

MEMO ROUTING SLIP

SECURITIES AND EXCHANGE COMMISSION

TO: (Office) _____ Room No. _____ Initials _____ Date _____

- (Name)
1. *Murray*
 2. _____
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 5. _____

FOR:	Approval _____	File _____	Signature _____	Necessary Action _____	Note and return _____	Note and pass on _____
Recomen-dation _____	Per conversation _____	See me _____	Call me _____	Your comment _____	Your information _____	Your concurrence _____

Signature of: _____ Answer or acknowledge before: _____

SUBJECT: _____

Remarks:

7/26/61
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FROM: _____ DATE _____

DRAFT
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7/13/61

PROPOSED ENFORCEMENT ORGANIZATION

The following is an outline of a tentative proposal for centralizing most of the Commission's enforcement functions in the Washington Office within one organizational unit.

There would be created an Office of Enforcement. This office would be within the Division of Trading and Exchanges, in order to assure coordination of policy, but would have the status of a major organizational unit in the Commission. The office would be subject to the direction of the Director and Associate Director of the Division of Trading and Exchanges.

I.

Functions of the Office of Enforcement

The Office of Enforcement would have the following functions and responsibilities:

- (1) Perform the enforcement duties and responsibilities now vested in the Division of Trading and Exchanges.
- (2) Perform the functions with respect to the review of criminal reference reports and the maintenance of liaison with the Department of Justice and U. S. Attorneys in criminal cases now vested in the Office of the General Counsel.
- (3) Either supervise or conduct those enforcement cases and proceedings arising out of defective filings in the Division of

Corporation Finance which are determined to involve issues or enforcement implications extending significantly beyond the mere correction or elimination of a defective filing. This might include cases in which administrative proceedings against a filing are to be consolidated with broker-dealer proceedings and those cases in which criminal reference is contemplated.

(4) Develop enforcement procedures, policies and programs and coordinate enforcement activities in the Headquarters Office and in the field offices.

Consideration should be given to the question of whether or not the function of supervising civil enforcement litigation in the District Courts now vested in the Office of the General Counsel should be transferred to the Office of Enforcement.

II.

Organization of the Office of Enforcement

The Office of Enforcement would consist of four branches as follows:

A. Branch of Field Enforcement

The Branch of Field Enforcement would be responsible for the functions with respect to the enforcement activities of the regional offices now vested in the Branch of Enforcement in the Division of Trading and Exchanges. This branch would consist of the existing Office of the Assistant Director, Section of Enforcement, Securities Violations Unit, Litigation

Docket Unit and Office of Inspections and Reports. It is tentatively suggested that the Section of Broker-Dealer Registration might be transferred to the Branch of Exchange Regulation in the Division of Trading and Exchanges.

Walter G. Holden would be Assistant Director in charge of this branch.

B. Branch of Special Investigations and Department of Justice Liaison

This branch would be responsible for the conduct of those investigations now carried on by the Special Investigations Unit of the Division of Trading and Exchanges and for the review of criminal reference reports and maintenance of liaison with the Department of Justice now vested in the Office of the General Counsel.

The Branch would consist of the Special Investigations Unit of the Division of Trading and Exchanges and of the Criminal Reference Unit of the Office of the General Counsel. It would be advisable to add one or two securities investigators to the Special Investigations Unit, in order that that unit would not have to depend on borrowing investigators from regional offices and in order that ~~emergency~~ emergency requests of U. S. Attorneys for the immediate assistance of investigators might be more easily complied with.

Irving M. Pollack would be Assistant Director and Assistant General Counsel in charge of this branch.

C. Trial Branch

The Trial Branch would be responsible for the trial of those civil and administrative proceedings which are conducted by the Office of Enforcement. These would include injunctive actions and broker-dealer proceedings arising out of investigations conducted by the Special Investigations Unit and those proceedings involving defective filings for which the office assumed responsibility as provided in I(3) above. If the function of supervising civil enforcement litigations in the regional offices were to be transferred to the Office of Enforcement, that function would be assigned to this branch.

The branch would consist of experienced trial attorneys drawn from the Office of the General Counsel and the Division of Trading and Exchanges and perhaps other Divisions together with newly recruited trial attorneys.

Mitchell S. Rieger would be Assistant Director and Assistant General Counsel in charge of this branch.

D. Branch of Financial Analysis and Accounting

This branch would be responsible for providing financial analysis and accounting advice and assistance in connection with all of the functions of the Office of Enforcement. It would have particular responsibility in connection with those proceedings involving defective filings in the Division of Corporation Finance for which the Office of Enforcement assumed responsibility.

There is, at present, a grave shortage of enforcement personnel familiar with the operation of investment companies and problems arising from the Investment Company Act of 1940. It would be a responsibility of the Office of Enforcement to develop competence in this field and this responsibility could particularly be shared by the Trial Branch ^{and} of the Branch of Financial Analysis and Accounting.

The Branch of Financial Analysis and Accounting would consist of financial investigators and accountant investigators drawn from the Division of Corporation Finance and elsewhere.

Charles H. Eisenhart would be Assistant Director in charge of this branch.

III.

Selection of Personnel

In addition to the existing enforcement personnel of the Division of Trading and Exchanges and Messrs. Pollack, Rieger, and Eisenhart, it would be advisable to assign certain experienced personnel from the Office of the General Counsel and Division of Corporation Finance to the Office of Enforcement, thus Messrs. Cushman, Goldman, Frankhauser, Leonard and Bliss, in the Office of the General Counsel, might be assigned to the Criminal Reference Unit under Mr. Pollack and Nathan Sameth, together with others selected from the Division of Corporation Finance and the Chief Accountant's Office,

might be assigned to the Branch of Financial Analysis and Accounting.

There is attached a proposed organizational chart for the Office of Enforcement.