)
7 Commodity Revenue	694	3.9	693	2.7	(0.1)
8 Other Revenue Related to Securities Business	3,562	11.7	4,727	18.6	32.7
9 Revenue from All Other Sources	1,197	3.2	1,120	4.4	(6.4)
10. Total Revenues	<u>\$21,254</u>	<u>100.0%</u>	<u>\$25,392</u>	<u>100.0%</u>	<u>19.5%</u>
<i>Expenses</i>					
11 Registered Representatives' Compensation	\$ 3,765	17.7%	\$ 4,610	18.2%	22.4%
12 Clerical and Administrative Employees' Expenses	3,291	15.5	3,983	15.7	21.0
13 Commissions and Clearance Paid to Others	741	3.5	900	3.5	21.5
14 Interest Expense	6,176	29.1	6,184	24.3	0.1
15 Communication and Data Processing	1,394	6.5	1,654	6.5	18.7
16 Occupancy and Equipment	719	3.4	934	3.7	29.9
17 Compensation to Partners and Voting Stockholder Officers	705	3.3	814	3.2	15.5
18 All Other Expenses	2,174	10.2	2,858	11.3	31.5
19 Total Expenses	<u>\$18,965</u>	<u>89.2%</u>	<u>\$21,937</u>	<u>86.4%</u>	<u>15.7%</u>
<i>Pre-Tax Income</i>					
20 Pre-Tax Income	<u>\$ 2,289</u>	<u>10.8%</u>	<u>\$ 3,455</u>	<u>13.6%</u>	<u>50.9%</u>
Number of Firms	1,234		1,253		

P = Preliminary
 R = Revised

Note: Includes information for firms that carry customer accounts or clear securities transactions. Percentages may not add due to rounding.

Source: FOCUS Report

Table 5
**UNCONSOLIDATED BALANCE SHEET OF BROKER-DEALERS
 CARRYING/CLEARING CUSTOMER ACCOUNTS**

(Millions of Dollars)

	Year End 1981	Percent	Year End 1982	Percent	% Change 1981-1982
Assets					
1 Cash	\$ 2,596	1 9%	\$ 4,287	2 4%	65 1%
2 Receivable From Other Broker-Dealers	14,562	10 7	23,963	13 4	64 6
a Securities Borrowed	9,624	7 0	15,784	8 8	64 0
b Other Receivables	4,938	3 6	8,179	4 6	65 6
3 Receivables From Customers	21,096	15 4	24,543	13 7	16 3
4 Resale Agreements	46,932	34 3	52,920	29 6	12 8
5 Long Positions in Securities and Spot Commodities	44,576	32 6	64,255	35 8	44 2
6 Other Assets	6,983	5 1	9,135	5 1	30 8
7 Total Assets	<u>\$136,745</u>	<u>100 0%</u>	<u>\$179,103</u>	<u>100 0%</u>	<u>31 0%</u>
Liabilities and Equity					
<i>Capital</i>					
8 Bank Loans	11,808	8 6%	11,503	6 4%	(2 6)%
a Secured by Customer Sec	3,612	2 6	2,761	1 5	(23 6)
b Secured by Proprietary Sec	8,196	6 0	8,742	4 9	6 7
9 Payable to Other Broker-Dealers	12,896	9 4	21,981	12 3	70 1
a Securities Loaned	8,526	6 2	13,778	7 7	61 6
b Other Payables	4,370	3 2	8,203	4 6	87 7
10 Payable to Customers	12,732	9 3	16,219	9 1	27 4
a Free Credit Balances	6,188	4 5	7,679	4 3	24 1
b Other Credit Balances	6,544	4 8	8,540	4 8	30 5
11 Repurchase Agreements	59,358	43 4	72,127	40 3	21 5
12 Short Positions in Securities	19,682	14 4	29,940	16 7	52 1
13 Subordinated Debt	1,556	1 2	1,956	1 1	25 7
14 Other Liabilities	10,701	7 8	14,730	8 2	37 7
15 Total Liabilities	<u>128,733</u>	<u>94 1</u>	<u>168,456</u>	<u>94 1</u>	<u>30 9</u>
16 Owners' Equity	8,012	5 9	10,647	5 9	32 9
17 Total Liabilities and Owners' Equity	<u>\$136,745</u>	<u>100 0%</u>	<u>\$179,103</u>	<u>100 0%</u>	<u>31 0%</u>
Total Capital	\$ 9,568		\$ 12,603		31 7%
Number of Firms	1,234		1,253		

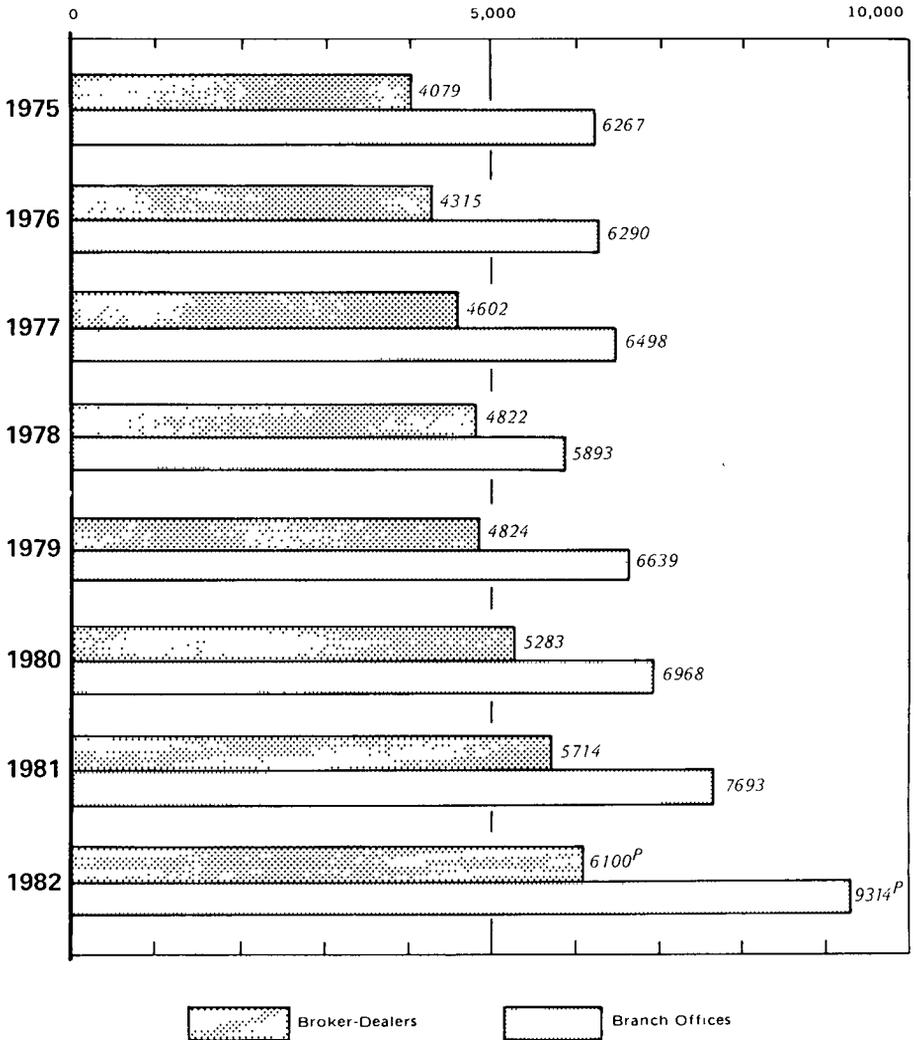
Source FOCUS Report

Broker-Dealers, Branch Offices, Employees

The number of broker-dealers filing FOCUS Reports rose from 5,714 in 1981 to 6,100 in 1982. During the same period, the

number of branch offices increased from 7,693 to 9,314. The number of full-time personnel employed in the securities industry rose from 220,219 to 244,665 in 1982, an 11 percent increase.

Broker-Dealers and Branch Offices



P-Preliminary

R-Revised

SOURCE: FORM X-17A-10 AND FOCUS REPORTS

Table 6

**BROKERS AND DEALERS REGISTERED UNDER THE SECURITIES EXCHANGE ACT OF
1934—EFFECTIVE REGISTRANTS AS OF SEPTEMBER 30, 1983 CLASSIFIED BY
TYPE OF ORGANIZATION AND BY LOCATION OF PRINCIPAL OFFICE**

	Number of Registrants			
	Total	Sole Proprietorships	Partnerships	Corporations ¹
Alabama	38	3	1	34
Alaska	2	0	0	2
Arizona	48	2	1	45
Arkansas	36	2	0	34
California	1,048	292	96	660
Colorado	203	6	6	191
Connecticut	130	15	16	99
Delaware	11	1	1	9
District of Columbia	45	3	6	36
Florida	311	16	8	287
Georgia	85	1	4	80
Hawaii	23	0	0	23
Idaho	10	2	0	8
Illinois	2,381	1,470	286	625
Indiana	57	7	1	49
Iowa	43	4	2	37
Kansas	40	4	3	33
Kentucky	15	1	0	14
Louisiana	59	3	4	52
Maine	13	0	2	11
Maryland	68	6	3	59
Massachusetts	206	30	14	162
Michigan	92	5	5	82
Minnesota	101	3	0	98
Mississippi	21	0	1	20
Missouri	91	7	2	82
Montana	8	1	0	7
Nebraska	26	0	0	26
Nevada	14	3	1	10
New Hampshire	10	2	0	8
New Jersey	264	44	28	192
New Mexico	14	2	0	12
New York	2,169	712	312	1,145
North Carolina	49	3	1	45
North Dakota	5	0	1	4
Ohio	129	5	11	113
Oklahoma	61	5	1	55
Oregon	46	0	1	45
Pennsylvania	376	19	98	259
Rhode Island	16	4	1	11
South Carolina	29	3	1	25
South Dakota	3	0	0	3
Tennessee	85	2	3	80
Texas	355	26	10	319
Utah	52	2	2	48
Vermont	7	3	1	3
Virginia	56	4	2	50
Washington	102	5	1	96
West Virginia	9	2	0	7
Wisconsin	83	8	2	73
Wyoming	9	1	0	8
Total	9,130	2,737	937	5,456
Foreign ²	24	2	2	20
Grand Total	9,154	2,739	939	5,476

¹Includes all forms of organization other than sole proprietorships and partnerships

²Registrants whose principal offices are located in foreign countries or other jurisdictions not listed

Table 7
**APPLICATIONS AND REGISTRATIONS OF BROKERS AND DEALERS
AND INVESTMENT ADVISERS**

Fiscal Year 1983

BROKER-DEALER APPLICATIONS	
Applications pending at close of preceding year	3
Applications received during fiscal 1983	2,647
Total applications for disposition	2,650
Disposition of Application	
Accepted for filing	1,963
Returned	493
Withdrawn	0
Denied	0
Total applications disposed of	2,459
Applications pending as of September 30, 1983	191
BROKER-DEALER REGISTRATIONS	
Effective registrations at close of preceding year	8,076
Registrations effective during fiscal 1983	1,963
Total registrations	10,039
Registrations terminated during fiscal 1983	
Withdrawn	791
Revoked	0
Cancelled/Other	94
Total registrations terminated	885
Total registrations at end of fiscal 1983	9,154
INVESTMENT ADVISER APPLICATIONS	
Applications pending at close of preceding year	2
Applications received during fiscal year 1983	2,609
Total applications for disposition	2,611
Disposition of applications	
Accepted for filing	1,954
Withdrawn	516
Returned	0
Denied	0
Total applications disposed of	2,470
Applications pending as of September 30, 1983	141
INVESTMENT ADVISER REGISTRATIONS	
Effective registrations at close of preceding year	5,445
Registrations effective during fiscal 1983	1,954
Total registrations	7,399
Registrations terminated during fiscal 1983	
Withdrawn	207
Revoked	0
Cancelled/Other	149
Total registrations terminated	356
Total registrations at end of fiscal 1983	7,043

Table 8

**APPLICATIONS AND REGISTRATIONS OF MUNICIPAL SECURITIES
DEALERS AND TRANSFER AGENTS**

Fiscal Year 1983

MUNICIPAL SECURITIES DEALERS APPLICATIONS	
Applications pending at close of preceding year	-0-
Applications received during fiscal 1983	23
Total applications for disposition	23
Disposition of Application	
Accepted for filing	18
Returned	1
Denied	0
Total applications disposed of	19
Applications pending as of September 30, 1983	4
MUNICIPAL SECURITIES DEALERS REGISTRATIONS	
Effective registrations at close of preceding year	372
Registrations effective during fiscal 1983	18
Total registrations	390
Registrations terminated during fiscal 1983	
Withdrawn	12
Cancelled	0
Suspended	0
Total registrations terminated	12
Total registrations at end of fiscal 1983	378
TRANSFER AGENTS APPLICATIONS	
Applications pending at close of preceding year	-0-
Applications received during fiscal year 1983	79
Total applications for disposition	79
Disposition of applications	
Accepted for filing	69
Returned	4
Withdrawn	0
Denied	0
Total applications disposed of	73
Applications pending as of September 30, 1983	6
TRANSFER AGENTS REGISTRATIONS	
Effective registrations at close of preceding year	986
Registrations effective during fiscal 1983	69
Total registrations	1,055
Registrations terminated during fiscal 1983	
Withdrawn	14
Cancelled	1
Suspended	0
Total registrations terminated	15
Total registrations at end of fiscal 1983	1,040

Self Regulatory Organizations: Revenues, Expenses, Pre-Tax Income and Balance Sheet Structure

In 1982 the aggregate total revenue of self-regulatory organizations ("SROs") reached \$404.0 million, representing an increase of 8.5% since 1981. NYSE, Amex, and NASD account for 69.9% of the aggregate total revenue. Most of the revenue accrued was generated by various types of fees, including fees for branch offices and for listing fees. NYSE reported a total revenue figure of \$169.0 million of which approximately 56.8% was made up of listing and trading fees. NASD reported a total revenue figure of \$54.7 million. Over 56.8% of this figure was derived from listing and trading fees. Approximately 8.3% of the aggregate revenues was pre-tax income.

Aggregate total expenses for all SROs by 1982 were \$370.3 million, an increase of 9.5% over 1981. NASD reported total expenses as \$51.3 million, representing an increase of 25.9% over the previous year. Salaries and employees benefits made up 52.4% of the total NASD expenses.

The aggregate pre-tax income figure of all SROs declined by 1.7% from the previous year. NYSE reported total pre-tax income of \$15.9 million, an increase of 68.9% from the previous year. The pre-tax income for Amex decreased from 1981 by 29.4%, for CBOE by 46.5% and for the NASD by 44.8%.

The aggregate total asset figure for 1982 was \$662.1 million, an increase of 5.2% over 1981. NYSE's share of the aggregate total assets was \$190.9 million, an increase of 15.8% since 1981. BSE's asset figure declined from \$21.3 million in 1981 to \$17.2 million in 1982, a decrease of 18.9%. MSE's figure also declined from \$110.4 million in 1981 to \$95.7 million in 1982, a decrease of 13.3%. For the past two years total assets for PSE have exceeded those of the NYSE. This difference occurs because of the manner in which the two

firms report clearing funds and depository transactions.

The aggregate net worth rose to \$258.8 million from \$235.5 million in 1981, an increase of 9.9%. Phlx, Amex and NASD reported the largest percentage increases in net worth over 1981 figures. Phlx posted the largest increase of the three exchanges, 32.0% since 1981.

Aggregate clearing agency revenues for 1982 increased by approximately \$13 million over 1981 due, in most part, to the substantial increase in equity securities trading volume experienced late in the year. Revenues from depository services of the Depository Trust Company ("DTC") alone increased \$13 million. While much of the rise in DTC's revenues is due to increased equity trading, a significant portion resulted from additional participants. The number of DTC participants increased by 81 in 1982 for a total of 455 and the number of shares on deposit increased from 19 billion to 26.7 billion.

