

M E M O R A N D U M

February 27, 1980

TO: John Evans

FROM: Jim Clarkson *QR*

SUBJECT: Upcoming Trip to the New York
Regional Office (NYRO)

I am very pleased that you will be able to stop by the NYRO during your trip to New York next week. Visits by members of the Commission mean a lot to the field offices. Pursuant to your request, I have set out below a couple of areas you might want to touch on during your remarks to the regional office staff.

- 1) Commission priorities - it is often helpful to give the regional personnel an update on some of the program priorities as seen from a Commissioner's perspective. With regard to the field offices, the areas which the Chairman has been stressing are the inspection programs relating to the '40 Act registrants, the oversight program relating to the SRO's (NASD, exchanges, etc.) and enforcement cases involving the regulated entities (B/D's, I/A's and I/C's);
- 2) Recent initiatives in the full disclosure area - the regions, as you know, are quite interested in the proposals which the Commission has considered over the last few years such as S-18, Rule 242, and the increase in the ceiling of Regulation A from \$500,000 to \$1,500,000. While the regions welcome the additional responsibilities which these initiatives have created for the field offices, there is a concern that we not go too far in relaxing our disclosure standards in our efforts to facilitate the raising of capital by small business;
- 3) Potential impact on the SEC of the various regulatory reform measures presently moving through Congress - assessment of the recent Congressional limitations placed on the FTC;

- 4) An indication of where the SEC will be going over the next few years - your perceptions of what major challenges the Commission will have to face in the near term in the context of its substantive programs;
- 5) An assessment of the Commission's reactions to the regional matters presented to it for approval - in terms of case selection, presentation of material (both factual and legal), timeliness of investigations, selection of proposed defendants, utilization of various types of ancillary relief, etc. "What do the Commissioners want to see more of and what do they want to see less of";
- 6) Commission's view on the ALI Code.

Under Steve Hammerman, the NYRO has begun to take certain steps which we believe will make the NYRO a more effective office. You might keep these in mind in discussing the office with him or with his staff. Among the more important of these initiatives are the following:

- 1) The improvement of the visibility of the NYRO in its relationships with the stock exchanges and the NASD. Over the last few years, the SRO's in New York, particularly the exchanges, have tended to by-pass the regional office and deal with the home office here in Washington. Steve is trying to turn this around so that his office will play a more significant role in the Commission's overall dealings with the exchanges;
- 2) The enhancement of the effectiveness of the NYRO examination programs by concentrating on the "front office" as well as the more traditional "back office" areas - more attention is being paid to trading practices, sales practices, underwriting activities, advertising, etc.;
- 3) The attempt to generate more enforcement referrals from the examination programs of both '34 Act and '40 Act entities (which should flow to some extent from the re-directed examination program alluded to above);
- 4) The establishment of a task force designed to monitor certain of the offerings being sold pursuant to Regulation A and S-18;

- 5) An attempt to bring the enforcement side of the office closer together with the regulatory side. For several years, these two functions in the NYRO operated almost as two distinct law firms - without a great deal of communication and coordination with each other. This is still a sensitive subject in the NYRO, but one which Hammerman and Malawsky are trying to solve.

In summary, I believe that Steve Hammerman has done an excellent job in New York to bring that office back. He has demonstrated to his staff that he is personally interested in their work and has begun to provide them with the direction which was lacking previously due to Bill Moran's illnesses and his necessary absences from the office.

If I can provide you with anything more, John, please let me know.