



SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

December 21, 1984

The Honorable John D. Dingell  
Chairman  
Subcommittee on Oversight  
and Investigations

The Honorable Timothy E. Wirth  
Chairman  
Subcommittee on Telecommunications,  
Consumer Protection, and Finance

House Committee on Energy and Commerce  
2125 Rayburn House Office Building  
Washington, D.C. 20515

Dear Chairmen Dingell and Wirth:

This is in response to your inquiries concerning the municipal and government securities markets.

As you know, the Commission is involved in an extensive investigation of transactions in securities of the Washington Public Power Supply System (WPPSS). We expect to gain considerable information about the municipal securities markets, including practices that may raise investor protection concerns, but we are not in a position to draw any conclusions at this time.

With reference to government securities markets, Donald N. Malawsky, New York Regional Administrator, Securities and Exchange Commission, testified concerning the collapse of Drysdale Government Securities, Inc., before the Securities Subcommittee of the Senate Committee on Banking, Housing and Urban Affairs, on May 25, 1982.

The Commission pursues cases involving government securities when it believes violations of the federal securities laws may have occurred. In this regard, the Commission has commenced a non-public investigation into government securities transactions by Marsh & McLennan Cos. (M & M Cos.), about which you have inquired. The

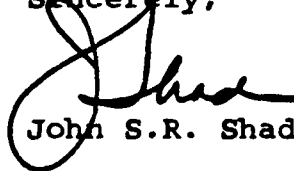
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staff is presently in the process of taking testimony and gathering evidence in this matter. Pending further progress, the Commission is not currently in a position to determine the details of transactions and responsible parties or to draw conclusions concerning any adverse impact on the securities markets resulting from transactions effected by M & M Cos.

The Commission has no day-to-day involvement in the government securities market, but the antifraud provisions of the federal securities laws apply to this market. The Board of Governors of the Federal Reserve System (FRB) supervises this market and has a significant interest in any review. Efforts to examine the market would fall short without the expertise of the FRB and an appreciation of the role of the FRB and of government securities in the national economy.

Please let me know if we can be of further assistance in this matter.

Sincerely,



John S.R. Shad