The Options Clearing Corporation ("OCC") results are only reported for a six month period due to a change in their year end. The six month results approximated half the previous year's results because OCC relates most of its profits, effectively reducing its fees to a level that covers its expenses. Had OCC results for a full year been presented, aggregate clearing agency revenues and expenses each would have been approximately \$5 million higher.

Aggregate clearing agency expenses increased \$13 million during 1982. Of this increase, \$9 million is attributable to additional employee costs incurred by DTC. Higher labor costs were the result of personnel resources needed to handle DTC's increased volume as described above.

Additional electronic data processing expenditures accounted for another \$6 million of the increase in aggregate clearing agency expenses. Of this increase, \$4 million and \$2 million was incurred by the National Securities Clearing Corporation and DTC respectively.

Table 9
CONSOLIDATED FINANCIAL INFORMATION OF SELF-REGULATORY ORGANIZATIONS
1980-1982

(Thousands of Dollars)

	Amex ¹	BSE ²	CBOE ³	CSE ⁴	ISE ¹	MSE ¹	NASD ²	NYSE ¹	PSE ¹	Phlx ¹	SSE ¹	TOTAL
Total Revenues												
1980	\$47,214	\$ 7,285	\$25,459	\$119	\$13	\$ 22,026	\$36,912	\$132,645R	\$ 28,933	\$12,006	\$29	\$312,641R
1981	57,493	7,851	35,035	204	14	26,162	46,815	153,235	32,218	13,220	30	372,277
1982	58,525	7,935	35,797	330	21	29,344	54,675	168,984	32,828	15,506	30	403,975
Total Expenses												
1980	39,269	7,213	23,124	193	16	19,362	32,888	127,547R	23,121	10,312	30	283,073R
1981	46,236	8,781R	30,739	280	26	24,337	40,780	143,811	29,902	13,070	32	337,994R
1982	50,584	7,973	33,500	387	16	27,073	51,345	153,063	31,800	14,494	30	370,265
Pre-Tax Income												
1980	7,945	72	2,335	(74)	(3)	2,664	4,029	29,367	5,812	1,694	(1)	53,835
1981	11,257	(930)R	4,296	(76)	(12)	1,825	6,035	9,424	2,316	150	(2)	34,283R
1982	7,941	(38)	2,297	(58)	5	2,271	3,330	15,921	1,028	1,012	*	33,710
Total Assets												
1980	41,943	20,176	33,998	424	30	156,312	36,346	168,571	258,408	44,016	16	760,240
1981	52,787	21,287	38,254	525	20	110,352	50,344	164,943	165,125	25,712	13	629,362
1982	58,090	17,255	39,083	605	30	95,730	52,818	190,948	170,645	36,835	14	662,053
Total Liabilities												
1980	12,465	18,034	9,750	265	2	147,391	7,948	66,035	249,492	35,940	*	547,321
1981	18,117	20,073	11,642	440	1	100,262	15,911	56,111	154,361	16,900	*	393,818
1982	18,912	16,080	10,907	578	1	84,233	15,055	73,363	158,888	25,202	*	403,217
Net Worth												
1980	29,478	2,142	24,248	159	28	8,921	28,398	102,536	8,916	8,076	15	212,917
1981	34,670	1,214R	26,612	85	19	10,090	34,433	108,832	10,764	8,812	13	235,544R
1982	39,178	1,176	28,176	27	29	11,497	37,763	117,585	11,757	11,633	14	258,836

R = Revised

* = Less than \$500

¹Fiscal year ending December 31

²Fiscal year ending September 30

³Fiscal year ending June 30

⁴Fiscal year ending April 30

Sources: SRO Annual Reports and Consolidated Financial Statements

Table 10
SELF-REGULATORY ORGANIZATIONS—CLEARING AGENCIES
1982 REVENUES AND EXPENSES¹
(Thousands of Dollars)

	Boston Stock Exchange Clearing Corporation 9/30/82	Depository Trust Company 12/31/82	Midwest Clearing Corporation 12/31/82	Midwest Securities Trust Company 12/31/82	National Securities Clearing Corporation 12/31/82	Options Clearing Corporation 6 Months 12/31/82	Pacific Clearing Corporation 12/31/82	Pacific Securities Depository Trust Company 12/31/82	Philadelphia Depository Trust Company 12/31/82	Stock Clearing Corporation of Philadelphia 12/31/82	Total
<i>Revenues</i>											
Clearing services ²	\$2,082		\$5,476		\$38,480	\$5,551	\$ 3,515			\$1,972	\$ 57,076
Depository services ²		\$51,467		\$ 8,880				\$5,004	\$2,347		67,698
Interest and other revenue	756	33,359	1,576	3,858	815	2,725	6,659	1,463	232	435	51,878
Total revenues³	2,838	84,826	7,052	12,738	39,295	8,276	10,174	6,467	2,579	2,407	176,652
<i>Expenses</i>											
Employee costs	804	51,548	2,561	5,169	2,639	3,408	3,304	2,777	1,107	951	74,268
Data processing and communication costs	824	10,483	1,048	1,948	24,031	2,228	2,553	2,891	1,326	953	48,285
Occupancy costs	179	7,441	535	1,183		486	244	464	132	140	10,804
Contracted services costs					4,456						4,456
Regulatory fee ⁴					4,648						4,648
Participant default			200								200
All other expenses	1,085	13,011	2,400	4,472	3,400	2,114	2,174	1,790	294	345	31,085
Total expenses	2,892	82,483	6,744	12,772	39,174	8,236	8,275	7,922	2,859	2,389	173,746
Excess of revenues over expenses⁵	\$ (54)	\$ 2,343	\$ 307	\$ (33)	\$ 121	\$ 40	\$ 1,899	\$(1,455)	\$ (280)	\$ 18	\$ 2,906

¹ Any single revenue or expense category may not be completely comparable between any two clearing agencies because of (i) the varying classification methods employed by the clearing agencies in reporting operating results and (ii) the grouping methods employed by the Commission staff due to these varying classification methods

² Clearing and depository services revenue items reported in this table may differ from clearing and depository fees revenues reported in the other statistical tables contained herein. This difference results from, among other things, variations in classification of revenue items

³ Revenues are net of refunds which have the effect of reducing a clearing agency's base fee rates

⁴ This figure represents amounts billed by the New York and American Stock Exchange and the National Association of Securities Dealers (\$3,000,000, \$550,000 and \$1,098,000 respectively) for services provided to the National Securities Clearing Corporation. These services consisted principally of examining, monitoring, and investigating the financial and operating conditions of existing and prospective clearing members and the notification of unusual market conditions which may affect securities to be cleared. These fees are due to expire in 1983

⁵ Before the effect of income taxes, which may significantly impact a clearing agency's net income

Table 11
MUNICIPAL SECURITIES RULEMAKING BOARD
STATEMENTS OF REVENUES AND EXPENSES AND
CHANGE IN FUND BALANCE

for the years ended September 30, 1983 and 1982

	Years Ended September 30	
	1983	1982
<i>Revenues</i>		
Assessment fees	\$ 943,938	\$1,582,498
Annual fees	197,400	182,400
Initial fees	24,200	15,800
Investment income	133,521	113,478
Board manuals and other	21,201	23,094
	1,320,260	1,917,270
<i>Expenses</i>		
Salaries and employee benefits	570,566	504,309
Board and committee	337,300	276,845
Operations	167,661	153,207
Education and communication	212,930	194,442
Professional services	15,803	17,147
Depreciation and amortization	14,538	11,035
	1,318,798	1,156,985
Revenues over expenses	1,462	760,285
Fund balance, beginning of year	1,410,987	650,702
Fund balance, end of year	\$1,412,449	\$1,410,987

EXEMPTIONS

Section 12(h) Exemptions

Section 12(h) of the Exchange Act authorizes the Commission to grant a complete or partial exemption from the registration provisions of Section 12(g) or from other disclosure and insider trading provisions of the Act where such exemption is consistent with the public interest and the protection of investors.

For the year beginning October 1, 1982, 19 applications were pending, and an additional 23 applications were filed during the year. Of these 42 applications, 29 were granted, and 7 were withdrawn. Six applications were pending at the close of the year.

Exemptions For Foreign Private Issuers

Rule 12g3-2 provides various exemptions from the registration provisions of Section 12(g) of the Exchange Act for the securities of foreign private issuers. Perhaps the most important of these is that contained in subparagraph (b) which provides an exemption for certain foreign issuers which submit on a current basis material specified in the rule. Such material includes that information about which investors ought reasonably to be informed and which the issuer: (1) has made public pursuant to the law of the country of domicile or in which it is incorporated or organized; (2) has filed with a foreign stock ex-

change on which its securities are traded and which was made public by such exchange; and or (3) has distributed to its security holders. Periodically, the Commission publishes a list of those foreign issuers which appear to be current under the exemptive provision. The most current list is as of October 5, 1983 and contains a total of 445 foreign issuers.

Rule 10b-6 Exemptions

Exchange Act Rule 10b-6 is an anti-manipulative rule that prohibits trading in securities by persons interested in a distribution of such securities. During the fiscal year, the Commission granted approximately 180 exemptions pursuant to paragraph (h) of Rule 10b-6 under circumstances indicating that proposed purchase transactions did not appear to constitute manipulative or deceptive devices or contrivances comprehended within the purposes of the rule.

FINANCIAL INSTITUTIONS

There were 2,181 companies registered under the Investment Company Act of 1940 as of September 30, 1983, with active companies having an approximate market value of assets of \$330,458 million. New registrations totaled 287, with 50 registrations terminated during the fiscal year. This compares with 1982 fiscal year figures of 1,944 total registrations, 305 new registrations and 45 terminations.

Table 12

**COMPANIES REGISTERED UNDER THE INVESTMENT COMPANY
ACT OF 1940 AS OF SEPTEMBER 30, 1983**

	Number of Registered Companies			Approximate Market Value of Assets of Active Companies (Millions)
	Active	Inactive ^a	Total	
Management open-end ("Mutual Funds")	1,403	36	1,439	\$287,047
Variable annuity-separate accounts	72	3	75	2,248
All other load funds	1,331	33	1,364	284,799
Management closed-end	163	58	221	8,218
Small Business Investment companies	40	6	46	182
All other closed-end companies	123	52	175	8,036
Unit investment trust	487	25	512	33,711 ^b
Variable annuity-separate accounts	151	2	153	2,876
All other unit investment trusts	336	23	359	30,835
Face-amount certificate companies	5	4	9	1,483
Total	2,058	123	2,181	\$330,458

^a Inactive refers to registered companies which as of September 30, 1983, were in the process of being liquidated or merged, or have filed an application pursuant to Section 8(f) of the Act for deregistration, or which have otherwise gone out of existence and remain only until such time as the Commission issues order under Section 8(f) terminating their registration

^b Includes about 6.2 billion of assets of trusts which invest in securities of other investment companies, substantially all of them mutual funds

Table 13
**COMPANIES REGISTERED UNDER THE INVESTMENT COMPANY
 ACT OF 1940**

Fiscal year ended September 30	Registered at beginning of year	Registered during year	Registration terminated during year	Registered at end of year	Approximate market value of assets of active companies (millions)
1941	0	450	14	436	\$ 2,500
1942	436	17	46	407	2,400
1943	407	14	31	390	2,300
1944	390	18	27	371	2,200
1945	371	14	19	366	3,250
1946	366	13	18	361	3,750
1947	361	12	21	352	3,600
1948	352	18	11	359	3,825
1949	359	12	13	358	3,700
1950	358	26	18	366	4,700
1951	366	12	10	368	5,600
1952	368	13	14	367	6,800
1953	367	17	15	369	7,000
1954	369	20	5	384	8,700
1955	384	37	34	387	12,000
1956	387	46	34	399	14,000
1957	399	49	16	432	15,000
1958	432	42	21	453	17,000
1959	453	70	11	512	20,000
1960	512	67	9	570	23,500
1961	570	118	25	663	29,000
1962	663	97	33	727	27,300
1963	727	48	48	727	36,000
1964	727	52	48	731	41,600
1965	731	50	54	727	44,600
1966	727	78	30	775	49,800
1967	755	108	41	842	58,197
1968	842	167	42	967	69,732
1969	967	222	22	1,167	72,465
1970	1,167	187	26	1,328	56,337
1971	1,328	121	98	1,351	78,109
1972	1,351	91	108	1,334	80,816
1973	1,334	91	64	1,361	73,149
1974	1,361	106	90	1,377	62,287
1975	1,377	88	66	1,399	74,192
1976	1,399	63	86	1,376	80,564
1977*	1,403	91	57	1,437	76,904
1978	1,437	98	64	1,471	93,921
1979	1,471	83	47	1,507	108,572
1980	1,507	136	52	1,591	155,981
1981	1,591	172	80	1,683	193,362
1982	1,683	305	45	1,944	281,644
1983	1,944	287	50	2,181	330,458

* Began Fiscal Year Ending September 30, 1977

Table 14
NEW INVESTMENT COMPANY REGISTRATIONS

	1983
Management open-end	
Variable annuities	4
All others	231
Sub-total	235
Management closed-end	
SBIC's	3
All others	11
Sub-total	14
Unit investment trust	
Variable annuities	23
All others	15
Sub-total	38
Face amount certificates	0
Total Registered	287

Table 15
INVESTMENT COMPANY REGISTRATIONS TERMINATED

	1983
Management open-end	
Variable annuities	2
All others	38
Sub-total	40
Management closed-end	
SBIC's	0
All others	6
Sub-total	6
Unit investment trust	
Variable annuities	3
All others	1
Sub-total	4
Face amount certificates	0
Total terminated	50

SECURITIES ON EXCHANGES

Market Value and Share Volume

The total market value of all equity securities transactions on registered exchanges totaled \$657 billion in 1982. Of this total, \$603 billion, or 92 percent, represented the market value of transactions in stocks and \$54 billion, or eight percent, the market value of options transactions. The remainder covers the market value of transactions in warrants and rights. The value of equity transactions on the New York Stock Exchange was \$515 billion, up 24 percent from the previous year. In contrast, the market value of such transactions fell 15 percent to \$34 billion on the American Stock Exchange but increased 42 percent to \$108 billion on all regional

exchanges combined. The volume of trading in stocks on all registered exchanges totaled 22 billion shares in 1982, a 38 percent increase over the previous year, with 81 percent of the total accounted for by trading on the New York Stock Exchange.

The number of contracts traded on options exchanges rose 26 percent during 1982 to 137 million contracts, the market value of such contracts increased 29 percent to \$54 billion. The volume of contracts executed on the Chicago Board Options Exchange rose 31 percent to 76 million; trading on the American Stock Exchange increased 11 percent; Philadelphia Stock Exchange contract volume expanded 35 percent; and Pacific Stock Exchange contract volume went up 34 percent.

