

48th Annual Report,
of the Securities and
Exchange Commission

for the fiscal year
ended September 30, 1982



Chairman's Letter of Transmittal

The Honorable George Bush
President, U.S. Senate
Washington, D.C. 20510

The Honorable Thomas P. O'Neill, Jr.
Speaker, U.S. House of Representatives
Washington, D.C. 20515

Gentlemen:

It is a pleasure to transmit herewith the Securities and Exchange Commission's 48th Annual Report for the fiscal year ended September 30, 1982.

Fiscal 1982 was an exceptional year in terms of the volume and efficacy of the Commission's efforts, and major programs brought to fruition for the benefit of shareholders. Such programs reduce their corporations' expenses by hundreds of millions of dollars per annum, as well as the Commission's paperwork, but not investor protections.

The SEC is charged with the protection of investors and the maintenance of fair and orderly markets. These mandates are discharged through the SEC's public disclosure, enforcement and oversight functions, which facilitate the formation, mobility and effective employment of the nation's capital.

Last year the Commission brought 30% more enforcement cases, conducted 25% more investment company and advisor inspections, processed 8% more broker-dealer reports, and handled 5% more full disclosure filings, than in fiscal 1981, with 5% less personnel. Registration and other fees offset 94% of the Commission's \$83 million budget, as compared with 81% in fiscal 1981.

The following were records, or the highest levels in several years: 250 enforcement cases were brought, 1,000 Investment Company and advisor inspections were conducted, 6,600 broker-dealer reports were processed, and 65,000 full disclosure filings were handled. The staff of less than 1,900 is at the lowest level since 1974.

The Commission also obtained, for the benefit of investors, disgorgements and restitutions of \$30 million, rescission offers and refunds of \$50 million, and asset freezes of \$35 million. Comparable data are not available for prior years.

Securities and Exchange Commission

| | Fiscal Years | | Percentage Change |
|---|--------------|---------|----------------------|
| | 1981 | 1982 | |
| Enforcement Cases Brought | 191 | 251* | + 31% |
| Investment Company and Advisor Inspections Conducted | 848 | 1,065* | + 26% |
| Broker-Dealer Reports Processed | 6,106 | 6,599* | + 8% |
| Full Disclosure Filings | 62,000 | 65,000* | + 5% |
| Public Complaints Received ^o | 21,000 | 17,000† | —19% |
| Total Staff-Years | 1,982 | 1,882† | — 5% |
| Fees Received as a Percent of the SEC Budget | 81% | 94% | |

*—A record or the highest level in several years.

†—The lowest level in several years.

o—Estimates due to shift from manual to computer tabulations.

Major programs brought to fruition last year and the Commission's ongoing efforts, include the following:

Integration

Integration of corporations' registration and reporting requirements (under the 1933 and 1934 securities acts) is one of the most important improvements in the securities laws since they were enacted half a century ago.

In the interest of shareholders, integration increases their corporations' financing flexibility and reduces their expenses by over \$350 million per annum, as well as the Commission's paperwork, but not disclosures to the investing public.

Net Capital Rule

The securities industry's net capital requirements were updated to take into account the industry's improved financial and operational conditions. This freed-up over \$500 million of the industry's capital, which has helped investment banking and brokerage firms handle the much greater volume of financings and transactions since August and improve other services to investors.

Registration Exemptions

In the interest of small business shareholders, the exemption from registration of certain offerings (up to \$5 million to other than the general public) will reduce small businesses' expenses by about \$50 million per annum. Over \$4 billion of such financings are expected this year. The exemptions for larger private placements to sophisticated investors were also simplified and improved.

These exemptions reduce corporations' expenses and the Commission's paperwork, but not the investing public's protection. Most states are expected to adopt comparable exemptions, which will be the first joint state and federal registration exemptions.

Swiss Accord

The Accord concluded with Switzerland removes the haven of the Swiss secrecy laws from those who would trade on inside information. In this era of increasing internationalization of the securities markets, the Swiss Accord is an historic precedent.

CFTC Accord

The Accord concluded with the Commodity Futures Trading Commission resolved a seven-year jurisdictional dispute, which enabled the SEC to authorize trading in Treasury, GNMA, foreign currency, certificate of deposit and stock index options. These new options will facilitate government and mortgage financings, international trade and hedging the risks of fluctuating interest rates and securities markets.

Proxies and Communications

Proposed improvements in the proxy rules and corporations' ability to communicate with their shareholders (despite the high percentage of securities registered in nominee names), will benefit shareholders and reduce their corporations' expenses, as well as the Commission's paperwork.

Accounting Regulations

Eighty redundant or outmoded Accounting Series Releases were withdrawn and the balance were codified in a ready-reference manual.

Investment Companies

Proposals to simplify and improve investment company prospectuses will increase their utility and reduce expenses ultimately borne by investors, as well as the Commission's paperwork, but not investor protections.

Self-Regulation

Private-sector self-regulation under the SEC's oversight is also being enhanced. Effective self-regulation increases investor protections and reduces Commission expenses.

For example, under the oversight of the Office of the Chief Accountant, the 428 accounting firms which audit over 90% of publicly owned corporations, are now on a three-year peer review cycle. The purpose of these reviews is to assure high auditing standards.

In addition, the stock exchanges and the over-the-counter markets are enhancing their electronic inter-market surveillance systems and transaction audit trails, under the oversight of the Market Regulation Division. These measures facilitate the quick identification of possible manipulation and insider trading.

The Commission is also soliciting comments concerning the creation of a self-regulatory organization to conduct investment company inspections, under the oversight of the Investment Management Division.

National Market System

The exchange and over-the-counter markets in 30 stocks have been electronically linked. This experiment is being closely monitored by the securities industry and the Directorate of Economic and Policy Analysis.

An order exposure rule has been released for public comment, and last sales in 184 national market system over-the-counter stocks are now being reported on a real time basis.

Shelf-Registration

The shelf registration rule was adopted on a temporary basis. It permits corporations to file a single registration statement covering securities they expect to sell from time to time within two years. Over \$140 billion of debt and \$2 billion of equity offerings have been filed under the shelf rule. Later this year, the Commission will determine whether to extend, modify or withdraw the shelf rule.

Enforcement

Enforcement is the largest activity at the Commission. It accounts for about a third of the total budget. The 250 enforcement cases brought last year compare with 190 the year before, despite budgetary constraints and personnel reductions. Nearly 60% of the cases were injunctive actions. As in the past, most involved regulated entities and false or misleading corporate filings.

The 20 insider trading cases brought last year represented 40% of all such cases within the past five years. Insider trading cases have received high visibility, but they only amounted to 8% of the year's total cases.

Ten cases were brought under the accounting provisions of the Foreign Corrupt practices Act of 1977. They represent 42% of all such cases since the FCPA was enacted.

Legislation

In addition to the Accord with the CFTC which was enacted last year, the

SEC has proposed legislation to increase criminal fines from \$10,000 to \$100,000; to permit civil fines up to three times insider trading profits; to repeal the Public Utility Holding Company Act; and to require all broker-dealers to join a registered self-regulatory organization. The Commission also testified in support of amendments to the Glass-Steagall, Foreign Corrupt Practices and Bankruptcy Reform acts.

Litigation

There are also a number of important cases pending which may significantly impact the securities laws, including the Dirks inside information case; several implied right of action cases, including Walck, Liberty National Insurance and San Francisco Real Estate Investors; Dickinson, a 13(d) case; and many others in which the Commission is a party or has filed amicus briefs.

Conferences

The Commission is also spending more time listening and responding to the needs and interests of investors, corporations and others. During the past 12 months, among many others, the Commission held:

- the first Research Forum, at which 40 leading securities analysts recommended improvements in the SEC's disclosure and rulemaking practices;
- the first Government-Business Forum on Small Business Capital Formation, under the Small Business Investment Incentive Act;
- the first round of meetings of the full Commission and members of the senior staff with other boards and commissions with which the SEC has overlapping jurisdiction:
 - the Federal Reserve Board,
 - the Federal Deposit Insurance Corporation,
 - the Comptroller of the Currency,
 - the Federal Home Loan Bank Board,
 - and the Commodity Futures Trading Commission,
 - as well as with the executive staffs of the North American Securities Administrators, the Securities Investor Protection Corporation and the self-regulatory organizations;
- a conference on major issues confronting financial institutions and markets in the 1980's;
- and an international conference with securities regulations from 31 nations.

Task Force

In Congressional testimony and speeches the Commission has advocated for over a year the formation of a task force to help simplify and improve the regulatory structures of the financial service industries, for the benefit

of investors and depositors. Vice President Bush has recently formed a task group for this purpose.

1983

As for 1983, in addition to bringing to fruition last year's ongoing efforts, the Commission is studying:

- the tender offer rules and practices;
- the adequacy of its enforcement remedies;
- and means to further refine and automate its review, inspection and enforcement practices and techniques.

The Commission will also be an active participant in prospective legislation, and continue to enforce effectively the securities laws in response to emerging trends in the securities markets and the economy. For example, many of last year's insider trading cases related to the significant increase in tender offers. Some of the current financial reporting and internal accounting controls cases reflect pressures to report profits in a difficult economic environment.

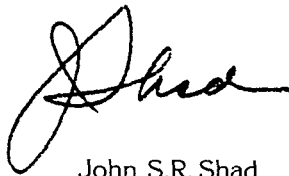
Conclusion

Some of the past year's results were the product of continuing improvements in management techniques, automation and paperwork reduction, such as computer and data processing screens and computations for filing and enforcement case reviews and investment advisor inspections; and reductions in corporations' (and therefore the Commission's) paperwork per filing.

However, the year's record results and the many major programs brought to fruition are principally a tribute to the brilliant and dedicated efforts of the Commissioners and staff. In its new book on regulatory reform, the Heritage Foundation characterizes the SEC staff as "among the best and brightest in the government", which is high praise, justly deserved.

The Commission has also received excellent support and cooperation from the private-sector self-regulatory organizations, other federal and state law enforcement agencies, the business and financial community, and the legal and accounting professions.

Sincerely,

A handwritten signature in black ink, appearing to read "John S.R. Shad". The signature is fluid and cursive, with a large initial "J" and "S".

John S.R. Shad

Commissioners and Principal Staff Officers

(As of November 30, 1982)

Commissioners

Term Expires

| | |
|---------------------------------|------|
| John S.R. Shad, <i>Chairman</i> | 1986 |
| John R. Evans | 1983 |
| Barbara S. Thomas | 1985 |
| Bevis Longstreth | 1984 |
| James C. Treadway, Jr. | 1987 |

Secretary: **George A. Fitzsimmons**

Executive Assistant to the Chairman: **Daniel L. Goelzer**

Principal Staff Officers

- George G. Kundahl, *Executive Director*
Kenneth A. Fogash, *Deputy Executive Director*
Lee B. Spencer, *Director, Division of Corporation Finance*
John J. Huber, *Deputy Director*
William C. Wood, *Associate Director*
Mary E.T. Beach, *Associate Director*
Linda C. Quinn, *Associate Director*
Amy L. Goodman, *Deputy Associate Director*
John M. Fedders, *Director, Division of Enforcement*
Theodore A. Levine, *Associate Director*
Gary G. Lynch, *Associate Director*
Frederick B. Wade, *Chief Counsel*
Alexia L. Morrison, *Chief Litigation Counsel*
Douglas Scarff, *Director, Division of Market Regulation*
Edward Kwalwasser, *Associate Director*
Jeffrey L. Steele, *Associate Director*
Richard G. Ketchum, *Associate Director*
Joel H. Goldberg, *Director, Division of Investment Management*
Gerald Osheroff, *Associate Director*
Richard W. Grant, *Associate Director*

Aaron Levy, *Director, Division of Corporate Regulation*
Grant Guthrie, *Associate Director*
Edward F. Greene, *General Counsel**
Paul Gonson, *Solicitor*
Russell B. Stevenson, Jr., *Deputy General Counsel*
Jacob H. Stillman, *Associate General Counsel*
Linda D. Fienberg, *Associate General Counsel*
Andrew L. Rothman, *Director, Office of Public Affairs*
Chiles T.A. Larson, *Deputy Director*
A. Clarence Sampson, *Chief Accountant*
LeGrand C. Kirby, *Deputy Chief Accountant*
Jeffrey L. Davis, *Director, Directorate of Economic and Policy Analysis*
Terry M. Chuppe, *Associate Director*
Charles W. Bryson, *Associate Director*
Charles C. Cox, *Chief Economist*
William S. Stern, *Director, Office of Opinions and Review*
Herbert V. Efron, *Associate Director*
R. Moshe Simon, *Associate Director*
Warren E. Blair, *Chief Administrative Law Judge*
Lawrence H. Haynes, *Comptroller*
Herbert S. Silbert, *Assistant Comptroller*
Richard J. Kanyan, *Director, Office of Administrative Services*
G. William Richardson, *Deputy Director*
James C. Foster, *Director, Office of Personnel*
William E. Ford, II, *Assistant Director*
Wilson Butler, *Director, Office of Applications and Reports Services*
Robert R. Wolf, *Director, Office of Consumer Affairs and Information Services*
John D. Adkins, *Director, Officer of Information Systems Management*
Thomas J. Whalen, *Deputy Director*
Ethel Geisinger, *Director of Legislative Affairs*
James A. Clarkson, III, *Director of Regional Office Operations*
Phillip H. Savage, *Director of Equal Employment Opportunity*

*Mr. Greene resigned from the position of General Counsel effective November 12, 1982.

Regional and Branch Offices

Reginal Offices and Administrators

Region 1. New York, New Jersey.—**Donald N. Malawsky**, Room 1102, 26 Federal Plaza, New York, New York 10278.

Region 2. Massachusetts, Connecticut, Rhode Island, Vermont, New Hampshire, Maine—**Willis H. Riccio**, 150 Causeway Street, Boston, Massachusetts 02114.

Region 3. Tennessee, Virgin Islands, Puerto Rico, North Carolina, South Carolina, Georgia, Alabama, Mississippi, Florida, part of Louisiana.—**Michael K. Wolensky**, Suite 788, 1375 Peachtree Street, N.E., Atlanta, Georgia 30367.

Region 4. Illinois, Indiana, Iowa, Kansas City (Kansas), Kentucky, Michigan, Minnesota, Missouri, Ohio, Wisconsin.—**William D. Goldsberry**, Room 1204, Everett McKinley Dirksen Bldg., 219 South Dearborn Street, Chicago, Illinois 60604.

Region 5. Oklahoma, Arkansas, Texas, part of Louisiana, Kansas (except Kansas City).—**Wayne M. Secore**, 8th Floor, 411 West Seventh Street, Fort Worth, Texas 76102.

Region 6. North Dakota, South Dakota, Wyoming, Nebraska, Colorado, New Mexico, Utah.—**Robert H. Davenport**, Suite 700, 410 Seventeenth Street, Denver, Colorado 80202.

Region 7. California, Nevada, Arizona, Hawaii, Guam.—**Michael J. Stewart**, Suite 500 East, 5757 Wilshire Blvd., Los Angeles, California 90036-3648

Region 8. Washington, Oregon, Idaho, Montana, Alaska.—**Jack H. Bookey**, 3040 Federal Building, 915 Second Avenue, Seattle, Washington 98174.

Region 9. Pennsylvania, Maryland, Virginia, West Virginia, Delaware, District of Columbia.—**Paul F. Leonard**, Room 300, Ballston Center Tower No. 3, 4015 Wilson Blvd., Arlington, Virginia 22203.

Branch Offices

Detroit, Michigan 48226.—231 Lafayette St., 1044 Federal Building.

Houston, Texas 77002.—Suite 302, Scanlan Bldg., 405 Main St.

Miami, Florida 33131.—Suite 1114, DuPont Plaza Center, 300 Biscayne Boulevard Way.

Philadelphia, Pennsylvania 19106.—Federal Building, Room 2204, 600 Arch Street.

Salt Lake City, Utah 84111.—Suite 810, Boston Bldg., Nine Exchange Place.

San Francisco, California 94102.—450 Golden Gate Ave., Box 36042.

Biographies of Commissioners

John S.R. Shad, *Chairman*

Vice President Bush swore in John Shad as the 22nd Chairman of the SEC on May 6, 1981. His term expires in 1986.

He was previously Vice Chairman of the E.F. Hutton Group, which he helped build into a major managing underwriter of corporate financings. He has also personally assisted scores of corporations in consummating billions of dollars of financings and mergers; served as a director of 17 domestic and multi-national, publicly-owned corporations; taught investment banking at the New York University Graduate School of Business Administration and addressed numerous legal, accounting, business and academic forums.

He resigned from the boards of directors of the E.F. Hutton Group and six New York Stock Exchange listed corporations to accept the Chairmanship of the Commission.

He was born in Utah; served in the Pacific and China as a naval officer during World War II; graduated cum laude from the University of Southern California in 1947; received an M.B.A. from the Harvard Business School in 1949 and an LL.B. from New York University Law School in 1959. He is a member of Beta Gamma Sigma and Phi Kappa Phi.

John R. Evans

John R. Evans was sworn in as a member of the Commission on March 3, 1973, filling out the unexpired term of James J. Needham. His current five year term expires June 5, 1983. Mr. Evans was a member of the Professional Staff of the U.S. Senate Committee on Banking, Housing and Urban Affairs from June 1971 to March 1973, and served as minority staff director from July 1964 to June 1971.

Mr. Evans was born in Bisbee, Arizona on June 1, 1932. He received his B.S. degree in Economics in 1957 and his M.S. degree in Economics and his Secondary Teaching Certificate in Business in 1959 from the University of Utah.

Mr. Evans came to Washington in February 1963 as Economics Assistant to Senator Wallace F. Bennett of Utah. Prior to that he had been a Research Assistant and later Research Analyst at the Bureau of Economics and Business Research at the University of Utah, where he was also an Instructor of Economics during 1962 and 1963.

Barbara S. Thomas

Barbara S. Thomas was sworn in as a member of the Commission in a White House ceremony held October 21, 1980. The 58th person appointed to the Commission, she is now serving for the term of office expiring June 5, 1985.

A corporate and securities lawyer, Ms. Thomas became a partner of Kaye, Scholer, Fierman, Hays & Handler, a New York law firm, in January 1978. She had been an associate of the firm since 1973 and an associate of the Paul, Weiss, Rifkind, Wharton & Garrison firm, also of New York, from September 1969 to April 1973.

Ms. Thomas has written extensively on the subjects of securities regulation and corporate law, and has a special interest in issues relating to the internationalization of the world's capital markets, corporate finance, and accounting matters.

Ms. Thomas is the recipient of the 1982 Award for Outstanding Service in Government presented by The Financial Marketing Council of Greater Washington. In addition, she was named the 1981 Outstanding Young Woman of America for Washington, D.C. She has also been named one of WETA's Women of the Year for 1983.

Ms. Thomas is a member of the Securities Regulation Committee of the New York State Bar Association, the Committee on Federal Regulation of Securities and the Ad Hoc Task Force on the International Aspects of United States Law of the American Bar Association, and the International Bar Association. In addition, prior to joining the Commission, Ms. Thomas was Chairman of the Corporation Law Committee of the Association of the Bar of the City of New York.

Ms. Thomas is also a member of the Council on Foreign Relations, the Board of Overseers of the Wharton School of Finance at the University of Pennsylvania, the University of Pennsylvania Alumni Council on Admissions, the Economic Club of New York, the Advisory Committee of the Women's Economic Roundtable, and the Financial Women's Association of New York. She also serves as a Trustee for the University of Pennsylvania Alumni Association of New York City.

Ms. Thomas was born in New York City on December 28, 1946. She is a graduate of New York University School of Law, J.D. 1969, *cum laude*, where she placed second in a class of 323, was a member of the Order of the Coif, and was an editor of the *New York University Law Review*. A John Norton Pomeroy Scholar, she received the Jefferson Davis Prize in Public Law and American Jurisprudence Prizes for Excellence in 15 (out of 28) subjects, and was on the Dean's List every semester. In 1966, she earned a B.A., *cum laude*, in history from the University of Pennsylvania.

Bevis Longstreth

Bevis Longstreth was sworn in as the 60th member of the Securities and Exchange Commission on July 29, 1981. His current term expires on June 5, 1984.

From 1962 until July 1981, Mr. Longstreth practiced law with the New York law firm of Debevoise & Plimpton. He was admitted to partnership in that firm in 1970 and specialized in corporate securities and real estate finance law, bankruptcy and business work-outs and not-for-profit corporations law.

Mr. Longstreth was a Lecturer at Columbia Law School from 1975 until his appointment to the Commission, teaching a seminar on the corporation in modern society. He has also lectured on various securities and corporate law topics for the Practising Law Institute and at other seminars and has written numerous articles on business-related subjects. Mr. Longstreth has served on the boards of a number of charitable and educational organizations active in the New York area.

Mr. Longstreth was born in New York City in 1934 and grew up in Princeton, New Jersey. He graduated from Princeton University in 1956 (B.S.E.) and from Harvard Law School in 1961 (LL.B). From 1956 to 1958 he served in the U.S. Marine Corps.

James C. Treadway, Jr.

James C. Treadway, Jr., was sworn in as the 61st member of the Securities and Exchange Commission on September 13, 1982. His five year term expires June 5, 1987.

At the time of his appointment, Mr. Treadway, 39, was a partner with the Washington and New York law firm of Dickstein, Shapiro & Morin, where he has been a partner since October 1, 1972. During the past 15 years he has been engaged in a broad securities and corporate finance practice, representing corporate issuers, officers and directors. In addition, he has represented a U.S. and a foreign securities exchange, investment banking firms and investment companies. He is the author of various articles on the Federal securities laws.

Mr. Treadway, a native of Anderson, S.C., was formerly an associate with the Washington and Boston law firm of Gadsby & Hannah from 1968 to 1972 and prior to that, he was an associate of the Atlanta law firm of Candler, Cox, McClain & Andrews from 1967 to 1968. Mr. Treadway received his undergraduate education from Rollins College and the University of Georgia where he graduated in 1964 with an A.B. degree. He received his LL.B. degree, *summa cum laude*, in 1967 from Washington & Lee University where he was Editor-in-Chief of the Washington & Lee University Law Review. He was a member of Phi Beta Kappa, Order of the Coif and Omicron Delta Kappa.

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Enforcement Program

Key 1982 Results

The Commission maintains a comprehensive enforcement program in order to address promptly violations of the Federal securities laws. The program must be capable both of promptly responding to emergency threats to investors and of anticipating emerging problems.

The enforcement program deploys about a third of the Commission's total resources. In fiscal 1982, improved case and personnel management enabled the Commission to bring 251 cases, a 31% increase over fiscal 1981, despite budgetary constraints and personnel reductions. A key factor was careful review to ensure that cases and investigations were developed and completed without unnecessary delays, including use of the computer-based Case Analysis and Tracking System.

The 145 civil injunctive actions brought were a 22% increase over 1981. They included nine civil and criminal contempt proceedings. Administrative proceedings increased 47% to 106 cases. Three reports of investigation under Section 21(a) of the Exchange Act were published.

Commission Remedies—The Federal securities laws provide civil and administrative remedies designed to rectify past violations and prevent future violations.

The Commission's principal enforcement remedy is a Federal court injunction, ordering a defendant to comply with the law in the future. Violation of the injunction may result in contempt proceedings. In fiscal 1982, 136 injunctive actions named 418 defendants.

In addition, in civil injunctive actions courts often enter orders for other equitable relief such as restitution, disgorging illicit profits, or other relief appropriate to the particular case. The Commission obtained court orders in fiscal 1982 that required defendants to divest illicit profits of \$33 million, either as disgorgement or as restitution to defrauded investors. Another \$53 million was the subject of orders for rescission of transactions or the refund of investor funds. Emergency actions brought by the Commission led to freeze orders by courts that protected \$37 million in investor funds until a disposition of the funds could be made.

The Commission regulates certain entities, such as broker-dealers, investment companies and investment advisers. If regulated entities violate the federal securities laws or regulations, they may be censured or have their registrations suspended for up to 12 months or revoked in an administrative proceeding. An effective registration is needed to stay in business. During fiscal 1982, the Commission revoked the registration of 11 firms, suspended 9 and censured 28, compared to 7, 7, and 23 respectively, in 1981.

Administrative proceedings may also be instituted against persons associated with regulated entities. The remedies include censure, suspension for up to 12 months or a bar from participation in the securities industry. The Commission barred 44 individuals, suspended 82, and censured 19 in fiscal 1982, compared to 23, 50, and 17, a year earlier.

Issuers may be subject to administrative proceedings pursuant to Section 15(c)(4) of the Exchange Act if they fail to comply in a material respect with the Act's disclosure requirements. They may be ordered to comply upon specified terms and conditions. Five such proceedings were instituted in fiscal 1982, 9 in fiscal 1981.

Criminal sanctions for Federal securities law violations include fines and imprisonment. The Commission has requested legislation to increase the maximum criminal fine for most violations of the Exchange act from \$10,000 to \$100,000 per violation.¹ The legislation would counter the effects of inflation and raise the level of risk for those who engage in violative conduct.

In fiscal 1982, 47 defendants were named in 24 criminal indictments or informations relating to Commission investigations, compared to 48 and 26 last year. In addition, more than \$450,000 in criminal fines were imposed in 1982.

The Commission assisted state and local authorities and self-regulatory organizations in enforcement efforts and also received their assistance. Over 50 representatives of state, federal and foreign agencies attended the Commission's 1982 Enforcement Training Program.

Sources of Further Inquiry—The Commission publishes litigation releases which describe its civil injunctive actions and criminal proceedings involving securities-related violations. Among other things, these releases report the violative conduct that is either alleged by the Commission or the Department of Justice or found by a court, and the disposition or status of the case. They are published in the SEC Docket, copies of which may be reviewed at the Commission's regional offices. Commission orders that institute administrative proceedings and provide remedial relief are also published in the SEC Docket. Private vendors disseminate much of this information.

Some of the more important areas of enforcement activity in fiscal 1982 are discussed below. Illustrative cases are cited in footnotes, with references to relevant pages of the SEC Docket.

Swiss Accord

Commission investigations of suspected insider trading have sometimes been impeded by foreign secrecy laws or blocking statutes. On August 31, 1982, significant progress was made in this area when the governments of Switzerland and the United States concluded six months of negotiations with the signing of a Memorandum of Understanding concerning nation-to-nation law enforcement cooperation in insider trading cases.²The Memorandum contains: (a) an exchange of opinions which clarifies the ability of the Commission to use the 1977 Treaty between the United States and Switzerland concerning mutual

assistance in criminal matters in its investigations of insider trading; (b) an agreement in principal to exchange certain diplomatic notes; and (c) understandings with respect to an agreement between members of the Swiss Bankers Association which will permit signatory banks, under certain circumstances, to furnish information and evidence to the Commission through the Swiss Federal Office for Police Matters, notwithstanding Swiss secrecy laws.

Insider Trading

Insider trading (the purchase or sale of securities by persons in possession of material, non-public information relating to such securities) undermines the expectation of fairness and honesty that is the basis of public confidence in the nation's securities markets. The proliferation of tender offers and the advent of trading in standardized options contracts have increased opportunities for those with material non-public information to reap large profits.

In response, the Commission has increased its efforts to combat this threat to the securities markets. In fiscal 1982, the Commission brought 20 insider trading actions (including the publication of a report pursuant to Section 21(a) of the Exchange Act).³ While these actions constituted only 8% of the total cases brought, they compare with a total of approximately 50 such actions brought since 1977, and 97 since 1949. The cases involved corporate executives, attorneys, accountants, bank officers and others who obtained confidential information concerning proposed tender offers, or other significant developments, in the course of their work.

Proposed Civil Penalties—In order to increase the deterrent effect of its enforcement actions, the Commission, in fiscal 1982, proposed legislation which would permit court imposed civil penalties of up to three times the profit gained or the loss avoided by a person who purchases or sells securities while in possession of material non-public information. Persons who aid and abet such conduct would also be subject to such penalties.⁴ The proposed penalties would provide a strong disincentive to counter increased opportunities to profit from the use of inside information.

Corporate Reporting and Accounting

The Exchange Act and Commission rules require periodic and timely disclosure of information by publicly owned companies. Recently, problems associated with reduced profits and high interest rates have demanded more attention to the adequacy of reports of financial condition and business operations by companies that file with the Commission. Accordingly, the detection and correction of materially inadequate or inaccurate reports is a high priority.

Financial disclosure violations may involve improper valuation of inventories, assets or liabilities, the remuneration of officers and other related parties, the ability of a corporation to meet its obligations or the recognition of revenue and expenses. Violations with respect to nonfinancial information may include

such things as material misstatements concerning corporate mineral reserves or production or a failure to disclose relevant facts concerning corporate management.

Closely related to the emphasis on fraud by reporting companies is enforcement of the accounting provisions of the Foreign Corrupt Practices Act of 1977 (Section 13(b)(2) of the Exchange Act). These provisions require issuers to make and keep accurate books and records and to devise and maintain systems of internal accounting controls which provide reasonable assurances that certain statutory objectives are met. The requirements are intended to assure that issuers have reliable financial information with which to prepare financial statements and other disclosure documents.

Thirty-six issuer financial statement and reporting cases were brought in 1982,⁵ including 10 alleging violations of the accounting requirements of the FCPA.⁶ This is 40% of the 24 FCPA actions brought since enactment of the statute in 1977. Nine delinquent filing actions were also included in this category.

Market Manipulation

The Commission is charged with insuring the integrity of trading on the national securities exchanges and in the over-the-counter markets. The Commission's staff, and the exchanges and the National Association of Securities Dealers under the Commission's oversight, engage in surveillance of these markets. Ten manipulation actions were brought in fiscal 1982.⁷ They involved attempts to create the appearance of trading activity through nominee accounts, the use of confederates to make artificial trades and unauthorized trading of customer accounts to prevent price declines.

