

United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS
WASHINGTON, DC 20510-6075

March 9, 1987

Mr. Edward I. O'Brien
President
Securities Industry Association
150 Broadway
New York, NY 10271

Dear Mr. O'Brien:

On February 24, 1987 the Securities Subcommittee of the Senate Banking Committee held its first hearing which was designed as a general oversight hearing of the securities industry and the Securities and Exchange Commission.

One of the most important responsibilities of the Subcommittee relates to the funding and authorization of the Securities and Exchange Commission. Witnesses at our hearing included Donald B. Marron, Chairman and CEO, Paine Webber Group, Inc.; Raymond A. Mason, Chairman and CEO, Legg, Mason, Wood, Walker, Inc.; Robert P. Rittereiser, President and CEO, E.F. Hutton; Alvin V. Shoemaker, Chairman, First Boston Corporation; Milton H. Cohen who headed the 1961-1963 Special Study of the Securities Markets; Harvey L. Pitt, a former SEC general counsel; and James C. Treadway, a former SEC Commissioner.

The testimony was unanimous on the part of the industry representatives as well as the securities law practitioners that the SEC, even with the recently proposed increases in its budget is and would remain seriously underfunded and understaffed. For example, Alvin Shoemaker testified that "It frankly would not disturb me if the SEC's budget were doubled" and he added that "First Boston would not object to paying more for a larger staffed and more technological SEC." The three other industry members on the panel agreed with Mr. Shoemaker.

The person in the private sector who is probably more familiar with the SEC and its current resource problem than anyone else in the country, former SEC Commissioner James Treadway testified "I think a 25% immediate increase in budget in the staff is necessary; 50-70% at a minimum over the relatively short-term."

I am writing this letter to ask that the Securities Industry Association establish a Task Force to look into the funding and resources of the Commission with a view toward recommending to the Securities Subcommittee a budget more in line with the testimony of our witnesses at the February 24, 1987 hearing. Clearly a number of distinguished industry leaders or practitioners would be superbly qualified to head such an effort. Two practitioners who immediately come to mind, even though they are not members of the Securities Industry Association, are James Treadway and Richard M. Phillips, the former Chairman of the

Committee on Federal Regulation of Securities of the American Bar Association. Obviously the choice of such persons would be solely that of the SIA.

In order to be of assistance to the Securities Subcommittee in the authorization and appropriation process we would need the specific recommendations of such a Task Force by May 11, 1987.

I believe strongly that government works best when it works closely with the private sector. I would hope that the industry, through your Association, would be willing to take advantage of this opportunity to assist the Securities Subcommittee in our authorization efforts, especially given the testimony and recent statements of so many of your members, regarding the need for increased funding and resources of the SEC.

Sincerely,

Donald W. Riegle, Jr.
Chairman
Subcommittee on Securities