Table 16

MARKET VALUE AND VOLUME OF EQUITY SALES ON REGISTERED SECURITIES EXCHANGES¹

(All data are in thousands)

		STOCKS ²		OPTIONS ³		WARRANTS		RIGHTS		
		TOTAL MARKET VALUE (Dollars)	Market Value (Dollars)	Number of Shares	Market Value (Dollars)	Number of Contracts	Market Value (Dollars)	Number of Units	Market Value (Dollars)	Number of Units
All Registered Exchanges for Past Six Years										
Calendar Year	1977	198,291,919	187,202,557	7,023,101	10,899,135	39,622	184,435	67,841	5,792	43,940
	1978	269,266,174	249,216,929	9,483,907	19,703,198	61,336	343,724	68,074	2,323	13,889
	1979	323,364,620	299,749,680	10,849,825	22,860,058	64,347	747,948	76,902	6,934	38,184
	1980	522,205,543	475,849,870	15,485,686	45,789,163	96,828	559,601	61,434	6,909	37,089
	1981	532,712,860	490,688,155	15,910,315	41,695,816	109,406	327,293	46,553	1,596	12,530
	1982	657,021,184	602,937,000	22,423,023	53,659,797	137,266	423,234	56,053	1,152	21,500
Breakdown of 1982 Data by Registered Exchanges										
<i>All Registered Exchanges</i>		34,065,227	19,620,495	1,550,070	14,317,384	38,767	127,316	15,513	31	192
	American Stock Exchange	3,056,511	3,056,511	107,194	0	0	0	0	0	0
	* Boston Stock Exchange	2,841,140	2,841,140	93,909	0	0	0	0	0	0
	* Cincinnati Stock Exchange	35,147,454	35,147,454	1,143,963	0	0	0	0	0	0
	Midwest Stock Exchange	514,552,875	514,263,293	18,210,829	0	0	288,494	36,955	1,088	20,606
	* New York Stock Exchange	21,161,976	18,406,270	809,553	2,748,657	9,310	7,016	3,513	33	702
	Pacific Stock Exchange	13,916,618	9,588,217	489,773	4,327,993	13,467	408	72	0	0
	* Philadelphia Stock Exchange	820	820	1,813	0	0	0	0	0	0
	Intermountain Stock Exchange	12,800	12,800	15,919	0	0	0	0	0	0
	Spokane Stock Exchange	32,265,763	0	0	32,265,763	75,722	0	0	0	0
	* Chicago Board Options									

¹ Reports of those exchanges marked with an asterisk cover transactions cleared during the calendar month, clearances occur for the most part on the fifth day after that on which the trade actually was effected. Reports for other exchanges cover transactions effected on trade dates of calendar month.

² Data on the value and volume of equity securities sales are reported in connection with fees paid under Section 31 of the Securities Exchange Act of 1934 as amended by the Securities Acts Amendments of 1975. They cover odd-lot as well as round-lot transactions.

³ Includes voting trust certificates, certificates of deposit for stocks, and American Depository Receipts for stocks but excludes rights and warrants.

⁴ Includes only equity options. Exercises are not included in these totals.

Source: SEC Form R-31

NASDAQ (Volume and Market Value)

NASDAQ share volume and market value information for over-the-counter trading has been reported on a daily basis since November 1, 1971. At the end of 1982, there were approximately 3,700 issues in the NASDAQ system, an increase of eight percent during the year. Volume for 1982 was over eight billion shares, up eight percent from eight billion shares in the previous year. This trading volume encompasses the number of shares bought and sold by market-makers plus their net inventory changes. The market value of shares traded in the NASDAQ system was \$84 billion at the end of 1982.

Share and Dollar Volume by Exchange

Share volume in 1982 for stocks, rights, and warrants on exchanges totaled 23 billion, an increase of 41 percent from the previous year. The New York Stock Exchange accounted for 81 percent of 1982 share volume; the American Stock Exchange, seven percent; the Midwest Stock Exchange, five percent; and the Pacific Stock Exchange, four percent.

The market value of stocks, rights, and warrants traded was \$603 billion, an increase of 23 percent over the previous year. Trading on the New York Stock Exchange contributed 85 percent of the total; and trading on the American Stock Exchange accounted for three percent and the Midwest Stock Exchange trading reached six percent of the total.

Market Value Of Securities Traded On All U.S. Stock Exchanges

Dollars Billions

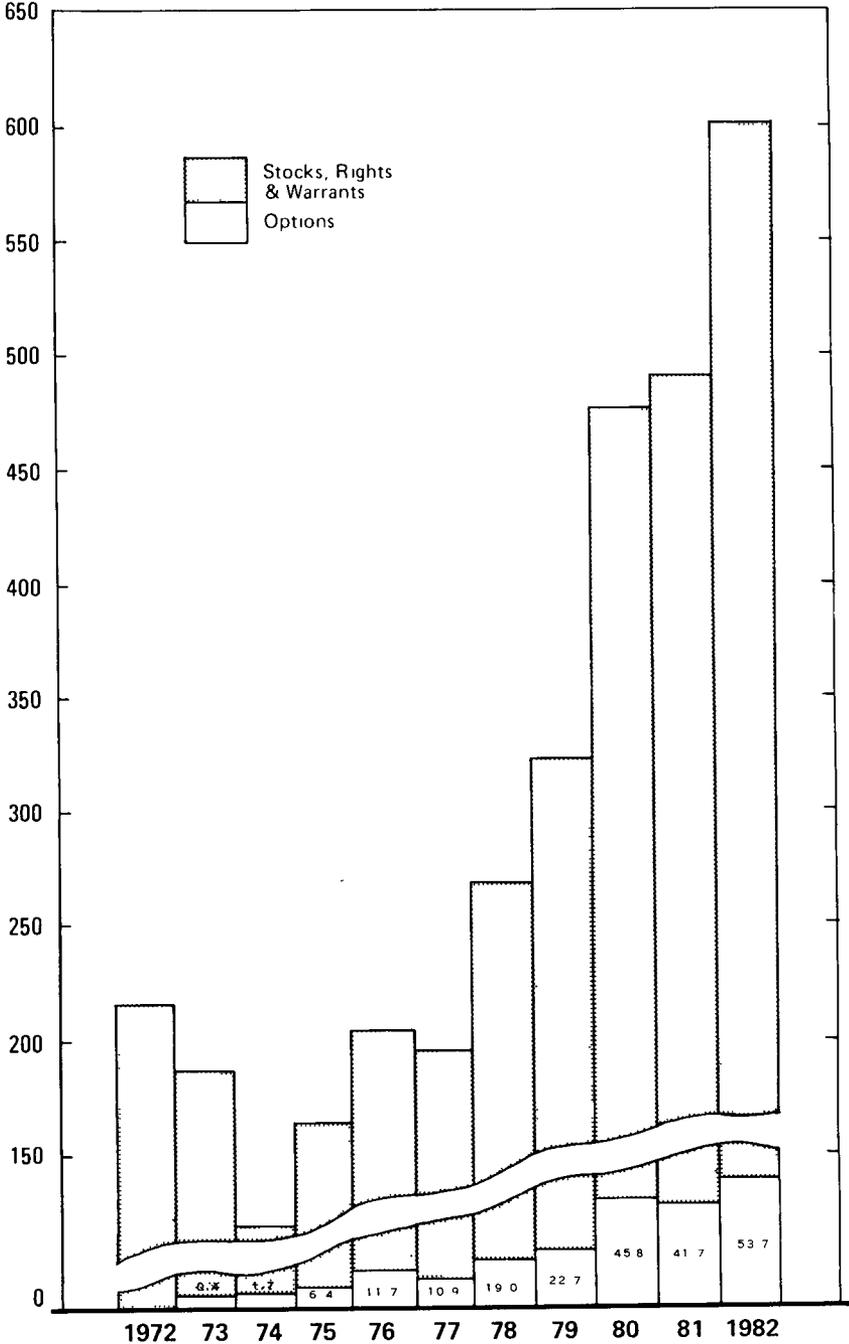


Table 17
SHARE VOLUME BY EXCHANGES¹
in Percentage

Year	Total Share Volume (thousands)	NYSE	AMEX	MSE	PSE	PHLX	BSE	CSE	Other ²
1935	681,971	73 13	12 42	1 91	2 69	1 10	0 96	0 03	7 76
1940	377,897	75 44	13 20	2 11	2 78	1 33	1 19	0 08	3 87
1945	769,018	65 87	21 31	1 77	2 98	1 06	0 66	0 05	6 30
1950	893,320	76 32	13 54	2 16	3 11	0 97	0 65	0 09	3 16
1955	1,321,401	68 85	19 19	2 09	3 08	0 85	0 48	0 05	5 41
1960	1,441,120	68 47	22 27	2 20	3 11	0 88	0 38	0 04	2 65
1961	2,142,523	64 99	25 58	2 22	3 41	0 79	0 30	0 04	2 67
1962	1,711,945	71 31	20 11	2 34	2 95	0 87	0 31	0 04	2 07
1963	1,880,793	72 93	18 83	2 32	2 82	0 83	0 29	0 04	1 94
1964	2,118,326	72 81	19 42	2 43	2 65	0 93	0 29	0 03	1 44
1965	2,671,012	69 90	22 53	2 63	2 33	0 81	0 26	0 05	1 49
1966	3,313,899	69 38	22 84	2 56	2 68	0 86	0 40	0 05	1 23
1967	4,646,553	64 40	28 41	2 35	2 46	0 87	0 43	0 02	1 06
1968	5,407,923	61 98	29 74	2 63	2 64	0 89	0 78	0 01	1 33
1969	5,134,856	63 16	27 61	2 84	3 47	1 22	0 51	0 00	1 19
1970	4,834,887	71 28	19 03	3 16	3 68	1 63	0 51	0 02	0 69
1971	6,172,668	71 34	18 42	3 52	3 72	1 91	0 43	0 03	0 63
1972	6,518,132	70 47	18 22	3 71	4 13	2 21	0 59	0 03	0 64
1973	5,899,678	74 92	13 75	4 09	3 68	2 19	0 71	0 04	0 62
1974	4,950,833	78 47	10 27	4 39	3 48	1 82	0 86	0 04	0 67
1975	6,381,669	80 92	8 96	4 05	3 25	1 54	0 84	0 13	0 31
1976	7,125,201	80 03	9 35	3 87	3 93	1 41	0 78	0 44	0 19
1977	7,134,946	79 54	9 73	3 95	3 71	1 49	0 66	0 64	0 28
1978	9,564,663	80 08	10 75	3 58	3 14	1 49	0 60	0 15	0 21
1979	10,977,775	79 78	10 82	3 29	3 38	1 64	0 54	0 27	0 28
1980	15,584,209	79 95	10 79	3 83	2 80	1 51	0 56	0 32	0 24
1981	15,969,398	80 68	9 32	4 60	2 87	1 55	0 51	0 37	0 10
1982	22,500,576	81 19	6 96	5 08	3 62	2 18	0 48	0 42	0 08

¹Share volume for exchanges includes stocks, rights, and warrants

²Other includes all exchanges not listed above

Table 18
DOLLAR VOLUME BY EXCHANGES¹

Year	Total Share Volume (thousands)	in Percentage							
		NYSE	AMEX	MSE	PSE	PHLX	BSE	CSE	Other ²
1935	\$15,396,139	86 64	7 83	1 32	1 39	0 88	1 34	0 04	0 56
1940	8,419,772	85 17	7 68	2 07	1 52	1 11	1 91	0 09	0 45
1945	16,284,552	82 75	10 81	2 00	1 78	0 96	1 16	0 06	0 48
1950	21,808,284	85 91	6 85	2 35	2 19	1 03	1 12	0 11	0 44
1955	38,039,107	86 31	6 98	2 44	1 90	1 03	0 78	0 09	0 47
1960	45,309,825	83 80	9 35	2 72	1 94	1 03	0 60	0 07	0 49
1961	64,071,623	82 43	10 71	2 75	1 99	1 03	0 49	0 07	0 53
1962	54,855,293	86 32	6 81	2 75	2 00	1 05	0 46	0 07	0 54
1963	64,437,900	85 19	7 51	2 72	2 39	1 06	0 41	0 06	0 66
1964	72,461,584	83 49	8 45	3 15	2 48	1 14	0 42	0 06	0 81
1965	89,549,093	81 78	9 91	3 44	2 43	1 12	0 42	0 08	0 82
1966	123,697,737	79 77	11 84	3 14	2 84	1 10	0 56	0 07	0 68
1967	162,189,211	77 29	14 48	3 08	2 79	1 13	0 66	0 03	0 54
1968	197,116,367	73 55	17 99	3 12	2 65	1 13	1 04	0 01	0 51
1969	176,389,759	73 48	17 59	3 39	3 12	1 43	0 67	0 01	0 31
1970	131,707,946	78 44	11 11	3 76	3 81	1 99	0 67	0 03	0 19
1971	186,375,130	79 07	9 98	4 00	3 79	2 29	0 58	0 05	0 24
1972	205,956,263	77 77	10 37	4 29	3 94	2 56	0 75	0 05	0 27
1973	178,863,622	82 07	6 06	4 54	3 55	2 45	1 00	0 06	0 27
1974	118,828,272	83 62	4 39	4 89	3 50	2 02	1 23	0 06	0 29
1975	157,555,469	85 04	3 66	4 82	3 25	1 72	1 18	0 17	0 16
1976	195,244,815	84 35	3 87	4 75	3 82	1 68	0 93	0 53	0 07
1977	187,393,082	83 96	4 60	4 79	3 53	1 62	0 73	0 74	0 03
1978	249,603,319	84 35	6 17	4 19	2 84	1 63	0 61	0 17	0 04
1979	300,728,389	83 65	6 93	3 82	2 85	1 80	0 56	0 35	0 04
1980	476,416,379	83 54	7 32	4 32	2 27	1 59	0 51	0 40	0 05
1981	491,017,044	84 74	5 41	5 04	2 32	1 60	0 50	0 40	0 00
1982	603,361,387	85 28	3 27	5 83	3 05	1 59	0 51	0 47	0 00

¹Dollar volume for exchanges includes stocks, rights, and warrants

²Other includes all exchanges not listed above

Special Block Distribution

In 1982, there were 79 special block distributions with a value of \$1.3 billion. Secondary distributions accounted for 96

percent of total number of special block distributions and 99 percent of the value. The special offering method was employed three times.

Table 19
SPECIAL BLOCK DISTRIBUTIONS REPORTED BY EXCHANGES
 (Value in Thousands)

YEAR	Secondary distributions			Exchange distributions			Special offerings		
	Number	Shares sold	Value	No	Shares sold	Value	No	Shares sold	Value
1942	116	2,397,454	\$ 82,840	0	0	0	79	812,390	\$22,694
1943	81	4,270,580	127,462	0	0	0	80	1,097,338	31,054
1944	94	4,097,298	135,760	0	0	0	87	1,053,667	32,454
1945	115	9,457,358	191,961	0	0	0	79	947,231	29,878
1946	100	6,481,291	232,398	0	0	0	23	308,134	11,002
1947	73	3,961,572	124,671	0	0	0	24	314,270	9,133
1948	95	7,302,420	175,991	0	0	0	21	238,879	5,466
1949	86	3,737,249	104,062	0	0	0	32	500,211	10,956
1950	77	4,280,681	88,743	0	0	0	20	150,308	4,940
1951	88	5,193,756	146,459	0	0	0	27	323,013	10,751
1952	76	4,223,258	149,117	0	0	0	22	357,897	9,931
1953	68	6,906,017	108,229	0	0	0	17	380,680	10,486
1954	84	5,738,359	218,490	57	705,781	\$ 24,664	14	189,772	6,670
1955	116	6,756,767	344,871	19	258,348	10,211	9	161,850	7,223
1956	146	11,696,174	520,966	17	156,481	4,645	8	131,755	4,557
1957	99	9,324,599	339,062	33	390,832	15,855	5	63,408	1,845
1958	122	9,508,505	361,886	38	619,876	29,454	5	88,152	3,286
1959	148	17,330,941	822,336	28	545,038	26,491	3	33,500	3,730
1960	92	11,439,065	424,688	20	441,644	11,108	3	63,663	5,439
1961	130	19,910,013	926,514	33	1,127,266	58,072	2	35,000	1,504
1962	59	12,143,656	658,780	41	2,345,076	65,459	2	48,200	588
1963	100	18,937,935	814,984	72	2,892,233	107,498	0	0	0
1964	110	19,462,343	909,821	68	2,553,237	97,711	0	0	0
1965	142	31,153,319	1,603,107	57	2,334,277	86,479	0	0	0
1966	126	29,045,038	1,523,373	52	3,042,599	118,349	0	0	0
1967	143	30,783,604	1,154,479	51	3,452,856	125,404	0	0	0
1968	174	36,110,489	1,571,600	35	2,669,938	93,528	1	3,352	63
1969	142	38,224,799	1,244,186	32	1,706,572	52,198	0	0	0
1970	72	17,830,008	504,562	35	2,066,590	48,218	0	0	0
1972	229	82,365,749	3,216,126	26	1,469,666	30,156	0	0	0
1973	120	30,825,890	1,151,087	19	802,322	9,140	91	6,662,111	79,889
1974	45	7,512,200	133,838	4	82,200	6,836	33	1,921,755	16,805
1975	51	34,149,069	1,409,933	14	483,846	8,300	14	1,252,925	11,521
1976	44	20,568,432	517,546	16	752,600	13,919	22	1,475,842	18,459
1977	39	9,848,986	261,257	6	295,264	5,242	18	1,074,290	14,519
1978	37	15,233,141	569,487	3	79,000	1,429	3	130,675	1,820
1979	R	10,803,680	192,258	3	1,647,600	86,066	6	368,587	4,708
1980	R	24,979,045	813,542	2	177,900	5,101	4	434,440	7,097
1981		16,079,897	449,600	0	0	0	0	0	0
1982		40,024,988	1,284,492	0	0	0	3	717,000	11,112

R = Revised

Value and Number of Securities Listed on Exchanges

The market value of stocks and bonds listed on U.S. exchanges at the end of 1982 was \$2.2 trillion, an increase of 19 percent over the previous year. The market value of stocks was \$1.4 trillion, an increase of 12 percent during the year. The value of listed bonds increased 33 percent.