Related Party Transactions

Fundamental to the relationship between an investor and management is the expectation that a company's assets will be used for the benefit of the company and not for the personal benefit of its managers. Accordingly, the Commission's rules require disclosure of transactions by companies with management or related parties. In four actions, the Commission alleged that company officials failed to disclose benefits received in related party transactions.⁸

Securities Distribution Violations

Some issuers fail to register public offerings of their securities or rely on purported exemptions which are not available to them. Distribution violations may also include material misrepresentations or omissions in connection with securities offerings.

In fiscal 1982, 47 enforcement actions involved securities distribution violations.⁹ The Commission also published a report pursuant to Section 21(a) of the Exchange Act which emphasized the Commission's concern with respect to disclosure issues raised in connection with the offer and sale of securities

in the form of retail repurchase agreements, and reminded thrift institutions and banks of their disclosure obligations under the Federal securities laws.¹⁰

Changes in Corporate Control

Sections 13 and 14 of the Exchange Act govern the activities of persons and entities involved in gaining, or attempting to gain or maintain control or ownership of a corporation. These provisions govern proxy solicitations and the filing of reports by persons or groups who make a tender offer or acquire beneficial ownership of more than 5% of a class of equity securities registered with the Commission. These requirements are intended to insure that investors have the material information needed to make informed investment or voting decisions. Nine enforcement actions were brought in this area during fiscal 1982.¹¹

Regulated Entities and Associated Persons

Fiscal 1982 actions involving regulated entities (including broker-dealers, investment companies and advisers) ranged from books and records violations to attempts to defraud customers. A number of cases included allegations that broker-dealers failed adequately to supervise their employees. Three actions involved "money laundering" activities (i.e., the failure to file Currency Transaction Reports as required by Internal Revenue Service regulations for cash transactions in excess of \$10,000).

Fiscal 1982 broker-dealer cases totalled 82.¹²The Commission also brought 35 other regulated entity cases, which included violations by investment companies and advisers and fraud upon regulated entities by their customers.¹³The Commission also published one related report pursuant to Section 21(a) of the Exchange Act.

"Hot Issues" Task Force

"Hot issues" market problems in the Denver area included manipulation, financial responsibility and recordkeeping violations by broker-dealers. A task force of 50 people drawn from Washington, each regional office and the National Association of Securities Dealers conducted examinations of 30 "hot issue" broker-dealers in February 1982. Injunctive actions were filed against five broker-dealers, three of which were placed under the supervision of Securities Investor Protection Corporation receivers. Eleven other firms voluntarily closed for a period of time, five of which have been or are being liquidated.

Full Disclosure System

The Commission's full disclosure system insures that full and accurate material information about publicly traded companies is available to investors. Full disclosure fosters investor confidence, contributes to the maintenance of fair and orderly markets and facilitates capital formation.

Key 1982 Results

Despite budgetary constraints and personnel reduction, during fiscal 1982 the Commission efficiently handled a record 65,000 full disclosure filings, a 5% increase over the 62,000 handled in fiscal 1981. These full disclosure filings included: Securities Act registration statements; filings under Securities Act exemptions for small offerings; Exchange Act registration statements and annual, quarterly and periodic reports; Williams Act filings; and filings governed by the proxy rules. The most complex filings increased substantially to record levels. They included: (1) approximately 4,400 Securities Act registration statements, a 15% increase; (2) approximately 160 "new issuer" Exchange Act registration statements, a 20% increase; approximately 200 merger proxy statements, a 45% increase; and (4) 550 tender offer statements, a 65% increase.

In the accounting area, the 428 accounting firms which audit over 90% of publicly owned corporations are now on a three-year peer review cycle, and the body of Accounting Series Releases have been simplified and codified into a ready-reference manual, after withdrawing redundant and outmoded portions.

Role of Selective Review—Filings are handled in the selective review system, which screens all filings received in order to identify those that are likely to present significant disclosure issues and thus should be given a full review. A key part of the system involves the use of computer techniques to aid the screening process. The Commission was able to handle the record volume of filings due to the selective review system as well as strong management in the reviewing staff, more training, and more use of data processing.

Projects—The Division also completed two major projects: the integrated disclosure program and Regulation D (which relates to limited securities offerings). The integration program includes Rule 415 (the "shelf rule"), which relates to delayed or continuous offerings.

The Commission began a major review of the proxy regulations, to provide more uniform and less duplicative disclosures in clear, concise language and to reduce compliance costs (which are ultimately borne by shareholders) in a manner consistent with investor protection.

Research Forum

To improve communication between the Commission and various users of the Commission's disclosure documents, the Commission initiated the first Research Forum, held on November 17, 1982. Over 40 representatives from various types of users of Commission documents, such as securities analysts, institutional investors, investment advisers, rating organizations and shareholder groups, were invited to meet with the Commission and staff for discussion of these issues relating to the form and content of disclosure documents: (1) non-financial reporting requirements; (2) financial reporting requirements; and (3) proxy statement disclosure requirements.

Of particular importance, the Commission solicited views on how Commission releases could be improved and how users of disclosure documents could be encouraged to be more responsive to the Commission's requests for comments on proposed rulemaking initiatives.

The Integration Program

On February 24, 1982, the Commission announced adoption of the final phase of its program to integrate the disclosure requirements under the Securities Act and those under the Exchange Act, which comprehensively revised, simplified and improved the full disclosure system.¹⁴

Movement toward an integrated disclosure system had been under way for several years. The purpose was to combine the Securities Act transaction-oriented system of disclosure and the Exchange Act continuous disclosure system into a simplified, comprehensive corporate reporting system, reducing compliance costs and also improving investor protection.

The final phase included: (1) three new registration forms which constitute the basic framework for registration under the Securities Act; (2) an expanded and reorganized Regulation S-K, which sets forth uniform disclosure standards applicable under both Acts; (3) revised procedural requirements governing the registration of securities under the Securities Act and the reports of certain issuers under the Exchange Act; (4) temporary Rule 415 governing the registration of securities on a delayed or continuous basis (see *Shelf Registration* below); (5) new Rule 176 identifying certain circumstances which may bear upon the determination of what constitutes reasonable investigation and reasonable ground for belief under Section 11(b) of the Securities Act; (6) new rules permitting the voluntary disclosure of securities ratings; (7) revisions to various rules, forms and schedules under both Acts to implement coordinating changes; and (8) the rescission of obsolete forms under both Acts and 88% of the Guides for the Preparation and Filing of Registration Statements and Reports.

Shelf Registration—Rule 415 under the Securities Act, which governs the registration of securities to be sold on a delayed or continuous basis, was

adopted on a temporary basis, until December 10, 1982, when the Commission adopted the integrated disclosure system. At that time, the Commission noted that the rule had been the subject of substantial commentary, varying from support for the rule, as proposed or with modifications, to concern that the proposal would have adverse effects on the capital raising process and the securities trading markets. Recognizing the importance of commentators' concerns, the Commission determined to afford the opportunity for continued consideration of the shelf registration process by adopting Rule 415 on a temporary basis, monitoring the operation of the rule, conducting public hearings, and considering written submissions.¹⁵In September 1982, the Commission determined that additional experience was necessary in order to assess fully the issues raised, and therefore extended the effective period for the rule until December 31, 1983.¹⁶(Over 2,200 shelf registration statements were filed from March through December, 1982. Nearly 90% were traditional shelf filings, such as employee stock purchase plans, secondary, best effort, tax shelter and mortgage participation offerings. Most of the balance were investment grade debt filings. Such debt filings amounted to over 60% of the \$70 billion of total debt issues filed in March through December. About \$20 billion (nearly half) of these issues have been sold—of which about 30% were so-called “bought deals”—sold to institutions without underwriting syndicates. The 34 equity shelf filings in March through December amounted to only 1% of the 3,400 equity issues filed—and to only 3% of the \$90 billion of total equity filings. All but two of the 34 equity filings are for New York Stock Exchange listed companies.)

Cost Savings—One of the goals of the integration program was to reduce burdens on registrants, while, at the same time, ensuring that investors are provided with the material information on which to base investment decisions. It is estimated that integration will save corporations (and, therefore, their shareholders) over \$350 million per annum, without compromising full disclosure to investors. This estimate reflects anticipated cost savings from: (1) new registration Forms S-1, S-2, and S-3, with expanded eligibility for short forms and streamlined procedures and disclosure requirements; (2) reduction in the cost to the Commission of processing the above documents; (3) amendments to Form S-8 for the registration of employee benefit plans, which eliminated much of the disclosure that formerly was required and provided for automatic updating through incorporation by reference; (4) new Form S-15, a simplified form for certain types of business combinations, which utilizes existing annual reports and therefore is much less expensive to prepare than other available forms; (5) reduction in reporting burdens for various other forms as a result of the streamlining of disclosure requirements; (6) the availability of short registration forms for foreign issuers, as a result of adoption of an integrated disclosure system for foreign issuers; (7) new Rule 415, which eliminates the necessity of filing separate registration statements for multiple offerings and permits issuers to go to market quickly according to financing needs and market conditions; and (8) reduction in underwriting spreads since Rule 415 has been in effect.

Regulation D and Other Small Business Activities

In March 1982, the Commission adopted Regulation D, a series of rules providing exemptions from the Securities Act registration provisions for certain limited offerings of securities.¹⁷ The regulation simplifies and makes more uniform the rules relating to limited and private offerings, eliminates any unnecessary restrictions, facilitates capital formation in a manner consistent with investor protection, and should reduce costs to small businesses by an estimated \$50 million per annum.

The regulation groups together conditions to the use of the limited offering exemptions and definitions that the exemptions have in common, and adds certainty to the exemptions by defining the term “accredited investor”—one who is deemed able to “fend for himself.” The term “accredited investor” includes: (1) banks, insurance companies, registered investment companies, business development companies, or small business investment companies, and certain employee benefit plans; (2) any employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act with total assets in excess of \$5 million; (3) private business development companies; (4) charitable organizations with assets in excess of \$5 million; (5) directors, executive officers and general partners of the issuer; (6) persons purchasing at least \$150,000 of securities, where the total purchase price does not exceed 20 percent of the purchaser’s net worth; (7) natural persons with a net worth of at least \$1 million; and (8) natural persons with an income of at least \$200,000 per year for two years preceding the offering and for the year in which the offering is made.

The Commission has continued to coordinate small business rulemaking, including Regulation D, with the North American Securities Administrators Association (NASAA) in order to develop a basic framework of limited offering exemptions that can apply uniformly at the Federal and state levels (pursuant to Section 19(c)(3) of the Securities Act, which was promulgated by the Small Business Investment Incentive Act of 1980). At its April 1982 meeting, NASAA adopted a Uniform Limited Offering Exemption containing the major elements of Regulation D. These joint efforts will result in a significant reduction of the burdens on small businesses by eliminating many of the differences between Federal and state securities regulation of limited offerings.

The Uniform Limited Offering Exemption is the first joint state and Federal registration exemption. It is an important precedent for future joint state and Federal efforts to simplify and improve corporate compliance requirements in a manner consistent with investor protection.

Government-Business Forum on Capital Formation—Congress, in the Small Business Investment Incentive Act of 1980, directed the Commission to conduct an annual Government-Business Forum “to review the current status of problems and programs relating to small business capital formation,” and to include as participants other Federal agencies, state securities commissioners

and leading small business and professional organizations concerned with capital formation.

An Executive Committee for the Forum was selected in March 1982 in accordance with Congressional guidelines. It met several times, sponsored a survey, sought the views of executives of small businesses on capital formation, and developed discussion papers and proposals on four key subjects identified as crucial to capital raising. The Forum was held on September 23-25, 1982 and was attended by approximately 175 small business executives, accountants, attorneys, financial analysts, economists, broker-dealers, venture capital investors, financial advisers, bankers and government officials.

(Subsequent to the end of the fiscal year, in November 1982, the final Forum Report, which made 37 recommendations, was distributed. The recommendations related to eight subject areas; (1) developing incentives for institutional investors and others to invest in small business; (2) relaxing the Employee Retirement Income Security Act and similar regulatory restrictions to encourage investment in small business; (3) reducing costs associated with securities regulation; (4) developing uniform Federal/state securities regulation; (5) adjusting corporate tax rates and brackets to reflect the internal capital raising needs of small business; (6) changing the tax treatment of capital gains to provide a stimulus to capital formation, particularly for small businesses; (7) providing additional tax modifications to assist small business capital formation and retention; and (8) revising Small Business Administration programs to assist the financing of small business.)

Classification of Issuers—In April 1982, the Commission established a system of classifying small issuers for purposes of exempting certain of them from reporting and other obligations under the Exchange Act.¹⁸ The system provides a rational adjustment to the criteria for entry into, or exit from, the Exchange Act reporting system and eliminates the costs of complying with the registration and reporting provisions of the Exchange Act for the smallest issuers.

The new classification system changed the reporting scheme in three ways: (1) a company will not have to register and file reports under Section 12(g) until it has 500 or more record holders of a class of equity security and total assets of \$3 million or more, in contrast to the former total asset criterion of \$1 million; (2) a company may deregister a class of securities registered under Section 12(g) at any time that it has fewer than 500 record holders of the class and has had total assets of less than \$3 million at the end of each of its last three fiscal years, in contrast to the former deregistration provision, which was based on 300 record holders; and (3) a company that is subject to Section 15(d) will generally have its obligation to file reports under that section suspended with respect to any fiscal year on the first day of which it has fewer than 500 record holders of the class of securities giving rise to its obligation, if the company has had total assets under \$3 million at the end of each of its three most recent fiscal years. The former provisions were based on 300 record holders. The new provision for suspending the reporting obligation under Section 15(d) is not available to an issuer for any year in which it has had a registration state-

ment become effective or in the two succeeding years.

Form S-18—The Commission also broadened the availability of Form S-18, the simplified Securities Act registration form for issuers that do not file Exchange Act reports,¹⁹ to include non-corporate registrants (such as limited partnerships) and registrants engaged in oil and gas related operations. The revision permitting limited partnerships to use Form S-18 expanded its use to many real estate issuers previously unable to use the form.

The Proxy Review Program

In fiscal 1982, the Commission began a major review of the rules and regulations applicable to the proxy solicitation process. The revised proxy review program includes: (1) proposed Item 404 of Regulation S-K, relating to the disclosure of management relationships and transactions, which was published for comment in fiscal 1982; (2) reexamination of Rule 14a-8 under the Exchange Act relating to shareholder proposals; (3) the rules concerning the disclosure of management remuneration; (4) Form S-14 under the Securities Act relating to merger proxy statements; (5) the proxy contest rules; and (6) facilitating shareholder communications particularly with respect to securities registered in nominee names.

As a first step, on July 9, 1982, the Commission proposed for public comment a new Item 404 of Regulation S-K, "Certain relationships and related transactions," which governs disclosure of management relationships and transactions in proxy statements, registration statements and periodic reports.²⁰ Proposed Item 404 would integrate two disclosure provisions: Item 402(f) of Regulation S-K,²¹ relating to disclosure of transactions in which directors, officers, director nominees and certain of their associates have a material interest; and Item 6(b) of Schedule 14A,²² relating to relationships between directors, officers, nominees, certain owners and significant customers, suppliers and creditors.

The major changes proposed from the existing disclosure requirements included: (1) eliminating disclosure of a director's relationship with significant customers, suppliers and creditors where the only relationship is directorship with the other entity; (2) raising the equity ownership threshold requiring disclosure of relationships from one percent to ten percent; (3) raising the amount of business that must be conducted between the registrant and a customer or supplier before the relationship is required to be disclosed; (4) requiring disclosure of the specific dollar amount of payments made to law and investment banking firms only if it exceeds the threshold applicable to other suppliers of services; and (5) expanding the class of relatives to those not more remote than first cousins of directors, officers and nominees whose material interests in transactions are required to be disclosed.

(On October 14, 1982, the Commission published for comment a variety of issues relating to the Federal regulation of the security holder process,²³ including whether security holders' access to the issuer's proxy statement

should be provided under the Exchange Act or left to regulation under state law. The Commission also invited comment on three specific proposals: (1) proposal I would retain the framework of current Exchange Act Rule 14a-8, with certain changes designed to clarify the rule and simplify its application, (2) proposal II would permit the issuer, with security holders' approval, to vary the procedures set forth in the rule; and (3) proposal III would require inclusion in the issuer's proxy statement of all security holder proposals proper under state law and not involving an election of directors, subject to numerical limitation.)

(Also subsequent to the end of the fiscal year, on December 2, 1982, the Commission took two further steps in the Proxy Review Program. First, it adopted Item 404 with two pertinent changes: (1) the class of relatives covered is the immediate family of the specified persons and (2) only the transactions of executive officers need be reported. Second, it proposed rule amendments relating to recommendations made by the Advisory Committee on Shareholder Communications in its report delivered to the Division of Corporation Finance in June 1982. The amendments proposed would (1) tighten the timetable for proxy distribution; (2) under certain limited circumstances, eliminate the obligation of an issuer to disseminate the material that must be delivered to beneficial owners pursuant to current rules; and (3) establish, without altering the current process for proxy distribution, a means by which issuers could obtain the identities, addresses and security positions of consenting beneficial owners.)

Foreign Issuer Integration Program

Forms F-1, F-2 and F-3 were proposed to provide an integrated disclosure system for non-North American foreign private issuers similar to that recently adopted for North American issuers.²⁴ The proposals would permit certain of these issuers to use "short form registration." Form F-3 would be available to "world class" issuers that have been filing periodic reports under the Exchange Act for at least three years; the form relies on incorporation by reference of such periodic reports. Form F-2 would be available to other world class issuers and to a non-North American foreign private issuer that had been filing periodic reports for at least three years; such reports would be delivered to investors with the prospectus. Form F-1 would be available to any non-North American foreign private issuer and would require information to be included in the prospectus. Concurrently, rules relating to the age of financial statements²⁵ and the currency in which financial statements could be presented²⁶ were proposed.

(Subsequent to the end of the fiscal year, on November 19, 1982, the foreign issuer integration program was adopted. Also, in response to the recent hot issue market in the securities of issuers from Canada and Australia, on October 28, 1982, the Commission published proposals to revise Rule 12g3-2 under the Exchange Act, which exempts from Exchange Act registration the securities of foreign issuers that have not voluntarily sought entry to the U.S. capital markets.²⁷ The proposals would require foreign issuers to register their securities under the Exchange Act in order to be quoted on NASDAQ.)

Standardized Options Disclosure

On September 16, 1982, the Commission adopted new regulations relating to the offer and sale of standardized options:²⁸ (1) an optional registration statement form, Form S-20, to be used to register standardized options under the Securities Act; (2) Rule 153b under the Securities Act, which provides that the prospectus delivery requirement of the Securities Act is satisfied by providing copies of the Form S-20 prospectus to the markets on which the options are traded; (3) Rule 9b-1 under the Exchange Act, which establishes an option disclosure document containing information concerning standardized options and options trading; and (4) Rule 135b under the Securities Act, which exempts that disclosure document from the requirements of Section 5 of the Act. These new regulations will save the securities industry \$1.5 million per year, while improving investor understanding of standardized options by presenting the essential information in a more comprehensible disclosure document, and by making a prospectus available to investors who may be interested in more detailed information.

At the same time, the Commission adopted Rule 134a under the Securities Act permitting the dissemination of instructional information about options without it being deemed a prospectus for purposes of Section 5 of the Securities Act.

Other Rulemaking Initiatives

Pro Rata Rule—On May 25, 1982, the Commission published for comment a proposed rule governing the acceptance of securities deposited in response to a partial tender offer if a greater number of securities are deposited than the bidder is bound or willing to purchase.²⁹ The proposed rule provided that in such situations the bidder is required to accept securities on a pro rata basis according to the number of securities deposited by each depositor during the period such offer remains open. (Subsequent to the close of the fiscal year, on December 15, 1982, the rule was adopted.)

Guide 5—In June 1982, the Commission approved the publication of revisions to Guide 5 of the Securities Act Industry Guides, “Preparation of Registration Statements Relating to Interests in Real Estate Limited Partnerships,” and the adoption of related rule amendments.³⁰ The Guide revisions, which were a major cooperative effort between the Commission and the Subcommittee on Financial Statement and Track Record Disclosure of NASAA, will reduce the regulatory burden on the real estate industry by promoting uniformity between Federal and state securities regulations. The changes standardized and simplified disclosure of the prior experience and performance of sponsors of public real estate programs. In a related rule change, Rule 3-14 of Regulation S-X, “Special Instructions for Real Estate Operations to be Acquired,” was amended to allow, under certain circumstances, presentation of one rather than three years of audited financial statements for individual properties acquired by the partnership.

Amendment to Rule 13d-2(b)—On June 10, 1982, the Commission proposed an amendment of Rule 13d-2(b) under the Exchange Act, to delete the part of the rule that requires a person to file a Schedule 13G when no changes have occurred in the information contained in the previously filed Schedule 13G.³¹

(Subsequent to the close of the fiscal year, on October 28, 1982, the Commission adopted final amendments to the rule which carried out the proposed change and, in addition, provided that no Schedule 13G amendment need be filed if the only change in information previously reported is a change in the percentage of outstanding securities beneficially owned as a result of a change in the shares outstanding.³²)

Dollar Limit Increases—During 1982, the Commission adopted³³ amendments to certain exemptive rules under the Securities Act and the Exchange Act increasing the dollar amount of the exemptions provided by rules. These changes reflect the effects of dollar inflation since the adoption of the rules. The amended rules relate to: (1) sales of shares to provide cash for distribution to shareholders in connection with stock splits and similar transactions; (2) resales of securities of issuers who do not furnish to the public information about their activities; and (3) deferral of Section 16(a) reports of certain small transactions by corporate “insiders”. At the same time, the Commission rescinded several obsolete rules.

Interpretive Advice and Other Activities

Concomitant to the Commission’s rule-making function is the role of the staff in providing interpretive advice. In the area of full disclosure, the staff provides such advice through telephone inquiries (an estimated 59,000 in fiscal 1982) and written responses to formal requests for advice (an estimated 1,500).

Management Remuneration—In December 1981, the Commission published an interpretive release concerning management remuneration in a question and answer format.³⁴ The release gave particular attention to the disclosure of defined benefit pension plans, stock options and stock appreciation rights.

Proxy Monitoring Program—As the final phase of a three-year survey, the Commission in March 1982 authorized the publication of a release analyzing the results of its 1981 proxy statement disclosure monitoring program.³⁵ The analysis indicated that during the three years covered by the program, there have on the average been declines in (a) the percentage of board members employed by the issuer or a subsidiary, (b) the number of boards with an affiliate of a supplier or creditor serving as a director and (c) the number of boards with retained counsel or investment banker serving as a director. The program also found increases in the numbers of boards with audit, nominating and compensation committees and in director compensation and decreases in the percentage of membership of these committees affiliated with the issuer.

Accounting Matters

Oversight of the Accounting Profession—The Commission has historically monitored, relied on and encouraged initiatives in the standard-setting processes

of the private sector, subject to Commission oversight, through frequent staff contact with the private sector standard-setting organizations, attendance at or participation in meetings, public hearings, and task forces, and review and comment during the standard setting process. Moreover, this contact speeds referral of emerging problems found in company filings to the right private group for resolution. Although the Commission will continue to seek to fulfill its statutory responsibility by close oversight of private sector initiatives, it will not hesitate to take appropriate regulatory action when necessary.

SEC Practice Section and Peer Review—As of June 30, 1982, 428 accounting firms had voluntarily become members of the Division for CPA Firms of the American Institute of Certified Public Accountants and particularly its SEC Practice Section (SECPS); these firms audit over 90% of all publicly held companies. Firms that are members of the SECPS are subject to certain requirements designed to improve the quality of their audit and accounting practice. Among these are the filing of an annual report, the maintenance of a system of quality control, and the testing of that system once every three years through an independent peer review process.

An Independent Public Oversight Board (POB) oversees and annually reports on the SECPS. In its report dated June 30, 1982, the POB concluded that “the self-regulatory structure is sound and is functioning properly.”³⁶ Based on its oversight of the 400 peer reviews which had been conducted, the POB concluded that “there is now considerable evidence that the peer review program is functioning as intended and that section members are taking actions needed to improve the quality of their practice.”³⁷

Although peer reviews provide no assurance that all audit failures will be identified or avoided in the future, any audit failures that occur should be due to isolated breakdowns or “people problems,” and not to inherent deficiencies in firms’ system of quality control. In a sense, peer reviews should “pay for themselves” by reducing auditors’ risks of liability to those who rely on their audits.

(1) *Access Agreement*—Under the terms of an “access” arrangement agreed to by the SECPS and the Commission, for the first time the Commission’s staff reviewed a sample of the working papers underlying reviews. Based on this review and the staff’s review of the POB’s oversight files, the Commission has determined that it can rely to a great extent on the POB’s oversight function in fulfilling its own oversight responsibilities. Nevertheless, the Commission will continue to monitor the peer review process by reviewing certain working papers pursuant to the access arrangement so that it can periodically evaluate this important self-regulatory initiative and the need for refinements in the process as a result of changing professional, economic and regulatory conditions.

(2) *Sanctions*—The true test of any voluntary self-regulatory organization is whether it appropriately sanctions members that do not meet its standards. There are two aspects to the SECP’s disciplinary procedures. First, the SECPS may impose sanctions as a result of serious quality control deficiencies uncovered during peer reviews. While the SECPS has not imposed any “formal”

sanctions to date, some peer reviewed firms have voluntarily agreed to take and report prompt appropriate corrective action. The Commission concurs with the POB's belief that this informal process gives the SECPS the ability to act promptly and achieves the same result as the imposition of a sanction. The formal sanction process remains available and should be used when satisfactory corrective measures are not undertaken promptly or where a member firm chooses not to cooperate. ³⁸

Pursuant to the second aspect of the SECP's disciplinary procedures, member firms are required to report to the Special Investigations Committee (SIC) litigation against them or their personnel and proceedings or investigations publicly announced by a regulatory agency that involve clients or former clients which are or were registrants and that allege deficiencies in the conduct of an audit or in reporting thereon in connection with any required filing under the Federal securities laws. The SIC considers whether these allegations indicate the need for corrective measures by such firms, changes in professional standards, and/or appropriate disciplinary measures. The POB believes that the SIC made significant progress during the past year and that, although the structure for imposing sanctions has not yet been tested, the SECPS will appropriately discipline member firms. ³⁹The Commission thus far has no basis for reaching any conclusion and believes that visible evidence as to specific SIC activity is critical to demonstrate to the public the effectiveness of this aspect of the profession's self-regulation.

The Commission continues to believe that all accounting firms which audit public companies should join the SECPS. During the past year, a number of changes were made to SECPS membership requirements which the SECPS believes will significantly reduce the costs of membership while maintaining an effective self-regulatory program. The principal change was the elimination of the requirement that a quality control review panel (QCRP) be appointed for peer reviews conducted by firms or administered by associations of firms. The Commission does not object to the SECP's determination to eliminate the QCRP. The Commission supports other initiatives designed to facilitate membership in the SECPS provided that they do not detract from the credibility of the self-regulatory program.

FASB Activities—The Commission's staff monitors the activities of the FASB. While the FASB has continued to perform in a generally satisfactory manner, progress did not meet earlier expectations. The principal disappointment was the absence of significant progress on the Conceptual Framework Project. A description of this Project and certain technical agenda items follows.

(1) *Conceptual Framework*—An exposure draft of a concepts statement on reporting income, cash flows, and financial position was issued in November 1981. Based on review of the comments on the exposure draft, the FASB determined to delay the issuance of a final concepts statement, and urged preparers to report cash flows in 1982 annual reports in a manner consistent with the concepts proposed in the exposure draft. The Commission believes that it is

important for the FASB to expedite development of the concepts underlying the reporting of relevant cash flow information.

The FASB also devoted substantial time and resources to the accounting recognition phase of the project. This phase deals with initial recognition of, subsequent changes in, and the appropriate way to measure—by historical cost, current exchange value, or some other measure—assets, liabilities and equity in the financial statements. The measurement issue must be resolved promptly because the FASB's inability to select the appropriate measurement attribute has delayed this phase significantly and raised considerable doubt about the ultimate success of the Conceptual Framework Project.

(2) *Foreign Currency Translation*—A troublesome accounting issue was addressed during the year with the withdrawal of the controversial Statement of Financial Accounting Standards (SFAS) No. 8 and issuance in its stead of SFAS No. 52, "Foreign Currency Translation." SFAS No. 8 was heavily criticized. SFAS No. 52 addresses this criticism by providing standards to (1) present information that is generally compatible with the expected economic effects of a rate change on an entity's cash flows and equity, and (2) reflect in consolidated financial statements the financial results and relationships as measured in the primary currency in which each entity conducts its business. Since the implementation of SFAS 52 involves a significant amount of management judgment, the success of the new standard will depend on the good-faith of preparers and independent auditors. The Commission encourages the FASB to continue its monitoring effort and to provide timely guidance in identified problem areas.

(3) *Other Projects*—Other important items on the FASB's agenda include consolidations and the equity method of accounting, accounting for income taxes, disclosures about oil and gas producing activities, and accounting for pensions, as well as some narrow emerging practice problems. The Commission expects that the Board will continue its efforts to provide more timely guidance to preparers and auditors in a rapidly changing economic environment.

Other Significant Financial Reporting Issues—During the past year, the Commission continued to be involved with several important financial reporting issues including efforts to achieve more useful financial reporting for oil and gas producing companies, and to keep abreast of various international standard-setting activities.

