

EXECUTIVE

February 7, 1972

MEMORANDUM FOR: Secretary Connally  
Secretary Stans  
Director Shultz  
Chairman Burns  
Chairman Stein

FROM: Peter M. Flanigan

RE: Securities Industry Regulation and Legislation

The SEC has recently produced two reports, one required by Congress as a result of the SIPC legislation, and the other growing out of SEC hearings. These reports recommend action having a far reaching effect on the structure and practices of the securities industry, including increased regulatory activity under existing SEC rule-making authority, expansion of SEC authority through new legislation, and additional studies.

My office has followed the development of these positions with the SEC, as well as their reception in Congress and outside the government. To date, the Administration has taken no position independent of the general SEC recommendations. There are subsidiary issues which are unresolved by the reports and which will be determined in drafting the implementing legislation and SEC regulations.

I attach a summary of the background and general scope of the two SEC reports (Tab A), as well as a copy of the Policy Statement which grew out of the SEC hearings (Tab B), and the transmittal letter summarizing the three volume study of Unsafe and Unsound Practices (Tab C).

You, or your representative, are invited to attend an interagency meeting in the Roosevelt Room at 11:00 A.M., Monday, February 14, at which Chairman Casey will describe the thrust of his recommendations and discuss any comments you might have.