Stocks with primary listing on the New York Stock Exchange had a market value of \$1.3 trillion and represented 94 percent of the value of common and preferred stocks listed on registered exchanges. Those listed on the Amex accounted for six percent of the total listed and were valued at \$78 billion, a decrease of 13 percent over the previous year.

Table 20
SECURITIES LISTED ON EXCHANGES¹

December 31, 1982

EXCHANGES	COMMON		PREFERRED		BONDS		TOTAL SECURITIES	
	Number	Market Value (Million)	Number	Market Value (Million)	Number	Market Value (Million)	Number	Market Value (Million)
Registered								
American	884	\$ 75,364	106	\$ 2,276	253	\$ 6,572	1,243	\$ 84,212
Boston	84	1,206	0	0	1	2	85	1,208
Cincinnati	4	20	2	1	8	85	14	106
Midwest	23	625	6	17	0	0	29	642
New York	1,499	1,271,580	726	33,775	3,233	766,103	5,458	2,071,458
Pacific	69	2,589	28	591	50	2,126	147	5,306
Philadelphia	15	433	23	1,265	34	927	72	2,625
Intermountain	35	1	0	0	0	0	35	1
Spokane	26	6	0	0	0	0	26	6
Total	2,639	\$1,351,824	891	\$37,925	3,579	\$775,815	7,109	\$2,165,564
Includes Foreign Stocks								
New York	43	\$46,524	4	109	125	\$8,598	172	\$55,231
American	50	16,239	1	59	9	358	60	16,656
Pacific	3	79	2	59	0	0	5	138
Total	96	\$62,842	7	227	134	\$8,956	237	\$72,025

¹Excluding securities which were suspended from trading at the end of the year, and securities which because of inactivity had no available quotes

+ = Less than 0.5 million, but greater than zero

Source: SEC Form 1392

Table 21
VALUE OF STOCKS LISTED ON EXCHANGES
 (Billions of Dollars)

Dec 31	New York Stock Exchange	American Stock Exchange	Exclusively On Other Exchanges	Total
1936	\$ 59.9	\$ 14.8		\$74.7
1937	38.9	10.2		49.1
1938	47.5	10.8		58.3
1939	46.5	10.1		56.6
1940	41.9	8.6		50.5
1941	35.8	7.4		43.2
1942	38.8	7.8		46.6
1943	47.6	9.9		57.5
1944	55.5	11.2		66.7
1945	73.8	14.4		88.2
1946	68.6	13.2		81.8
1947	68.3	12.1		80.4
1948	67.0	11.9	\$3.0	81.9
1949	76.3	12.2	3.1	91.6
1950	93.8	13.9	3.3	111.0
1951	109.5	16.5	3.2	129.2
1952	120.5	16.9	3.1	140.5
1953	117.3	15.3	2.8	135.4
1954	169.1	22.1	3.6	194.8
1955	207.7	27.1	4.0	238.8
1956	219.2	31.0	3.8	254.0
1957	195.6	25.5	3.1	224.2
1958	276.7	31.7	4.3	312.7
1959	307.7	25.4	4.2	337.3
1960	307.0	24.2	4.1	335.3
1961	387.8	33.0	5.3	426.1
1962	345.8	24.4	4.0	374.2
1963	411.3	26.1	4.3	441.7
1964	474.3	28.2	4.3	506.8
1965	537.5	30.9	4.7	573.1
1966	482.5	27.9	4.0	514.4
1967	605.8	43.0	3.9	652.7
1968	692.3	61.2	6.0	759.5
1969	629.5	47.7	5.4	682.6
1970	636.4	39.5	4.8	680.7
1971	741.8	49.1	4.7	795.6
1972	871.5	55.6	5.6	932.7
1973	721.0	38.7	4.1	763.8
1974	511.1	23.3	2.9	537.3
1975	685.1	29.3	4.3	718.7
1976	858.3	36.0	4.2	898.5
1977	776.7	37.6	4.2	818.5
1978	822.7	39.2	2.9	864.8
1979	960.6	57.8	3.9	1,022.3
1980	1,242.8	103.5	2.9	1,349.2
1981	1,143.8	89.4	5.0	1,238.2
1982	1,305.4	77.6	6.8	1,389.7

Securities on Exchanges

As of September 30, 1983, a total of 7,208 securities, representing 3,054 issuers, were admitted to trading on securities exchanges in the United States. This compares with 7,119 issues, involving 3,014 issuers a year earlier. Over 5,000 issues were

listed and registered on the New York Stock Exchange, accounting for 62.4 percent of the stock issues and 87.7 percent of the bond issues. Data below on "Securities Traded on Exchanges" involved some duplication since it includes both solely and dually listed securities.

Table 22
SECURITIES TRADED ON EXCHANGES

	Issuers		Stocks		Bonds ¹	
		Registered	Temporarily exempted	Unlisted	Total	
American	919	953	1	24	978	254
Boston	1,168	159		1,074	1,233	10
Chicago Board of Trade	4	1		3	4	
Cincinnati	553	74		492	566	43
Intermountain	42	40		2	42	
Midwest	1,451	351	1	1,169	1,521	31
New York	1,885	2,374	1		2,375	2,986
Pacific Coast	803	763	1	191	955	139
Philadelphia	968	857	1	259	1,117	95
Spokane	34	34		3	37	

¹Issuers exempted under Section 3(a)(12) of the Act, such as obligations of U.S. Government, the states, and cities, are not included in this table.

Table 23
UNDUPLICATED COUNT OF SECURITIES ON EXCHANGES
(September 30, 1983)

	Stocks	Bonds	Total	Issuers Involved
Registered and Listed	3,779	3,395	7,174	3,040
Temporarily Exempted from registration	2	2	4	2
Admitted to unlisted trading privileges	24	6	30	12
Total	3,805	3,403	7,208	3,054

1933 ACT REGISTRATIONS

Effective Registration Statements

During the fiscal year ending September 30, 1983, 5,743 registration statements valued at \$256 billion became effective. This represented increases of 56 percent and 19 percent, respectively, over the value

and number of effective registrations in 1982.

Among issuers whose registration statements became effective, there were 1,682 first-time registrants in fiscal year 1983, a decrease of 247 registrants (13 percent) from the previous fiscal year's total of 1,929.

Table 24
EFFECTIVE REGISTRATIONS
(Millions of Dollars)

Fiscal Year	Total		Cash Sale for Account of Issuers			
	Number of Statements	Value	Common Stock ¹	Bonds, Debentures and Notes	Preferred Stock	Total
Fiscal year ended June 30						
1935 ²	284	\$913	\$168	\$490	\$28	\$686
1936	689	4,835	531	3,153	252	3,936
1937	840	4,851	802	2,426	406	3,634
1938	412	2,101	474	666	209	1,349
1939	344	2,579	318	1,593	109	2,020
1940	306	1,787	210	1,112	110	1,432
1941	313	2,611	196	1,721	164	2,081
1942	193	2,003	263	1,041	162	1,466
1943	123	659	137	316	32	485
1944	221	1,760	272	732	343	1,347
1945	340	3,225	456	1,851	407	2,714
1946	661	7,073	1,331	3,102	991	5,424
1947	493	6,732	1,150	2,937	787	4,874
1948	435	6,405	1,678	2,817	537	5,032
1949	429	5,333	1,083	2,795	326	4,204
1950	487	5,307	1,786	2,127	468	4,381
1951	487	6,459	1,904	2,838	427	5,169
1952	635	9,500	3,332	3,346	851	7,529
1953	593	7,507	2,808	3,093	424	6,325
1954	631	9,174	2,610	4,240	531	7,381
1955	779	10,960	3,864	3,951	462	8,277
1956	906	13,096	4,544	4,123	539	9,206
1957	876	14,624	5,858	5,689	472	12,019
1958	813	16,490	5,998	6,857	427	13,282
1959	1,070	15,657	6,387	5,265	443	12,095
1960	1,426	14,367	7,260	4,224	253	11,737
1961	1,550	19,070	9,850	6,162	248	16,260
1962	1,844	19,547	11,521	4,512	253	16,286
1963	1,157	14,790	7,227	4,372	270	11,869
1964	1,121	16,860	10,006	4,554	224	14,784
1965	1,266	19,437	10,638	3,710	307	14,655
1966	1,523	30,109	18,218	7,061	444	25,723
1967	1,649	34,218	15,083	12,309	558	27,950
1968	2,417	54,076	22,092	14,036	1,140	37,268
1969	3,645	86,810	39,614	11,674	751	52,039
1970	3,389	59,137	28,939	18,436	823	48,198
1971	2,989	69,562	27,455	27,637	3,360	58,452
1972	3,712	62,487	26,518	20,127	3,237	49,882
1973	3,285	59,310	26,615	14,841	2,578	44,034
1974	2,890	56,924	19,811	20,997	2,274	43,082
1975	2,780	77,457	30,502	37,557	2,201	70,260
1976	2,813	87,733	37,115	29,373	3,013	69,501
Transition Quarter						
July-Sept 1976	639	15,010	6,767	5,066	413	12,246
Fiscal Year ended						
September 30						
1977	2,915	92,579	47,116	28,026	2,426	77,568
1978 ³	3,037	65,043	25,330	23,251	2,128	50,709
1979	3,112	77,400	22,714	28,894	1,712	53,320
1980	3,402	110,583	33,076	42,764	2,879	78,719
1981	4,326	144,132	49,276	40,163	2,505	91,944
1982	(r) 4,846	164,455	50,486	63,950	3,939	118,375
1983	(p) 5,743	255,597	84,292	86,016	8,820	179,128
Cumulative Total	80,836	\$1,868,334	\$715,681	\$627,993	\$56,663	\$1,400,337

(r) = revised
(p) = preliminary

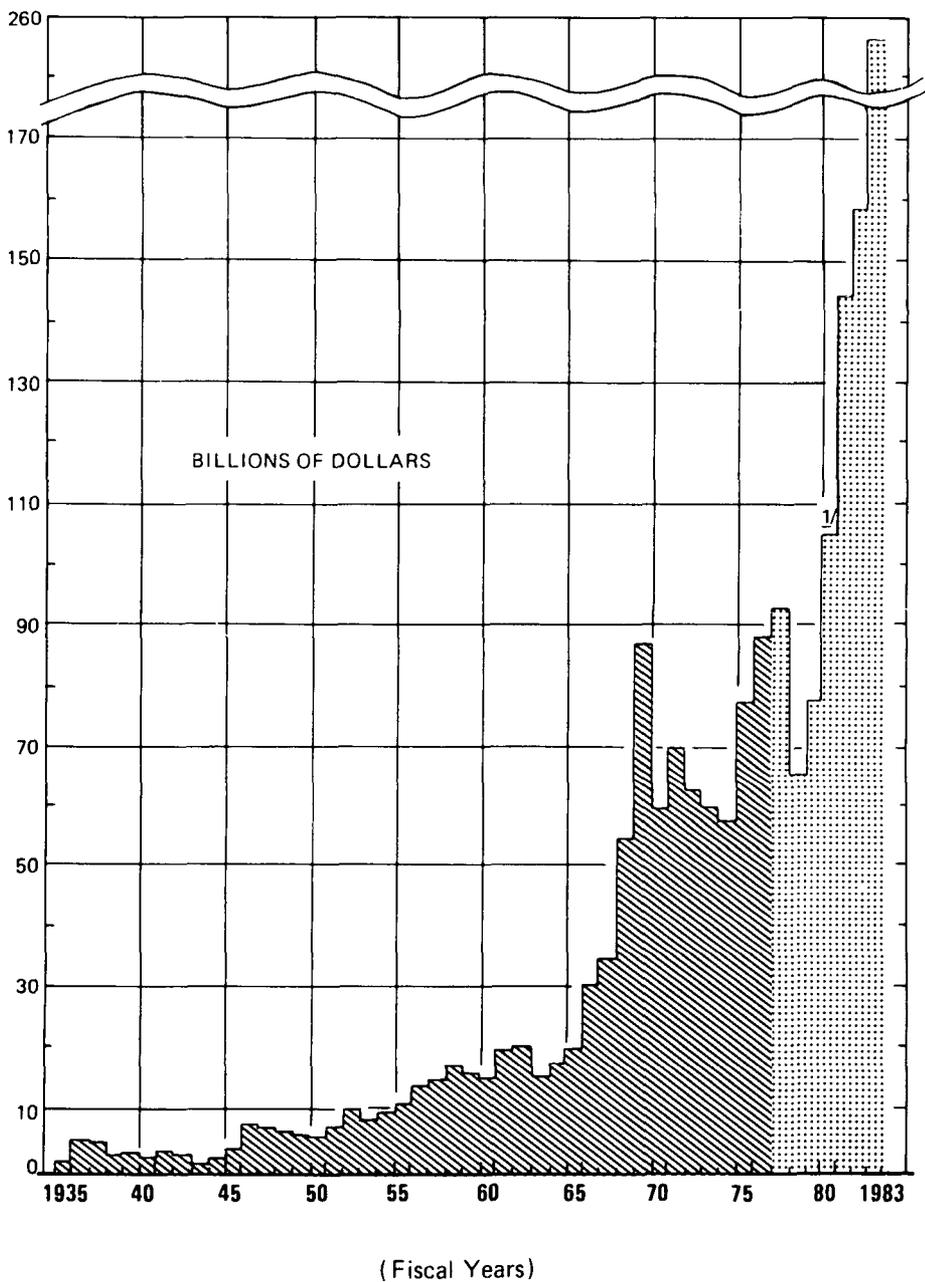
¹Includes warrants, shares of beneficial interest, certificates of participation and all other equity interests not elsewhere included

²For 10 months ended June 30, 1935

³The adoption of Rule 241-2 (17 CFR 270 241-2) effective November 3, 1977 made it impossible to report the dollar value of securities registered by investment companies

Note: The Total Cash Sale differs from earlier presentations due to changes in rounding procedures