(1) *Financial Reporting Practices for Oil and Gas Producers*—Currently, the Commission's requirements call for companies to disclose supplementary information about the value of their reserves, changes in those values and an alternative measure of performance, all based on the reserve recognition method of accounting (RRA). In February 1981, the Commission concluded that RRA did not currently possess the requisite degree of certainty for use as a primary method of accounting and expressed its support for an FASB project to develop a comprehensive set of disclosures for oil and gas producers. On July 1, 1982, the Commission proposed amendments to require presentation of supplemental oil and gas disclosures pursuant to an FASB statement of accounting standards expected to be issued later in 1982.⁴⁰

(Subsequent to the close of the fiscal year, in November 1982, the FASB published a final statement calling for such disclosures. Since the Commission believes that the statement calls for adequate information about oil and gas producing activities, it amended its rules in December 1982 to require disclosure of the information specified in the FASB statement.)

(2) *International Accounting and Reporting*—The growth of multinational enterprises and the increasing internationalization of the world's capital markets emphasizes the need for a greater degree of uniformity in informational requirements to improve comparability and make disclosures more useful and understandable.

A number of regional and international bodies are working to narrow the differences between financial reporting standards and otherwise increase comparability in this area. These include the United Nations (UN), the Organization for Economic Cooperation and Development (OECD) and the International Accounting Standards Committee. A related organization, the International Federation of Accountants, issues auditing standards.

While the Commission is not a direct participant in any of these international activities, it is interested in the various efforts to develop international standards of accounting and reporting. A convergence of requirements would provide more useful and understandable information to investors and other users of financial reports, and lessen the differences between reporting requirements for domestic and foreign private issuers registering securities with the Commission.

The Office of the Chief Accountant monitors developments in international accounting and reporting, maintains communications with various national and international bodies and reviews and sometimes comments on their proposals. A staff member from the Office of the Chief Accountant serves as an expert advisor on the United States delegation to the UN and OECD working groups. While the Commission recognizes that the harmonization process is a long term project, it is hopeful that these efforts will continue since they can have a good effect on the efficiency of the world's capital markets.

Accounting-Related Rules and Interpretations—The Commission's principal accounting requirements are embodied in Regulation S-X (S-X) which governs the form and content of, and requirements for, financial statements filed under the Federal securities laws. The Commission also publicizes its views on various accounting and financial reporting matters in Financial Reporting Releases (FRRs). For example, in August 1982, the Commission announced that, while the FASB considered a final standard, financial reporting should be consistent with the tentative conclusions of the FASB concerning the proper accounting treatment for transactions intended to have the same substantive effect as a legal extinguishment of debt, even though the debtor's obligations are not in fact discharged as a legal matter.⁴¹

In addition, the Commission staff periodically issues Staff Accounting Bulletins (SABs) as a means of informing the financial community of its views on accounting and disclosure issues.⁴²

The Commission's accounting-related rules and interpretations serve primarily to supplement generally accepted accounting principles (GAAP), as established by the private sector, by addressing those areas which are unique to Commission filings or where GAAP is not explicit. The Commission continually evaluates its requirements as the private sector changes financial reporting standards, and modifies or eliminates those requirements which become unnecessary. To the extent that the FASB and the AICPA accelerate their efforts to enhance financial reporting, the Commission should be able to place more reliance on private sector standards.

Sunset Review—During the past year, the Commission has continued to devote substantial resources to a comprehensive review of its existing accounting-related rules and interpretations. The objective of this review is to ensure that the Commission's requirements remain necessary and cost-effective in today's environment and that they contribute to the usefulness of financial reporting without imposing unjustified burdens on registrants. As a result of this effort, the Commission has made progress in reducing and simplifying its rules without sacrificing the integrity of financial disclosure documents. Some specific initiatives in this area are discussed below.

(1) *Codification of Financial Reporting Policies*—In April 1982, the Commission issued FRR No. 1 which announced the publication of a codification of certain existing Accounting Series Releases (ASRs). Of the 307 ASRs the Commission had issued since 1937, 207 dealt with general accounting issues and 100 addressed various accounting and auditing matters in an enforcement context. Of the general ASRs, 57 had been rescinded earlier and 79 were no longer relevant, but portions of the remaining ASRs were codified because they contained current and meaningful guidance for persons complying with the Commission requirements. The codification is indexed and organized in a logical manner and should provide a useful reference for the Commission's current published views on accounting and auditing matters relating to financial reporting. It will be updated by future FRRs where appropriate.

In a related action, the Commission published Accounting and Auditing Enforcement Release (AAER) No. 1 as the first in a new series of releases which will be used to announce accounting and auditing matters that are related to Commission enforcement activities. AAER No. 1 includes a topical index for the material included in the 100 enforcement-related ASRs to facilitate reference to specific areas addressed by the Commission in those releases.

(2) *Regulation S-X*—As part of the continuing efforts to update and streamline the Commission's regulations, the Commission has: (a) adopted uniform instructions for the presentation of pro forma financial information;⁴³(b) revised the requirements for filing financial statements of businesses acquired or to be acquired;⁴⁴ (c) simplified and standardized the requirements for disclosure of a ratio of earnings to fixed charges;⁴⁵(d) proposed to revise the financial statement and industry guide requirements for bank holding companies;⁴⁶ and (e) proposed to revise the financial statement requirements for investment companies (adopted December 6, 1982).⁴⁷ Upon adoption of the proposed rules

regarding financial statement requirements for bank holding companies and investment companies, the Commission will have substantially completed its project, initiated in 1980, to establish uniform requirements applicable to virtually all filings with the Commission pursuant to the Securities Act and Exchange Act as well as annual reports to security holders prepared in accordance with the Commission's proxy rules.

(3) *Scope of Services by Independent Accountants*—In January 1982, the Commission announced the rescission of the rule requiring disclosure in proxy statements about nonaudit services performed by independent accountants for their audit clients. The Commission rescinded that rule because it concluded that, although information about nonaudit services is important to enable the Commission and others to monitor this activity by accountants, it is not generally of sufficient utility to investors to justify continuation of the disclosure requirement. In addition, the Commission noted that information about nonaudit services performed by accountants will continue to be available to interested persons because the SECPS revised its membership provisions to require member firms to disclose additional information about their nonaudit service activity in public annual reports filed with the SECPS that cover years ending on or after January 1, 1982.

Regulation of the Securities Markets

Key 1982 Results

Fiscal 1982 saw many major developments in the regulation of securities markets, while the industry smoothly handled a major market surge, commencing with the first 100 million share day on the New York Stock Exchange on August 18. Commission action freed-up more than an estimated \$800 million in capital and cost savings to the securities industry, in addition to hundreds of millions of dollars in estimated benefits to the public annually from the Commission's broker-dealer examination program. These actions enhanced the financial condition of the securities industry without adverse impact on investor protection.

Specifically, recognition of the securities industry's improved financial and operational condition, the Commission made adjustments to its net capital rules, that allowed more productive use of more than \$500 million of industry capital previously held in reserves. An additional \$200 million was freed up through expanding permitted uses of letters of credit for clearing fund deposit and stock loan collateral requirements. In addition, approval of a depository linkage providing a nationwide institutional delivery system is expected to realize annual cost savings exceeding \$100 million.

In the national market system area, an experimental linkage of exchange and over-the-counter (OTC) trading in 30 listed stocks commenced and is being carefully monitored by the Division of Market Regulation, the Directorate of Economic and Policy Analysis and the securities industry. In addition, the Commission proposed an order exposure rule, based on principles developed by a Securities Industry Association (SIA) committee, which addressed concerns over brokerage firms internalizing execution of their order flow. Also, in May 1982, Rule 11Aa2-1 became effective, which has resulted in the designation, as of September 30, 1982, of 60 actively traded OTC securities as national market system securities. The primary effect of this designation has been last sale reporting to the public on a real time basis.

The order exposure initiative and the planning that assured smooth handling of the record trading volume are exceptional examples of the important role that the securities industry and the self-regulatory organizations fulfill in realizing the goals of the Federal securities laws.

Shortly after the close of the fiscal year, following enactment of the initial portion of the historic SEC/CFTC Accord, the Commission approved the listing and trading of GNMA, treasury and foreign currency options products proposed by a number of national securities exchanges. If viable markets for these new products develop, they will facilitate government and mortgage financ-

ing, foreign trade and hedging the risk of fluctuating interest and foreign exchange rates.

Securities Markets, Facilities and Trading

The National Market System—In April 1981 the Commission ordered⁴⁸ an automated interface between the Computer Assisted Execution System (CAES) operated by the National Association of Securities Dealers (NASD) and the Intermarket Trading System (ITS) operated by seven national securities exchanges, which became operational on May 17, 1982. In addition, the Commission approved the NASD's trade-through rules on May 6, 1982,⁴⁹ which are designed to ensure protection from inferior executions in linked stocks, whether trades occur on or off the exchange floor.

In 1982, ITS continued to provide investors with improved execution capabilities, resulting in an estimated annual savings of over \$60 million.

The Commission also observed another year of off-board trading pursuant to Rule 19c-3 under the Exchange Act. In this regard, the Commission recognized that elimination of off-board principal restrictions involved potential order exposure concerns and it proposed alternative ways to address these concerns. The Commission has re-released for comment a rule, based on principles developed by a special committee of the Securities Industry Association, which would apply similar order exposure requirements to both off-board and exchange market makers.⁵⁰

On February 11, 1982, the Commission adopted amendments to Rule 11Acl-1 under the Exchange Act governing the collection and dissemination of quotation information.⁵¹ The amendments permit, under certain circumstances, regional exchange specialists and "third market makers" to disseminate quotations on a voluntary, rather than mandatory, basis. The amendments are intended to eliminate unnecessary regulatory burdens on secondary market makers and enhance the accuracy and reliability of quotation information.

National System for the Clearance and Settlement of Securities Transactions—The Commission approved proposed rule changes of the Midwest Clearing Corporation (MCC), Pacific Clearing Corporation (PCC) and Stock Clearing Corporation of Philadelphia (SCCP) to create a unified, nationwide system for the comparison of OTC trades.⁵²

The Commission approved a proposed rule change of the NASD which requires certain NASD Automated Quotation System (NASDAQ) market makers to use the facilities of a registered clearing agency to clear and settle NASDAQ securities transactions when the clearing agency facilities are within 25 miles of the market maker.⁵³

Also approved were proposed rule changes of the Midwest Securities Trust Company (MSTC)⁵⁴ and the Philadelphia Depository Trust Company (Philadel)⁵⁵ establishing, through a linkage with the Depository Trust Company (DTC), a nationwide institutional delivery system that provides efficient communications among brokers, banks and investment managers regarding the settlement of

institutional and other securities transactions. The linkage permits participants in one securities depository to complete institutional trades with participants in another securities depository and, thereby, to realize annual cost savings in excess of \$100 million.

In orders approving temporary proposed rule changes of the Midwest Clearing Corporation (MCC) and MSTC that enabled volume fee discounts, the Commission reconfirmed its policy that clearing corporations cannot levy fees on securities transactions flowing through interfaces.⁵⁶

CFTC/SEC Accord—In December 1981, the Commission and the Commodity Futures Trading Commission (CFTC) announced that they had reached an Accord clarifying their respective jurisdictions over trading in certain new options, futures and options on futures products. In February 1982, specific legislative changes to implement that Accord were proposed in the Securities Accord Amendments of 1982⁵⁷ and in certain provisions of the Futures Trading Act of 1982.⁵⁸

The bills amending the Federal securities laws were passed in identical form by both houses in September, and the securities laws amendments were signed by President Reagan on October 13, 1982.⁵⁹ The legislation clarifies not only the Commission's jurisdiction over options on all securities, groups or indices of securities, certificates of deposit and options on foreign currency traded on a national securities exchange but also the CFTC's jurisdiction over futures (and options on futures) on exempted securities (other than municipal securities) and on certain broad-based indices and groups of securities. Pending further study, futures trading on individual corporate and municipal securities is prohibited.

Options Trading—Proposals submitted by the Chicago Board Options Exchange (CBOE), the American Stock Exchange (Amex), the Philadelphia Stock Exchange (Phlx) and the Options Clearing Corporation (OCC) regarding options on various GNMA's, United States Treasury securities, and foreign currencies were approved by the Commission on October 14, 1982.⁶⁰ (Trading in Treasury options began on the CBOE and Amex on October 22, 1982.) In addition, the Amex has proposed trading in options on certificates of deposit (CDs).⁶¹ The New York Stock Exchange (NYSE), CBOE and Amex all have sought permission to trade "stock index" options that would be settled in cash.⁶² The NASD has also submitted a plan for options trading which includes index options.⁶³ Finally, the Commission has received "stock group; options proposals from the Amex, the CBOE, the NYSE and the Pacific Stock Exchange (PSE) that would be settled by delivery of securities."⁶⁴

The Commission also adopted a new simplified disclosure system for options—an optional registration form, Form S-20, and new Rules 153b, 135b, and 134a under the Securities Act as well as Rule 9b-1 under the Exchange Act.⁶⁵ Under this new system, the risks, uses and mechanics of standardized options trading area set forth in a basic "core" disclosure document. A simplified prospectus (Part I, Form S-20) containing additional information about OCC, as the issuer and the clearing agency of the options, is available through the exchanges.

Market Manipulation—On March 16, 1982, the Commission published for comment amendments to Exchange Act Rule 10b-6 which governs trading in securities.⁶⁶ If adopted, these amendments would define the term “distribution” for purposes of the rule, codify existing staff positions concerning some of the exceptions to the rule, and relax the prohibitions of the rule to permit participants in a distribution of securities to continue trading such securities until three business days before the commencement of the sale of the securities being distributed.

Stabilization Reports—On August 31, 1982, the Commission published for comment proposed amendments to Rules 17a-2 and 10b-7 under the Exchange Act and rescission of related Form X-17A-1.⁶⁷ The Commission is proposing that the requirement for reporting certain transactions, under Rule 17a-2, be rescinded and that the rule be amended to require only that a manager of an underwriting syndicate retain, in a separate file, records of all stabilizing transactions.

Exemptions from Short Sale Rule—On June 1, 1982, the Commission granted, on a one-year trial basis, an exemption from the “tick test” provisions of Rule 10a-1, the short sale rule. The exemption permits a broker-dealer that has acquired a security while acting in the capacity of a “block positioner” to disregard a short position in that security in computing its net long position if and to the extent that such short position is and has been for at least five business days the subject of one or more offsetting positions created in the course of “bona fide arbitrage,” “risk arbitrage” or “bona fide hedge” activities.

Regulation of Brokers, Dealers, Municipal Securities Dealers and Transfer Agents

Broker-Dealer Reporting Requirements—On December 10, 1981, the Commission adopted new Rule 17a-8 under the Exchange Act, which enables SROs to enforce existing regulations of the U.S. Department of the Treasury promulgated under the Currency and Foreign Transactions Reporting Act of 1970.⁶⁸ These regulations, among other things, require broker-dealers to make reports and maintain records on domestic currency transactions of more than \$10,000 and the import and export of currency and monetary instruments of \$5,000 or more.

Financial Responsibility Requirements—During the fiscal year, the Commission adopted major revisions to the uniform net capital and the customer protection rules, Rules 15c3-1 and 15c3-3, respectively.⁶⁹ These revisions included the lowering of the ratio of minimum required net capital for those broker-dealers electing the alternative method of computing net capital, from 4% of aggregate debit items to 2%. The early warning and capital lock-in levels were also reduced from 7% and 6%, respectively, to 5%.⁷⁰

These changes were predicated on the industry’s improved financial and operational condition, and were intended to enable securities firms to use these funds to make better markets and improve services to the investing public.

It is estimated that over \$500 million of securities industry capital was freed-up as a result of these changes.

Broker-Dealers' Carrying Agreements—On February 19, 1982, the Commission approved a rule change to amend NYSE Rules 382 and 405.⁷¹ This rule change sets forth the responsibilities of member broker-dealers when handling customer accounts that are introduced on a fully disclosed basis by one broker-dealer to another under a carrying agreement. The amended rule requires all "fully disclosed" carrying agreements between introducing and carrying organizations to identify specifically, allocate between the parties and, at a minimum, address their respective functions and responsibilities for seven particular areas.

Broker-Dealer and Transfer Agent Examinations—During fiscal year 1982, there was increased emphasis on improving the efficiency, thoroughness, and overall quality of regional office examinations, particularly oversight examinations of SRO member firms. During the fiscal year, the staff developed sophisticated computer programs for the analysis of information and conducted several educational programs for regional office regulatory staff. In addition, the staff reviewed approximately 230 transfer agent examination reports and 900 regional office broker-dealer examination reports in order to identify national concerns and assist the regions. The Commission also adopted Rule 15b2-2, under which SROs examine newly registered broker-dealers, thereby avoiding duplication of Commission and SRO resources.

Such efforts to improve the Commission's broker-dealer examination program are necessary in order that the Commission's limited resources can meet its considerable ongoing responsibilities, and respond to extraordinary problem areas, such as the collapse this last year of the Denver "hot issue" or penny stock market.

Administration of the SECO Program—Pursuant to the Exchange Act, broker-dealers who do not join the NASD are subject to direct regulation by the Commission through its SECO program with respect to professional qualifications and just and equitable principles of trade. Following a Division study of this program the Commission, in May, transmitted draft legislation to Congress to abolish the SECO program and require all broker-dealers transacting an OTC securities business to join a registered national securities association. The proposed legislation was under consideration by Congress at the close of the fiscal year.⁷²

Self-Underwriting by SECO Broker-Dealers—On January 7, 1982, the Commission approved an amendment to Rule 15b10-9, the so-called "self-underwriting" rule;⁷³ the amendment created a conditional exception to the rule for SECO broker-dealers that limit their business to participation in the offer and sale of securities issued by an affiliate which is not a broker-dealer.

Securities Confirmations—On August 19, 1982, the Commission withdrew proposed Rule 15c2-12 and a proposed amendment to Rule 10b-10, the customer confirmation rule, that would have required disclosure on confirmations of the amount of any mark-up, mark-down, or similar remuneration received by any

broker-dealer effecting a “riskless” principal transaction in a debt security.⁷⁴ At the same time, the Commission proposed to amend Rule 10b-10 by: (1) providing a limited exception from the immediate delivery requirements of the rule for certain “account management plans” offered by broker-dealers; and (2) requiring disclosures pertaining to yield and call features in transactions in debt securities, except municipal securities.⁷⁵

Municipal Securities Brokers and Dealers—The Commission continued to consult with the bank regulatory agencies with respect to bank municipal securities activities. In addition, the Commission staff issued several no-action and interpretive letters with respect to securities activities by municipal broker-dealers.

Fingerprinting—The Commission proposed amendments to Rule 17f-2 that would simplify the process for and reduce the cost of, claiming exemptions for certain personnel from the fingerprinting requirement under the Exchange Act.⁷⁶

Transfer Agent Regulation—The Commission proposed rules establishing minimum standards for registered transfer agents. The proposed rules would ensure: (1) the prompt and accurate creation and maintenance of issuer securityholder records; and (2) the safeguarding of funds and securities used in connection with transfer activities when those funds and securities are in the possession or control of transfer agents.⁷⁷

Oversight of Self-Regulatory Organizations

National Securities Exchanges—As of September 30, 1982, ten exchanges were registered with the Commission as national securities exchanges. During the fiscal year the Commission granted applications by exchanges to delist 90 equity and 38 debt issues, and granted applications by issuers requesting withdrawal from listing and registration for 20 equity issues and ten debt issues. In addition, during the fiscal year the Commission granted 272 applications by exchanges for unlisted trading privileges.

The exchanges reported to the Commission 334 final disciplinary actions imposing a variety of sanctions upon member firms and their employees. This contrasts to 309 actions reported in fiscal 1981.

During the fiscal year, the Commission received from the exchanges 116 findings of proposed rule changes under Rule 19b-4 under the Exchange Act. Among the significant rule filings approved by the Commission, in addition to rules designed to implement trading in new options products, were: (1) a Philadelphia Stock Exchange pilot program relating to the allocation of new listings to specialists and the reallocation of listings due to substandard specialist performance;⁷⁸ and (2) the creation of the Midwest Stock Exchanges’ automated execution system and the revision of the Boston Stock Exchanges’ guaranteed execution system.⁷⁹

During the fiscal year, the Commission modified the exemptions provided to regional stock exchanges from Rule 11b-1 under the Exchange Act so that each exchange now has rules imposing certain specific obligations on its

specialists with respect to any security that is listed on its exchange but is not listed on either the Amex or the NYSE.⁸⁰

National Association of Securities Dealers, Inc.—The NASD is the only national securities association registered with the Commission. At the close of the fiscal year, the NASD, which has 3,577 members, reported to the Commission the disposition of 429 significant disciplinary actions and 248 summary actions by the NASDAQ Trading Committee, as compared with approximately 500 and 336 a year earlier. In addition, the Commission received from the NASD 18 filings of proposed rule changes, down 11 from 1981.

One of the significant NASD rules approved by the Commission during the fiscal year adopted standards for NASD members and their associated persons who participate in a public offering of a direct participation program (DPP).⁸¹ The rule change adds an appendix to the NASD's Rules of Fair Practice to prescribe standards for the offering of DPPs in the areas of investor suitability, disclosure of material information, and underwriter compensation. Adoption of the rule change culminates several years of effort by the NASD and the Commission to establish written standards for the sale of DPPs.

Surveillance and Compliance Inspections—During the fiscal year, the staff conducted 22 inspections of self-regulatory organization (SRO) market surveillance, disciplinary, compliance and operational programs. In all of these inspections, upon notice of the inspection findings, each SRO has taken steps to respond to the staff recommendation.

Specifically, inspections of the PSE's equity and options trading programs disclosed only one major concern, a failure to institute disciplinary proceedings against members in certain cases. Inspections of the Amex Stockwatch and Market Surveillance units and disciplinary program disclosed that an audit trail would enhance surveillance and that the exchange did not always bring charges against members in appropriate cases. An inspection of the CBOE disclosed certain deficiencies in the automated trading information collected by the exchange.

A special inspection of the NYSE's stockwatch surveillance program disclosed that the NYSE failed to recognize a major manipulation in one of its listed stocks. Other NYSE inspections reviewed the NYSE's efforts to develop a complete transaction audit trail. An audit trail would not only enable the NYSE to conduct adequate surveillance of trading on its floor but would also result in a reduction of its member firms' transaction reconciliation costs. In August 1982, the NYSE proposed that an audit trail be implemented in stages in conjunction with the development and expansion of various automated systems at the exchange, which are scheduled to be completed in January 1985 and that in the interim, existing exchange and member firm systems and procedures be modified to provide an effective audit trail in early 1983.

During 1982, the staff conducted comprehensive inspections of the Phlx's equities and options trading programs. The inspections disclosed that the Phlx had taken commendable steps to remedy deficiencies noted in previous inspections.

At the end of the fiscal year, surveillance inspections that were in progress included the NYSE Stockwatch Department, CSE market operations and surveillance, and the NASD surveillance programs for OTC trading in stocks quoted in the NASDAQ system.

The staff conducted inspections of four NASD District Offices concerning investigations of customer complaints and terminations of registered representatives from employment for cause. In addition, the staff inspected the NASD Denver District Office to evaluate, in particular, the officer's financial surveillance of member broker-dealers active in the Denver penny stock market. The staff also inspected the NASD Central Registration Depository. The staff also conducted two inspections focusing on the role of self-regulators in the prevention or detection of major alleged frauds. These inspections were still in progress at the end of the fiscal year.

The staff worked with a joint SRO task force, the Intermarket Surveillance Group (ISG), in its efforts to develop an effective intermarket surveillance system. The staff also conducted limited inspections of SRO intermarket surveillance programs.

Clearing Agencies—Significant progress was made in the review of applications for full registration of clearing agencies under Section 17A(b) of the Exchange Act in accordance with the Division's standards for registered clearing agencies.⁸² In connection with its review, the Commission cancelled the clearing registration of Bradford Securities Processing Services, Inc. and TAD Depository Corporation⁸³ and extended until September 30, 1983, the temporary registrations of, and registration proceedings regarding, the 11 active clearing agencies.⁸⁴

The Commission also approved several proposed rule changes to enhance clearing agencies' systems for controlling financial exposure, particularly from participant insolvencies. For example, the National Securities Clearing Corporation increased its clearing fund to reflect variable use of its Envelope Settlement System,⁸⁵ and established comprehensive admission and continuance standards, together with an enhanced surveillance program.⁸⁶

Market Oversight and Surveillance System—The Market Oversight and Surveillance System (MOSS) was initiated on a pilot basis in 1980. It is designed to automate the Commission's surveillance and oversight capabilities. In August 1981, at the Commission's initiative, the SROs submitted a proposal for an SRO intermarket surveillance program, to which the Commission would have ready access. The SRO program, when fully implemented, should result in significantly enhanced SRO surveillance and provide an alternative to the surveillance capabilities of MOSS. In the interest of avoiding unnecessary costs and duplication, the Commission has therefore deferred significant enhancement of the MOSS project, pending implementation and evaluation of the SRO program.

During fiscal year 1982, the MOSS project continued on a pilot basis. It was moderately refined and expanded from 31 percent to 50 percent coverage of

listed stocks. During this period, the Commission has closely monitored the progress of the SRO project.

Pursuant to the requirement in the Congressional budget authorization for MOSS, the Commission submitted reports to Congress on the MOSS project on April 1, 1982 and October 1, 1982, which provide greater detail on MOSS and SRO projects.

Applications for Re-Entry—During the fiscal year, the Division of Market Regulation received 85 applications to permit persons subject to statutory disqualifications, as defined in Section 3(a) (39) of the Exchange Act, to become associated with broker-dealers. The following SRO's filed such applications: (1) NASD-60 applications; (2) NYSE-23 applications; and (3) Amex-two applications. Five of the 85 applications were subsequently withdrawn, 72 were processed and 8 were pending at year end.

Municipal Securities Rulemaking Board—As in the case of the NASD, the Commission reviews proposed rule changes of the Municipal Securities Rulemaking Board (MSRB). During the last nine months of the fiscal year, the MSRB filed 12 proposed rule changes.

The Commission approved three rule changes by the MSRB regarding the formulae for calculating the yield and dollar price on municipal securities, MSRB Rule G-33.⁸⁷

The Commission also approved a rule change by the MSRB which, among other things, allows either side of a transaction to void a trade if the CUSIP numbers of both sides are not identical.⁸⁸

Investment Companies and Advisers

Key 1982 Results

During the fiscal year the Commission completed and took remedial action in a record number of investment company and adviser inspections while continuing a comprehensive program of simplifying the regulations which govern investment companies and advisers.

Inspection Program—A Record Result—The Commission inspects the investment and operational activities of investment companies and investment advisers to ensure that they follow the disclosure in the prospectus and registration statement and comply with applicable statutes. The program deters abuses and minimizes the risk of loss to investors.

During fiscal 1982, the Commission completed 1,065 investment company and investment adviser inspections, a record number which represents a 26% increase over the 848 inspections completed in fiscal 1981. Improved productivity was made possible this year, despite budgetary constraints and personnel reductions, through the development of a computer program which: (1) identifies the relative priority each adviser should have, in terms of the frequency of inspections, based upon certain client and asset-under-management data; and (2) determines the relative risk inherent in each adviser's operations to guide the scope of the inspection procedures used by examiners. Based on findings of the inspections completed during fiscal 1982, the staff found it necessary to take remedial action in 77% of the cases—an increase of about 15 percentage points over the results in each of the preceding two years. Thus, the use of the new selection and risk appraisal techniques has improved the cost/benefit ratio of inspection without reducing either the effectiveness of the inspection program or the level of investor protection it affords.

Disclosure Study

During fiscal 1982, the Division of Investment Management's Disclosure Study conducted a comprehensive re-examination of open-end management investment companies' registration and reporting requirements. At the end of the year, the study was considering a proposal which will permit such companies to reduce the length and complexity of their prospectuses and, at the same time, aid readability and facilitate investors' understanding of the prospectus.

In fiscal 1982, the Commission revised Form N-1Q, the quarterly reporting form for management investment companies.⁸⁹ The requirement for reporting portfolio changes was shifted from a quarterly to an annual basis because: (1) the staff made little internal use of the quarterly information; and (2) the institutional disclosure program established under Section 13(f) of the Exchange

Act sets appropriate disclosure requirements for all institutions, including investment companies.

The adoption of Rule 487 under the Securities Act permits most registration statements filed by unit investment trust series to become effective automatically, if certain specified conditions are met. Generally, the rule eliminates staff review of registration statements that do not present new disclosure issues. Similarly, Rule 486, relating to automatic effectiveness of post-effective amendments to registration statements filed by registered separate accounts of insurance companies, eliminates staff review of routine filings. Rule 486 and Rule 487 were both adopted in May, 1982.

Investment Company Act Study

The Investment Company Act Study Group was formed in 1978 to review the Investment Company Act and the rules, regulations and administrative practices thereunder in order to alleviate unnecessary regulatory burdens, without compromising investor protection. The Commission has since adopted a series of rules which afford exemptive relief from certain Investment Company Act prohibitions. Generally, these rules codify exemptive orders previously granted by the Commission.

During fiscal 1982, the Commission adopted Rule 180 which conditionally exempts from the registration requirements of the Securities Act, interests and participations issued in connection with the tax-qualified retirement plans commonly known as "H.R. 10" plans.⁹⁰ In addition, the Commission proposed Rule 2a-7 which would permit money market funds to maintain stable net asset values per share through amortized cost valuation⁹¹ or "penny-rounding" pricing.⁹² Proposed Rule 17f-5 would permit domestic investment companies to maintain their foreign securities abroad in the custody of foreign banks or depositories under certain conditions.⁹³

Bank-related Mutual Funds

Increased competition for savings and investment dollars has resulted in the linking of money market funds with depository institutions in new ways. During fiscal 1982, the Commission considered a number of issues raised by these new arrangements and wrote to bank regulatory authorities to seek their views on their legality under the Federal banking laws. The Commission is reviewing the disclosure related to such arrangements and proposes to issue a release to clarify the disclosure and other securities law requirements for bank-related funds.

