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U.S. House of Representatives
Committee on Energy and Commerce
 Room 2125, Rayburn House Office Building
 Washington, DC 20515

July 8, 1986

WM. MICHAEL FITZMILLER, STAFF DIRECTOR
 THOMAS M. RYAN, CHIEF COUNSEL

Honorable John S. R. Shad
 Chairman
 Securities and Exchange Commission
 450 Fifth Street, N. W.
 Washington, D. C. 20549

CHAIRMAN'S OFFICE
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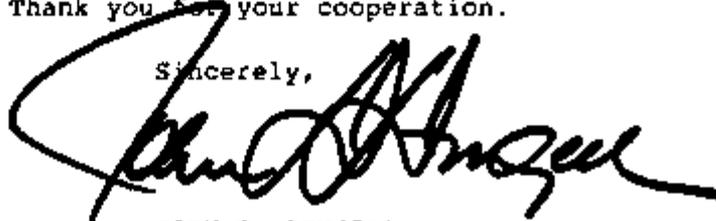
Dear Chairman Shad:

This is with reference to recent news reports that the former sales manager of the Shearson Lehman Brothers Inc. brokerage office in Philadelphia, the firm and six other individuals were indicted by a federal grand jury on charges of laundering more than \$1 million in proceeds from an illegal gambling operation.

In June 1985, the Commission submitted a report to our Subcommittee on Oversight and Investigations concerning broker-dealer compliance with the Currency and Foreign Transactions Reporting Act of 1970. You indicated at that time that the Commission would notify us if certain special examinations uncovered significant violations of the Bank Secrecy Act or money laundering, and that you had no evidence demonstrating violation by broker-dealers of the Bank Secrecy Act or the Commission's Rule 17a-8. In light of the aforementioned case involving Shearson Lehman, I would appreciate an update of your June 1985 report, which should include a full report on the Shearson Lehman incident. We want to know about their firm compliance procedures, policies on receiving currency, recordkeeping, what CTRs and CMRs were filed, results of any relevant Commission or SRO examinations, and what disciplinary actions have been or will be taken against Shearson managers and employees.

Please provide this information to the Committee by the close of business on Friday, August 15, 1986. Thank you for your cooperation.

Sincerely,



JOHN D. DINGELL
 CHAIRMAN

cc: Honorable Timothy E. Wirth
 Honorable Norman F. Lent
 Honorable Fernand J. St Germain