Securities Effectively Registered With S.E.C. 1935-1983

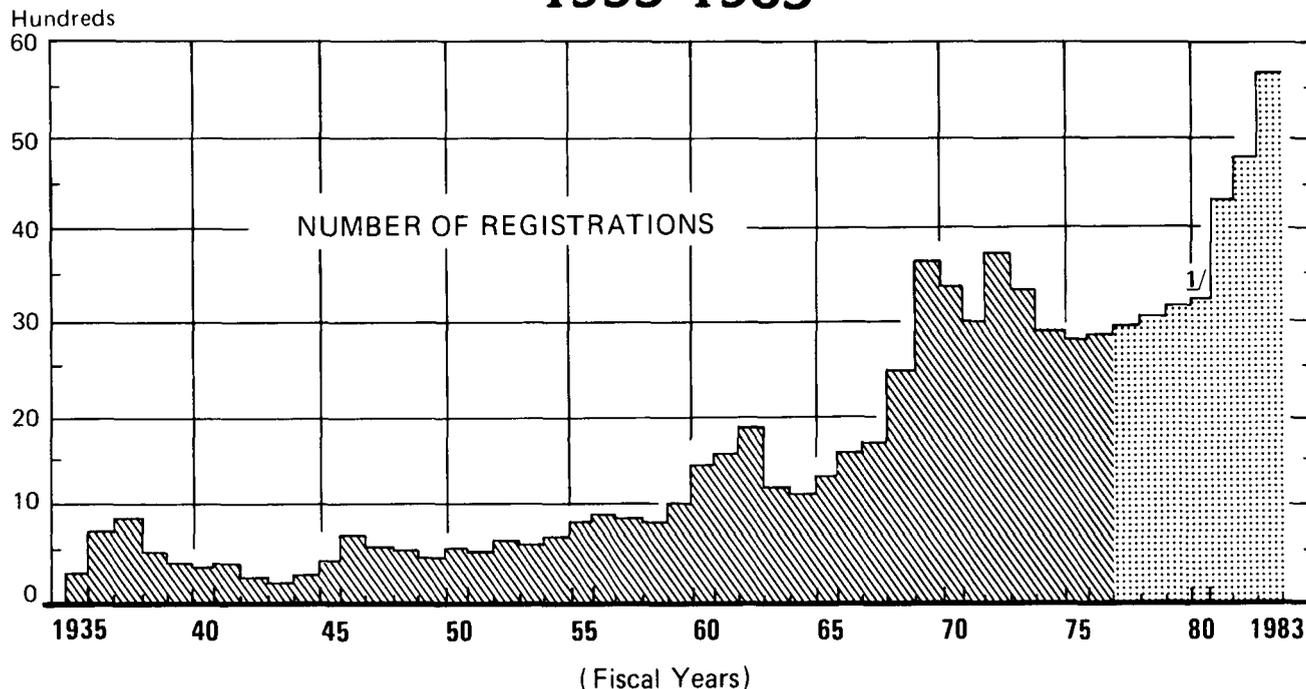


..... In 1977 Fiscal Year End Changed From June To September

Data For Transition Quarter July-September 1976 Not Shown On Charts:
Effective Registrations \$15.0 Billion

1/ Does Not Include Investment Companies As Of 1/1/78 Due To Rule Change

Securities Effectively Registered With S.E.C. 1935-1983



▤ In 1977 Fiscal Year End Changed From June To September

Data For Transition Quarter July-September 1976 Not Shown On Charts:

Number of Registrations 639

1/ Does Not Include Investment Companies As Of 1/1/78 Due To Rule Change

Purpose and Type of Registration

Effective registrations for cash sale for the account of issuers in fiscal year 1983 amounted to \$179 billion, 56 percent above the \$115 billion registered a year earlier. Some \$64 billion (36 percent) was intended for immediate offerings, an increase of \$2 billion (3 percent) from fiscal 1982. Nearly all of this amount consisted of securities registered by business to be offered to the general public. Such registrations totalled \$63 billion, an increase of \$3 billion (5 percent).

Of this \$63 billion debt securities accounted for \$22 billion (or 35 percent of this total), preferred stock \$6 billion (10 percent) and common stock \$35 billion (55 percent). Cash rights offerings (offerings to security holders) came to \$211 million, a decline of 61 percent from the \$543 million of such offerings in the previous year. Immediate cash offerings by foreign governments in fiscal year 1983 totalled \$1 billion, approximately the same volume as in 1982.

Delayed and extended cash sales registered for the account of the issuer totalled \$115 billion (45 percent of all registrations). Registrations pursuant to Rule 415, (or so-called "shelf" registrations) amounted to \$57 billion, or 50 percent of this amount. Securities registered for the account of issuers other than for cash sale (in conjunc-

tion with exchange offers, for example) amounted to \$65 billion in 1983, or 25 percent of all registrations. Registrations of securities for secondary offerings (for the account of security holders rather than issuers) amounted to \$11 billion (4 percent) of all registrations in fiscal year 1983. Of these latter registrations, \$5 billion (45 percent) were for cash sale and \$6 billion (55 percent) were for other secondary offerings.

The value of registrations aggregating \$256 billion in fiscal year 1983 consisted of \$91 billion in bonds, debentures and notes, \$15 billion in preferred stock and \$150 billion in common stock. Of the \$91 billion of debt securities registered, 24 percent (\$22 billion) were registered for immediate cash sale to the general public for the account of the issuer. Delayed and extended cash sales accounted for \$63 billion (69 percent). Fifty-eight percent of the \$15 billion in preferred stock registrations consisted of immediate cash offerings, while non-cash registrations for account of the issuer comprised 37 percent of the total. The \$150 billion in cash common stock volume consisted of \$35 billion in immediate cash sales, \$49 billion in delayed or extended cash sales, \$56 billion of non-cash registrations for the account of the issuer and \$10 billion of secondary offerings.

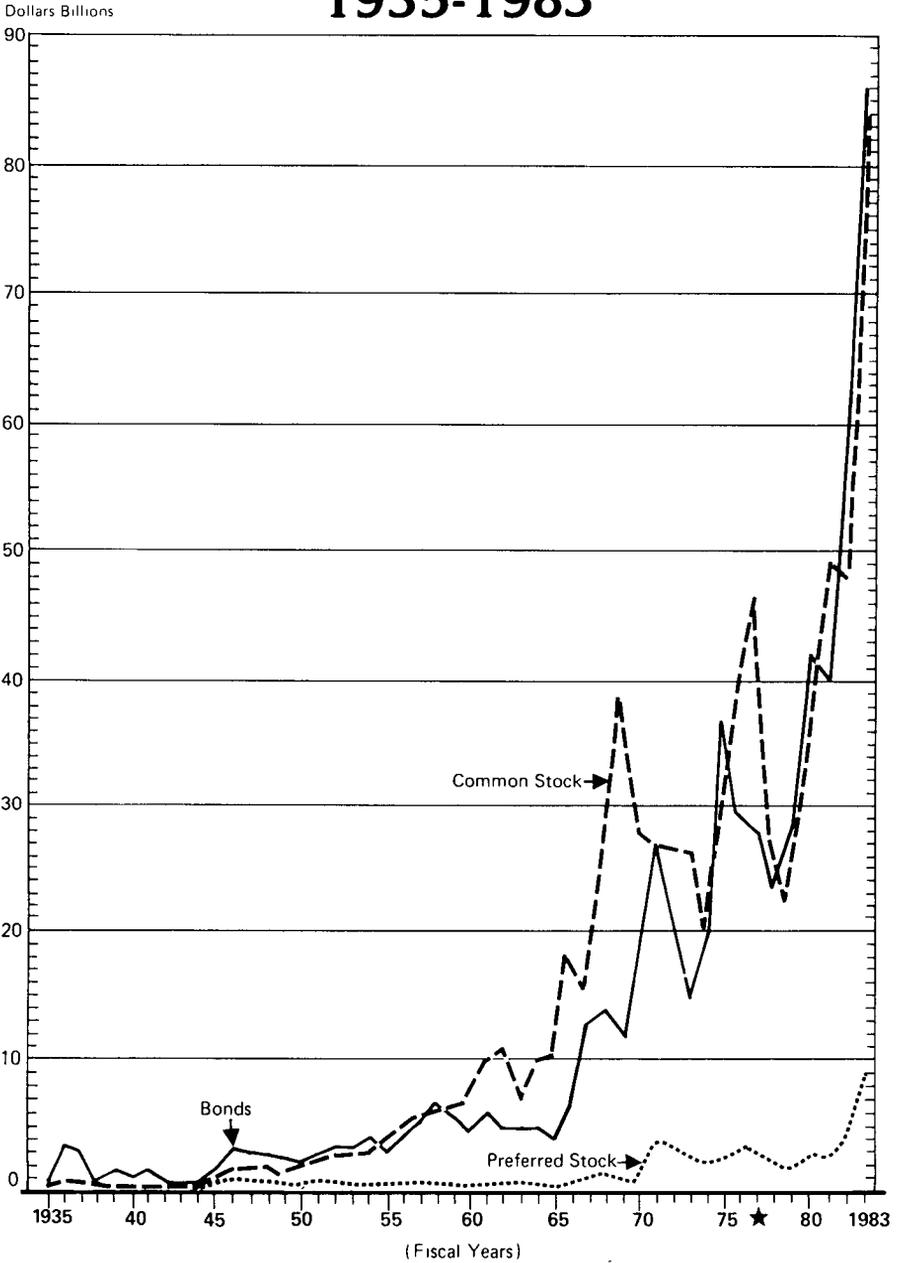
Table 25
EFFECTIVE REGISTRATIONS BY PURPOSE AND TYPE OF SECURITY:
FISCAL YEAR 1983
(Millions of Dollars)

Purpose of registrations	Type of Security			
	Total	Bonds, Debentures and Notes	Preferred Stock	Common Stock ¹
All registrations (estimated value)	\$255,596	\$90,545	\$15,116	\$149,935
For account of issuer for cash sale	179,128	86,016	8,820	84,292
Immediate offering	64,047	22,920	6,151	34,976
Corporate	63,004	21,877	6,151	34,976
Offered to				
General Public	62,793	21,873	6,121	34,799
Security Holders	211	4	30	177
Foreign Governments	1,043	1,043	0	0
Delayed and extended cash sale and other issues	115,081	63,096	2,669	49,316
For account of issuer for other than cash sale	65,029	3,922	5,597	55,510
Secondary Offerings	11,440	608	699	10,133
Cash Sale	5,494	138	0	5,356
Other	5,946	470	699	4,777

¹Includes warrants, shares of beneficial interest, certificates of participation and all other equity interests not elsewhere included

Note Preliminary

Effective Registrations Cash Sale For Account Of Issuers 1935-1983



★ In 1977 Fiscal Year End Changed from June to September

Data for Transition Quarter July-September 1976 Not Shown on Chart
 Bonds \$5.1 Billion, Preferred Stock \$4 Billion, Common Stock \$6.8 Billion

Regulation A Offerings

During fiscal year 1983, 207 offering statements were filed for proposed offerings under Regulation A. Issues between \$500,000—\$1,500,000 predominated.

Table 26
OFFERINGS UNDER REGULATION A

	Fiscal 1983	Fiscal 1982	Fiscal 1981
Size			
\$100,000 or Less	14	7	8
\$100,001—\$200,000	9	30	31
\$200,001—\$300,000	11	11	39
\$300,001—\$400,000	6	7	23
\$400,001—\$500,000	26	15	35
\$500,001—\$1,500,000	141	189	303
Total	207	259	439
Underwriters			
Used	69	74	172
Not Used	138	185	267
Total	207	259	439
Offerors			
Issuing Companies	204	246	429
Stockholders	3	12	3
Issuers and Stockholders Jointly	0	1	7
Total	207	259	439

ENFORCEMENT

Types of Proceedings

As the table reflects, the securities laws provide for a wide range of enforcement actions by the Commission. The most common types of actions are injunctive proceedings instituted in the Federal district courts to enjoin continued or threat-

ened securities law violators, and administrative proceedings pertaining to broker-dealer firms and/or individuals associated with such firms which may lead to various remedial sanctions as required in the public interest. When an injunction is entered by a court, violation of the court's decree is a basis for criminal contempt against the violator.

Table 27
TYPES OF PROCEEDINGS

ADMINISTRATIVE PROCEEDINGS	
Persons Subject to, Acts Constituting, and Basis for, Enforcement Action	Sanction
Broker-dealer, municipal securities dealer, investment adviser or associated person	
Willful violation of securities acts provision or rule, aiding or abetting such violation, failure reasonably to supervise others, willful misstatement or omission in filing with the Commission, conviction of or injunction against certain crimes or conduct	Censure or limitation on activities, revocation, suspension or denial or registration, bar or suspension from association (1934 Act §§ 15B(c)(2)—(6) 15b(b)(4)—(6) Advisers Act §§ 203(e)—(f))
Registered securities association	
Organization or rule not conforming to statutory requirements	Suspension of registration or limitation of activities, functions, or operations (1934 Act § 19(h)(1))
Violation of or inability to comply with the 1934 Act, rules thereunder, or its own rules, unjustified failure to enforce compliance with the foregoing or with rules of the Municipal Securities Rulemaking Board by a member or person associated with a member	Suspension or revocation of registration, censure or limitation of activities, functions, or operations (1934 Act, § 19(h)(1))
Member of registered securities association, or associated person	
Being subject to Commission order pursuant to 1934 Act, § 15 (b), willful violation of or effective transaction for other person with reason to believe that person was violating securities acts provisions, rules thereunder, or rules of Municipal Securities Rulemaking Board	Suspension or expulsion from the association, bar or suspension from association with member of association (1934 Act, § 19(h)(2)-(3))
National securities exchange	
Organization or rule not conforming to statutory requirements	Suspension of registration or limitation of activities, functions, or operations (1934 Act § 19(h)(1))
Violation of or inability to comply with 1934 Act, rules thereunder or its own rules, unjustified failure to enforce compliance with the foregoing by a member or person associated with a member	Suspension or revocation of registration, censure or limitation of activities, functions, or operations (1934 Act, § 19(h)(1))
Member of national securities exchange, or associated persons	
Being subject to Commission order pursuant to 1934 Act, § 15(b), willful violation of or effective transaction for other person with reason to believe that person was violating securities acts, provisions or rules, thereunder	Suspension or expulsion from exchange, bar or suspension from association with member (1934 Act, §§ 19(h)(2)-(3))
Registered clearing agency	
Violation of or inability to comply with 1934 Act, rules thereunder, or its own rules, failure to enforce compliance with its own rules by participants	Suspension or revocation or registration, censure or limitation of activities, functions, or operations (1934 Act, § 19(h)(1))
Participant in registered clearing agency	
Being subject to Commission order pursuant to 1934 Act, § 15(b)(4), willful violation of or effecting transaction for other person with reason to believe that person was violating provisions of clearing agency rules	Suspension or expulsion from clearing agency (1934 Act, § 19(h)(2))

Table 27—Continued
TYPES OF PROCEEDINGS

ADMINISTRATIVE PROCEEDINGS

Persons Subject to Acts Constituting, and Basis for, Enforcement Action	Sanction
Securities information processor	
Violation of or inability to comply with provisions of 1934 Act or rules thereunder	Censure or operational limitations, suspension or revocation of registration (1934 Act, § 11A(b)(6))
Transfer agent	
Willful violation of or inability to comply with 1934 Act, §§ 17 or 17A, or regulations thereunder	Censure or limitation of activities, denial, suspension, or revocation of registration (1934 Act, § 17A(c)(3))
Any person	
Willful violation of securities act provision or rule, aiding or abetting such violation, willful misstatement in filing with Commission	Temporary or permanent prohibition from serving in certain capacities for registered investment company (Investment Company Act, § 9(b))
Officer or director of self-regulatory organization.	
Willful violation of 1934 Act, rules thereunder, or the organization's own rules, willful abuse of authority or unjustified failure to enforce compliance	Removal from office or censure (1934 Act, § 19(h)(4))
Principal of broker-dealer	
Engaging in business as a broker-dealer after appointment of SIPC trustee	Bar or suspension from being or being associated with a broker-dealer (SIPA, §10(b))
1933 Act registration statement	
Statement materially inaccurate or incomplete	Stop order suspending effectiveness (1933 Act, § 8(d))
Investment company has not attained \$100,000 net worth 90 days after statement became effective	Stop order (Investment Company, Act, § 14(a))
Persons subject to Sections 12, 13 or 15(d) of the 1934 Act.	
Material noncompliance with such provisions	Order directing compliance (1934 Act, § 15(c)(4))
Securities Issue	
Noncompliance by issuer with 1934 Act or rules thereunder	Denial, suspension of effective date, suspension or revocation of registration on national securities exchange (1934 Act, § 12(j))
Public interest requires trading suspension	Summary suspension of over-the-counter or exchange trading 1934 Act, § 12(k))
Registered investment company	
Failures to file Investment Company Act registration statement or required report, filing materially incomplete or misleading statement of report	Revocation of registration (Investment Company Act, § 8(e))
Company has not attained \$100,000 net worth 90 days after 1933 Act registration statement became effective	Revocation or suspension of registration (Investment Company Act, § 14(a))