In addition, in September of this year, the Commission held public hearings to examine the general legal and policy issues that are raised when a mutual fund proposes to purchase certificates of deposit of banking institutions in reciprocity for sales of fund shares.⁹⁴ At the end of the fiscal year, the Division of Investment Management was in the process of evaluating the testimony presented at the hearing.

Insurance Products

In October 1981, the Commission adopted Rule 6c-6(T) under the Investment Company Act,⁹⁵ which provided insurance company separate accounts and others with temporary exemptive relief from various provisions of that Act to the extent necessary to permit them to take various actions in response to the impact of Internal Revenue Service (IRS) Revenue Ruling 81-225, issued on September 25, 1981. Ruling 81-225 announced the IRS's determination that, prior to the annuity starting date, the owner of a variable annuity contract rather than the insurance company sponsoring the separate account offering the contract, would be deemed to be the owner of the shares of the open-end investment company serving as the contract's funding portfolio. Thus, the earnings and gains from the shares would be includible in the contract-owner's gross income for Federal income tax purposes. As a result, many sponsoring insurance companies found it necessary to create so-called "clone funds," and to substitute shares of the clone funds for those of an existing portfolio company. Rule 6c-6(T) eliminated the need for individual exemptive applications to be filed with and approved by the Commission in connection with these actions. In the same release, the Commission proposed permanent Rule 6c-6, which was adopted on September 21, 1982.⁹⁶ That rule, among other things, expanded the nature and modified the scope of the exemptive relief provided by the temporary rule.

On September 20, 1982, the Commission proposed Rule 11a-2 under the Investment Company Act.⁹⁷ This rule is the first of a planned series of proposals to codify the standards developed with respect to certain so-called "start-up" exemptive applications filed by insurance company separate accounts and others. If adopted, Rule 11a-2 would eliminate the need for separate accounts and others to file individual applications seeking Commission approval of terms of certain routine exchange offers.

Investment Advisers Act Study

During fiscal 1982, upon the recommendation of the Investment Advisers Act Study Group, the Commission adopted amendments that clarify and simplify its investment adviser registration, reporting and disclosure requirements.⁹⁸ Among other things, the amendments eliminated the unaudited balance sheet requirement which had been applicable to approximately 80% of investment adviser registrants who were required to file unaudited balance sheets with their registration applications and annually thereafter. The Commission also adopted temporary amendments to its investment adviser registration requirements deleting a number of items from Part I of Form ADV, the investment adviser registration application form, and is considering making the deletions permanent.⁹⁹ While the information contained in the deleted items is useful to the Commission in its understanding of the investment advisory industry, it is not essential to the Commission's investment adviser regulatory program.

Significant Applications and Interpretations

Unifonds—During 1982, the Commission considered an application filed on behalf of Unifonds, a West German mutual fund, that sought relief pursuant to Sections 6(c) and 7(d) of the Investment Company Act. Since the civil law of West Germany comprehensively regulates West German investment companies and also permits the sale of securities within its jurisdiction by investment companies organized under the laws of the United States, the Commission considered to what extent the securities laws of the United States could defer to those of West Germany. The Commission decided that if Unifonds would modify its proposal in certain respects, the Commission could take the first procedural steps toward granting the exemptive relief that had been requested by issuing a notice of the filing of the application. (After the close of the fiscal year, Unifonds filed an amendment agreeing to file a registration statement and disclosure documents comparable to those filed by United States companies, to withdraw its request for exemption from the enforcement provisions of the Investment Company Act, and to arrange for an irrevocable letter of credit in an amount equal to 5% of the value of the outstanding shares of Unifonds held by shareholders in the United States to satisfy any judgments against the company obtained by such shareholders.)

Fiduciary Trust Company of New York—The Economic Recovery Tax Act permits an employee who participates in a pension trust qualified under Section 401 of the Internal Revenue Code (Section 401 trust) to deduct from his gross income certain qualified voluntary contributions to his account in a Section 401 trust or to an individual retirement account (IRA). On November 9, 1981, Fiduciary Trust Company of New York (Fiduciary) requested the staff's assurance that it would not recommend that the Commission take any enforcement action if Fiduciary should act as trustee of Section 401 trusts, which consisted solely of such qualified voluntary employee contributions, and invest their assets in its pooled funds which consisted solely of assets of Section 410 trusts. The staff granted Fiduciary's request, applying the exception in the Investment Company Act for Section 401 trusts and collective trust funds maintained by a bank consisting solely of assets of such trusts.

The Woodside Group—On March 15, 1982, the staff advised The Woodside Group that it would not recommend any enforcement action with respect to the operation of companies which would primarily acquire leases entered into by state and local governmental entities as the means of acquisition by such entities of various equipment and facilities. The staff's position enables such companies to operate without registering as investment companies in reliance upon the exception under the Investment Company Act for companies primarily engaged in the business of acquiring obligations representing part or all of the sales price of merchandise or of making loans to prospective purchasers of specified merchandise.

Institutional Disclosure Program

Money managers that fall within the definition of an “institutional investment manager”, in Section 13(f)(5) of the Exchange Act, and that meet certain criteria set out in Rule 13f-1 under the Exchange Act, file reports on a quarterly calendar basis on Form 13F. Managers required to file 13F reports disclose certain equity holdings of the accounts over which they exercise investment discretion. In fiscal 1982, Form 13F reports were filed on behalf of 1,000 institutional investment managers for holdings totalling almost \$500 billion dollars.

Form 13F reports are available to the public at the Commission’s Public Reference Room promptly after filing. Also available for public inspection at the Public Reference Room are two tabulations of the information contained in Form 13F reports. The first of the tabulations includes a listing, arranged according to the individual security, showing the number of shares held and the name of the money manager reporting the holding. The second tabulation is a summary listing showing the number of shares of that security reported by all institutional investment managers filing reports. The tabulations are normally available between 10-14 days after the end of the 45-day period for filing Form 13F reports for a particular calendar quarter.

Both tabulations are produced by an independent contractor selected through the competitive bidding process. The contractor provides its services to the Commission without charge, and is required to make a variety of specified tabulations available to the public at reasonable prices within 10 days after receipt of the reports.



Other Litigation and Legal Work

The Commission, through its Office of the General Counsel, participates in a substantial amount of litigation in addition to the litigation it conducts before trial courts in its injunctive actions and its own administrative proceedings. Through this litigation, the Commission seeks to insure that its enforcement program is carried out effectively, that judicial interpretation of the Federal securities laws affords adequate protection to investors and that Commission enforcement actions and investigations are not impeded by law suits brought against the agency or its staff.

Key 1982 Results

In all, during the year 34 appellate matters relating to injunctive cases were concluded, with only two outcomes unfavorable to the Commission; 21 cases relating to Commission orders, with three adverse results; and 18 amicus matters, with five adverse to the Commission.

As to overall workload, the Office handled 251 litigation matters during the past fiscal year, many of which are still pending. This included 62 appellate matters before the Supreme Court and Federal courts of appeals in which a party subject to a Commission injunctive action challenged the lower court's resolution of the case favorable to the Commission or, much less frequently, the Commission challenged an unfavorable outcome. The Office also handled 38 appellate matters in which efforts were made to overturn Commission orders, primarily those issued in administrative proceedings conducted by the Commission or those affirming the outcome of proceedings conducted by the various self-regulatory organizations against broker-dealers. In 58 instances during the year, Commission participation as a friend of the court was considered or undertaken in litigation conducted by private parties, to give the court its views on significant questions concerning the interpretation and scope of the Federal securities laws. In addition, the Office handled more than 90 other litigation matters before the Commission or in the Federal trial courts, including 23 suits brought against the Commissioners or the Commission's staff, and 19 suits under the various public information statutes.

In addition to litigation, the Office of the General Counsel is involved in significant legislative and regulatory work. For example, the Office has assisted the Commission in proposing legislation which would permit civil fines to be levied against inside traders; proposed repeal of the Public Utility Holding Company Act (discussed under "Public Utility Holding Companies," page 47); assisted the Commission in resolving its jurisdictional dispute with the Commodity Futures Trading Commission (discussed under "Regulation of the Securities Markets," page 25) ; and supported amendments to the Foreign Corrupt Prac-

tices Act and the Glass Steagall Act. The following is a summary of the status of these legislative initiatives and other projects of significance to the Commission and the public, as well as a discussion of major areas of the Office's litigation, along with some of the more important issues litigated during the year.

Litigation

Litigation Related to Commission Injunctive Actions—In fiscal 1982, 34 appellate matters relating to Commission injunctive actions were litigated and concluded. In only two of those matters were the results not favorable to the Commission.

This category involved mostly appeals in which a party attempts to reverse the trial court's resolution of a Commission injunctive action. The Commission addressed issues concerning significant problem areas of compliance with the Federal securities laws. For example, one important issue arising over the years in Commission enforcement actions is the extent to which a wrongdoer should be required to surrender the profits of his wrongdoing, which often may then be made available to defrauded investors. In fiscal year 1982, two courts addressed this critical question. In one court of appeals the Commission successfully asked that all members of the court rehear a case. The appellate panel had previously set aside the trial court's determination that a corporate official, who had obtained profits by trading in securities on the basis of information not available to members of the public, should disgorge \$53,000 in illegal profits. Instead, the panel found that only \$11,000 should be disgorged.¹⁰⁰ The Commission subsequently argued to the full court of appeals that, in Commission enforcement actions, the standard of disgorgement should force wrongdoers to give up all profits and not merely those recognized before the discovery of the fraud. The Commission asserted that principles of unjust enrichment as well as effective enforcement of the securities laws require that the Commission be able to insure that insider trading violations are not profitable.

In another court of appeals, the Commission was able to overturn a district court decision denying disgorgement.¹⁰¹ The court of appeals concluded that, at a minimum, disgorgement of a substantial sum of money should be required, and the trial court subsequently ordered the defendant to disgorge a sum in excess of \$140,000. The appellate court in that case also agreed with the Commission on another important point, holding that a corporate official can be liable for fraud not only where he deals with an investor directly, but also through an intermediary.

The appellate litigation handled by the Office also involves significant questions concerning the various reporting requirements of the Federal securities laws. In these cases, the Commission seeks to insure that members of the public are provided with the information necessary to make an informed investment decision. Of note this year, one court of appeals considered the requirement under Section 13(d) of the Exchange Act that a filing be made with the Commission and sent to a company, when there has been an aggregation of stock-

holdings totalling more than 5%, in order to alert the company and its stockholders to that aggregation.¹⁰² In that case, the trial court had found that a group with such a stockholding had been formed and had subsequently sold the stock of its members at a premium of \$12-1/8 per share over market. The United States Court of Appeals for the Second Circuit agreed with the Commission and the trial court that a group may exist even though its members are not committed to acquisition, holding, or disposition of the securities on specific terms. Instead, the members must simply combine to further a common objective. The court also held that members of the group need not have voting control over the securities; power to dispose of the securities can also establish beneficial ownership. (After the close of the fiscal year, a petition for certiorari was filed with the Supreme Court seeking review of the Second Circuit decision.)

The vitality of the Commission's enforcement program can be undermined if persons subject to injunctions against violating provisions of the Federal securities laws have these court orders vacated. Last year, in a case pending in the court of appeals, the Commission urged that a defendant who has consented to an injunctive decree is not entitled to be relieved from his bargain unless circumstances unforeseen at the time of the original decree cause him grievous harm.¹⁰³

Litigation Concerning Commission Orders—In fiscal 1982, 21 cases were resolved involving judicial review by persons aggrieved by various Commission orders including disciplinary actions by the Commission, and Commission orders on review of such action by national securities exchanges and the National Association of Securities Dealers, Inc. Resolution was not favorable to the Commission in only three cases. Like injunctive actions, these administrative cases frequently involve issues central to the Commission's enforcement program and thus to the integrity of the securities markets. In addition, critical regulatory issues, such as the breadth of the Commission's jurisdiction, frequently arise.

For example, in a case that at year end was pending before the Supreme Court, the Commission obtained a favorable ruling from the United States Court of Appeals for the District of Columbia Circuit concerning the purchase or sale of securities while in possession of material, non-public information.¹⁰⁴ The court affirmed the Commission's censure of a securities analyst for selectively releasing material inside information concerning widespread fraud within a publicly traded corporation to institutional investors. The institutional investors then sold over \$17 million of the company's securities, which became worthless soon after the fraud was publicly exposed. The Commission had determined that corporate insiders must either disclose or abstain from trading in the securities of their corporation on the basis of material inside information and that tippees who receive that type of information from insiders assume a similar duty.

In the regulatory area, the allocation of jurisdiction between the Commission and the Commodity Futures Trading Commission (CFTC) was also the subject of litigation.¹⁰⁵ In addition, this case presented the question of whether

options on Government National Mortgage Association securities (GNMA options) are securities. The United States Court of Appeals for the Seventh Circuit overturned a Commission order approving trading in GNMA options, holding that the options are not securities under the Federal securities laws. The Court also held that GNMA options are subject to the exclusive jurisdiction of the CFTC. In this and a companion case, the Commission sought Supreme Court review of the court of appeals' decision. In the petition, the Commission argued that the court's analysis threatened to undermine seriously the ability of the Commission to fulfill its statutory responsibilities to regulate the options markets.

(Shortly after the close of the fiscal year, legislation was enacted to clarify that options on securities are separate securities and that the Commission has authority to regulate such options. The Commission thereafter approved certain options trading on two exchanges, which was challenged again in the court of appeals. Following the legislation, the Supreme Court directed the court of appeals to vacate its earlier decision as moot. The court of appeals also dismissed as moot the challenge to the Commission's later orders approving certain options trading.)

Commission Participation in Private Litigation—The Commission also furthers its goals of investor protection and maintenance of fair and orderly markets through its participation as a friend of the court in litigation between private parties. Since the Federal securities laws provide for both government and private enforcement, decisions in private actions construing provisions of the Federal securities laws could have an adverse precedential effect on the Commission's own administration and enforcement of the law. In addition, private actions provide a necessary supplement to the Commission's enforcement program, enabling individual litigants to recoup investor losses. During fiscal 1982, determinations were reached in 19 cases in which the Commission participated as a friend of the court, of which five were not in accord with the views expressed by the Commission.

As with Commission enforcement litigation, the range of issues presented by these cases is far-reaching. Certain issues, such as the scope of the term "security," on which the Commission's jurisdiction depends, arise in enforcement cases as well as private litigation. In 1982 the Commission participated in several private actions to take the position that the transfer of a controlling stock interest, or a 100% stock interest, in a business constitutes the sale of a security.¹⁰⁶ In these cases the Commission argued that the application of the Federal securities laws should not depend on whether the purchaser of stock buys a small interest, a controlling interest or all of the stock of a corporation. Moreover, the Commission urged that a standard which permits such distinctions would deny persons who relied on the coverage of the securities laws the protections of those laws.

Significantly, the Supreme Court decided a case in which the Commission submitted a brief in conjunction with the Federal bank regulatory agencies, urging that a certificate of deposit issued by a federally-regulated and insured bank is not a security subject to the antifraud provisions of the Federal securities

laws.¹⁰⁷ The Supreme Court agreed with the government's position, pointing out that there are important differences between a certificate of deposit issued by a bank which is subject to comprehensive Federal banking regulations, and other long-term debt obligations. The Supreme Court held that it is unnecessary to subject banks issuing certificates of deposit to liability under the antifraud provisions of the Federal securities laws since there is abundant protection for the holders of bank certificates of deposit under the Federal banking laws. Consistent with the Commission's position, the Supreme Court limited its decision to the applicability of the antifraud provisions to the issuance of certificates of deposit by banks that are federally regulated.

An important and recurrent issue peculiar to private litigation—under what circumstances injured parties can sue under the Federal securities laws to obtain redress for violations—was recently raised in a case now pending before the Supreme Court. In this case, the Supreme Court granted review to consider whether Section 11 of the Securities Act, which expressly provides a damage remedy for misrepresentations in registration statements filed under that Act, precludes defrauded purchasers of registered securities from maintaining an action under the antifraud provisions of Exchange Act Section 10(b) and Rule 10b-5.¹⁰⁸ In the Supreme Court, the Commission has urged that a holding precluding the Section 10(b) remedy would create serious gaps in investor protection. Similarly, the Commission has participated in several private cases to urge that shareholders and their companies can bring suit for injunctive and other equitable relief to enforce Section 13(d) of the Exchange Act, which protects shareholders by giving them information concerning persons in a position to effect possible changes in corporate control.¹⁰⁹

This year the Supreme Court also provided a final resolution for many issues that the lower courts have faced in deciding the constitutionality of state takeover laws.¹¹⁰ The Supreme Court ruled, as urged by the Commission, that the provisions of the Illinois law at issue, which delay tender offers and give local officials the right to pass upon the merits of such offers, impose burdens on interstate commerce which outweigh legitimate local benefits, and thus violate the Commerce Clause of the United States Constitution. In reaching this result, the Supreme Court stated that a state has no interest in protecting non-resident shareholders.

Actions Involving Requests for Access to Commission Files—In 1982 the Commission experienced a substantial increase in administrative Freedom of Information Act¹¹¹ and confidential treatment appeals (161 FOIA appeals and 18 confidential treatment appeals). The majority of the FOIA appeals were for access to Commission files relating to ongoing investigations; the majority of the confidential treatment appeals were for documents containing confidential business information or trade secrets within the scope of FOIA Exemption 4¹¹² and/or the Trade Secrets Act.¹¹³ To expedite the processing of its burgeoning case load, the Commission amended its FOIA appeal rules (17 C.F.R. 200.80 et seq.) and its confidential treatment rules (17 C.F.R. 200.83 et seq.) to delegate authority to the General Counsel to decide these appeals.

In deciding each of these cases, the Office carefully considered the requestor's, as well as the submitter's, arguments as to the disclosability of information, so as to balance the right of the requestor to have access to information in the Commission's possession, against the legitimate concerns of the submitters to maintain the confidentiality of non-public information (such as trade secrets and privileged commercial or financial data). Despite the fact that 179 requests were processed in fiscal 1982, only 13 resulted in the filing of lawsuits against the Commission. And, in each of the lawsuits resolved to date, the Commission's decision has been sustained by the reviewing court.

Right to Financial Privacy Act—The Right to Financial Privacy Act (RFPA)¹¹⁴ requires the Commission, when it issues a subpoena to a “financial institution” seeking records maintained there by a “customer,” to provide simultaneous notice of the subpoena to the customer.¹¹⁵ The Act, which is designed to protect the legitimate privacy interests of bank customers, allows a customer, upon receipt of notice, to challenge the subpoena by filing a motion for that purpose in Federal court.¹¹⁶ If a customer can demonstrate to the district court that the subpoena seeks information that is irrelevant to the Commission's investigation, or the Commission's investigation is not legitimate, the court may quash the subpoena.

During fiscal 1982 the Commission issued 142 subpoenas subject to the RFPA customer challenge provisions. Fewer than 20 of these subpoenas resulted in customer challenge proceedings. And, in each case, the district court dismissed the customer's challenge and enforced the Commission's subpoena, finding that the Commission was properly seeking the subpoenaed records.

Actions Against the Commission and its Staff—The Office of General Counsel also defended the Commission and members of its staff in at least ten lawsuits in which plaintiffs sought to enjoin Commission law enforcement proceedings and/or damages against Commission employees conducting those proceedings. In all but one of these actions resolved in fiscal 1982, the Office of General Counsel obtained favorable decisions.

Significant Legislation and Regulatory Reform

Financial Services Industry—Task Force and Glass-Steagall Legislation—The emergence of new products offered by mutual funds, banks, savings and loans, and insurance companies has led to blurring of the lines that traditionally separated the financial services industries. In order to deal with the resulting wasteful, duplicative, and inconsistent regulation by a variety of government agencies, the Commission proposed formation of a one-year bipartisan task force to review the regulatory structure of the securities, banking, saving and loan, and insurance industries. The task force would consider the regulation of financial markets and services by function rather than outmoded industry classifications, and would consider consolidating the functions of the various regulatory bodies to achieve administrative savings and greater efficiency. (After the close of the fiscal year, such a Task Force was established, chaired by Vice President Bush.)

The Commission also supported proposed amendments to the Glass-Steagall Act to permit banks to underwrite and deal in municipal revenue bonds and sponsor and distribute mutual funds, if those activities are carried out by separate subsidiaries fully subject to the Federal securities laws.

Foreign Corrupt Practices Act—The Commission supported amendments during 1982 that would amend and clarify the accounting provisions of the Foreign Corrupt Practices Act of 1977 (FCPA) in order to reduce uncertainty and compliance burdens. The accounting provisions require that issuers make and keep accurate books and records and devise and maintain systems of internal accounting controls which provide reasonable assurances that certain statutory objectives are met. These provisions are intended to assure that issuers have reliable information with which to prepare financial statements and other disclosure documents.

The Commission also has responsibility for civil enforcement of the anti-bribery provisions of the FCPA. These prohibit the corrupt use of payments or gifts to officials of foreign governments and certain other persons in order to obtain or retain business. In testimony submitted to the Congress, the Commission stated that it did not object to proposals that enforcement of the anti-bribery provisions of the FCPA be consolidated in the Department of Justice.

Sanctions on Insider Trading—In September 1982, the Commission proposed legislation to Congress to amend the Exchange Act to add new sanctions for illegal insider trading. Despite vigorous enforcement efforts, insider trading violations, which undermine public confidence in the fairness of the securities markets, apparently continue because of the opportunity to reap large profits with little risk.

To deter illegal trading, the Commission proposes to impose greater risk on insiders. The proposed legislation would authorize the Commission to seek a court order requiring any person who violates the Exchange Act by purchasing or selling securities while in possession of material nonpublic information to pay, in addition to disgorging the profit made, up to three times the profit gained (or loss avoided) as a result of the unlawful transaction. The penalty would be payable into the United States Treasury. It would also increase the current maximum fine of \$10,000 for a criminal violation of the Exchange Act to \$100,000, which would affect, in addition to insider trading, most criminal violations of the Exchange Act. The current \$10,000 fine was established when the Act was passed in 1934. The Commission believes that the deterrent effect of the fine has been significantly diminished because of inflation. The larger fine would restore and enhance the deterrent effect of the criminal provisions of the Exchange Act.

Meetings With Outside Groups—During the year, the Commission completed preparation for a Major Issues Conference, designed to bring together heads of other Federal and state regulatory agencies and chairmen and presidents of leading financial institutions and exchanges to explore the major issues confronting the nation's financial institutions and markets in the 1980's. (This conference was held on October 6-8, 1982, attended by nearly 550 leading officials

of the financial, corporate, legal, accounting, and government regulatory communities, at which significant problems were identified and possible solutions were suggested.)

The Commission also scheduled meetings, to reduce regulatory conflicts and overlaps and to develop a more cooperative, coordinated approach regarding matters of mutual interest, with the Federal Reserve Board, Federal Deposit Insurance Corporation, Comptroller of the Currency, Federal Home Loan Bank Board, and the Commodity Futures Trading Commission. In addition, meetings were scheduled with the executive staffs of several exchanges and the National Association of Securities Dealers, Inc., to obtain a better appreciation of problems confronting the self-regulatory organizations and suggestions for improvements in the Commission's regulatory programs. (These meetings were conducted after the close of the fiscal year. Similar meetings will be scheduled with Congressional staffs and associations that represent investors, industry, and the legal and accounting professions.)

Public Utility Holding Companies

Composition

Under the Public Utility Holding Company Act of 1935 (Holding Company Act), the Commission regulates interstate public utility holding company systems engaged in the electric utility business or in the retail distribution of gas. The Commission's jurisdiction also covers the natural gas pipeline companies and nonutility companies within a registered holding company system.

There are presently 13 registered holding companies with aggregate assets, as of June 30, 1982, of \$62.9 billion. Total holding company system assets increased \$5.9 billion in the 12-month period ended June 30, 1982. Total operating revenues, as of June 30, 1982, were \$30 billion, a \$3.5 billion increase over the previous year. In the 13 systems, there are 67 electric and/or gas utility subsidiaries, 62 nonutility subsidiaries and 19 inactive companies, for a total of 161 system companies, including the parent companies but excluding 7 power supply company subsidiaries. Table 34 in the Appendix lists the systems and Table 35 lists their aggregate assets and operating revenues.

Proposed Repeal

Eight bills proposing modifications to or repeal of the Holding Company Act were introduced in the 97th Congress. The Commission determined that, if enacted, the industry-sponsored bills to amend the Holding Company Act would leave it with insufficient authority to properly administer the Act. Instead, the Commission voted to support the repeal of the Act stating that the Act was, in fact, no longer necessary to fulfill its original purposes.

The Holding Company Act was originally designed to effect a restructuring of the gas and electric utility industry and to prevent recurrence of the abuses caused by multi-tiered utility holding companies. The Commission has achieved these purposes and most of the industry has been geographically integrated and simplified. Developments since 1935 in the form of new accounting standards, sophisticated financial analysis, increased disclosure requirements and other Federal securities laws and more effective state regulation all ensure the soundness of the utility industry and the protection of utility consumers and investors.

Financing

During fiscal year 1982, approximately \$3.3 billion of senior securities and common stock financing of the 13 registered systems was approved by the Commission. Of this amount, approximately \$2.5 billion was long-term debt financing, and over \$800 million was for equity financing. The Commission ap-

proved \$4.4 billion of short-term debt financing and \$292 million of pollution control financing for the registered holding company systems. The short-term debt amounted to approximately 38% less than the \$7.1 billion authorized in fiscal year 1981. Table 36 in the Appendix presents the amount and types of securities issued by the holding company systems under the Holding Company Act.

Nonutility Subsidiary Matters

In *National Fuel Gas Company*,¹¹⁷ and *Consolidated Natural Gas Company*,¹¹⁸ both registered holding companies, the Commission authorized the acquisition of the outstanding common stock of newly organized nonutility subsidiaries, Enerop Corporation and CNG Energy Company, respectively. In each case the proceeds of the sale would be applied, at least in part, toward the marketing, installation, servicing and financing of fuel conversion equipment to adapt gasoline powered motor vehicles used in short-haul fleets to use compressed natural gas or gasoline.

In *New England Electric System*, Commission authorization was granted to permit: (1) New England Energy, Inc. (NEEI), a subsidiary of New England Electric System (NEES), a registered holding company, to enter into a joint venture with Keystone Shipping Company to build, own or lease, and operate a self-loading, coal-fired collier; (2) NEES to advance to NEEI, and NEEI to provide to the joint venture, funds for initial capital and for construction of the collier; and (3) NEES to make certain guarantees in connection with these transactions.¹¹⁹ By an Opinion and Order dated December 9, 1981,¹²⁰ New England Power Company, another subsidiary of NEES, was authorized to charter the vessel from the joint venture for a term of 24-1/2 years.

In *American Electric Power Company*, the Commission authorized the American Electric Power Co., Inc., to acquire the capital stock of, and make capital contributions to, a new consulting subsidiary, AEP Energy Services, Inc.¹²¹ The principal function of the new subsidiary is the competitive marketing of management, technical and training services to non-affiliated entities. Business operations will be managed by a limited, permanent staff complemented by personnel and resources from the American Electric Power Service Corporation (AEP Service), temporarily assigned for particular consulting projects on a full-cost reimbursement basis under applicable rules under the Holding Company Act.¹²² It is intended that expertise in the utility business, developed over the years for internal needs, be channeled to the open market in order to create new sources of revenue and profit for the parent holding company and to spread fixed labor costs of AEP Service over a broader base, permitting the retention of skilled personnel during off-peak operating periods.

Fuel Programs and Service Companies

During fiscal year 1982, the Commission authorized over \$1.5 billion for fuel exploration and development activities of the holding company systems. This

represents a 50% increase over fiscal year 1981 fuel expenditures. Table 38 in the Appendix lists the authorization by holding company system for each fuel program.

Largely as a result of radical changes in cost and availability of fuel, utilities have embarked on major programs to acquire control over part of their fuel supply. Generally, the arrangements involve the formation of subsidiaries or entry into joint ventures for the production, transportation and financing of fuel supplies or the supply of capital for the exploration and development of reserves with a right to share in any discovered reserves. Since 1971, the Commission has authorized expenditures of over \$5.7 billion for fuel programs of holding companies subject to the Holding Company Act.

At the end of calendar year 1981, there were 12 subsidiary service companies providing managerial, accounting, administrative and engineering service to 11 of the 13 holding companies registered under the Holding Company Act. The billings for services rendered to the holding company systems amounted to \$730.4 million or 2.59% of the total revenues generated by the electric and gas operating utilities. The subsidiary service companies are heavily labor-intensive, employing over 14,000 people, and have assets of over \$352 million. Table 37 in the Appendix lists the subsidiary service companies with billings, total assets, total personnel, and number of operating utility companies served.

Corporate Reorganizations

Reorganization proceedings in the United States Courts are commenced by a debtor or by its creditors. Federal bankruptcy law allows a debtor in reorganization to continue to operate under the court's protection while it attempts to rehabilitate its business and work out a plan to pay its debts. Where a debtor corporation has publicly held securities outstanding, such cases raise many issues that materially affect the rights of public investors. The issuance of new securities to creditors and shareholders pursuant to a plan are exempt from registration under the Securities Act. The Commission enters its appearance and participates in corporate reorganization proceedings to protect the interests of public investors holding the debtor's securities and to render independent, expert assistance to the courts and parties in a complex area of law and finance.

