

Congress of the United States
House of Representatives
Special Subcommittee on Investigations of the
Committee on Interstate and Foreign Commerce
Room 2323, Rayburn House Office Building
Washington, D.C. 20510

October 13, 1972

Honorable William J. Casey
Chairman
Securities and Exchange Commission
Washington, D. C. 20549

Dear Mr. Chairman:

In your letter of October 6, you advised me that "on October 4 the Department of Justice asked that our files on this matter be referred to them." The obvious import of this language was that the Department on its own initiative had solicited the materials. This, frankly, came as a surprise in view of your earlier letter, dated September 26, in which you advised me that the files in question would not be made available to our Investigations Subcommittee because the matter was still in the investigatory stage at the SEC. Specifically, you stated:

"...[The staff] are working diligently to complete all aspects of this investigation. I feel quite sure that the investigation will be concluded and the Commission will be in a position to take whatever action may be indicated as appropriate before the end of the year."

I am now informed that the Department of Justice is advising the public that the request for the files was as a result of action initiated by you in a telephone call you made to Deputy Attorney General Ralph E. Erickson. The Department did not present a written request for the materials. Furthermore, the materials submitted by the Commission to the Department were not accompanied by a criminal reference report and recommendation as is the Commission's standard procedure in accordance with Section 21(e) of the Securities Exchange Act of 1934. Under the circumstances as they now appear on the public record, I am forced to conclude that the Department's action was an accommodation to the SEC.

This action, initiated by you, raises serious questions. Under the circumstances, it appears that your primary objective was to withhold the materials at any cost in order to thwart the legitimate oversight examination by the Special Subcommittee on Investigations.

I have directed the staff to commence immediately a thorough investigation of all aspects of the Commission's handling of this case. I am advising you that all persons in the Commission in any way connected with this matter are going to be interviewed by my staff and that such further action as may be warranted will be taken.

Sincerely,

HARLEY O. STAGGERS
Chairman