Table 27—Continued
TYPES OF PROCEEDINGS

ADMINISTRATIVE PROCEEDINGS	
Persons Subject to Acts Constituting, and Basis for, Enforcement Action	Sanction
Registered investment company	
Failures to file Investment Company Act registration statement or required report, filing materially incomplete or misleading statement of report	Revocation of registration (Investment Company Act, § 8(e))
Company has not attained \$100,000 net worth 90 days after 1933 Act registration statement became effective	Revocation or suspension of registration (Investment Company Act, § 14(a))
Attorney, accountant, or other professional or expert	
Lack of requisite qualifications to represent others, lacking in character or integrity, unethical or improper professional conduct, willful violation of securities laws or rules, or aiding and abetting such violation	Permanent or temporary denial of privilege to appear or practice before the Commission (17 C FR § 201 2(e)(1))
Attorney suspended or disbarred by court, expert's license revoked or suspended, conviction of a felony or misdemeanor involving moral turpitude	Automatic suspension from appearance or practice before the Commission (17 C FR § 201 2(e)(2))
Permanent injunction against or finding of securities violation in Commission-instituted action finding of securities violation by Commission in administrative proceedings	Temporary suspension from appearance before Commission (17 C FR § 201 2(e)(3))
Member of Municipal Securities Rulemaking Board	
Willful violation of securities laws, rules thereunder, or rules of the Board	Censure or removal from office (1934 Act, § 15B(c)(8))
CIVIL PROCEEDINGS IN FEDERAL DISTRICT COURTS	
Persons Subject to, Acts Constituting, and Basis for, Enforcement Action	Sanction
Any person	
Engaging in or about to engage in acts or practices violating securities acts, rules or orders thereunder (including rules of a registered self-regulatory organization)	Injunction against acts or practices which constitute or would constitute violations (plus other equitable relief under court's general equity powers) (1933 Act, § 20(b), 1934 Act § 21(d), 1935 Act § 18(f), Investment Company Act, § 42(e), Advisers Act, § 209(e), Trust Indenture Act, § 321)
Noncompliance with provisions of the law, rule, or regulation under 1933, 1934, or Holding Company Act, order issued by Commission, rules of a registered self-regulatory organization, or undertaking in a registration statement	Writ of mandamus, injunction, or order directing compliance (1933 Act, § 20(c), 1934 Act, § 21(e), Holding Company Act § 18(g))
Securities Investor Protection Corporation	
Refusal to commit funds or act for the protection of customers	Order directing discharge or obligations or other appropriate relief (SIPA, § 7(b))
National securities exchange or registered securities association	
Noncompliance by its members and persons associated with its members with the 1934 Act, rules and orders thereunder, or rules of the exchange or association	Writ of mandamus, injunction or order directing such exchange or association to enforce compliance (1934 Act, § 21 (e))

Table 27—Continued
TYPES OF PROCEEDINGS

CIVIL PROCEEDINGS IN FEDERAL DISTRICT COURTS

Persons Subject to Acts Constituting, and Basis for, Enforcement Action	Sanction
Registered clearing agency	
Noncompliance by its participants with its own rules	Writ of mandamus, injunction or order directing clearing agency to enforce compliance (1934 Act, § 21 (e))
Issuer subject to reporting requirements	
Failure to file reports required under § 15(d) of 1934 Act	Forfeiture of \$100 per day (1934 Act, § 32 (b))
Registered investment company or affiliate	
Name of company or of security issued by it deceptive or misleading	Injunction against use of name (Investment Company Act, § 35(d))
Officer, director, member of advisory board, adviser, depositor, or underwriter of investment company.	
Engage in act or practice constituting breach of fiduciary duty involving personal misconduct	Injunction against acting in certain capacities for investment company, and other appropriate relief (Investment Company Act, § 36(a))
Any person having fiduciary duty respecting receipt of compensation from investment company.	
Breach of fiduciary duty	Injunction (Investment Company Act, § 36(a))

III CRIMINAL PROSECUTION BY DEPARTMENT OF JUSTICE

Basis for Enforcement Action	Sanction or Relief
Any person	
Willful violation of securities acts or rules thereunder or willful misstatement in any document required to be filed by securities laws and rules or by self-regulatory organization in connection with an application for membership, participation or to become associated with a member thereof	Maximum penalties \$10,000 fine and 5 years imprisonment, an exchange may be fined up to \$500,000, a public-utility holding company up to \$200,000 (1933 Act, §§ 30(b), 24, 1934 Act, §§ 21(d), 32(a), Holding Company Act, §§ 18(f), 29, 1939 Act, § 325, Investment Company Act, §§ 42(e), 49, Advisers Act, §§ 209(e), 217)
Any issuer which violates § 30A(a) of the 1934 Act (foreign corrupt practices)	Maximum penalty \$1,000,000 fine (1934 Act, § 32(c)(1))
Any officer or director of an issuer, of any stockholder acting on behalf of such issuer who willfully violates § 30A(a) of the 1934 Act	Maximum penalty \$10,000 fine and 5 years imprisonment (1934 Act, § 32(c)(2))
Any employee or agent (subject to the Jurisdiction of the United States) of an issuer found to have violated § 30A(a) of the 1934 Act, who willfully carried out the act or practice constituting such violation	Maximum penalty \$10,000 fine and 5 years imprisonment (1934 Act, § 32(c)(3))

*Statutory references are as follows "1933 Act", the Securities Act of 1933, "1934 Act", the Securities Exchange Act of 1934, "Investment Company Act", The Investment Company Act of 1940, "Advisers Act", the Investment Advisers Act of 1940, "Holding Company Act", the Public Utility Holding Company Act of 1935, "Trust Indenture Act", the Trust Indenture Act of 1939, and "SIPA", the Securities Investor Protection Act of 1970

Table 28

**NATIONWIDE ENFORCEMENT PROGRAM
ENFORCEMENT CASES INITIATED BY THE COMMISSION
DURING FISCAL YEAR 1983 IN VARIOUS PROGRAM AREAS**

(Each case initiated has been included in only one category listed below, even though many cases involved multiple allegations and may fall under more than one category.)

Program Area in Which Civil Action, Administrative Proceeding, or 21(a) Report Was Initiated	Civil Actions ^{1 2}	Administrative Proceedings ¹	21(a) Reports ¹	Total ¹
<i>Securities Offering Cases</i>				
(a) Non-regulated Entity	37 (149)	4 (6)		41 (155)
(b) Regulated Entity	9 (25)	23 (39)		32 (64)
Total Securities Offering Cases	<u>46 (174)</u>	<u>27 (45)</u>		<u>73 (219)</u>
<i>Broker-Dealer Cases</i>				
(a) Backoffice	6 (12)	12 (38)		18 (50)
(b) Fraud against customer	3 (6)	13 (33)		16 (39)
(c) Other	2 (6)	6 (9)	1 (1)	9 (16)
Total Broker-Dealer Cases	<u>11 (24)</u>	<u>31 (80)</u>	<u>1 (1)</u>	<u>43 (105)</u>
<i>Issuer Financial Statement and Reporting Cases (including the dissemination of false informa- tion to the public, violations of the Foreign Corrupt Practices Act accounting provisions)</i>				
	17 (43)	11 (16)	1 (1)	29 (60)
<i>Insider Trading Cases</i>				
	22 (73)	2 (2)		24 (75)
<i>Other Regulated Entity Cases</i>				
(a) Investment Advisers	4 (6)	12 (23)		16 (29)
(b) Investment Companies	2 (3)	2 (3)		4 (6)
(c) Transfer Agents	1 (4)	2 (3)		3 (7)
Total Other Regulated Entity Cases	<u>7 (13)</u>	<u>16 (29)</u>		<u>23 (42)</u>
<i>Delinquent Filing Cases</i>				
	22 (23)			22 (23)
<i>Contempt Proceedings (including civil and criminal cases)</i>				
	14 (19)			14 (19)
<i>Fraud Against Regulated Entity</i>				
	9 (20)	3 (5)		12 (25)
<i>Market Manipulation Cases</i>				
	8 (23)	3 (11)		11 (34)
<i>Corporate Control Violations</i>				
	4 (9)	1 (1)		5 (10)
<i>Related Party Transactions</i>				
	5 (14)			5 (14)
TOTALS	<u>165 (435)</u>	<u>94 (189)</u>	<u>2 (2)</u>	<u>261 (626)</u>

¹The number of defendants, respondents or subjects is noted parenthetically

²This category includes injunctive actions, civil and criminal contempt proceedings, and one court order obtained pursuant to Section 21(e) of the Exchange Act

Table 29
**INVESTIGATIONS OF POSSIBLE VIOLATIONS OF THE ACTS
 ADMINISTERED BY THE COMMISSION**

Pending as of October 1, 1982	740
Opened in fiscal year 1983	373
Total	1,113
Closed in fiscal year 1983	358
Pending as of September 30, 1983	755

During the fiscal year ending September 30, 1983, 148 Formal Orders of Investigation were issued by the Commission upon recommendation of the Division of Enforcement.

Table 30
**ADMINISTRATIVE PROCEEDINGS INSTITUTED DURING FISCAL YEAR
 ENDING SEPTEMBER 30, 1983**

Broker-Dealer Proceedings	62
Investment Adviser, Investment Company and Transfer Agent Proceedings	16
Stop Order Proceedings	2
Rule 2(e) Proceedings	9
Disclosure Proceedings (Section 15(c)(4) of the Exchange Act)	5
Total Proceedings in fiscal year 1983	94

Table 31
INJUNCTIVE ACTIONS

Fiscal Year	Actions Initiated	Defendants Named
1974	148	613
1975	174	749
1976	158	722
1977	166	715
1978	135	607
1979	108	511
1980	103	387
1981	115	398
1982	136	418
1983	151	416

Trading Suspensions

During fiscal year 1983, the Commission suspended trading in the securities of 11 companies. This compares with nine in fiscal year 1982. In most instances, the trading suspension was ordered either be-

cause of substantial questions as to the adequacy, accuracy or availability of public information concerning the company's financial condition or business operations, or because transactions in the company's securities suggested possible manipulation or other violations.

Foreign Restricted List

The Commission maintains and publishes a Foreign Restricted List which is designed to put broker-dealers, financial institutions, investors and others on notice of possible unlawful distributions of foreign securities in the United States. The list consists of names of foreign companies whose securities the Commission has reason to believe have been, or are being offered for public sale in the United States in possible violation of the registration requirement of Section 5 of the Securities Act of 1933. The offer and sale of unregistered securities deprives investors of all the protections afforded by the Securities Act of 1933, including the right to receive a prospectus containing the information required by the Act for the purpose of enabling the investor to determine whether the investment is suitable for him. While most broker-dealers refuse to effect transactions in securities issued by companies on the Foreign Restricted List, this does not necessarily prevent promoters from illegally offering such securities directly to investors in the United States by mail, by telephone, and sometimes by personal solicitation. The following foreign corporations and other foreign entities comprise the Foreign Restricted List.

1. Aguacate Consolidated Mines, Incorporated (Costa Rica)
2. Alan MacTavish, Ltd. (England)
3. Allegheny Mining and Exploration Company, Ltd. (Canada)
4. Allied Fund for Capital Appreciation (AFCA, S.A.) (Panama)
5. Amalgamated Rare Earth Mines, Ltd. (Canada)
6. American Industrial Research S.A., also known as Investigation Industrial Americana, S.A. (Mexico)
7. American International Mining (Bahamas)
8. American Mobile Telephone and Tape Co., Ltd. (Canada)
9. Antel International Corporation, Ltd. (Canada)
10. Antoine Silver Mines, Ltd. (Canada)
11. ASCA Enterprisers Limited (Hong Kong)
12. Atholl Brose (Exports) Ltd. (England)
13. Atholl Brose Ltd. (England)
14. Atlantic and Pacific Bank and Trust Co., Ltd. (Bahamas)
15. Bank of Sark (Sark, Channel Islands, U.K.)
16. Briar Court Mines, Ltd. (Canada)
17. British Overseas Mutual Fund Corporation Ltd. (Canada)
18. California & Caracas Mining Corp., Ltd. (Canada)
19. Canterra Development Corporation, Ltd. (Canada)
20. Cardwell Oil Corporation, Ltd. (Canada)
21. Caribbean Empire Company, Ltd. (British Honduras)
22. Caye Chapel Club, Ltd. (British Honduras)
23. Central and Southern Industries Corp. (Panama)
24. Cerro Azul Coffee Plantation (Panama)
25. Cia. Rio Banano, S.A. (Costa Rica)
26. City Bank A.S. (Denmark)
27. Claw Lake Molybdenum Mines, Ltd. (Canada)
28. Claravella Corporation (Costa Rica)
29. Compressed Air Corporation, Limited (Bahamas)
30. Continental and Southern Industries, S.A. (Panama)
31. Crossroads Corporation, S.A. (Panama)
32. Darien Exploration Company, S.A. (Panama)
33. Derkglen, Ltd. (England)
34. De Veers Consolidated Mining Corporation, S.A. (Panama)
35. Doncannon Spirits, Ltd. (Bahamas)
36. Durman, Ltd. Formerly known as Bankers International Investment Corporation (Bahamas)
37. Empresa Minera Caudalosa dePanama, S.A. (Panama)
38. Ethel Copper Mines, Ltd. (Canada)
39. Euroforeign Banking Corporation, Ltd. (Panama)