Chapter 11 of the Bankruptcy Code authorizes the Commission to enter its appearance in any reorganization case and to raise, or present its views on, any issue in a Chapter 11 case. Although Chapter 11 applies to all types of business reorganizations, the Commission, in its 40 years of participation in reorganization cases, has generally limited its participation to those in which a substantial public investor interest was involved.

During the past fiscal year, 76 debtors with publicly issued securities outstanding entered Chapter 11 reorganization proceedings. The Commission entered its appearance in 28 of these cases, with aggregate assets of \$8.8 billion and close to 290,000 public investors, compared to 18 cases with \$2.5 billion and 130,000 investors in 1981. A list of these proceedings is set forth in Table 40 in the Appendix to this Report. In these cases the Commission presented its views, in court and to other participants, on a variety of issues, including: (1) the need for appointment of additional committees to represent equity security holders; (2) issues concerning the debtor's operations and sales of assets; (3) the need for appointment of a trustee or examiner to conduct an investigation into the debtor's affairs; (4) questions concerning the status and rights of the securities held by public investors, the classification of their claims, and proposed treatment in reorganization plans; (5) the adequacy of disclosure statements required to be transmitted to creditors and investors when their votes on a plan are being solicited; (6) the reasonableness of fees sought by counsel and other professionals; and (7) interpretive questions concerning the securities laws and the Bankruptcy Code.

The Commission has been concerned to insure that public investors are adequately represented in Chapter 11 cases, especially since a plan of reorganization is developed through negotiations between the debtor and committees. During the fiscal year, the Commission moved or supported the appointment of investor committees in eight Chapter 11 cases involving about 70,000 in-

vestors. Committees were appointed in all cases except one which commenced a liquidation of its assets. In two of these cases, plans filed by the debtor in possession, after negotiations with the committees, accorded public investors a significant interest in the reorganized company.

The Commission has also moved for the appointment of a trustee in one case and an examiner in three cases. In two cases the examiner's preliminary report indicated a high probability of the existence of causes of action against former officers, directors and possibly accountants. In two other cases, examiners, appointed in the previous year, have filed reports recommending (1) the pursuit of causes against former officers, counsel, and others and (2) subordination of certain senior bank creditor claims, respectively.

During the past year, the Commission has reviewed applications for interim allowances filed by professionals in all participating Chapter 11 cases. As a result of the Commission's efforts, courts have adhered to the long-standing policy of paying only a portion of interim allowances, generally limiting the award to about 75% of the request. Fees payable in a large Chapter 11 case can be substantial. For example, in *White Motor Corp.*, for a two year period official participants in the case requested interim allowances of over \$12.6 million but were paid about \$9 million. Also, in *Braniff International*, interim fee requests for a five month period totaled about \$2.7 million with the court awarding about \$1.3 million. And in *Istel Corporation*, the court paid the full amount requested of \$6.5 million during the first six months of the case but thereafter reduced the amount paid to 75% of amounts requested, which continue at about \$10 million per year.

Administration, Support and Analytical Services

Key Management and Program Developments

During fiscal 1982, the Commission stressed its commitment to maximize the use of available resources. To this end, the Office of the Executive Director gave technical assistance that strengthened the Commission's internal management. Significant was the relocation and consolidation of the Commission's headquarters staff into a single location at Judiciary Plaza. The move closed a decade of duplicative facilities and services at Commission offices dispersed at three locations, enhancing productivity an estimated 7% and averting over \$400,000 in costs associated with maintaining three buildings.

Assistance was also provided to shift dissemination of Commission findings to the private sector, saving more than \$300,000 annually. The Commission's *Docket*, *News Digest* and *Compilation of Decisions and Reports* are now internally produced for use by the Commission's staff and is distributed externally at no added cost to the public through private contractors.

Technical assistance was also provided to: (1) the Directorate of Economic and Policy Analysis to increase the utility of their study reports to the Commission, increase the efficiency of maintaining an economic data base and provide for an Office of the Chief Economist; (2) the Office of the General Counsel to improve available management information; (3) the Division of Enforcement to refine the Commission's Case Tracking System; (4) the Commission's Public Reference Room to improve the delivery of information to the public; and (5) other Federal agencies including the Central Intelligence Agency, the Department of Health and Human Services, the Department of Justice, and the Equal Employment Opportunity Commission on various management topics.

The Commission continues to maintain an experienced, highly motivated corps of senior executives. In 1982, the President honored the Commission by awarding three of its top executives with coveted Senior Executive Service rank awards. Theodore H. Levine and David P. Doherty, both Associate Directors in the Division of Enforcement, were awarded the rank of Meritorious Executive. William D. Goldsberry, Administrator of the Chicago Regional Office, was one of the few Federal managers designated the rank of Distinguished Executive, the highest award given to Federal employees.

Inter-American Conference

The Commission hosted the Seventh Annual Inter-American Conference of Securities Commissions and Similar Organizations in May of this year. The Inter-

American Conference provides an opportunity for delegations of securities regulators from throughout the world to exchange views and experiences on topics of common interest concerning the development, promotion, expansion, and appropriate regulation of their national securities markets. The Conference was attended by representatives of 30 member and observer nations and 10 self-regulatory and international financial organizations. The Conference theme was "Improving Capital Markets Through Cooperation and Competition." The major topics addressed were: (1) the organization and structure of securities markets as a means of improving capital markets; (2) competition and cooperation between government and private enterprise with respect to investor savings; and (3) the role of foreign issuers and foreign investors in domestic capital markets.

Information Systems Management

Data processing capabilities were extended to several new areas in 1982. Some regional offices are using two new information systems. A prototype customer accounts system uses microcomputers for financial analysis of broker-dealer customer accounts. An on-line system on the Commission's headquarters mainframe computer provides the regions instant current and historical price data from major stock exchanges. Other new systems implemented this year allow the Commission to monitor and control filing fee records; allocate basic automatic data processing (ADP) costs; monitor various regulated entities; queueing the General Counsel's legal briefs by topic; and audit Commission long-distance telephone calls.

Existing information systems were also extensively modified. The on-line personnel management system was expanded to incorporate additional data elements required by the Office of Personnel Management and improve analysis of personnel data. The filings tracking system was expanded to a fully integrated on-line system to control all corporate filings and analyze new securities registration offering statistics. Finally, the complaint processing system was converted to on-line to improve tracking of investor complaints.

The Office of Information Systems Management reorganized during 1982 to improve responsiveness to the Commission's ADP workload. Two new entities were created. The first serves as a focal point for the development of ADP policy and standards, the oversight of the Commission's on-going ADP security program, the establishment of data administration functions, and the organization of the Commission's microcomputer resource facility. The second entity is responsible for systems development and securities market oversight and surveillance activities.

In 1982, the Commission's computer hardware configuration was enhanced. A second processing unit was installed and internal memory capabilities of both central processing units and data storage devices for on-line systems were upgraded. A switching unit was installed to allow operation of the teleprocessing system when the primary processor becomes inoperable. The

Commission acquired 12 additional microcomputers in furtherance of the next phase of the regional office microcomputer support project. The Commission's ADP facility in the new building contains the latest in security, environmental, and electrical controls and provides space and layout flexibility for current and future operations, a marked improvement over the previous facility.

Extensive efforts were undertaken to review and evaluate ADP services, eliminate nonessential services and, where possible, consolidate requirements. These efforts resulted in a cost avoidance of over \$600,000. Reliance upon the industry to develop the market oversight surveillance system generated an additional cost avoidance of over \$1 million.

Financial Management

In fiscal 1982 the Commission collected \$78.2 million in fees for deposit into the General Fund of the Treasury. This represented 94% of the Commission's appropriated funds, as compared with 81% in 1981.

Fees were collected from four major sources: (1) registrations under the Securities Act of 1933, provided for 68%; (2) transactions on securities exchanges provided 24%; (3) other filing and report fees made provided 7%; and (4) registration of SEC regulated broker/dealers provided 1%.

The rise in 1982 revenues resulted principally from the growth in money market funds.

The Office of the Comptroller continued to implement an automated integrated financial management system. The cash management system was expanded to track accounts receivable. It automatically generates payment requests and follow up letters. By producing faster payments, it is estimated that the system will save the government over \$6,000 annually in interest earned which would otherwise be lost.

Recordkeeping of commercial long-distance telephone calls by individual organizations was expanded to include Federal Telephone System calls in 1982. The General Services Administration (GSA) provides the Commission with a 20% sample of all calls made for internal management review. During the year, approximately \$70,000 was saved in long-distance telephone charges.

Initiatives were begun to improve resource utilization, including the selection of a budget formulation package to track expenditures by cost categories. Data transcription has been converted to terminal entry for certain payroll actions, reducing errors. The Commission took part in a no-cost travel agent project designed to purchase tickets at the lowest rate available.

Internal Audit

The internal audit function was transferred to the Office of the Executive Director in 1982 with reporting responsibilities both to the Chairman and the Executive Director. During the year, internal audit examined the agency's payroll system, helped develop an on-line payroll system, and began to implement OMB Circular A-123, requiring vulnerability assessments and internal control reviews. Follow-up studies of cash management and imprest fund audits were completed.

Personnel Management

During 1982, the Commission sustained a 5% reduction in its staffing level. Although attrition enabled the Commission to meet its personnel reductions, during 1982 plans were made to implement reductions-in-force (RIF). Procedures developed made extensive use of ADP to rank employees in order of release.

This was the first full year of operation for the new performance appraisal system developed under the Civil Service Reform Act. All employees were evaluated using performance standards and critical elements tailored to their specific positions. These appraisals are being used in decisions involving training, reassignments, promotions, and awards.

The merit pay program was implemented on schedule with a fixed pool of money to pay for salary increases, with larger increases paid for superior performances.

A number of other initiatives were taken to enhance productivity and the reputation of the Commission as a progressive employer:

- A retirement planning seminar was conducted utilizing speakers from the Office of Personnel Management, the Social Security Administration, organizations of retired persons, and retired members of the Commission's staff. This widely praised seminar is to become an annual event.
- A conference was held to brief management on policies and trends in personnel, fiscal data processing, and procurement management.
- Despite curtailed hiring, the Commission continued its lawyer recruitment, maintaining contact with law schools to keep the prospect of SEC employment before law graduates.
- The SEC aggressively pursued affirmative action for handicapped persons and undertook development of a disabled veterans program. The Commission's new building is being equipped with stainless steel braille directional signs and teletypewriter (TTY) telephones. The handicapped persons placement coordinator is often asked to address new coordinators in other agencies regarding the development and implementation of affirmative action programs, an indication of the respect the Commission enjoys in this area.

Facilities Management

The Commission moved into a consolidated headquarters building in 1982. Furniture and equipment were moved, after prior planning, during June, July and August weekends to minimize disruption. Consolidating Commission activities within one building eliminated the inconvenience of three previous locations and improved employee productivity by eliminating 15,000 trips between buildings at a cost of over \$60,000 per annum.

Nationwide use of common carrier service in lieu of the mails was begun in 1982, resulting in guaranteed overnight delivery and annual savings of \$40,000. Obsolete facsimile equipment was replaced with telecopiers that will improve transmission quality and speed.

Efforts to reduce or eliminate all but essential periodicals, and halt the prin-

ting and mailing of releases, and discontinuing the printing and typeset of the *SEC Docket* resulted in a cost savings of over \$1 million.

Subsidized parking in the Washington, D.C. and the Fort Worth offices was eliminated for an annual savings of \$55,000. The Commission exceeded its Small Business Administration goal of 20% for awarding Federal contract dollars to small and disadvantaged businesses.

To facilitate the acquisition of new field office space, a computerized system was developed to monitor lease expiration dates.

Equal Employment Opportunity

The Equal Employment Opportunity Office completed an affirmative action plan for minorities and women for 1982-1986, under guidance issued by the Equal Employment Opportunity Commission. Black women in the agency workforce increased 9% to 331 in 1982. Approximately 325 employees of various regional offices completed a four-hour course on sexual harassment prevention during 1982.

Annual observations were conducted for Hispanic Heritage Week, Asian and Pacific American Heritage Week, Afro-American History Month, National Secretaries Week, and Women's Week. Committees on the Federal Women's Program and Hispanic Employment Program were also active during the year.

For the fourth year, the SEC-Securities Industry Committee on Equal Employment Opportunity sponsored achievement scholarships for minority students. This program offers scholarships to an outstanding minority students seeking a business career. The committee has donated more than \$35,000 in scholarships.

Public Affairs

The principal source of information on Commission actions is the Office of Public Affairs. In fiscal 1982, the office processed 98,000 telephone inquiries, responded to 1,100 written inquiries, and issued 64 press releases, as compared with 92,000, 1,000 and 70 respectively in 1981.

The program assures cost-effective dissemination of news about Commission actions to millions of investors and thousands of corporations, broker-dealers, attorneys, accountants and others.

During 1982, 247 individuals from foreign and domestic regulatory agency staffs, industry members and student groups visited the Commission to learn about securities issues.

Additional published and audiovisual information on the Commission is produced by Public Affairs. "What Every Investor Should Know, A Handbook from the SEC", a comprehensive new brochure, was published in 1982 and distributed to the public throughout the U.S. by the Consumer Information Center, Pueblo, Colorado. "Eagle on the Street", a 22-minute show dealing with the SEC and the securities markets, is being rented and sold by the National AudioVisual Center in 16mm and videotape versions.

Consumer Affairs and Information Services

The Commission's move into its new headquarters building provided important additional space for the public reference room. The conversion of public records from paper to microfiche is almost complete; the records now contain over one million microfiche, all accessible within minutes. During fiscal 1982, public reference room inquiries decreased 15% to 140,000. These included 14,000 publication and 72,000 telephone requests.

Consumer complaints declined 19% to 17,000. Of these, 7,300 concerned operation problems of registered broker-dealers, such as failure to deliver securities or funds, or errors in account records; and 6,000 concerned issuers, transfer agents, banks, mutual funds and investment advisers.

Finally, Consumer Affairs processed 1,536 Freedom of Information Act and 54 Privacy Act requests, as compared with 1,622 and 66 in 1981.

Economic and Policy Analysis

The goal of the Commission's economic and policy analysis program is to provide the operating divisions with an objective economic perspective and the related technical support to understand and evaluate the economic dimensions of the agency's regulatory oversight. This program is carried out by the Directorate of Economic and Policy Analysis and the Office of the Chief Economist. The Office of the Chief Economist was established during the fiscal year to enhance the Commission's long range policy overview, to draw increased attention to the fundamental economic issues raised by the agency's regulatory actions and to coordinate liaison on such issues with Congress, other government agencies and the academic community.

The economic staff meets regularly with the operating divisions to determine which regulatory issues or programs are suitable for economic analysis and plans for the collection of data needed for policy deliberations of program administration. The Directorate also reviews rule proposals before they are submitted to the Commission for consideration. In particular, the Directorate seeks to assess the effects which proposed rules would have, if adopted, on competition within the securities industry and among competing securities markets, as required by Section 23 of the Exchange Act, and on small businesses, as required by the Regulatory Flexibility Act and the Small Business Investment Incentive Act. Where appropriate, the Directorate also identifies more cost-effective means of accomplishing the regulatory objective under review.

When issues are particularly significant and effects uncertain, the Directorate may develop and implement a program to monitor the proposed rule after its adoption. Alternatively, the Directorate or Chief Economist may recommend that the Commission not adopt or modify a rule because the expected costs exceed the perceived benefits.

In the past fiscal year the Commission made special efforts to coordinate activities of its various operating divisions in order to identify adverse economic consequences at an earlier stage in the rulemaking process. This permits per-

minent data collection and analysis to be planned and conducted in a more thorough and timely manner.

The following are some of the Directorate's fiscal 1982 projects:

- Two analyses of Rule 15c3-1, the net capital rule.
- Publication of the annual "Staff Report on the Securities Industry" which provides information on the structure, performance, and condition of the securities industry and analyzes market conditions and other factors which led to such results;
 - Reports on the Intermarket Trading System and the National Securities Trading System of the Cincinnati Stock Exchange, and the monitoring of the operation of Exchange Act Rule 19c-3;
 - A joint proposal with the Division of Market Regulation that eliminated certain schedules in the FOCUS report, filed periodically by registered broker-dealers. The elimination of these schedules will save the securities industry \$1.5 million annually without reducing investor protection.
 - A study which employed economic and statistical analysis to estimate the likely effects of Rule 415;
 - An analysis of the cost effectiveness of Regulation 13D beneficial ownership disclosure requirements;
 - An investigation into the operation of the Commission's tender offer rules, focusing initially on the rule governing the proration period for tender offers;
 - A study on the use of Regulation A and the effects of the increased dollar amount of sales permitted under this exemption which became effective in 1978;

Footnotes

¹"Commission Recommends Enactment of Tougher Insider Trading Sanctions", 82 SEC News Digest 188 (September 29, 1982).

²"Swiss and U.S. Governments Sign Memorandum of Understanding", Press Release No. 82-44, 82 SEC News Digest 169 (September 1, 1982).

³Examples of insider trading cases include: *SEC v. Charles L. Andes, et al.*, Civ. Act. No. 82-1659 (E.D. Pa.), Litigation Release No. 9649 (April 14, 1982), 25 SEC Docket 2133; *SEC v. Certain Unknown Purchasers of the Common Stock of, and Call Options for, the Common Stock of Santa Fe International Corporation, et al.*, Civ. Act. No. 81-6553 (S.D.N.Y.), Litigation Release Nos. 9484, 9485 (October 26, 1981), 23 SEC Docket 1378, 1379, Litigation Release No. 9770 (September 29, 1982), 26 SEC Docket 471; *SEC v. Martin W. Cooper, et al.*, Civ. Act. No. 82-3462 (C.D. Cal.), Litigation Release No. 9718 (July 15, 1982), 25 SEC Docket 1247; *SEC v. Guy O. Dove, III*, Civ. Act. No. 82-1522 (D.D.C.), Litigation Release No. 9685 (June 3, 1982), 25 SEC Docket 691; *SEC v. J. Robert Fabregas and Stephen W. Porter*, Civ. Act. No. 82-3440 (C.D. Cal.), Litigation Release No. 9717 (July 14, 1982), 25 SEC Docket 1181; and, *SEC v. Gary L. Martin, Martin Martin, M & M Investments and Gary L. Martin, Inc., P.S.*, Civ. Act. No. C-82-381 (W.D. Wash.), Litigation Release No. 9642 (April 7, 1982), 24 SEC Docket 1958.

⁴See footnote 1.

⁵Examples of issuer financial statement and reporting cases include: *SEC v. Data Access Systems, Inc., et al.*, Civ. Act. No. 81-3362 (D.N.J.), Litigation Release No. 9487 (October 29, 1981), 23 SEC Docket 1380; *SEC v. Hotel Associates of Atlantic City, et al.*, Civ. Act. No. 82-721 (D.N.J.), Litigation Release No. 9612, (March 11, 1982), 24 SEC Docket 1528; *SEC v. Quality Care, Inc.*, Civ. Act. No. 82-1438 (D.D.C.), Litigation Release No. 9679 (May 25, 1982), 25 SEC Docket 630; *In the Matter of Southern States Petroleum Corporation*, Securities Exchange Act Release No. 18609 (March 31, 1982), 24 SEC Docket 1774; *SEC v. Swanton Corporation, et al.*, Civ. Act. No. 82-0014 (D.D.C.), Litigation Release No. 9542 (January 5, 1982), 24 SEC Docket 660; *SEC v. Teletrans Industries, Inc.*, Civ. Act. No. 81 Civil 7654 (S.D.N.Y.), Litigation Release No. 9538 (December 28, 1981), 24 SEC Docket 595; and, *SEC v. Vornado, Inc.*, Civ. Act. No. 81-3068 (D.D.C.), Litigation Release No. 9531 (December 18, 1981), 24 SEC Docket 524.

⁶FCPA cases include: *SEC v. William R. Bundy*, Civ. Act. No. IP 81-1350 (S.D. Ind.), Litigation Release No. 9532 (December 18, 1981), 24 SEC Docket 526; *SEC v. Computer Communications Inc., et al.*, Civ. Act. No. 81-2490 (D.D.C.), Litigation Release No. 9472 (October 19, 1981), 23 SEC Docket 1305; *SEC v. Data Access*, Civ. Act. No. 81-3362 (D. N.J.), Litigation Release No. 9487 (October 29, 1981), 23 SEC Docket 1380; *SEC v. Flight Transportation Corp.*, Civ. Act. No. 4-82-874 (D. Minn.), Litigation Release No. 9736 (August 18, 1982), 25 SEC Docket 1499; *SEC v. Jack Friedland*, Civ. Act. No. 82-1784 (E.D. Pa.), Litigation Release No. 9655 (April 21, 1982), 25 SEC Docket 2213; *In the Matter of Government Securities Management Company, Inc.*, Investment Advisors Act Release No. 814 (July 21, 1982), 25 SEC Docket 1244; *SEC v. Hermitte Corp.*, Civ. Act. No. 82-1223 (D. D.C.), Litigation Release No. 9756 (September 15, 1982), 26 SEC Docket 226; *SEC v. Saxon Industries, Inc.*, Civ. Act. No. 82-5992 (S.D.N.Y.), Litigation Release No. 9763 (September 27, 1982), 26 SEC Docket 465; *SEC v. William E. Tate*, Civ. Act. No. H82-0175R (S.D. Miss.), Litigation Release No. 9774 (October 6, 1982), 26

Docket 550; and, *In the Matter of Telex Corporation*, Securities Exchange Act Release No. 18694 (April 29, 1982), 25 SEC Docket 275.

⁷Examples of market manipulation cases include: *SEC v. James T. Hinz*, Civ. Act No. 82-0401 (E. D. Wisc.), Litigation Release No. 9638 (April 2, 1982), 24 SEC Docket 1953; *SEC v. Gary V. Lewellyn and G. V. Lewellyn & Co.*, Civ. Act No. 2102 (S.D.N.Y.), Litigation Release No. 9639 (April 2, 1982), 24 SEC Docket 1954, Litigation Release No.9673 (May 14, 1982), 25 SEC Docket 576; and, *In the Matter of Wall Street West, Inc.*, Administrative Proceeding File No. 3-6119 (April 21, 1982).

⁸Examples of related party transactions include: *SEC v. Frederix P. DeVeau, et al.*, Civ. Act No. SA82 (W.D. Texas), Litigation Release No. 9682 (June 1, 1982), 25 SEC Docket 688, Litigation Release No. 9754 (September 10, 1982), 26 SEC Docket 224; and, *SEC v. W.S.C. Group, Inc., et al.*, Civ. Act No. H-81-2844 (S.D. Texas), Litigation Release No. 9508 (November 9, 1981), 23 SEC Docket 1637.

⁹Examples of securities distribution violations cases include: *SEC v. Brady Energy Corporation, et al.*, Civ. Act No. 82-1910 (D.D.C.), Litigation Release No. 9715 (July 12, 1982), 25 SEC Docket 1176, and Litigation Release No. 9742 (August 27, 1982), 26 SEC Docket 75; *SEC v. James L. Douglas a/k/a James L. Cooper*, Civ. Act No. C82-29 (N.D. Ohio), Litigation Release No. 9589 (February 19, 1982), 24 SEC Docket 1184; *SEC v. Flow General Inc.*, Civ. Act No. 82-1344 (D.D.C.), Litigation Release No. 9674 (May 17, 1982), 25 SEC Docket 578; *SEC v. Future American Petroleum, Inc., et al.*, Civ. Act No. F81-0245 (N.D. Ind.), Litigation Release No. 9496 (November 16, 1981), 23 SEC Docket 1626; and, *SEC v. Daniel H. Lloyd, et al.*, Civ. Act No. 82-824W (W.D. Okla.), Litigation Release No. 9696 (June 17, 1982), 25 SEC Docket 1629.

¹⁰*In the Matter of Fidelity Financial Corporation and Fidelity Savings and Loan Association*, Securities Exchange Act Release No. 18927 (July 30, 1982), 25 SEC Docket 1299.

¹¹Examples of changes in corporate control cases include: *SEC v. Severyn Ashkenazy*, Civ. Act No. 82-1799 (C.D. Cal.), Litigation Release No. 9645 (April 13, 1982), 25 SEC Docket 2129; *SEC v. Bayswater Realty & Capital Corporation, et al.*, Civ. Act No. 81-3203 (D.D.C.), Litigation Release No. 9540 (December 30, 1981), 24 SEC Docket 597; *SEC v. Grumman Corporation*, Civ. Act No. 81-3685 (E.D.N.Y.), Litigation Release No. 9493 (November 9, 1981), 23 SEC Docket 1550; and, *In the Matter of Paine Webber Jackson & Curtis, Inc.*, Securities Exchange Act Release No. 18318 (December 9, 1981), 24 SEC Docket 261.

¹²Examples of broker-dealer violation cases include: *In the Matter of Bache Halsey Stuart Shields, Inc., et al.*, Securities Exchange Act Release No. 19003 (August 24, 1982), 25 SEC Docket 1527; *SEC v. Larry D. Blavin*, Civ. Act No. 81-74281 (E.D. Mich.), Litigation Release No. 9506 (November 18, 1981), 23 SEC Docket 1635; *SEC v. Diversified Securities, Inc., Robert J. Conway, Joseph W. Conway, Calvin Blakely and Paul Benes*, Civ. Act No. 82-1204 (C.D. Cal.), Litigation Release No. 9631, (March 25, 1982); 24 SEC Docket 1749; *SEC v. First Interregional Equity Corp.*, Civ. Act No. 82-1995 (D.N.J.), Litigation Release No. 9702 (June 23, 1982), 25 SEC Docket 960; *SEC v. Halpert, Oberst & Co., Alan P. Halpert*, Litigation Release No. 9559 (January 22, 1982), 24 SEC Docket 926; *SEC v. J.B. Hanauer & Co.*, Civ. Act No. 82-407 (D.N.J.), Litigation Release No. 9582 (February 11, 1982), 24 SEC Docket 1079; *SEC v. Joseph Glenski*, Civ. Act No. 81-3184 (D.N.J.) Litigation Release No. 9478 (October 21, 1981) 23 SEC Docket 1308; *SEC v. Kneger Wunderlich & Company, Andrew B. Kneger, Stanley Wunderlich*, 82 Civ. Act No. 5502 (S.D. N.Y.), Litigation Release No. 9740 (August 20, 1982) 25 SEC Docket 1587; *In the Matter of Merrill Lynch, Pierce, Fenner & Smith, Inc., et al.*, Securities Exchange Act Release No. 18923 (July 26, 1982), 25 SEC Docket 1259; *In the Matter of John Mark Lee Osborne, et al.*, Securities Exchange Act Release No.

18973 (August 17, 1982), 25 SEC Docket 1448; *SEC v. OTC Net Incorporated, et al.*, Civ. Act. No. 82-Z-877 (D. Colo.), Litigation Release No. 9686 (June 8, 1982), 25 SEC Docket 787; *In the Matter of Parker/Hunter Incorporated*, Securities Exchange Act Release No. 19010 (August 24, 1982), 25 SEC Docket 1556; *In the Matter of Parker/Hunter Incorporated, David W. Hunter, James W. Braham and James A. Mandzycky*, Securities Exchange Act Release No. 19009 (August 25, 1982), 25 SEC Docket 1552; *In the Matter of Parker/Hunter Incorporated, Benjamin F. Lear and Richard J. Beisel*, Securities Exchange Act Release No. 19008 (August 24, 1982), 25 SEC Docket 1548; and, *SEC v. Stix & Co., Inc.*, Civ. Act. No. 81-1402-C, (E.D. Mo.), Litigation Release No. 9517 (December 1, 1981), 24 SEC Docket 234.

¹³Examples of other regulated entities cases include: *In the Matter of CMC Funding, Ltd.*, Investment Advisers Act Release No. 822 (September 1, 1982), 26 SEC Docket 70; *SEC v. Edward J. Falvey*, Civ. Act. No. 82-0197, Litigation Release No. 9575 (D. Mass.), (February 2, 1982), 24 SEC Docket 996, Litigation Release No. 9728 (August 5, 1982), 25 SEC Docket 1364; *In the Matter of Government Securities Management Company, Inc.*, Investment Advisers Act Release No. 814 (July 21, 1982), 25 SEC Docket 1244; *SEC v. Martin Rosenberg and David Rosenberg*, Civ. Act. No. 82-6184 (S.D.N.Y.), Litigation Release No. 9759 (September 24, 1982), 26 SEC Docket 459; and, *SEC v. Tax Deferred Capital Corp.*, Civ. Act. 82-8062 (S.D. Fla.), Litigation Release No. 9623 (March 22, 1982), 24 SEC Docket 1742.

¹⁴Securities Act Release No. 6383 (March 3, 1982), 24 SEC Docket 1318.

¹⁵Securities Act Release No. 6391 (March 12, 1982), 24 SEC Docket 1580.

¹⁶Securities Act Release No. 6423 (September 2, 1982), 26 SEC Docket 3.

¹⁷Securities Act Release No. 6398 (March 8, 1982), 24 SEC Docket 1444.

¹⁸Securities Exchange Act Release No. 18647 (April 15, 1982), 25 SEC Docket 120.

¹⁹Securities Act Release No. 6406 (June 4, 1982), 25 SEC Docket 695.

²⁰Securities Act Release No. 6416 (July 9, 1982), 25 SEC Docket 1121.

²¹17 CFR 229.402(f).

²²17 CFR 240.14a-101 et seq.

²³Securities Exchange Act Release No. 19135 (October 14, 1982), 26 SEC Docket 601.