40. Finansbanker a/s (Denmark)
41. First Liberty Fund, Ltd. (Bahamas)
42. General Mining S.A. (Canada)
43. Global Explorations, Inc. (Panama)
44. Global Insurance Company, Limited (British West Indies)
45. Globus Anlage-Vermittlungsgesellschaft MBH (Germany)
46. Golden Age Mines, Ltd. (Canada)
47. Hebilla Mining Corporation (Costa Rica)
48. Hemisphere Land Corporation Limited (Bahamas)
49. Henry Ost & Son, Ltd. (England)
50. Intercontinental Technologies Corp. (Canada)
51. International Communications Corporation (British West Indies)
52. International Monetary Exchange (Panama)
53. International Trade Development of Costa Rica, S.A.
54. Ironco Mining & Smelting Company, Ltd. (Canada)
55. James G. Allan & Sons (Scotland)
56. Joboba Oil & Seed Industries S.A. (Costa Rica)
57. Jupiter Explorations, Ltd. (Canada)
58. Kenilworth Mines, Ltd. (Canada)
59. Klondike Yukon Mining Company (Canada)
60. KoKanee Moly Mines, Ltd. (Canada)
61. Land Sales Corporation (Canada)
62. Los Dos Hermanos, S.A. (Spain)
63. Lynbar Mining Corp., Ltd. (Canada)
64. Massive Energy Ltd. (Canada)
65. Mercantile Bank and Trust & Co., Ltd. (Cayman Island)
66. J.P. Morgan & Company, Ltd., of London, England (not to be confused with J.P. Morgan & Co., Incorporated, New York)
67. Norart Minerals Limited (Canada)
68. Normandie Trust Company, S.A. (Panama)
69. Northern Survey (Canada)
70. Northern Trust Company, S.A. (Switzerland)
71. Northland Minerals, Ltd. (Canada)
72. Obsco Corporation, Ltd. (Canada)
73. Pacific Northwest Developments, Ltd. (Canada)
74. Pan-Alaska Resources, S.A. (Panama)
75. Panamerican Bank & Trust Company (Panama)
76. Pascar Oils Ltd. (Canada)
77. Paulpic Gold Mines, Ltd. (Canada)
78. Pyrotex Mining and Exploration Co., Ltd. (Canada)
79. Radio Hill Mines Co., Ltd. (Canada)
80. Rancho San Rafael, S.A. (Costa Rica)
81. Rodney Gold Mines Limited (Canada)
82. Royal Greyhound and Turf Holdings Limited (South Africa)
83. S.A. Valles & Co., Inc. (Philippines)
84. San Salvador Savings & Loan Co., Ltd. (Bahamas)
85. Santack Mines Limited (Canada)
86. Security Capital Fiscal & Guaranty Corporation S.A. (Panama)
87. Silver Stack Mines, Ltd. (Canada)
88. Societe Anonyme de Refinancement (Switzerland)
89. Strathmore Distillery Company, Ltd. (Scotland)
90. Strathross Blending Company Limited (England)
91. Swiss Caribbean Development & Finance Corporation (Switzerland)
92. Tam O'Shanter, Ltd. (Switzerland)
93. Timberland (Canada)
94. Trans-American Investments, Limited (Canada)
95. Trihope Resources, Ltd. (West Indies)
96. Trust Company of Jamaica, Ltd. (West Indies)
97. United Mining and Milling Corporation (Bahamas)
98. Unitrust Limited (Ireland)
99. Vacationland (Canada)
100. Valores de Inversion, S.A. (Mexico)
101. Victoria Oriente, Inc. (Panama)
102. Warden Walker Worldwide Investment Co. (England)
103. Wee Gee Uranium Mines, Ltd. (Canada)
104. Western International Explorations, Ltd. (Bahamas)
105. Yukon Wolverine Mining Company (Canada)

Right to Financial Privacy

Section 21(h)(6) of the Securities Exchange Act of 1934 [15 U.S.C. 78u(h)(6)] requires that the Commission “compile an annual tabulation of the occasions on which the Commission used each separate subparagraph or clause of [Section 21(h)(2)] or the provisions of the Right to Financial Privacy Act of 1978 [12 U.S.C. 3401-22 (the “RFPA”)] to obtain access to financial records of a customer and include it in its annual report to the Congress.” During the fiscal year, the Commission successfully made one application to a court for an order pursuant to the subparagraphs and clauses of Section 21(h)(2) to obtain access to financial records of a

customer. In this application, the provisions of Subsections 21(h)(2)(A)(iv), (A)(v), (B), and (D)(ii) were relied upon. The table below sets forth the number of occasions upon which the Commission obtained access to financial records of a customer using the procedures provided by: (i) Section 1104 of the RFPA [12 U.S.C. 3404], applicable to customer authorizations; (ii) Section 1105 of the RFPA [12 U.S.C. 3405], applicable to administrative subpoenas; and (iii) Section 1107 of the RFPA [12 U.S.C. 3407], applicable to judicial subpoenas.

Section 1104	Section 1105	Section 1107
4	244	47

PUBLIC UTILITY HOLDING COMPANIES

System Companies

At fiscal year 1983, there were 13 holding companies registered under the Public Utility Holding Company Act of 1935 of

which 12 are "active". In the 13 registered systems, there were 64 electric and/or gas utility subsidiaries, 66 non-utility subsidiaries, and 19 inactive companies, or a total of 164 system companies including the top parent and subholding companies. The following table lists the active systems.

Table 32
PUBLIC UTILITY HOLDING COMPANY SYSTEMS

	Solely Registered Holding Companies	Registered Holding Operating Companies	Electric and/or Gas Utility Subsidiaries	Nonutility Subsidiaries	Inactive Companies	Total Companies	Other
Allegheny Power System (APS)	1	1 ^d	3	4	1	10	2 ^a
American Electric Power Company (AEP)	1	0	12	14	6	33	2 ^a
Central and South West Corporation (CSW)	1	1 ^d	3	5	1	11	1 ^b
Columbia Gas System (CGS)	1	0	9	13	0	23	0
Consolidated Natural Gas Company (CNG)	1	0	5	6	0	12	0
Eastern Utilities Associates (EUA)	1	0	3	1	0	5	4 ^c
General Public Utilities (GPU)	1	0	5	3	1	10	0
Middle South Utilities (MSU)	1	0	6	4	3	14	1 ^b
National Fuel Gas Company (NFG)	1	0	1	4	0	6	0
New England Electric System (NEES)	1	0	6	3	0	10	4 ^c
Northeast Utilities (NEU)	1	0	5	5	6	17	4 ^c
Philadelphia Electric Power Company (PEP)	0	1	1	0	1	3	0
Southern Company (SC)	1	0	5	4	0	10	0
Total Companies	12	3	64^d	66	19	164	18

^aOhio Valley Elec Corp & Subs

Indiana-Kentucky Elec Corp
electric utility
37 8% AEP
12 5% APS
49 7% Other Companies

^bArklahoma Corp

32% CSW
34% MSU
34% Oklahoma Gas & Elec

^cYankee Atomic Electric Co
30% NEES, 31 5% NEU,
4 5% EUA

Connecticut Yankee Atomic Power Co
15% NEES, 44% NEU,
4 5% EUA

^dWest Penn Power Co in APS and Southwestern Electric Power Co in CSW are both electric utilities and holding companies

Vermont Yankee Nuclear Power Corp
20% NEES, 12% NEU
2 5% EUA

Maine Yankee Atomic Power Co
20% NEES, 15% NEU, 4% EUA

Statutory utility subsidiaries

Table 33

**KEY FINANCIAL STATISTICS OF REGISTERED PUBLIC UTILITY
HOLDING COMPANY SYSTEMS**

Name of Company	As of June 30, 1983 (000 omitted)	
	Total Assets	Operating Revenues
Allegheny Power System	\$ 3,500,000	\$ 1,756,000
American Electric Power Company, Inc	12,479,000	4,041,929
Central and South West Corporation	5,433,364	2,528,498
Columbia Gas System, Inc	4,919,000	4,922,000
Consolidated Natural Gas Company	3,184,536	3,325,200
Eastern Utilities Associates	539,676	288,680
General Public Utilities Corp	5,180,060	2,427,615
Middle South Utilities, Inc	10,500,000	2,860,000
National Fuel Gas Company	854,078	1,038,042
New England Electric System	2,485,750	1,248,320
Northeast Utilities	4,159,602	1,772,116
Philadelphia Electric Power Company	60,658	8,877
Southern Company, The	12,759,541	5,052,187
Total =	\$66,055,265	\$31,269,464

Table 34
PUBLIC FINANCING OF HOLDING COMPANY SYSTEMS
FISCAL YEAR 1983

	Bonds	Long-Term Notes and/or Debentures	Pollution Control Financings	Preferred	Stock Common	Short Term Debt
Allegheny Power System						\$145,000,000
Monongahela Power Company			\$ 7,050,000			
Potomac Edison Company			8,600,000			
West Penn Power Company			84,400,000			
American Electric Power Company, Inc						165,000,000
Appalachian Power Company	\$ 50,000,000	\$150,000,000				135,000,000
Columbus & Southern Ohio Company	50,000,000					160,000,000
Indiana Michigan Electric Company	70,000,000					135,000,000
Kentucky Power		150,000,000				50,000,000
Kingsport Power		17,000,000				3,500,000
Michigan Power Company		20,000,000				5,000,000
Ohio Power Company	130,000,000					155,000,000
Ohio Valley Electric		10,000,000				
American Electric Power Generating		450,000,000				
American Electric Power Service		145,000,000				
Central and South West Corporation					\$ 71,200,000	450,000,000
Central Power and Light Company	100,000,000					200,000,000
Public Service of Oklahoma	50,000,000					100,000,000
Southwestern Electric Power Company			53,500,000			150,000,000
Transok Pipeline Company						30,000,000
West Texas Utilities				25,000,000		50,000,000
Central and Southwest Services						30,000,000
Columbia Gas System, Inc				100,000,000		525,000,000
Consolidated Natural Gas Company		100,000,000				350,000,000
Eastern Utilities Associates					12,500,000	
Blackstone Valley Electric Company						6,000,000
Eastern Edison Company	40,000,000		40,000,000			15,000,000
Montaup Electric Company						35,000,000
General Public Utilities Corporation						5,000,000
Jersey Central Power and Light Company						50,000,000
Metropolitan Edison Company						25,000,000
Pennsylvania Edison Company						50,000,000

Table 34—Continued

	Bonds	Long-Term Notes and/or Debentures	Pollution Control Financings	Preferred	Stock Common	Short Term Debt
Middle South Utilities, Inc					165,200,000	
Arkansas Power and Light Company	100,000,000		45,000,000			
Louisiana Power and Light Company	250,000,000			75,000,000		
Mississippi Power and Light Company				10,000,000		
System Fuel, Inc						60,000,000
Middle South Energy		528,000,000				
Middle South Service		75,000,000				
National Fuel Gas Company		50,000,000				308,000,000
Penn York						20,000,000
Seneca Resources Corporation						65,000,000
National Fuel Gas Distribution						150,000,000
National Fuel Gas Supply						125,000,000
New England Electric System						40,000,000
Granite State						6,000,000
Massachusetts Electric Company						18,500,000
Narragansett Company						20,000,000
New England Power Company		100,000,000	105,000,000			195,000,000
New England Energy		27,000,000				11,000,000
New England Service						5,000,000
New England Transmission		120,000,000				
Northeast Utilities						
Connecticut Light and Power	85,000,000	350,000,000			37,200,000	100,000,000
Rocky River Realty		8,000,000				250,000,000
Western Mass Electric Corporation		60,000,000		35,000,000		60,000,000
Northeast Nuclear Energy Corporation		40,000,000				25,000,000
Southern Company, The					35,000,000	100,000,000
Alabama Power Company			22,500,000	50,000,000		227,000,000
Georgia Power Company	250,000,000		35,000,000			
Gulf Power Company			20,000,000			30,000,000
Mississippi Power Company						40,000,000
Southern Electric Generating Company		30,000,000				30,000,000
Columbia Fuels		130,000,000				
Southern Company Services, Inc		100,000,000				150,000,000
Connecticut Yankee Atomic Power Company		40,000,000				
Vermont Yankee Nuclear Power						16,000,000
Yankee Atomic Electric Company		20,000,000				16,000,000
Total	\$1,175,000,000	\$2,720,000,000	\$421,050,000	\$295,000,000	\$321,100,000	\$5,092,000,000

Total = \$10.024 billion

Table 35

**SUBSIDIARY SERVICE COMPANIES OF PUBLIC UTILITY HOLDING COMPANY SYSTEMS
AS OF DECEMBER 31, 1982**

(In Millions)

Name of Service Company	Total Billings	Total Assets	Total Personnel	Number of Operating Utilities Served
Allegheny Power Service Corporation	\$ 34.9	\$ 3.1	682	3
American Electric Power Service Corp	129.8	110.0	2,596	12
Central and South West Service, Inc	22.6	16.9	321	4
Columbia Gas System Service Corp	49.3	21.4	741	9
Consolidated Natural Gas Service Corp	30.7	12.1	378	5
EUA Service Corporation	13.9	2.2	296	3
GPU Service Corporation	47.0	31.9	720	3
GPU Nuclear Corporation	260.2	38.2	2,573	3
Middle South Services, Inc	61.4	85.7	829	5
New England Power Service Co	78.9	9.4	1,540	7
Northeast Utilities Service Co	163.7	69.8	3,016	5
Southern Company Services, Inc	180.3	73.9	3,098	5
Total	\$1,072.7	\$474.6	16,790	64

Table 36 ·
FUEL PROGRAM EXPENDITURES OF HOLDING COMPANY SYSTEMS

(Fiscal 1983)

(In millions of dollars)

	Gas and/or Oil Exploration and Financing	Fuel Oil Inventory	Coal, Lignite Exploration & Development	Coal Mining Expansion	Uranium Exploration	Nuclear Fuel Procurement	Transportation & Storage
American Electric Power Co	\$	\$	\$	\$ 9.2	\$	\$	\$
Central & South West Co	35.1		19.7	1.1			
Columbia Gas System, Inc	143.0						
Consolidated Natural Gas Co	217.9						
Middle South Utilities	13.8	2.7		60.3	9	114.7	
National Fuel Gas System	65.0						
New England Electric System	125.0						15.0
Northeast Utilities							
Southern Company							
	\$599.8	\$2.7	\$19.7	\$70.6	\$ 9	\$114.7	\$15.0

Total = \$823.4 million

Table 37
FUEL PROGRAM EXPENDITURES OF HOLDING COMPANY SYSTEMS
(Fiscal 1971—Fiscal 1983)
(In Millions of Dollars)

Fiscal year expenditures

1983	\$ 823.4 million
1982	\$1,550.0 million
1981	\$1,030.0 million
1980	\$ 597.9 million
1979	\$ 460.6 million
1978	\$ 184.0 million
1977	\$ 342.0 million
1971-1976	<u>\$1,586.0 million</u> (average per year = \$264.3 million)

Total thirteen year period \$ 6.6 billion (average per year = \$505.7 million)

Approximate Holding Company Systems Expenditures
1971-1983 Breakdown

Name of Holding Company	Gas and/or Oil Exploration and Financing	Fuel Oil Inventory	Coal, Lignite Exploration & Development	Coal Mining Expansion	Uranium Exploration	Nuclear Fuel Procurement	Fuel Transportation and Storage	Coal Gasification
American Electric Power Co	\$ -	\$ -	\$515.0 (E)	\$639.1 (E)	\$ -	\$ 91.0	\$ 60.3	\$ -
Central & South West Co	455.0	-	127.5	1.1	6.6	-	82.8	-
Columbia Gas System, Inc	925.2 (E)	-	-	-	-	-	-	25.0
Consolidated Natural Gas Co	674.9 (E)	-	-	-	-	-	-	13.0
General Public Utilities	-	-	35.0	-	-	-	-	-
Middle South Utilities	458.7	364.9	23.9	81.8	34.9	751.4	236.0	-
National Fuel Gas System	125.1	-	-	-	-	-	44.3	-
New England Electric System	483.2	-	-	-	-	6.0	80.0	-
Northeast Utilities	-	-	-	-	-	116.0	-	-
Southern Company	-	-	-	-	-	60.0	46.1	-
Total 1971-1983 by program =	\$3,122.1	\$364.9	\$701.4	\$722.0	\$41.5	\$1,024.4	\$549.5	\$38.0

Total 1971-1983 = \$6.6 billion

(E) Estimated

CORPORATE REORGANIZATIONS

During the fiscal year the Commission entered 15 reorganization cases filed under Chapter 11 of the Bankruptcy Code involving companies with aggregate stated assets of about \$1.9 billion and close to 75,000 public investors. Including these new cases, the Commission was a party in a total of 63 Chapter 11 cases during the fiscal year. In these cases the stated assets totalled approximately \$14.3 billion, liabilities totalled about \$12.2 billion, and

505,000 public investors were involved. During the fiscal year, 12 cases were concluded through confirmation of a plan of reorganization or liquidation, leaving 51 cases in which the Commission was a party at year-end.

The Commission also continued its participation in pending reorganization cases under Chapter X of the prior Bankruptcy Act. During the fiscal year, 11 Chapter X cases were closed, leaving at year-end 37 open Chapter X cases.