²⁴Securities Act Release No. 6360 (November 20, 1981), 24 SEC Docket 2.

²⁵Securities Act Release No. 6361 (November 20, 1981), 24 SEC Docket 32.

²⁶Securities Act Release No. 6362 (November 20, 1981), 24 SEC Docket 34.

²⁷Securities Exchange Act Release No. 19188 (October 28, 1982), 26 SEC Docket 800.

²⁸Securities Act Release No. 6426 (September 16, 1982), 26 SEC Docket 148.

²⁹Securities Exchange Act Release No. 18761 (May 25, 1982), 25 SEC Docket 591.

³⁰Securities Act Release No. 6405 (June 3, 1982), 25 SEC Docket 644.

³¹Securities Exchange Act Release No. 18801 (June 10, 1982), 25 SEC Docket 737.

³²Securities Act Release No. 6433 (October 28, 1982), 26 SEC Docket 756.

³³Securities Act Release No. 6414 (June 29, 1982), 25 SEC Docket 964.

³⁴Securities Act Release No. 6364 (December 3, 1981), 24 SEC Docket 168.

³⁵Securities Exchange Act Release No. 18532 (March 3, 1982), 24 SEC Docket 1224.

³⁶Public Oversight Board, Annual Report (1981-1982) at 22.

³⁷Supra at 21.

³⁸Supra at 5-6.

³⁹Supra at 21-22.

⁴⁰Securities Act Release No. 6412 (July 1, 1982), 25 SEC Docket 893.

⁴¹Financial Reporting Release No. 3 (August 24, 1982), 25 SEC Docket 1507.

⁴²Staff Accounting Bulletin No. 42 (December 23, 1981) 24 SEC Docket 521 (purchase accounting); Staff Accounting Bulletin No. 44 (March 3, 1982), 24 SEC Docket 1312 (parent company information); Staff Accounting Bulletin No. 45 (May 20, 1982), 25 SEC Docket 632 (business combinations); Staff Accounting Bulletin No. 46 (May 20, 1982), 25 SEC Docket 633 (interim reporting); Staff Accounting Bulletin No. 47 (September 16, 1982), 26 SEC Docket 227 (oil and gas), and Staff Accounting Bulletin No. 48 (September 27, 1982), 26 SEC Docket 474 (asset valuation).

⁴³Financial Reporting Release No. 2 (June 24, 1982), 25 SEC Docket 897.

⁴⁴*Id.*

⁴⁵Securities Act Release No. 6383 (March 3, 1982), 24 SEC Docket 1318.

⁴⁶Securities Act Release No. 6417 (July 9, 1982), 25 SEC Docket 1184.

⁴⁷Financial Report Release No. 8 (December 6, 1982), 6 SEC Docket 1360.

⁴⁸Securities Exchange Act Release No. 17744 (April 21, 1981), 21 SEC Docket 845.

⁴⁹Securities Exchange Act Release No. 18714 (May 6, 1982), 25 SEC Docket 371.

⁵⁰Securities Exchange Act Release No. 18738 (May 13, 1982), 25 SEC Docket 484.

⁵¹Securities Exchange Act Release No. 18482 (February 11, 1982), 24 SEC Docket 1032.

⁵²Securities Exchange Act Release No. 18277 (November 20, 1981), 24 SEC Docket 45.

⁵³Securities Exchange Act Release No. 18689 (April 28, 1982), 25 SEC Docket 269.

⁵⁴Securities Exchange Act Release No. 18531 (March 4, 1982), 24 SEC Docket 1223.

⁵⁵Securities Exchange Act Release No. 19029 (September 1, 1982), 26 SEC Docket 28.

⁵⁶Securities Exchange Act Release No. 18823 (June 21, 1982), 25 SEC Docket 917.

⁵⁷S. 2260, 97th Cong., 2d Sess.

⁵⁸S. 2109, 97th Cong., 2d Sess.

⁵⁹As enacted, Public Law 97-303 amends the definition of "security" in Section 3(a)(10) of the Exchange Act explicitly to include any put, call, straddle, option, or privilege on any security, certificate of deposit, group or index of securities (including any interest therein or based on the value thereof), or any foreign currency when the option on that foreign currency is traded on a national securities exchange. In addition, Section 9(f) of the Exchange Act was amended to provide that the Commission's plenary authority to regulate options trading on securities exchanges extends to options on exempted securities. Finally, the legislation added Section 9(g) to the Exchange Act to provide that, notwithstanding any other provision of law, the Commission shall have the authority to regulate the trading of any options referred to in Section 3(a)(10).

⁶⁰Securities Exchange Act Release Nos. 19125-19134, (October 14, 1982), 26 SEC Docket 580.

⁶¹File No. SR-Amex-81-20.

⁶²File Nos. SR-NYSE-82-2 and SR-Amex-82-8.

⁶³File No. SR-NASD-80-10.

⁶⁴Files Nos. SR-Amex-82-3, SR-CBOE-81-22, SR-NYSE-82-6 and SR-PSE-82-4.

⁶⁵Securities Act Release No. 6426 and Securities Exchange Act Release No. 19055 (September 16, 1982), 26 SEC Docket 148.

⁶⁶Securities Exchange Act Release No. 18528 (March 16, 1982), 24 SEC Docket

1420.

⁶⁷Securities Exchange Act Release No. 18983 (August 31, 1982), 25 SEC Docket 1473.

⁶⁸Securities Exchange Act Release No. 18321 (December 10, 1981), 24 SEC Docket 266.

⁶⁹Securities Exchange Act Release No. 18417 (January 13, 1982, 24 SEC Docket 710; Securities Exchange Act Release No. 19737 (May 13, 1982), 25 SEC Docket 468. *See also* Securities Exchange Act Release No. 18418 (January 13, 1982), 24 SEC Docket 719; Securities Exchange Act Release No. 18419 (January 13, 1982), 24 SEC Docket 729; Securities Exchange Act Release No. 18420 (January 13, 1982), 24 SEC Docket 733.

⁷⁰ Securities Exchange Act Release No. 18417 (January 13, 1982), 24 SEC Docket 710.

⁷¹ Securities Exchange Act Release No. 18497 (February 19, 1982), 24 SEC Docket 1124.

⁷² H.R. 562, 98th Cong., 1st Sess., January 6, 1983.

⁷³ Securities Exchange Act Release No. 18395 (January 7, 1982), 24 SEC Docket 611.

⁷⁴ Securities Exchange Act Release No. 18987 (August 19, 1982), 25 SEC Docket 1508.

⁷⁵ Securities Exchange Act Release No. 18988 (August 19, 1982), 25 SEC Docket 1509.

⁷⁶ Securities Exchange Act Release No. 18645 (April 14, 1982), 25 SEC Docket 2029.

⁷⁷ Securities Exchange Act Release No. 19142 (October 15, 1982), 26 SEC Docket 672.

⁷⁸ Securities Exchange Act Release No. 18975 (August 17, 1982), 25 SEC Docket 1453.

⁷⁹ Securities Exchange Act Release No. 18742 (May 17, 1982), 25 SEC Docket 536; Securities Exchange Act Release No. 18640 (April 13, 1982), 25 SEC Docket 2024.

⁸⁰ Securities Exchange Act Release No. 18157 (October 7, 1981), 23 SEC Docket 1105.

⁸¹ Securities Exchange Act Release No. 19054 (September 16, 1982), 26 SEC Docket 163.

⁸² Securities Exchange Act Release No. 16900 (June 17, 1980), 20 SEC Docket 415.

⁸³ Securities Exchange Act Release No. 18583 (March 22, 1982), 24 SEC Docket 1682.

⁸⁴ Securities Exchange Act Release No. 18584 (March 22, 1982), 24 SEC Docket 1683.

⁸⁵ Securities Exchange Act Release No. 18852 (June 28, 1982), 25 SEC Docket 976.

⁸⁶ Securities Exchange Act Release No. 18744 (May 17, 1982), 25 SEC Docket 539.

⁸⁷ Securities Exchange Act Release No. 18830, 18831, and 18832 (June 30, 1982), 25 SEC Docket 927.

⁸⁸ Securities Exchange Act Release No. 19120 (October 13, 1982), 26 SEC Docket 575.

⁸⁹ Securities Exchange Act Release No. 6366 (December 16, 1981), 24 SEC Docket 363.

⁹⁰ Investment Company Act Release No. 6363 (November 24, 1981), 24 SEC Docket 39.

⁹¹ Under the amortized cost method of valuation, money market funds may

calculate their current net asset value for use in computing the current price of their redeemable securities by valuing all portfolio securities and assets, regardless of whether market quotations are readily available, at the acquisition cost as adjusted for amortization of premium or accumulation of discount rather than at current market value as would be required by Rule 2a-4.

⁹² Under the penny-rounding method of computation, money market funds calculate their current net asset value in conformance with Rule 2a-4 by valuing portfolio securities for which market quotations are readily available at current market value, and other securities and assets at fair market value as determined in good faith by the board of directors. However, they may then compute the current price of their redeemable securities by rounding the net asset value per share to the nearest one cent of one dollar.

⁹³ Investment Company Act Release No. 12354 (April 15, 1982), 24 SEC Docket 1914.

⁹⁴ Investment Company Act Release No. 12542 (July 9, 1982), 25 SEC Docket 1118.

⁹⁵ Investment Company Act Release No. 11970 (October 20, 1981), 23 SEC Docket 1006.

⁹⁶ Investment Company Act Release No. 12678 (October 5, 1982), 26 SEC Docket 310.

⁹⁷ Investment Company Act Release No. 12675 (October 5, 1982), 26 SEC Docket 286.

⁹⁸ Investment Advisers Act Release No. 805 (May 14, 1982), 25 SEC Docket 572.

⁹⁹ Investment Advisers Act Release No. 805 (May 14, 1982), 25 SEC Docket 572.

¹⁰⁰ *SEC v. MacDonald*, pending on rehearing, Nos. 81-1356, 1513, 1514 (1st Cir.).

¹⁰¹ *SEC v. Washington County Utility District*, 676 F. 2d 218 (6th Cir. 1982).

¹⁰² *Wellman v. Dickinson*, 682 F. 2d 355 (2d Cir. 1982), cert. pending, No. 81-1079 (S. Ct.).

¹⁰³ *SEC v. Clifton*, 540 F. Supp. 848 (D.D.C. 1982), appeal pending, No. 82-1486 (D.C. Cir.).

¹⁰⁴ *Dirks v. SEC*, 681 F. 2d 824 (D.C. Cir. 1982), pending, No. 82-276 (S. Ct.).

¹⁰⁵ *Board of Trade of the City of Chicago v. SEC*, 677 F. 2d 1137 (7th Cir.), vacated as moot, No. 82-526 (Nov. 23, 1982).

¹⁰⁶ *Daily v. Morgan*, appeal pending, No. 82-4077 (5th Cir.); *Seagrave Corp. v. Vista Resources, Inc.*, No. 82-7238 (2d Cir., Dec. 27, 1982); *Landreth Timber Co. v. Landreth*, appeal pending, No. 81-3446 (9th Cir.); *Golden v. Garafalo*, 678 F. 2d 1139 (2d Cir. 1982)

¹⁰⁷ *Marine Bank v. Weaver*, 102 S.Ct. 1220 (1982).

¹⁰⁸ *Herman & MacLean v. Huddleston*, 640 F.2d 534 (5th Cir.), on rehearing, 650 F.2d 815 (1981), cert. granted, Nos. 81-680, 1076 (S.Ct. 1982).

¹⁰⁹ *Liberty National Insurance Co. v. The Charter Co.*, appeal pending, No. 82-7260 (11th Cir.); *San Francisco Real Estate Investors v. Real Estate Investment Trust of Ameca*, appeal pending, No. 81-1853 (1st Cir.); *The Hanna Mining Co. v. Norcen Energy Resources Corp.*, [1982] Fed. Sec. L. Rep (CCH) ¶ 98,742 (N.D. Ohio), appeal dismissed, No. 82-3386 (6th Cir. 1982); *Fred S. James & Co. v. Rathmell*, No. C-82-3708 (N.D. Cal. 1982); *Flagship Bank, Inc. v. Inversiones Credival*, motion pending, No. 82-2097 (S.D. Fla. 1982); *Jacob v. Pabst Brewing Co.*, No. 82-200 (D. Del., Oct. 7, 1982).

¹¹⁰ *Edgar v. MITE*, 102 S. Ct. 2629 (1982).

¹¹¹ The Freedom of Information Act, 5 U.S.C. 552(a). Certain of these requests also sought information under the Privacy Act, 5 U.S.C. 552a, and the Government in the Sunshine Act, 5 U.S.C. 552b.

¹¹² FOIA Exemption 4, 5 U.S.C. 552(b)(4), exempts from disclosure "trade secrets

and commercial or financial information obtained from a person and privileged or confidential.”

¹¹³ 18 U.S.C. 1905.

¹¹⁴ 12 U.S.C. 3400 *et seq.*

¹¹⁵ The Act imposes liability for damages upon an agency, as well as on the financial institution, for violating this requirement. Section 1117(a), 12 U.S.C. 3417(a).

¹¹⁶ Section 1110, 12 U.S.C. 3410.

¹¹⁷ Holding Company Act Release No. 22560 (June 30, 1982), 25 SEC Docket 1017.

¹¹⁸ Holding Company Act Release No. 22582 (July 22, 1982), 25 SEC Docket 1233.

¹¹⁹ Holding Company Act Release No. 21919 (February 13, 1981), 22 SEC Docket 72.

¹²⁰ Holding Company Act Release No. 22309 (December 9, 1981), 24 SEC Docket 298.

¹²¹ Holding Company Act Release No. 22468 (April 21, 1982), 25 SEC Docket 2175.

¹²² 17 CFR 250.90 and 250.91.

Glossary of Acronyms

AAER—Accounting and Auditing Enforcement Release
ADP—Automatic Data Processing
AICPA—American Institute of Certified Public Accountants
Amex—American Stock Exchange
ASB—Auditing Standards Board
ASR—Accounting Series Release
BSE—Boston Stock Exchange
CAES—Computer Assisted Execution System
CBOE—Chicago Board Options Exchange
CDs—Certificates of Deposit
CFTC—Commodity Futures Trading Commission
CSE—Cincinnati Stock Exchange
DPP—Direct Participation Program
DTC—Depository Trust Company
FASB—Financial Accounting Standards Board
FCPA—Foreign Corrupt Practices Act
FERC—Federal Energy Regulatory Commission
FOIA—Freedom of Information Act
FRR—Financial Reporting Release
FRS—Federal Reserve System
GAAP—Generally Accepted Accounting Principles
GNMA—Government National Mortgage Association
GSA—General Services Administration
ID—Institutional Delivery
IRA—Individual Retirement Account
ISE—Intermountain Stock Exchange
ISG—Intermarket Surveillance Group
ITS—Intermarket Trading System
MCC—Midwest Clearing Corporation
MOSS—Market Oversight Surveillance System
MSE—Midwest Stock Exchange
MSRB—Municipal Securities Rulemaking Board
MSTC—Midwest Securities Trust Company
NASAA—North American Securities Administrators Association
NASD—National Association of Securities Dealers
NASDAQ—National Association of Securities Dealers Automatic Quotation System
NESDTC—New England Securities Depository Trust Company
NMS—National Market System
NSCC—National Securities Clearing Corporation
NYSE—New York Stock Exchange
OCC—Options Clearing Corporation

OECD—Organization for Economic Cooperation and Development
OTC—Over-the-Counter
PCC—Pacific Clearing Corporation
Philadep—Philadelphia Depository Trust Company
Phlx—Philadelphia Stock Exchange
POB—Public Oversight Board
PSDTC—Pacific Securities Depository Trust Company
PSE—Pacific Stock Exchange
QCRB—Quality Control Review Board
RFPA—Right to Financial Privacy Act
RIF—Reduction-In-Force
RRA—Reserve Recognition Accounting
SAB—Staff Accounting Bulletin
SBIC—Small Business Investment Company
SCCP—Stock Clearing Corporation of Philadelphia
SECPS—SEC Practice Section (of the American Institute of Certified
Public Accountants)
SECO—SEC-only
SFAS—Statement of Financial Accounting Standards
SIA—Securities Industry Association
SIC—Securities Information Center
SIC—Special Investigations Committee (of SEC Practice Section of
American Institute of Certified Public Accountants)
SRO—Self-Regulatory Organization
SSE—Spokane Stock Exchange
UN—United Nations

Appendix



THE SECURITIES INDUSTRY

Income, Expenses and Selected Balance Sheet Items

Broker-dealers which are self-regulated through their membership in a national securities exchange or the National Association of Securities Dealers earned revenues of \$24,372 million in 1981, 22 percent above the 1980 level.¹ Three-fourths of this increase in revenues stemmed from the growth of the "All Other Revenues" category which is composed primarily of margin interest income and interest earned on repurchase agreements.

Securities commission income, in the past the largest component of total revenues, fell \$211 million and accounted for 27 percent of total revenues, whereas "All Other Revenues" grew \$3,349 million and accounted for 39 percent of total revenues in 1981. Despite a three percent increase in the market value of equity sales on all registered exchanges, securities commission income declined because of changes in the mix of transactions. Trading of broker-dealers for their own account and the volume of large public transactions, which generate

fewer commission dollars relative to trading volume, were up. However, the volume of small public transactions, which generate proportionately more commission dollars, was down.

Trading profits grew by 25 percent to \$5,401 million to account for 22 percent of total revenues. Revenues from underwriting rose by 17 percent in 1981; a slight decrease in the combined volume of primary corporate and municipal offerings were more than offset by a more profitable mix of securities offerings.

Expenses grew by \$4,652 million to \$21,583 million in 1981. A year-over-year increase of 67 percent in interest expense to \$6,506 million accounted for over one-half of the growth in total expenses. "All Other Expenses" which includes registered representatives' compensation, rose by \$1,271 million to \$8,845 million in 1981. The 27 percent growth in expenses outstripped the 22 percent rise in revenues, reducing pre-tax income to \$2,789 million, a nine percent decline from the preceding year.

Assets rose by \$34,911 million to \$155,063 million and liabilities grew to \$144,734 million. Ownership equity rose by \$1,778 million to \$10,329 million in 1981.

¹Due to changes in FOCUS reporting requirements, consolidated information for 1981 is not available. In order to provide consistent information, new financial data was

developed for prior years and Table 1 now presents unconsolidated data for all years. This data will not be comparable to the Table 1 of previous years.

Table 1
**UNCONSOLIDATED FINANCIAL INFORMATION FOR BROKER-DEALERS
 1977-1981**

(Millions of Dollars)

| | 1977 | 1978 | 1979 | 1980 | 1981 ^P |
|--|-----------|-----------|-----------|------------|-------------------|
| A Revenues | | | | | |
| 1 Securities Commissions | \$ 3,278 | \$ 4,430 | \$ 4,737 | \$ 6,800 | \$ 6,589 |
| 2 Gain (Loss) in Trading | 1,602 | 1,925 | 2,909 | 4,309 | 5,401 |
| 3 Gain (Loss) in Investments | 338 | 385 | 732 | 807 | 635 |
| 4 Profit (Loss) from Underwriting and Selling Groups | 954 | 927 | 930 | 1,594 | 1,860 |
| 5 Revenue from Sale of Investment Company Securities | 160 | 160 | 197 | 278 | 342 |
| 6 All Other Revenues | 2,270 | 3,446 | 4,452 | 6,196 | 9,545 |
| 7 Total Revenues | \$ 8,602 | \$ 11,273 | \$ 13,957 | \$ 19,984 | \$ 24,372 |
| B Expenses | | | | | |
| 8 All Employee Compensation and Benefits (Except Registered Representatives' Compensation) | \$ 1,765 | \$ 2,129 | \$ 2,475 | \$ 3,402 | \$ 3,951 |
| 9 Commissions and Clearance Paid to Other Brokers | 582 | 787 | 845 | 1,079 | 1,104 |
| 10 Interest Expense | 1,273 | 1,967 | 3,058 | 3,893 | 6,506 |
| 11 Regulatory Fees and Expenses | 67 | 72 | 75 | 100 | 121 |
| 12 Compensation to Partners and Voting Stockholder Officers | 536 | 602 | 664 | 883 | 1,056 |
| 13 All Other Expenses (Including Registered Representatives' Compensation) | 3,697 | 4,644 | 5,188 | 7,574 | 8,845 |
| 14 Total Expenses | \$ 7,920 | \$ 10,201 | \$ 12,305 | \$ 16,931 | \$ 21,583 |
| 15 Pre-Tax Income | \$ 682 | \$ 1,072 | \$ 1,652 | \$ 3,053 | \$ 2,789 |
| C Assets, Liabilities and Capital | | | | | |
| 16 Total Assets | \$ 55,507 | \$ 65,354 | \$ 87,068 | \$ 120,152 | \$ 155,063 |
| 17 Liabilities | | | | | |
| a. Total Liabilities (excluding subordinated debt) | 49,552 | 58,506 | 79,537 | 109,742 | 142,865 |
| b. Subordinated debt | 942 | 1,167 | 1,296 | 1,859 | 1,869 |
| c. Total liabilities (17a +17b) | 50,494 | 59,673 | 80,833 | 111,601 | 144,734 |
| 18 Ownership Equity | 5,013 | 5,681 | 6,235 | 8,551 | 10,329 |
| 19 Total Liabilities and Ownership Equity | \$ 55,507 | \$ 65,354 | \$ 87,068 | \$ 120,152 | \$ 155,063 |
| Number of Firms | 4,602 | 4,822 | 4,824 | 5,283 | 5,714 |

P=Preliminary

Note Includes only those broker-dealers self-regulated through their membership in the National Association of Securities Dealers or a registered securities exchange

Source FOCUS Report

Table 2
UNCONSOLIDATED ANNUAL REVENUES AND EXPENSES OF FIRMS
DOING A PUBLIC BUSINESS
1977-1981

(Millions of Dollars)

| | 1977 | 1978 | 1979 | 1980 | 1981 ^P |
|--|-------------------|--------------------|--------------------|--------------------|--------------------|
| Revenues | | | | | |
| 1 Securities Commissions | \$ 3,004.1 | \$ 3,983.0 | \$ 4,518.1 | \$ 6,454.0 | \$ 6,143.3 |
| 2 Realized and Unrealized Gains or Losses in Trading and Investment Accounts | 1,795.5 | 2,043.2 | 3,378.1 | 4,686.4 | 5,575.4 |
| 3 Commodities Revenues | 263.3 | 344.7 | 480.5 | 669.3 | 595.0 |
| 4 Profits or Losses From Underwriting and Selling Groups | 921.7 | 870.5 | 899.8 | 1,518.9 | 1,791.9 |
| 5 Revenues From Sale of Investment Company Securities | 146.7 | 148.2 | 178.6 | 273.9 | 333.9 |
| 6 Margin Interest | 748.9 | 1,115.4 | 1,668.9 | 2,136.1 | 2,911.6 |
| 7 All Other Revenues | 1,105.6 | 1,532.5 | 2,038.0 | 2,993.4 | 5,279.7 |
| 8 Total Revenues | <u>\$ 7,985.8</u> | <u>\$ 10,037.7</u> | <u>\$ 13,162.0</u> | <u>\$ 18,732.0</u> | <u>\$ 22,630.8</u> |
| Expenses | | | | | |
| 9 Salaries and Other Employment Costs for General Partners and Voting Stockholder Officers | \$ 478.7 | \$ 540.0 | \$ 599.7 | \$ 793.4 | \$ 925.4 |
| 10 All Other Employee Compensation and Benefits (Except Registered Representatives' Compensation) ¹ | 1,627.9 | 1,908.3 | 2,353.2 | 3,115.7 | 3,730.4 |
| 11 Commissions and Clearance Paid | 521.2 | 701.6 | 790.9 | 948.6 | 962.0 |
| 12 Interest Expense | 1,208.2 | 1,817.3 | 2,957.4 | 3,778.0 | 5,998.8 |
| 13 Regulatory Fees and Expenses | 57.9 | 59.8 | 65.4 | 85.4 | 101.7 |
| 14 All Other Expenses ¹ | 3,487.8 | 4,096.8 | 4,943.6 | 7,251.1 | 8,357.0 |
| 15 Total Expenses | <u>\$ 7,381.8</u> | <u>\$ 9,123.7</u> | <u>\$ 11,710.2</u> | <u>\$ 15,972.2</u> | <u>\$ 20,075.4</u> |
| 16 Pre-Tax Income | <u>\$ 604.1</u> | <u>\$ 913.9</u> | <u>\$ 1,451.7</u> | <u>\$ 2,759.7</u> | <u>\$ 2,555.4</u> |
| 17 Number of firms as of end-of-year | 2,442 | 2,516 | 2,479 | 2,613 | 2,678 |

P=Preliminary

¹ Registered representatives' compensation is included in "All Other Expenses" because it is not reported separately on Part IIA of the FOCUS Report

Note: Figures may not sum due to rounding

Source: FOCUS Report

Table 3
SUMMARY UNCONSOLIDATED BALANCE SHEET FOR FIRMS
DOING A PUBLIC BUSINESS YEAR-END, 1977-1981

(Millions of Dollars)

| | 1977 | 1978 | 1979 | 1980 | 1981 ^P |
|--|-------------------|-------------------|-------------------|--------------------|--------------------|
| A Assets | | | | | |
| 1 Cash | \$ 925 1 | \$ 1,161 5 | \$ 2,078 1 | \$ 2,611 3 | \$ 2,645 9 |
| 2 Receivables from other broker-dealers | | | | | |
| a Securities failed to deliver | 2,437 4 | 2,435 6 | 3,138 3 | 3,881 0 | 3,268 1 |
| b Securities borrowed | 2,323 5 | 2,611 2 | 4,319 0 | 7,751 9 | 8,948 5 |
| c Other | 697 6 | 872 4 | 827 2 | 1,176 8 | 1,893 8 |
| 3 Receivables from customers | 14,187 5 | 15,795 9 | 16,941 8 | 23,463 8 | 21,142 7 |
| 4 Long positions in securities and commodities | 19,236 4 | 17,623 5 | 23,756 5 | 33,001 0 | 41,701 7 |
| 5 Securities owned - not readily marketable | 62 8 | 56 7 | 67 0 | 120 9 | 103 1 |
| 6 Securities borrowed under subordinated agreements and partners' individual and capital securities accounts | 76 3 | 68 7 | 74 2 | 89 8 | 88 4 |
| 7 Securities purchased under agreement to resell | 10,061 7 | 15,468 5 | 26,629 8 | 32,888 3 | 45,214 6 |
| 8 Secured capital demand notes | 268 6 | 276 3 | 292 0 | 304 6 | 305 8 |
| 9 Exchange memberships | 124 0 | 122 4 | 171 0 | 213 0 | 213 9 |
| 10 Other assets | 2,662 1 | 3,225 4 | 4,319 9 | 5,578 7 | 6,666 8 |
| 11 Total Assets | <u>\$53,063 0</u> | <u>\$59,718 1</u> | <u>\$82,614 8</u> | <u>\$111,081 2</u> | <u>\$132,193 2</u> |
| B Liabilities and Equity Capital | | | | | |
| 12 Bank loans payable | | | | | |
| a Secured by customer collateral | \$ 5,939 0 | \$ 5,044 7 | \$ 4,283 7 | \$ 3,892 0 | \$ 3,641 2 |
| b Secured by firm collateral | 7,153 9 | 5,442 7 | 5,553 6 | 5,591 6 | 7,497 7 |
| 13 Securities sold under repurchase agreements | 14,774 4 | 17,586 8 | 27,105 2 | 34,948 8 | 55,518 7 |
| 14 Payable to other broker-dealers and clearing organizations | | | | | |
| a Securities failed to receive | 2,681 4 | 2,490 5 | 3,079 5 | 4,095 1 | 3,282 8 |
| b Securities loaned | 1,791 7 | 2,041 3 | 3,843 1 | 7,183 4 | 8,047 8 |
| c Other | 1,070 1 | 790 1 | 829 1 | 1,105 2 | 1,405 7 |
| 15 Payable to customers | 5,304 8 | 7,784 4 | 9,612 8 | 14,832 8 | 12,731 1 |
| 16 Short positions in securities and commodities | 4,828 5 | 7,105 9 | 14,492 1 | 21,160 1 | 18,568 7 |
| 17 Other liabilities | 4,243 6 | 5,717 3 | 7,096 9 | 9,444 1 | 11,486 4 |
| 18 Total liabilities excluding subordinated liabilities | 47,787 4 | 54,003 7 | 75,896 0 | 102,253 1 | 122,180 1 |
| 19 Subordinated liabilities | 875 1 | 1,042 0 | 1,197 5 | 1,648 1 | 1,676 1 |
| 20 Total Liabilities | <u>\$48,662 5</u> | <u>\$55,045 7</u> | <u>\$77,093 5</u> | <u>\$103,901 2</u> | <u>\$123,856 2</u> |
| 21 Equity Capital | \$ 4,400 5 | \$ 4,672 3 | \$ 5,521 3 | \$ 7,180 0 | \$ 8,337 0 |
| 22 Total Liabilities and Equity Capital | <u>\$53,063 0</u> | <u>\$59,718 1</u> | <u>\$82,614 8</u> | <u>\$111,081 2</u> | <u>\$132,193 2</u> |
| 23 Debt-to-Equity Ratio | 11 1 | 11 8 | 14 0 | 14 5 | 14 9 |
| 24 Average Equity Capital as a Percent of Average Total Capital ¹ | 85 1% | 83 3% | 82 7% | 81 0% | 83 1% |
| 25 Number of firms as of end-of-year | 2,442 | 2,516 | 2,479 | 2,613 | 2,678 |

P=Preliminary

¹Data derived from four quarter average

Note All data were drawn from the most recently revised FOCUS Reports Figures may not sum due to rounding

Source FOCUS Report

Securities Industry Dollar In 1981 For Carrying and Clearing Firms

Data for *carrying and clearing* firms only are presented here to allow for more detail, as reporting requirements for *introducing* and *carrying and clearing* firms differ and data aggregation of these two types of firms necessarily results in loss of detail. Carrying and clearing firms are those firms which clear securities transactions or maintain possession or control of customers' cash or securities. The 86 percent of industry revenues earned by carrying and clearing firms in 1981 suggests that this group is a suitable proxy for the industry.

Securities commissions and trading gains accounted for 26 cents and 23 cents, respectively, of each revenue dollar in 1981. Together these two items accounted for 49 cents of each revenue dollar earned in 1981 as compared to 56 cents in 1980. In terms of dollars, they accounted for \$10,124 million of the \$20,862 million of total revenues earned by carrying and clearing firms. "Other related revenues" securities accounted for 18 cents of the revenue dollar in 1981, a substantial increase from 12 cents in 1980. Margin interest income rose to account for 14 cents of each revenue dollar in 1981 compared with 12 cents in

1980.

Total expenses rose to consume 89 cents of each revenue dollar earned in 1981, an increase over the 1980 level of 86 cents. The industry's pre-tax profit margin fell to 11 cents per revenue dollar in 1981 from 15 cents in 1980.

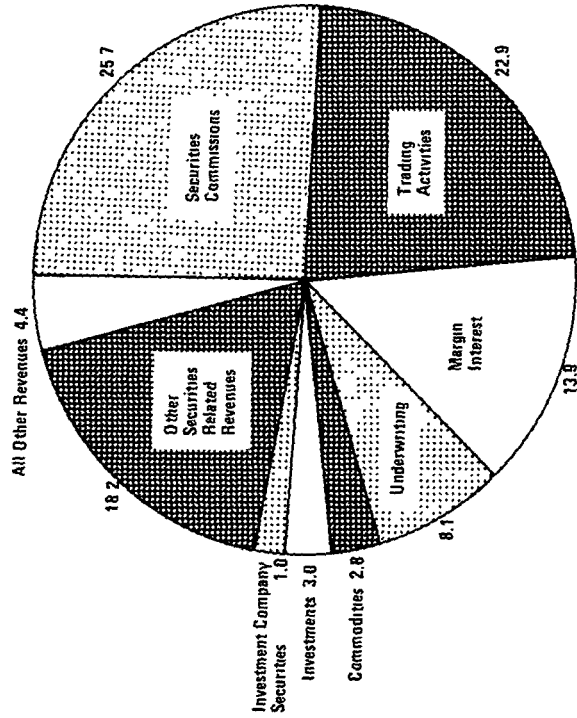
Interest expense, again the single largest expense item, rose by 59 percent to absorb 28 cents of each revenue dollar, which compares to 22 cents in 1980. In dollars, interest expense grew to \$5,916 million in 1981 from \$3,718 million in 1980. Employee-related expenses (registered representatives' compensation and clerical and administrative employees' expenses) consumed 34 cents of the revenue dollar in 1981, 2 cents below the 36 cent level in 1980. Registered representatives' compensation while increasing by 8 percent over the 1980 level, absorbed less of each revenue dollar in 1981 (18 cents) than it did the previous year (20 cents). In dollar terms, employee-related expenses accounted for \$6,989 million of the \$18,516 million of total expenses.

The "All Other Expense" category, which includes promotional costs, regulatory fees and expenses and miscellaneous items, consumed 10 cents of each revenue dollar, in both 1980 and 1981.

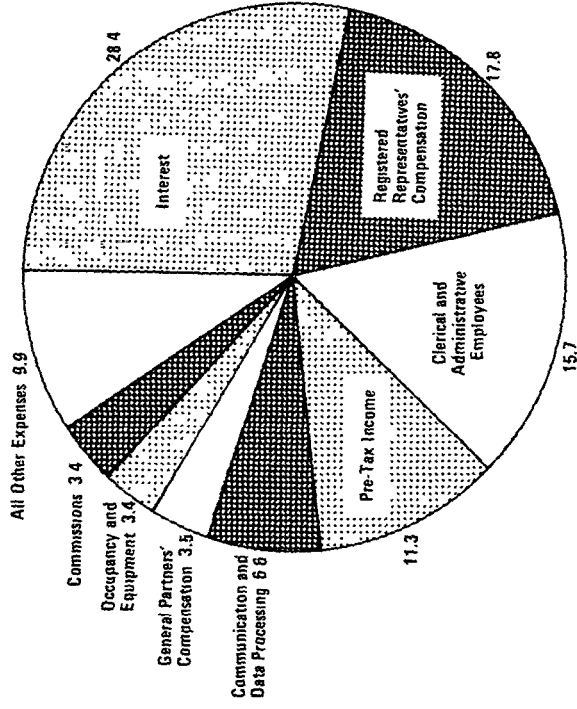
Securities Industry Dollar In 1981

For Carrying/Clearing Firms

SOURCES OF REVENUE



EXPENSES AND PRE-TAX INCOME



NOTE. Includes information for firms that carry customer accounts or clear securities transactions
SOURCE X 17A 5 FOCUS REPORTS

Table 4
**REVENUES AND EXPENSES OF BROKER-DEALERS
 CARRYING/CLEARING CUSTOMER ACCOUNTS**

(Millions of Dollars)

| | 1980 | | 1981 ^P | | 1980-1981 |
|--|-----------------|------------------------------|-------------------|------------------------------|---------------------|
| | Dollars | Percent of Total Revenues | Dollars | Percent of Total Revenues | Percent Increase |
| <i>Revenues</i> | | | | | |
| 1 Securities Commissions | \$ 5,781 | 33.5 | \$ 5,354 | 25.7 | (7.4) |
| 2 Gain (Loss) in Trading | 3,817 | 22.1 | 4,770 | 22.9 | 25.0 |
| 3 Gain (Loss) in Investments | 633 | 3.7 | 619 | 3.0 | (2.2) |
| 4 Profit (Loss) from Underwriting and Selling Groups | 1,459 | 8.5 | 1,696 | 8.1 | 16.2 |
| 5 Revenue from Sale of Investment Company Securities | 178 | 1.0 | 205 | 1.0 | 15.2 |
| 6 Margin Interest Income | 2,136 | 12.4 | 2,912 | 13.9 | 36.3 |
| 7 Commodity Revenue | 667 | 3.9 | 591 | 2.8 | (11.4) |
| 8 Other Revenue Related to Securities Business | 2,026 | 11.7 | 3,807 | 18.2 | 87.9 |
| 9 Revenue from All Other Sources | 548 | 3.2 | 908 | 4.4 | 65.7 |
| 10 Total Revenues | <u>\$17,245</u> | <u>100.0</u> | <u>\$20,862</u> | <u>100.0</u> | <u>21.0</u> |
| <i>Expenses</i> | | | | | |
| 11 Registered Representatives' Compensation | \$ 3,447 | 20.0 | \$ 3,714 | 17.8 | 7.8 |
| 12 Clerical and Administrative Employees' Expenses | 2,721 | 15.8 | 3,275 | 15.7 | 20.4 |
| 13 Commissions and Clearance Paid to Others | 768 | 4.5 | 719 | 3.4 | (6.4) |
| 14 Interest Expense | 3,718 | 21.6 | 5,916 | 28.4 | 59.1 |
| 15 Communication and Data Processing | 1,082 | 6.3 | 1,384 | 6.6 | 27.9 |
| 16 Occupancy and Equipment | 562 | 3.2 | 716 | 3.4 | 27.4 |
| 17 Compensation to Partners and Voting Stockholder Officers | 645 | 3.7 | 736 | 3.5 | 14.1 |
| 18 All Other Expenses | 1,801 | 10.4 | 2,056 | 9.9 | 14.2 |
| 19 Total Expenses | <u>\$14,744</u> | <u>85.5</u> | <u>\$18,516</u> | <u>88.7</u> | <u>25.6</u> |
| <i>Pre-Tax Income</i> | | | | | |
| 20 Pre-Tax Income | <u>\$ 2,501</u> | <u>14.5</u> | <u>\$ 2,346</u> | <u>11.3</u> | <u>6.2</u> |
| Number of Firms | 1,161 | | 1,083 | | |

P=Preliminary

Note Includes information for firms that carry customer accounts or clear securities transactions. Percentages may not add due to rounding.

Source FOCUS Report

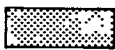
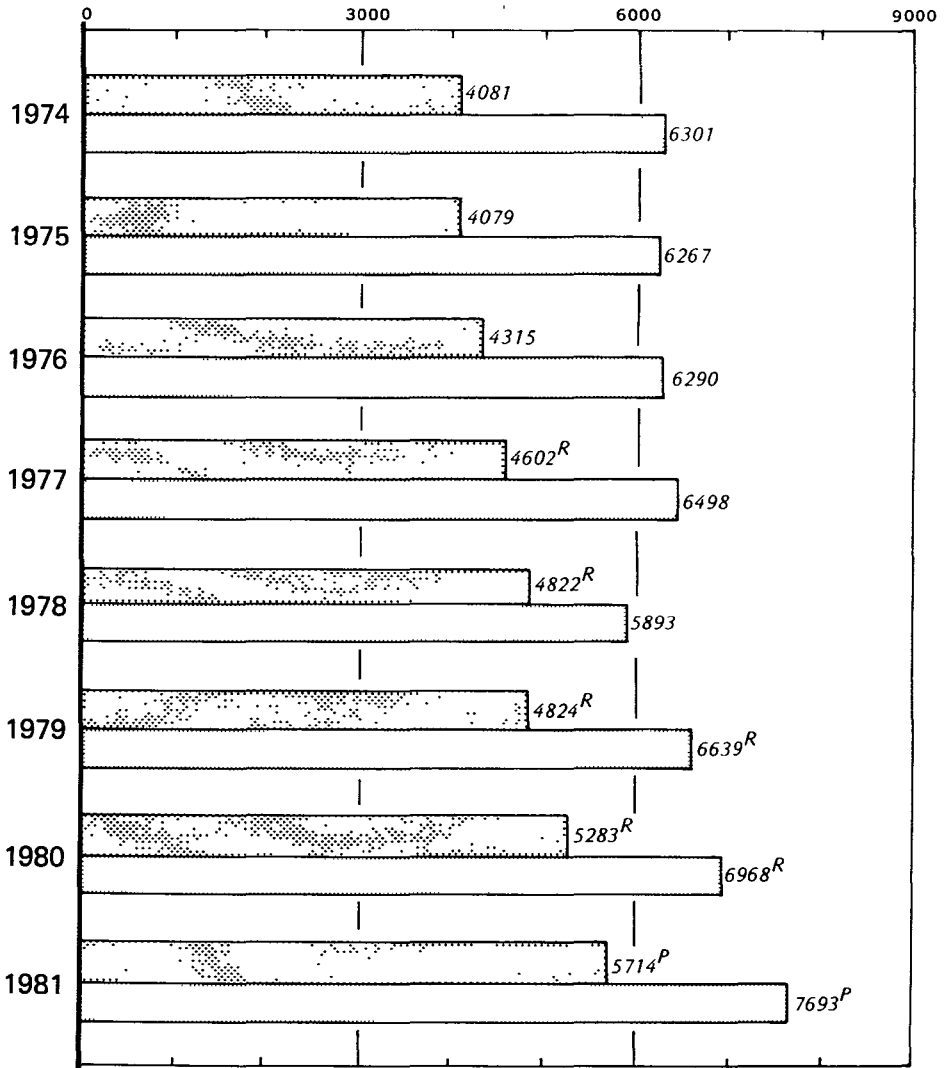
Brokers-Dealers, Branch Offices, Employees

The number of broker-dealers filing FOCUS Reports rose from 5,283 in 1980 to 5,714 in 1981. During the same period, the number of branch offices increased from 6,968 to 7,693.

The number of full-time personnel employed in the securities industry rose from 197,722 to 220,219 in 1981, an 11 percent

increase. New York Stock Exchange ("NYSE") member firms accounted for 77 percent of the industry's full-time employees with 170,169 such personnel. Full-time registered representatives increased by 3 percent to 79,385 in 1981. Full-time registered representatives associated with members of the NYSE rose by 9 percent to 58,290 and accounted for 73 percent of the industry's registered representatives.

Broker-Dealers and Branch Offices



Broker-Dealers



Branch Offices

P=Preliminary

R=Revised

SOURCE: FORM X-17A-10 AND FOCUS REPORTS

Table 5

**BROKERS AND DEALERS REGISTERED UNDER THE SECURITIES EXCHANGE ACT OF
1934—EFFECTIVE REGISTRANTS AS OF SEPTEMBER 30, 1982 CLASSIFIED BY
TYPE OF ORGANIZATION AND BY LOCATION OF PRINCIPAL OFFICE**

| Run Date 09/30/82 | Number of Registrants | | | | Number of Proprietors Partners, Officers, Etc. ^{1,2} | | | |
|------------------------------|-----------------------|-----------------------------|-------------------|--------------------------------|--|-----------------------------|-------------------|-------------------|
| | Total | Sole Propne- torships | Partner- ships | Corpora- tions ³ | Total | Sole Propne- torships | Partner- ships | Corpora- tions |
| Alabama | 30 | 3 | 1 | 26 | 146 | 3 | 2 | 141 |
| Alaska | 1 | 0 | 0 | 1 | 5 | 0 | 0 | 5 |
| Anzona | 31 | 2 | 2 | 27 | 110 | 2 | 7 | 101 |
| Arkansas | 23 | 2 | 0 | 21 | 124 | 2 | 0 | 122 |
| California | 791 | 232 | 78 | 481 | 2,951 | 234 | 393 | 2,324 |
| Colorado | 143 | 5 | 5 | 133 | 802 | 5 | 63 | 734 |
| Connecticut | 55 | 11 | 13 | 75 | 502 | 11 | 93 | 398 |
| Delaware | 11 | 1 | 0 | 10 | 40 | 1 | 0 | 39 |
| District of Columbia | 40 | 3 | 5 | 32 | 300 | 3 | 22 | 275 |
| Florida | 254 | 13 | 14 | 227 | 792 | 13 | 38 | 741 |
| Georgia | 82 | 3 | 3 | 76 | 694 | 7 | 14 | 673 |
| Hawaii | 25 | 1 | 1 | 23 | 99 | 1 | 2 | 96 |
| Idaho | 8 | 2 | 0 | 6 | 25 | 2 | 0 | 23 |
| Illinois | 2,314 | 1,520 | 242 | 552 | 5,669 | 1,523 | 1,496 | 2,650 |
| Indiana | 53 | 9 | 1 | 43 | 292 | 9 | 2 | 281 |
| Iowa | 38 | 5 | 1 | 32 | 199 | 5 | 16 | 178 |
| Kansas | 31 | 2 | 2 | 27 | 127 | 2 | 9 | 116 |
| Kentucky | 11 | 2 | 0 | 9 | 105 | 2 | 0 | 103 |
| Louisiana | 98 | 4 | 7 | 37 | 246 | 4 | 22 | 220 |
| Maine | 11 | 0 | 2 | 9 | 46 | 0 | 17 | 29 |
| Maryland | 56 | 6 | 3 | 47 | 258 | 6 | 56 | 196 |
| Massachusetts | 186 | 28 | 14 | 144 | 1,101 | 28 | 56 | 1,017 |
| Michigan | 76 | 7 | 3 | 66 | 308 | 7 | 17 | 284 |
| Minnesota | 91 | 3 | 0 | 88 | 739 | 3 | 0 | 736 |
| Mississippi | 21 | 2 | 2 | 17 | 91 | 2 | 5 | 84 |
| Missoun | 73 | 1 | 3 | 69 | 830 | 1 | 90 | 739 |
| Montana | 4 | 0 | 0 | 4 | 28 | 0 | 0 | 28 |
| Nebraska | 21 | 0 | 0 | 21 | 148 | 0 | 0 | 148 |
| Nevada | 8 | 3 | 1 | 4 | 14 | 3 | 2 | ? |
| New Hampshire | 7 | 1 | 0 | 6 | 23 | 1 | 0 | ? |
| New Jersey | 216 | 33 | 20 | 163 | 808 | 33 | 61 | 714 |
| New Mexico | 9 | 1 | 0 | 8 | 50 | 1 | 0 | 49 |
| New York (excluding NY City) | 302 | 69 | 22 | 211 | 1,547 | 70 | 225 | 1,252 |
| North Carolina | 38 | 3 | 1 | 34 | 193 | 3 | 2 | 188 |
| North Dakota | 3 | 0 | 0 | 3 | 9 | 0 | 0 | 9 |
| Ohio | 103 | 5 | 12 | 86 | 762 | 5 | 244 | 513 |
| Oklahoma | 61 | 4 | 1 | 56 | 249 | 4 | 6 | 239 |
| Oregon | 46 | 2 | 1 | 43 | 179 | 2 | 2 | 175 |
| Pennsylvania | 309 | 25 | 87 | 197 | 1,715 | 25 | 313 | 1,377 |
| Rhode Island | 18 | 5 | 1 | 12 | 48 | 5 | 3 | 40 |
| South Carolina | 15 | 1 | 0 | 14 | 45 | 1 | 0 | 44 |
| South Dakota | 2 | 0 | 0 | 2 | 14 | 0 | 0 | 14 |
| Tennessee | 65 | 3 | 3 | 59 | 453 | 3 | 34 | 416 |
| Texas | 264 | 20 | 7 | 237 | 1,763 | 20 | 30 | 1,713 |
| Utah | 44 | 3 | 1 | 40 | 161 | 3 | 2 | 156 |
| Vermont | 8 | 3 | 1 | 4 | 46 | 3 | 2 | 41 |
| Virginia | 39 | 5 | 2 | 32 | 275 | 5 | 11 | 259 |
| Washington | 85 | 8 | 2 | 75 | 401 | 8 | 20 | 373 |
| West Virginia | 7 | 1 | 0 | 6 | 26 | 1 | 0 | 25 |
| Wisconsin | 64 | 9 | 1 | 54 | 489 | 9 | 2 | 478 |
| Wyoming | 5 | 1 | 0 | 4 | 15 | 1 | 0 | 14 |
| Total (excluding NY City) | 6,290 | 2,072 | 565 | 3,653 | 26,082 | 2,082 | 3,379 | 20,601 |
| New York City | 1,843 | 646 | 297 | 900 | 10,510 | 648 | 2,959 | 6,503 |
| Subtotal | 8,133 | 2,718 | 862 | 4,553 | 36,572 | 2,730 | 6,338 | 27,504 |
| Foreign ⁴ | 24 | 0 | 2 | 22 | 138 | 0 | 9 | 129 |
| Grand Total | 8,157 | 2,718 | 864 | 4,575 | 36,710 | 2,730 | 6,347 | 27,633 |

¹Includes directors, officers, trustees and all other persons occupying similar status or performing similar functions

²Allocations made on the basis of location of principal offices of registrants, not actual locations of persons

³Includes all forms of organization other than sole proprietorships and partnerships

⁴Registrants whose principal offices are located in foreign countries or other jurisdictions not listed

Table 6
PRINCIPAL BUSINESS OF SECO BROKER-DEALERS

| | <i>Fiscal Year</i> | | |
|--|--------------------|------|------|
| | 1980 | 1981 | 1982 |
| Exchange member primarily engaged in exchange commission business | 1 | 13 | 20 |
| Exchange member primarily engaged in floor activities | 5 | 5 | 10 |
| Broker or dealer in general securities business | 41 | 37 | 53 |
| Mutual fund underwriter | 8 | 5 | 6 |
| Mutual fund distributor | 2 | 1 | 4 |
| Broker or dealer selling variable annuity contracts | 9 | 7 | 8 |
| Solicitor of savings and loan accounts | 4 | 5 | 3 |
| Real estate syndicator and mortgage broker and dealer | 32 | 30 | 26 |
| Real estate condominium interests | 3 | 3 | 4 |
| Limited partnership interests | 89 | 116 | 126 |
| Broker or dealer selling oil and gas interests | 27 | 23 | 20 |
| Put and call broker or dealer or option writer (non-exchange options) | 8 | 7 | 5 |
| Broker or dealer selling securities of only one issuer or associated issuers (other than mutual funds) | 27 | 25 | 26 |
| Broker or dealer selling church securities | 10 | 8 | 12 |
| Government bond dealer (other than municipal) | 1 | 1 | 2 |
| Broker or dealer in municipal bonds | 6 | 5 | 6 |
| Broker or dealer in other securities business | 42 | 47 | 46 |
| No securities business | 28 | 22 | 30 |
| Totals | 352 | 360 | 407 |

Source Form SECO-4-82

Table 7
**APPLICATIONS AND REGISTRATIONS OF BROKERS AND DEALERS
AND INVESTMENT ADVISERS**

Fiscal Year 1982

| BROKER-DEALER APPLICATIONS | | |
|--|-------|-------|
| Applications pending at close of preceding year | | -0- |
| Applications received during fiscal 1982 | | 2,022 |
| Total applications for disposition | | 2,022 |
| Disposition of Applications | | |
| Accepted for filing | 1,651 | |
| Returned | 368 | |
| Withdrawn | 0 | |
| Denied | 0 | |
| Total applications disposed of | | 2,019 |
| Applications pending as of September 30, 1982 | | 3 |
| BROKER-DEALER REGISTRATIONS | | |
| Effective registrations at close of preceding year | | 7,423 |
| Registrations effective during fiscal 1982 | | 1,651 |
| Total registrations | | 9,074 |
| Registration terminated during fiscal 1982 | | |
| Withdrawn | 623 | |
| Revoked | 111 | |
| Cancelled/Other | 264 | |
| Total registrations terminated | | 998 |
| Total registrations at end of fiscal 1982 | | 8,076 |
| INVESTMENT ADVISER APPLICATIONS | | |
| Applications pending at close of preceding year | | -0- |
| Applications received during fiscal 1982 | | 1,757 |
| Total applications for disposition | | 1,757 |
| Disposition of applications | | |
| Accepted for filing | 1,374 | |
| Returned | 381 | |
| Withdrawn | 0 | |
| Denied | 0 | |
| Total applications disposed of | | 1,755 |
| Applications pending as of September 30, 1982 | | 2 |
| INVESTMENT ADVISER REGISTRATIONS | | |
| Effective registrations at close of preceding year | | 5,798 |
| Registrations effective during fiscal 1982 | | 1,374 |
| Total registrations | | 7,172 |
| Registrations terminated during fiscal 1982 | | |
| Withdrawn | 164 | |
| Revoked | 7 | |
| Cancelled/Other | 1,566 | |
| Total registrations terminated | | 1,727 |
| Total registrations at end of fiscal 1982 | | 5,445 |

Table 8
**APPLICATIONS AND REGISTRATIONS OF MUNICIPAL SECURITIES
 DEALERS AND TRANSFER AGENTS**

Fiscal Year 1982

| MUNICIPAL SECURITIES DEALERS APPLICATIONS | |
|--|-------|
| Applications pending at close of preceding year | -0- |
| Applications received during fiscal 1982 | 25 |
| Total applications for disposition | 25 |
| Disposition of Applications | |
| Accepted for filing | 18 |
| Returned | 7 |
| Denied | 0 |
| Total applications disposed of | 25 |
| Applications pending as of September 30, 1982 | -0- |
| MUNICIPAL SECURITIES DEALERS REGISTRATIONS | |
| Effective registrations at close of preceding year | 361 |
| Registrations effective during fiscal 1982 | 18 |
| Total registrations | 379 |
| Registrations terminated during fiscal 1982 | |
| Withdrawn | 7 |
| Cancelled | 0 |
| Suspended | 0 |
| Total registrations terminated | 7 |
| Total registrations at end of fiscal 1982 | 372 |
| TRANSFER AGENTS APPLICATIONS | |
| Applications pending at close of preceding year | -0- |
| Applications received during fiscal 1982 | 45 |
| Total applications for disposition | 45 |
| Disposition of applications | |
| Accepted for filing | 45 |
| Returned | 0 |
| Withdrawn | 0 |
| Denied | 0 |
| Total applications disposed of | 45 |
| Applications pending as of September 30, 1982 | 0 |
| TRANSFER AGENTS REGISTRATIONS | |
| Effective registrations at close of preceding year | 988 |
| Registrations effective during fiscal 1982 | 45 |
| Total registrations | 1,033 |
| Registrations terminated during fiscal year 1982 | |
| Withdrawn | 46 |
| Cancelled | 1 |
| Suspended | 0 |
| Total registrations terminated | 47 |
| Total registrations at end of fiscal 1982 | 986 |

Self-Regulatory Organizations: Revenues, Expenses, Pre-Tax Income and Balance Sheet Structure¹

In 1981, volume in the secondary equity market expanded at a less rapid rate than the previous year, and stock prices fell considerably in the latter half of the year. These factors help to explain the modest increase in self-regulatory organizations' ("SROs' ") and their subsidiaries' aggregate total revenues, and the sharp decline in their aggregate net income. Aggregate total revenues of SROs reached \$372 million in 1981, up from \$337 million (about 11 percent) the previous year. However, SROs' aggregate total expenses rose nearly 20 percent from \$283 million to \$338 million resulting in a more than 36 percent decline in aggregate pre-tax income from \$54 million in 1980 to \$34 million in 1981.

As is clear from the accompanying tables, individual SROs differ widely in their dependence on particular sources of revenues. For example, over 56 percent of the NYSE's 1981 total revenues were generated from two income categories: Commission fees/transaction revenues and listing fees. This contrasts sharply with data from the Intermountain and Spokane Stock Exchanges who reported no income from Commission fees/transaction revenues but respectively received 21 percent and 60 percent of revenues from listing fees. Fees associated with communication activities increased for each of the three SROs' reporting income in that category. Consistent with previous years, the "All Other Revenues" category continued to be the largest single source of revenues. In 1981, all other revenues exceeded \$182 million, or 49 percent of total revenues.

On the expense side, aggregate employee costs jumped one-fifth during the year to \$145 million, of which such costs at the NYSE accounted for approximately

44 percent of the aggregate total figure. Communication, data processing and collection expenses constitute the next largest specific cost category. Such expenses for all SROs combined increased 18 percent last year to over \$63 million. Occupancy and equipment costs increased by 25 percent to reach \$22 million in 1981. As in the past, expenses classified in the "All Other Expenses" increased, but at a lesser rate than in previous years. Finally, total expenses for all SROs combined rocketed to \$338 million, up almost 20 percent from 1980.

The 1980-1981 balance sheet structure of SROs, also set forth in the accompanying tables, provides insight into the overall operations of these entities. Aggregate total assets of SROs dipped to \$629 million in 1981 from a high of \$760 million in 1980. Most of this decline can be traced to the Midwest Stock Exchange, whose assets slipped from \$156 to \$110 million. Total assets for five other SROs also declined in 1981. Although the NYSE was among those experiencing a decline, with \$165 million in total assets at year-end 1981, it continued to maintain the largest asset base of all of the eleven reporting SROs. Aggregate total liabilities which dropped even more sharply than total assets declined 28 percent to \$394 million at fiscal year-end 1981. As a result aggregate net worth for all SROs totalled \$236 million last year—the largest figure reported to-date. Seven of the eleven SROs experienced an increase in net worth in 1981. The sharp diversity in the relative size of these SROs can be seen by contrasting the \$109 million net worth of the NYSE with the \$13 thousand net worth of the Spokane Stock Exchange.

Aggregate 1981 clearing agency revenues increased approximately \$10.6 million over 1980. However, total revenues from clearing and depository services remained relatively unchanged as the result of various offsetting factors. Specifically, clearing revenues were reduced by the transfer of Bradford Securities Processing Services, Inc.

¹Data for self-regulatory organizations for 1980 and 1981 are not comparable with previous data because of a change in the data source

operations to its brokerage and banking affiliates. In 1980, Bradford accounted for \$10 million of clearing service revenues. On the other hand, the Options Clearing Corporation doubled its revenues to \$10.4 million as a result of an expansion during the year in the number of listed options. The increase in the "Interest and Other Revenues" category by \$12.5 million was primarily due to an over-all rise in interest rates over the previous year.

Aggregate clearing agency expenses also increased during the year, rising by \$11 million despite the transfer of Bradford's operations, which last year accounted for \$11.7 million in expenses. For the most part, the increase in expenses can be attributed to a general rise in the cost of operations resulting from inflation. For ex-

ample, Employee Costs increased by \$5.3 million to \$68.4 million.

In addition to ordinary operating expenses, clearing agencies may incur losses as a result of the default of a participant. During 1981 Midwest Clearing Corporation incurred a \$2.4 million loss from the default of one of its participants. This loss was the largest of its kind ever experienced by a clearing agency, eliminated Midwest's \$1.6 million operating profit, and created an "Excess of Expenses over Revenues" of approximately \$750,000. Stock Clearing Corporation of Philadelphia also incurred a loss due to a participant default during the year. Philadelphia's loss of \$730,000 increased its Excess of Expenses over Revenues to \$806,000.