Table 38

REORGANIZATION PROCEEDINGS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE IN WHICH COMMISSION ENTERED APPEARANCE

Debtor	District Court	Fiscal Year Filed	Fiscal Year Closed
Airlift International, Inc	S D FL	1981	
AM International	N D IL	1982	
Amarex Inc	W D OK	1983	
American Nautilus Fitness Center ³	S D CA	1981	1981
Arctic Enterprises, Inc ¹	D MN	1981	1982
Atlas Mortgage Loan Co	E D CA	1982	
Auto Train Corp ²	D DC	1980	1981
Bear Lake West	D ID	1982	
Bobbie Brooks, Inc ¹	N D OH	1982	1983
Braniff International	N D TX	1982	
Briggs Transportation	D MN	1983	
Christian Life Center	N D CA	1980	
Coleman American Companies, Inc ¹	D KS	1980	1983
Colonial Commercial Corp ¹	S D NY	1982	1983
Colonial Discount Corp	S D IN	1982	
Combustion Equipment Associates, Inc	S D NY	1981	
Computer Communications, Inc	C D CA	1981	
Dreco Energy Service Ltd	S D TX	1982	
Empire Oil & Gas Co	D CO	1982	
Fashion Two-Twenty, Inc ¹	N D OH	1982	1983
Fidelity American Financial Corp	E D PA	1981	
Flight Transportation Co	D MN	1983	
FWD Corp ¹	E D WI	1981	1981
General Resources Corp	N D GA	1980	
Geophysical Systems Corp	C D CA	1983	
Goldblatt Brothers, Inc	N D IL	1981	
Grove Finance Company	D UT	1981	
G Weeks Securities, Inc ¹	W D TN	1980	1983
Haven Properties, Inc	D OR	1981	
Hawaii-Nevada Investment Corp ²	D NV	1981	1982
Heritage Investment Group of Ark ³	E D AR	1981	1981
Horizon Hospital, Inc	M D FL	1981	
HRT Industries, Inc	S D NY	1983	
Inforex, Inc ¹	D MA	1980	1981
Itel Corporation	N D CA	1981	
Internat'l Inst of App Tech	D DC	1983	
KDT Industries, Inc	S D NY	1982	
L S Good & Co ²	N D WV	1980	1981
Robert C LaBine/Pro Assoc	E D MI	1983	
Leisure Time Products, Inc	N D IN	1982	

Table 38—Continued

**REORGANIZATION PROCEEDINGS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE
IN WHICH COMMISSION ENTERED APPEARANCE**

Debtor	District Court	Fiscal Year Filed	Fiscal Year Closed
Lewis Energy Corp	D CO	1982	
The Lionel Corp	S D NY	1982	
Manoa Finance Co., Inc	D HA	1983	
Mansfield Tire & Rubber Co	N D OH	1980	
Manville Corp	S D NY	1982	
Maron Corp	S D AL	1983	
McLouth Steep Corp ¹	S D MI	1982	1983
Mid-American Lines Inc ¹	WD MI	1982	1983
North American Coin & Cur	D AR	1983	
NOVA REIT ¹	D C VA	1981	1983
Nucorp Energy Inc	S D CA	1982	
Omega Financial Investment Corp ²	C D CA	1981	1981
Park Nursing Center	E D MI	1980	
Penn-Dixie Industries ¹	S D NY	1980	1983
Pleasant Grove Medical Center ¹	N D TX	1980	1981
Resource Exploration, Inc ¹	N D OH	1980	1981
Revere Copper & Brass Inc	S D NY	1983	
Rusco Industries, Inc ¹	S D GA	1982	1983
Sambo's Restaurants, Inc	C D CA	1982	
Saxon Industries, Inc	S D NY	1982	
SBE, Inc ¹	N D CA	1980	1981
Seatrain Lines, Inc	S D NY	1981	
Shelter Resources Inc	N D OH	1982	
South Atlantic Financial Corp	S D FL	1983	
Southern Industrial Banking Corp	E D TN	1983	
Southland Lutheran Home ¹	C D CA	1980	1981
Stewart Energy Systems	D ID	1982	
Tax Info Ctr/P&K Fry ²	D OH	1982	1983
Tenna Corp ²	N D OH	1980	1980
Texas General Resources, Inc	S D TX	1983	
Topps & Trowers ¹	N D CA	1980	1981
Unishelter, Inc ¹	E D WI	1981	1983
UNR Industries	N D IL	1982	
Western Farmers Association	D WA	1980	
White Motor Corp	N D OH	1980	
Wickes Companies	C D CA	1982	
Wilnor Drilling Inc	S D IL	1982	
Wilson Foods Corp	WD OK	1983	
Total Cases Opened (FY 1980-1983)		78	
Total Cases Closed (FY 1980-1983)			27

¹Plan of reorganization confirmed²Debtor liquidated under Chapter 7³Chapter 11 case dismissed

Table 39

**PENDING REORGANIZATION PROCEEDINGS UNDER CHAPTER X OF THE
BANKRUPTCY ACT IN WHICH THE COMMISSION PARTICIPATED**

Fiscal Year 1983

Debtor	District Court	Petition Filed		SEC Notice of Appearance Filed	
		Month	Year	Month	Year
Aldersgate Foundation, Inc ²	M D FL	Sept	12, 1974	Oct	3, 1974
Arian's Dept Stores, Inc ^{1 2}	S D NY	March	8, 1974	March	8, 1974
Bankers Trust Co ²	S D MS	Dec	16, 1976	April	5, 1977
Beck Industries, Inc ¹	S D NY	May	27, 1971	July	30, 1971
Bermec Corp ^{1 2}	S D NY	April	16, 1971	April	19, 1971
Beverly Hills Bancorp	C D CA	April	11, 1974	May	14, 1974
Brethren's Home, The ²	S D OH	Nov	23, 1977	Dec	27, 1977
Bubble up Delaware, Inc	C D CA	Aug	31, 1970	Oct	19, 1970
Carolina Caribbean Corp ^{1 2}	W D NC	Feb	28, 1975	April	17, 1975
Citizens Mortgage Investment Trust	D MA	Oct	5, 1978	Nov.	1, 1978
Commonwealth Corp ^{1 2}	N D FL	June	28, 1974	July	17, 1974
Continental Investment Corp ²	D MA	Oct	31, 1978	Oct	31, 1978
Continental Mortgage Investors	D MA	Oct	21, 1976	Oct	21, 1976
Diversified Mountaineer Corp ²	S D WV	Feb	8, 1974	April	24, 1974
Duplan Corp ^{1 2}	S D NY	Oct	5, 1976	Oct	5, 1976
Farrington Manufacturing Co ^{1 2}	E D VA	Dec	22, 1970	Jan.	14, 1971
First Baptist Church, Inc of Margate, Fla ²	S D FL	Sept	10, 1973	Oct	1, 1973
Fort Cobb, Okla Irrigation Fuel Authority ^{1 2}	W D OK	April	20, 1979	July	16, 1979
GEBCO Investment Corp	W D PA	Feb	8, 1977	March	24, 1977
Wm Gluckin Co., Ltd ^{1 2}	S D NY	Feb	22, 1973	March	6, 1973
Guaranty Trust Co ²	W.D OK	April	9, 1979	April	9, 1979
Gulfo Investment Corp	W D OK	March	22, 1974	March	28, 1974
Harmony Loan, Inc ²	E D KY	Jan	31, 1973	Jan.	31, 1973
Hawaii Corp ²	D HI	March	17, 1977	March	17, 1977
Home-Stake Production Co	N D OK	Sept	20, 1973	Oct.	2, 1973
Investors Funding Corp of New York ^{1 2}	S D NY	Oct	21, 1974	Oct.	22, 1974
King Resources Co ²	D CO	Aug	16, 1971	Oct	19, 1971
Lake Winnebago Development Co., Inc	W D MO	Oct	14, 1970	Oct	26, 1970
Lusk Corp	D AR	Oct	28, 1965	Nov	15, 1965
Mount Everest Corp ²	E D PA	May	29, 1974	June	28, 1974
National Telephone Co., Inc ²	D CT	July	10, 1975	May	27, 1976
North American Acceptance Corp ²	N D GA	March	5, 1974	March	28, 1974
Omega-Alpha, Inc ²	N D TX	Jan	10, 1975	Jan	10, 1975
Pan American Financial Corp ²	D. HI	Oct.	2, 1972	Jan	9, 1973
Parkview Gem, Inc ^{1 2}	W D MO	Dec	18, 1973	Dec	28, 1973
Pocono Downs, Inc	M D PA	Aug	20, 1975	Aug	20, 1975
John Rich Enterprises, Inc ²	D UT	Jan	16, 1970	Feb	6, 1970
Reliance Industries, Inc	D HI	May	24, 1976	Aug	10, 1976
Royal Inns of America, Inc ²	S D CA	April	24, 1975	June	24, 1975
Sierra Trading Corp ²	D CO	July	7, 1970	July	22, 1970
Stanndco Developers, Inc	W D NY	Feb	5, 1974	March	7, 1974
Sunset International Petroleum Corp ²	N D TX	May	27, 1970	June	10, 1970
TMT Trailer Ferry, Inc ²	S D FL	June	27, 1957	Nov	22, 1957
U S Financial, Inc ²	S D CA	Sept	23, 1975	Nov	3, 1975
Washington Group, Inc ²	M D NC	June	20, 1977	July	25, 1977
Western Growth Capital Corp	D AR	Feb	10, 1967	May	16, 1968
Westgate California Corp	S D CA	Feb	26, 1974	March	8, 1974
Wonderbowl, Inc ²	C D CA	March	10, 1967	June	7, 1967

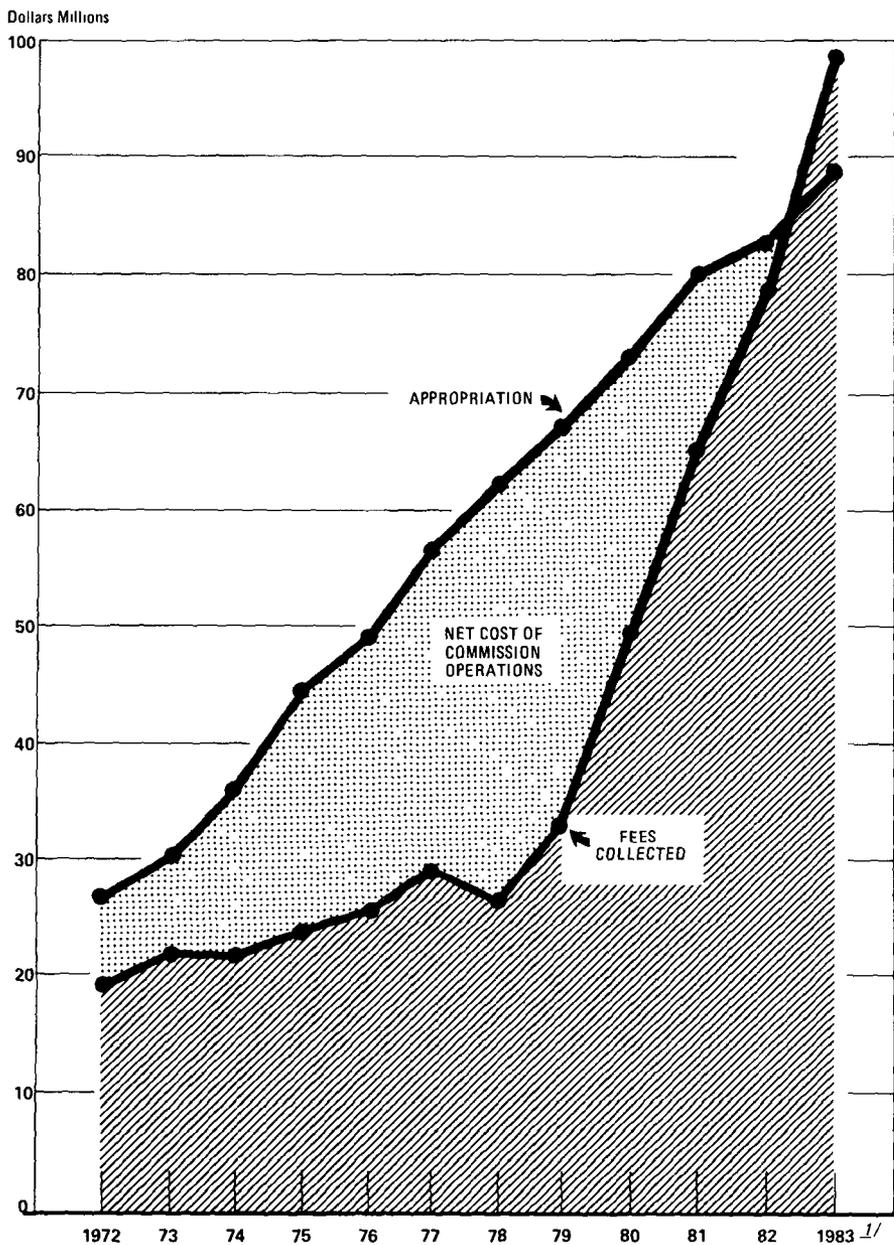
¹ Reorganization proceedings closed during fiscal year 1983² Plan has been substantially consummated but no final decree has been entered because of pending matters

SEC OPERATIONS

During fiscal 1983, the Commission collected a record \$98.6 million in fees for deposit into the General Fund of the Treasury. Such fees amounted to nearly 110% of the Commission's fiscal 1983 appropriation, compared with 94% in fiscal 1982.

The four sources of fees were: registration of securities under the Securities Act of 1933 (68%), transactions on securities exchanges (24%), miscellaneous filings and reporting fees (7%) and the registration of regulated broker-dealers (1%).

Appropriated Funds vs Fees Collected



1/ Estimated

Table 40
BUDGET ESTIMATES AND APPROPRIATIONS

Action	Fiscal 1979		Fiscal 1980		Fiscal 1981		Fiscal 1982		Fiscal 1983		Fiscal 1984	
	Posi- tions	Money	Posi- tions	Money	Posi- tions	Money	Posi- tions	Money	Posi- tions	Money	Posi- tions	Money
Estimate submitted to the Office of Management and Budget .	2,179	\$66,600,000	2,244	\$72,478,000	2,424	\$85,748,000	2,230	\$92,395,000	2,016	\$89,523,000	2,021	\$95,000,000
Action by the Office of Management and Budget	-47	-1,800,000	-144	-3,039,000	-426	-9,653,000	-248	-9,559,000	-120	-3,923,000	-125	-3,065,000
Amount allowed by the Office of Management and Budget	2,132	64,800,000	2,100	69,039,000	1,998	76,095,000 ¹	1,982	82,836,000 ²	1,896	85,600,000	1,896	91,935,000
Action by the House of Representatives	-7	-150,000		-93,000	+23	+255,000	+20	-1,130,000		-4,300,000		
Sub-Total	2,125	64,650,000	2,100	68,946,000	2,021	76,350,000	2,002	81,706,000	2,021	89,900,000		
Action by the Senate				+40,000		+750,000	+19	+2,594,000		-560,000		
Sub-total	2,125	64,650,000	2,100	68,986,000	2,021	77,100,000	2,021	84,300,000	2,021	89,340,000		
Action by conferees						-750,000		-1,394,000				
Annual appropriation	2,117	64,650,000	2,100	68,986,000	2,021	76,350,000	2,021	82,906,000	2,021	89,340,000		
Supplemental appropriation		2,450,000		3,753,000		3,850,000		+400,000		+350,000		
Total appropriation	2,117	67,100,000	2,100	72,739,000	2,021	80,200,000	2,021	83,306,000	2,021	89,690,000		

¹Original submission to Congress was \$77,150,000, subsequently reduced by OMB.

²Original submission to Congress was 2,141 positions and \$88,560,000, subsequently reduced by OMB