Table 9
CONSOLIDATED BALANCE SHEET
ASSETS, LIABILITIES AND NET WORTH OF SELF-REGULATORY ORGANIZATIONS
1980-1981

(Thousands of Dollars)

| | Amex ¹ | BSE ² | CBOE ³ | CSE ⁴ | ISE ⁵ | MSE ⁶ | NASD ⁷ | NYSE ¹ | PSE ¹ | Phix ¹ | SSE ¹ | TOTAL |
|--------------------------|-------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|-------------------|------------------|-------------------|------------------|------------|
| Total Assets | | | | | | | | | | | | |
| 1980 | \$41,943 | 20,176 | 33,998 | 424 | 30 | 156,312R | 36,346 | 168,571 | 258,408R | 44,016 | 16 | \$760,240R |
| 1981 | 52,787 | 21,287 | 38,254 | 525 | 20 | 110,352 | 50,344 | 164,943 | 165,125 | 25,712 | 13 | 629,362 |
| Total Liabilities | | | | | | | | | | | | |
| 1980 | 12,465 | 18,034 | 9,750 | 265 | 2 | 147,391R | 7,948 | 66,035 | 249,492R | 35,940 | * | 547,321R |
| 1981 | 18,117 | 20,073 | 11,642 | 440 | 1 | 100,262 | 15,911 | 56,111 | 154,361 | 16,900 | * | 393,818 |
| Net Worth | | | | | | | | | | | | |
| 1980 | 29,478 | 2,142 | 24,248 | 159 | 28 | 8,921R | 28,398 | 102,536 | 8,916R | 8,076 | 15 | 212,917R |
| 1981 | \$34,670 | 1,213 | 26,612 | 85 | 19 | 10,090 | 34,433 | 108,832 | 10,764 | 8,812 | 13 | \$235,543 |

R = Revised

* = Less than \$500

¹Fiscal year ending December 31

²Fiscal year ending September 30

³Fiscal year ending June 30

⁴Fiscal year ending April 30

Source: SRO Annual Reports and Financial Statements

Table 10
**SUMMARY OF CONSOLIDATED REVENUES, EXPENSES, AND PRE-TAX
 INCOME OF ELEVEN SELF-REGULATORY ORGANIZATIONS
 1980-1981**

(Thousands of Dollars)

| | 1980 ^R | 1981 |
|---|-------------------|------------|
| Revenues | | |
| Commission Fees/Transaction Revenues | \$ 92,919 | \$ 103,164 |
| Listing Fees | 52,160 | 62,438 |
| Communication Fees | 16,818 | 21,946 |
| Clearing Fees | 2,687 | 2,340 |
| All Other Revenues | 172,176 | 182,388 |
| | | |
| Total Revenues | \$336,761 | \$372,277 |
| Expenses | | |
| Employee Costs | \$119,636 | \$144,474 |
| Occupancy and Equipment Costs | 17,887 | 22,355 |
| Professional and Legal Services | 14,509 | 14,361 |
| Depreciation and Amortization | 9,535 | 13,984 |
| Advertising Printing Postage | 5,833 | 6,650 |
| Communication, Data Processing and Collection | 53,834 | 63,341 |
| All Other Expenses | 61,690 | 72,816 |
| | | |
| Total Expenses | \$282,924 | \$337,976 |
| | | |
| Pre-Tax Income | \$ 53,835 | \$ 34,301 |

R=Revised

Note Figures include unaudited financial data for the Spokane Stock Exchange
 Totals may not sum due to rounding

Source SRO Annual Reports and Financial Statements

Table 11
**CONSOLIDATED REVENUES, EXPENSES AND PRE-TAX INCOME OF
 SELF-REGULATORY ORGANIZATIONS
 1980-1981**

(Thousands of Dollars)

| | AMIBX' | BSE' | CBOE' | QSE' | ISE' | MSE' | NASD' | NYSE' | RSE' | PHUX' | SSE' | Total |
|---|----------|-------|--------|------|------|----------|--------|---------|---------|--------|------|------------|
| Revenues | | | | | | | | | | | | |
| Commission Fees/ Transaction Revenues* | | | | | | | | | | | | |
| 1980 | \$19,317 | 3,137 | 19,160 | — | — | NA | NA | 32,391 | 31,672R | 5,242R | — | \$ 92,916R |
| 1981 | 19,972 | 3,296 | 26,625 | — | — | NA | NA | 34,909 | 12,492 | 5,871 | — | 103,164 |
| Listing Fees | | | | | | | | | | | | |
| 1980 | 7,534 | * | — | 10 | 4 | NA | NA | 43,520 | 1,081R | NA | 11 | 52,160R |
| 1981 | 9,346 | * | — | 21 | 3 | NA | NA | 51,523 | 1,527 | NA | 18 | 62,438 |
| Communication Fees | | | | | | | | | | | | |
| 1980 | 14,190 | — | 1,350 | NA | — | NA | NA | NA | 1,278R | NA | — | 16,818R |
| 1981 | 18,574 | — | 1,505 | NA | — | NA | NA | NA | 1,067 | NA | — | 21,946 |
| Cleaning Fees | | | | | | | | | | | | |
| 1980 | 936 | NA | — | — | — | NA | NA | NA | NA | 1,751R | — | 2,687R |
| 1981 | 988 | NA | — | — | — | NA | NA | NA | NA | 1,352 | — | 2,340 |
| All Other Revenues | | | | | | | | | | | | |
| 1980 | 5,237 | 4,148 | 4,949 | 108 | 9 | 22,026R' | 36,912 | 80,854R | 12,902R | 5,013R | 18 | 172,176R |
| 1981 | 8,613 | 4,556 | 6,905 | 183 | 11 | 28,162' | 46,815 | 68,803 | 18,332 | 5,997 | 11 | 182,388 |
| Total Revenues | | | | | | | | | | | | |
| 1980 | 47,214 | 7,285 | 25,459 | 119 | 13 | 22,026R | 36,912 | 158,765 | 28,933R | 12,006 | 29 | 336,761R |
| 1981 | \$57,493 | 7,851 | 35,035 | 204 | 14 | 28,162 | 46,815 | 153,235 | 32,218 | 10,220 | 30 | \$372,277 |
| Expenses | | | | | | | | | | | | |
| Employee Costs | | | | | | | | | | | | |
| 1980 | \$18,614 | 3,712 | 9,814 | 85 | 7 | NA | 17,230 | 54,332 | 10,083R | 4,949R | 10 | \$119,936R |
| 1981 | 21,969 | 4,340 | 13,305 | 120 | 7 | NA | 21,845 | 62,904 | 14,141 | 5,812 | 11 | 144,474 |
| Occupancy and Equipment Costs | | | | | | | | | | | | |
| 1980 | 1,437 | 396 | 3,984 | 14 | 4 | NA | 1,447 | 6,693 | 2,603R | 1,304R | 5 | 17,887R |
| 1981 | 1,361 | 611 | 5,268 | 16 | 4 | NA | 2,016 | 8,279 | 3,762 | 1,033 | 5 | 22,355 |

Table 11—Continued
**CONSOLIDATED REVENUES, EXPENSES AND PRE-TAX INCOME OF
 SELF-REGULATORY ORGANIZATIONS**
 1980-1981

(Thousands of Dollars)

| | AMIBX ¹ | BSE ² | CBOT ³ | CSE ⁴ | ISE ⁵ | MSE ⁶ | NASD ⁷ | NYSE ⁸ | FSE ⁹ | PHLX ¹⁰ | SSE ¹¹ | Total |
|--|--------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|-------------------|------------------|--------------------|-------------------|-----------|
| Professional and Legal Services | | | | | | | | | | | | |
| 1980 | 1,972 | 194 | 1,358 | 43 | 2 | NA | 1,860 | 6,842 | 1,948 | 389 | 1 | 14,509R |
| 1981 | 2,008 | 413 | 1,390 | 40 | 2 | NA | 2,697 | 5,066 | 2,074 | 870 | 1 | 14,361 |
| Depreciation and Amortization | | | | | | | | | | | | |
| 1980 | 2,045 | 275 | 2,437 | 1 | * | NA | 717 | 3,706 | 363 | NA | 1 | 9,535 |
| 1981 | 1,701 | 286 | 2,750 | 2 | * | NA | 1,698 | 6,763 | 752 | NA | 2 | 13,984 |
| Advertising, Printing and Postage | | | | | | | | | | | | |
| 1980 | 2,260 | NA | 311 | 10 | — | NA | 1,496 | NA | 1,751R | NA | 5 | 5,833R |
| 1981 | 2,161 | NA | 458 | 16 | — | NA | 2,019 | NA | 1,991 | NA | 5 | 6,650 |
| Communication, Data Processing and Collection | | | | | | | | | | | | |
| 1980 | 2,468 | 1,145 | NA | NA | * | NA | 3,104 | 40,900 | 4,679R | 1,838R | * | 53,834R |
| 1981 | 3,318 | 1,532 | NA | NA | 1 | NA | 4,449 | 45,998 | 5,741 | 2,701 | 1 | 63,341 |
| All Other Expenses | | | | | | | | | | | | |
| 1980 | 10,473 | 1,491 | 5,420 | 39 | 2 | 19,362R | 7,034 | 15,225 | 804R | 1,833R | 7 | 61,690R |
| 1981 | 13,698 | 1,561 | 7,568 | 87 | 14 | 24,337 | 6,056 | 15,171 | 1,441 | 2,855 | 8 | 72,816 |
| Total Expenses | | | | | | | | | | | | |
| 1980 | 89,269 | 7,213 | 23,124 | 193 | 16 | 19,362R | 32,988 | 127,398 | 23,121R | 10,312R | 30 | 282,924R |
| 1981 | \$46,236 | 8,763 | 30,739 | 280 | 26 | 24,337 | 40,780 | 143,811 | 29,902 | 16,070 | 32 | \$537,976 |
| Pretax Income | | | | | | | | | | | | |
| 1980 | 7,945 | 72 | 2,335 | (74) | (3) | 2,664R | 4,029* | 29,367 | 5,812R | 1,694R | (1) | 53,835 |
| 1981 | \$11,257 | (912) | 4,296 | (76) | (12) | 1,825 | 6,035* | 9,424 | 2,316 | 150 | (2) | \$ 34,301 |

¹ Fiscal year ending December 31
² Fiscal year ending September 30
³ Includes listing fees for BSE and brokerage fees for PHLX
⁴ See footnote number 5
⁵ Fiscal year ending June 30
⁶ Includes service fees
⁷ Fiscal year ending April 30
⁸ Net Income
 R—Revised
 NA—No discrete figures available
 *—Less than \$500

Source: SRO Annual Reports and
 Financial Statements

Table 12
SELF-REGULATORY ORGANIZATIONS—CLEARING AGENCIES
REVENUES AND EXPENSES¹—FISCAL YEAR 1981
 (Thousands of Dollars)

| | Boston Stock Exchange Clearing Corporation 9/30/81 | Midwest Clearing Corporation 12/31/81 | Midwest Securities Trust Company 12/31/81 | National Securities Clearing Corporation 12/31/81 | New England Securities Depository Trust Company 9/30/81 | Options Clearing Corporation 6/30/82 | Pacific Clearing Corporation 12/31/81 | Pacific Securities Depository Trust Company 12/31/81 | Philadelphia Depository Trust Company 12/31/81 | Stock Clearing Corporation of Philadelphia 12/31/81 | Total |
|--|---|--|---|---|---|---|--|---|--|--|----------------|
| Revenues | | | | | | | | | | | |
| Clearing services ² | \$2,440 | \$5,045 | \$32,318 | \$3,493 | \$1,430 | \$10,423 | \$4,935 | \$5,236 | \$2,201 | \$2,387 | \$ 57,948 |
| Depository services ³ | 743 | 2,036 | 1,021 | 3,406 | 1,034 | 3,377 | 3,406 | 2,555 | 161 | 116 | 54,859 |
| Interest and other revenue | 3,183 | 7,081 | 11,975 | 33,339 | 2,464 | 13,800 | 8,341 | 7,791 | 2,362 | 2,503 | 51,496 |
| Total revenues⁴ | | | | | | | | | | | 163,903 |
| Expenses | | | | | | | | | | | |
| Employee costs | 1,194 | 2,040 | 4,663 | 2,057 | 1,381 | 5,952 | 3,447 | 2,767 | 782 | 1,099 | 68,370 |
| Data processing and communication costs | 714 | 780 | 1,273 | 20,378 | 272 | 3,173 | 1,906 | 2,353 | 821 | 949 | 41,147 |
| Occupancy costs | 131 | 372 | 823 | 2,764 | 130 | 679 | 257 | 312 | 132 | 102 | 7,948 |
| Contracted services costs | | | | 4,933 | | | | | | | 2,764 |
| Regulatory fees ⁵ | | 2,390 | | | | | | | | | 4,933 |
| Participant default | 1,484 | 2,246 | 3,992 | 3,087 | 816 | 3,917 | 2,415 | 1,782 | 615 | 730 | 3,120 |
| All other expenses | 3,523 | 7,828 | 10,751 | 33,219 | 2,599 | 13,721 | 8,025 | 7,214 | 2,350 | 429 | 32,318 |
| Total expenses | | | | | | | | | | | 160,600 |
| Excess of revenues over expenses ⁶ | \$ (340) | \$ (747) | \$ 1,224 | \$ 120 | \$ (135) | \$ 79 | \$ 316 | \$ 577 | \$ 12 | \$ (806) | \$ 3,303 |

¹ Any single revenue or expense category may not be completely comparable between any two clearing agencies because of (i) the varying classification methods employed by the clearing agencies in reporting operating results and (ii) the grouping methods employed by the Commission staff due to these varying classification methods. Additionally, because of changing methods of classifying and reporting various revenues and expenses and because of changing operations, these figures may not be completely comparable to prior year figures.

² Interest of \$3,986,000 was earned on excess Clearing and Securities Collection Funds and was recorded as income by the Pacific Stock Exchange. This interest income is not included in Pacific Clearing Corporation's revenues.

³ Clearing and depository services revenue items reported in this table may differ from clearing and depository fees revenues reported in the other statistical tables contained herein.

⁴ This difference results from, among other things, variations in classification of revenue items.

⁵ Revenues are net of refunds which have the effect of reducing a clearing agency's base fee rates.

⁶ This figure represents amounts billed by the New York and American Stock Exchanges and the National Association of Securities Dealers (\$3,000,000, \$550,000 and \$1,383,000 respectively) for services provided to the National Securities Clearing Corporation. These services consisted principally of examining, monitoring, and investigating the financial and operating conditions of existing and prospective clearing members and the notification of unusual market conditions which may affect securities to be cleared.

⁷ Before the effect of income taxes, which may significantly impact a clearing agency's net income.

Table 13
**REVENUE AND EXPENSES OF MUNICIPAL SECURITIES
 RULEMAKING BOARD**

| | Years Ended September 30 | |
|---------------------------------|--------------------------|--------------|
| | 1982 | 1981 |
| <i>Revenues</i> | | |
| Assessment Fees | \$ 1,582,498 | \$ 1,257,786 |
| Annual Fees | 182,400 | 178,294 |
| Initial Fees | 15,800 | 12,200 |
| Investment Income | 113,478 | 48,635 |
| Other | 23,094 | 16,018 |
| | 1,917,270 | 1,512,933 |
| <i>Expenses</i> | | |
| Salaries and employee benefits | 504,309 | 460,236 |
| Board and Committee | 276,845 | 325,153 |
| Operations | 153,207 | 138,663 |
| Education and communication | 194,442 | 166,043 |
| Professional services | 17,147 | 42,508 |
| Depreciation and amortization | 11,035 | 10,977 |
| | 1,156,985 | 1,143,580 |
| Revenues over (under) expenses | 760,285 | 369,353 |
| Fund balance, beginning of year | 650,702 | 281,349 |
| | \$1,410,987 | \$ 650,702 |
| Fund balance, end of year | | |

EXEMPTIONS

Section 12(h) Exemptions

Section 12(h) of the Exchange Act authorizes the Commission to grant a complete or partial exemption from the registration provisions of Section 12(g) or from other disclosure and insider trading provisions of the Act where such exemption is consistent with the public interest and the protection of investors.

For the year beginning October 1, 1981, 9 applications were pending, and an additional 20 applications were filed during the year. Of these 29 applications, 6 were granted, one was denied and 3 were withdrawn. Nineteen applications were pending at the close of the year.

The decrease in the number of applications from previous years may have resulted from the wider use of general exemptive rules.

Exemptions for Foreign Private Issuers

Rule 12g3-2 provides various exemptions from the registration provisions of Section 12(g) of the Exchange Act for the securities of foreign private issuers. Perhaps the most important of these is that contained in subparagraph (b) which provides an exemption for certain foreign issuers which submit on a current basis material specified in the rule. Such material includes that information about which investors ought reasonably to be informed and which the issuer: (1) has made public pursuant to the law of the country of domicile or in which

it is incorporated or organized, (2) has filed with a foreign stock exchange on which its securities are traded and which was made public by such exchange; and/or (3) has distributed to its security holders. Periodically, the Commission publishes a list of those foreign issuers which appear to be current under the exemptive provision. The most current list is as of September 30, 1982 and contains a total of 335 foreign issuers.

Rule 10b-6 Exemptions

Exchange Act Rule 10b-6 is an anti-manipulative rule that prohibits trading in securities by persons interested in a distribution of such securities. During the fiscal year, the Commission granted approximately 360 exemptions pursuant to paragraph (f) of Rule 10b-6 under circumstances indicating that proposed purchase transactions did not appear to constitute manipulative or deceptive devices or contrivances comprehended within the purposes of the rule.

FINANCIAL INSTITUTIONS

There were 1,944 companies registered under the Investment Company Act of 1940 as of September 30, 1982, with active companies having an approximate market value of assets of \$281,644 million. New registrations totaled 305, with 45 registrations terminated during the fiscal year. This compares with 1981 fiscal year figures of 1,683 total registrations, 172 new registrations and 80 terminations.

Table 14
**COMPANIES REGISTERED UNDER THE INVESTMENT COMPANY
 ACT OF 1940 AS OF SEPTEMBER 30, 1982**

| | Number of Registered Companies | | | Approximate Market Value of Assets of Active Companies (Millions) |
|--------------------------------------|--------------------------------|-----------------------|--------------|--|
| | Active | Inactive ^a | Total | |
| Management open-end ("Mutual Funds") | 1,211 | 33 | 1,244 | \$266,728 |
| Variable annuity-separate accounts | 74 | 3 | 77 | 6,632 |
| All other load funds | 1,137 | 30 | 1,167 | 260,096 |
| Management closed-end | 159 | 54 | 213 | 7,498 |
| Small business Investment companies | 37 | 6 | 43 | 237 |
| All other closed-end companies | 122 | 48 | 170 | 7,261 |
| Unit investment trust | 456 | 22 | 478 | 7,364 ^b |
| Variable annuity-separate accounts | 102 | 1 | 103 | 2,936 |
| All other unit investment trusts | 354 | 21 | 375 | 4,428 |
| Face-amount certificate companies | 5 | 4 | 9 | 54 |
| Total | 1,831 | 113 | 1,944 | 281,644 |

^a Inactive refers to registered companies which as of September 30, 1982, were in the process of being liquidated or merged, or have filed an application pursuant to Section 8(f) of the Act for deregistration, or which have otherwise gone out of existence and remain only until such time as the Commission issues order under Section 8(f) terminating their registration

^b Includes about 4.3 billion of assets of trusts which invest in securities of other investment companies, substantially all of them mutual funds

Table 15
**COMPANIES REGISTERED UNDER THE INVESTMENT COMPANY
 ACT OF 1940**

| Fiscal year ended September 30 | Registered at beginning of year | Registered during year | Registration terminated during year | Registered at end of year | Approximate market value of assets of active companies (millions) |
|-----------------------------------|---------------------------------------|------------------------------|---|---------------------------------|--|
| 1941 | 0 | 450 | 14 | 436 | \$ 2,500 |
| 1942 | 436 | 17 | 46 | 407 | 2,400 |
| 1943 | 407 | 14 | 31 | 390 | 2,300 |
| 1944 | 390 | 18 | 27 | 371 | 2,200 |
| 1945 | 371 | 14 | 19 | 366 | 3,250 |
| 1946 | 366 | 13 | 18 | 361 | 3,750 |
| 1947 | 361 | 12 | 21 | 352 | 3,600 |
| 1948 | 352 | 18 | 11 | 359 | 3,825 |
| 1949 | 359 | 12 | 13 | 358 | 3,700 |
| 1950 | 358 | 26 | 18 | 366 | 4,700 |
| 1951 | 366 | 12 | 10 | 368 | 5,600 |
| 1952 | 368 | 13 | 14 | 367 | 6,800 |
| 1953 | 367 | 17 | 15 | 369 | 7,000 |
| 1954 | 369 | 20 | 5 | 384 | 8,700 |
| 1955 | 384 | 37 | 34 | 387 | 12,000 |
| 1956 | 387 | 46 | 34 | 399 | 14,000 |
| 1957 | 399 | 49 | 16 | 432 | 15,000 |
| 1958 | 432 | 42 | 21 | 453 | 17,000 |
| 1959 | 453 | 70 | 11 | 512 | 20,000 |
| 1960 | 512 | 67 | 9 | 570 | 23,500 |
| 1961 | 570 | 118 | 25 | 663 | 29,000 |
| 1962 | 663 | 97 | 33 | 727 | 27,300 |
| 1963 | 727 | 48 | 48 | 727 | 36,000 |
| 1964 | 727 | 52 | 48 | 731 | 41,600 |
| 1965 | 731 | 50 | 54 | 727 | 44,600 |
| 1966 | 727 | 78 | 30 | 775 | 49,800 |
| 1967 | 755 | 108 | 41 | 842 | 58,197 |
| 1968 | 842 | 167 | 42 | 967 | 69,732 |
| 1969 | 967 | 222 | 22 | 1,167 | 72,465 |
| 1970 | 1,167 | 187 | 26 | 1,328 | 56,337 |
| 1971 | 1,328 | 121 | 98 | 1,351 | 78,109 |
| 1972 | 1,351 | 91 | 108 | 1,334 | 80,816 |
| 1973 | 1,334 | 91 | 64 | 1,361 | 73,149 |
| 1974 | 1,361 | 106 | 90 | 1,377 | 62,287 |
| 1975 | 1,377 | 88 | 66 | 1,399 | 74,192 |
| 1976 | 1,399 | 63 | 66 | 1,376 | 80,564 |
| 1977* | 1,403 | 91 | 57 | 1,437 | 76,904 |
| 1978 | 1,437 | 98 | 64 | 1,471 | 93,921 |
| 1979 | 1,471 | 83 | 47 | 1,507 | 108,572 |
| 1980 | 1,507 | 136 | 52 | 1,591 | 155,981 |
| 1981 | 1,591 | 172 | 80 | 1,683 | 193,362 |
| 1982 | 1,683 | 305 | 45 | 1,944 | 281,644 |

*Began Fiscal Year Ending September 30, 1977

Table 16
NEW INVESTMENT COMPANY REGISTRATIONS

| | 1982 |
|--------------------------|------|
| Management open-end | |
| Variable annuities | 9 |
| All others | 234 |
| Sub-total | 243 |
| Management closed-end | |
| SBIC's | 1 |
| All others | 11 |
| Sub-total | 12 |
| Unit investment trust | |
| Variable annuities | 24 |
| All others | 26 |
| Sub-total | 50 |
| Face amount certificates | 0 |
| Total Registered | 305 |

Table 17
INVESTMENT COMPANY REGISTRATIONS TERMINATED

| | 1982 |
|--------------------------|------|
| Management open-end | |
| Variable annuities | 1 |
| All others | 28 |
| Sub-total | 29 |
| Management closed-end | |
| SBIC's | 1 |
| All others | 10 |
| Sub-total | 11 |
| Unit investment trust | |
| Variable annuities | 1 |
| All others | 4 |
| Sub-total | 5 |
| Face amount certificates | 0 |
| Total terminated | 45 |

SECURITIES ON EXCHANGES

Market Value and Share Volume

The total market value of all equity securities transactions on registered exchanges totaled \$533 billion in 1981. Of this total, \$491 billion, or 92 percent, represented the market value of transactions in stocks and \$42 billion, or eight percent, the market value of options transactions. The remainder covers the market value of transactions in warrants and rights. The value of equity transactions on the New York Stock Exchange was \$416 billion, up five percent from the previous year. In contrast, the market value of such transactions fell 15 percent to \$40 billion on the American Stock Exchange and one percent to

\$76 billion on all regional exchanges combined. The volume of trading in stocks on all registered exchanges totaled 16 billion shares in 1981, a three percent increase over the previous year with 81 percent of the total accounted for by trading on the New York Stock Exchange.

Although the number of contracts traded on options exchanges rose 13 percent during 1981 to 109 million contracts, the market value of such contracts eased three percent to \$42 billion. The volume of contracts executed on the Chicago Board Options Exchange rose nine percent to 58 million; trading on the American Stock Exchange increased 20 percent; Philadelphia Stock Exchange contract volume expanded 30 percent; and Pacific Stock Exchange contract volume went up 27 percent.

Table 18
MARKET VALUE AND VOLUME OF SALES ON REGISTERED SECURITIES EXCHANGES¹

(All data are in thousands)

| | STOCKS ² | | | OPTIONS ³ | | | WARRANTS | | RIGHTS | |
|---|------------------------------|------------------------|------------------|------------------------|---------------------|------------------------|-----------------|------------------------|-----------------|--|
| | TOTAL MARKET VALUE (Dollars) | Market Value (Dollars) | Number of Shares | Market Value (Dollars) | Number of Contracts | Market Value (Dollars) | Number of Units | Market Value (Dollars) | Number of Units | |
| All Registered Exchanges for past six years | | | | | | | | | | |
| Calendar Year | 1976 | 194,969,057 | 7,035,755 | 11,734,222 | 31,425 | 248,124 | 53,603 | 7,634 | 35,843 | |
| | 1977 | 198,291,919 | 7,023,101 | 10,899,135 | 39,622 | 184,435 | 87,841 | 5,792 | 43,940 | |
| | 1978 | 269,266,174 | 9,483,907 | 19,703,198 | 61,336 | 343,724 | 68,074 | 2,323 | 13,889 | |
| | 1979 | 323,364,620 | 299,749,680 | 10,849,825 | 64,347 | 747,948 | 76,902 | 6,934 | 38,184 | |
| | 1980 | 522,205,543 | 475,649,870 | 15,485,686 | 96,828 | 559,601 | 61,434 | 6,909 | 37,089 | |
| | 1981 | 532,712,860 | 490,688,155 | 15,910,315 | 109,406 | 327,293 | 46,553 | 1,596 | 12,530 | |
| Breakdown of 1981 Data by Registered Exchange | | | | | | | | | | |
| All Registered Exchanges | 40,357,876 | 26,384,790 | 1,472,331 | 13,816,740 | 34,859 | 155,593 | 16,306 | 762 | 56 | |
| * American Stock Exchange | 2,402,381 | 2,402,381 | 81,320 | 0 | 0 | 0 | 0 | 0 | 0 | |
| * Boston Stock Exchange | 1,976,559 | 1,976,559 | 59,281 | 0 | 0 | 0 | 0 | 0 | 0 | |
| * Cincinnati Stock Exchange | 24,741,373 | 24,741,373 | 734,513 | 0 | 0 | 0 | 0 | 0 | 0 | |
| * Midwest Stock Exchange | 416,078,569 | 415,913,235 | 12,843,068 | 0 | 0 | 164,497 | 29,071 | 886 | 12,225 | |
| * New York Stock Exchange | 13,320,484 | 11,397,318 | 457,430 | 1,920,564 | 6,952 | 2,595 | 670 | 7 | 249 | |
| * Pacific Stock Exchange | 11,386,715 | 7,857,231 | 247,015 | 3,524,877 | 10,010 | 4,607 | 506 | 0 | 0 | |
| * Philadelphia Stock Exchange | 1,460 | 1,460 | 1,972 | 0 | 0 | 0 | 0 | 0 | 0 | |
| * Intermountain Stock Exchange | 13,807 | 13,807 | 13,384 | 0 | 0 | 0 | 0 | 0 | 0 | |
| * Spokane Stock Exchange | 22,433,635 | 0 | 0 | 22,433,635 | 57,584 | 0 | 0 | 0 | 0 | |
| * Chicago Board Options | | | | | | | | | | |

¹ Reports of those exchanges marked with an asterisk cover transactions cleared during the calendar month, clearances occur for the most part on the fifth day after that on which the trade actually was effected. Reports for other exchanges cover transactions effected on trade dates of calendar month.

² Data on the value and volume of equity securities sales are reported in connection with fees paid under Section 31 of the Securities Exchange Act of 1934 as amended by the Securities Acts Amendments of 1975. They cover odd-lot as well as round lot transactions.

³ Includes voting trust certificates, certificates of deposit for stocks, and American Depository Receipts for stocks but excludes rights and warrants.

Source SEC Form R-31

NASDAQ (Volume and Market Value)

NASDAQ share volume and market value information for over-the-counter trading has been reported on a daily basis since November 1, 1971. At the end of 1981, there were approximately 3,700 issues in the NASDAQ system, an increase of 21 percent during the year. Volume for 1981 was eight billion shares, up 16 percent from seven billion shares in the previous year. This trading volume encompasses the number of shares bought and sold by market-makers plus their net inventory changes. The market value of outstanding shares of stocks in the NASDAQ system was \$71 billion at the end of 1981.

Share and Dollar Volume by Exchange

Share volume in 1981 for stocks, rights, and warrants on exchanges totaled \$16 billion, an increase of three percent from the previous year. The New York Stock Exchange accounted for 81 percent of 1981 share volume; the American Stock Exchange, nine percent; the Midwest Stock Exchange, five percent; and the Pacific Stock Exchange, three percent.

The market value of stocks, rights, and warrants traded was \$491 billion, an increase of three percent over the previous year. Trading on the New York Stock Exchange contributed 85 percent of the total; and trading on the American Stock Exchange and the Midwest Stock Exchange each accounted for five percent of the total.

Market Value Of Securities Traded On All U.S. Stock Exchanges

Dollars Billions

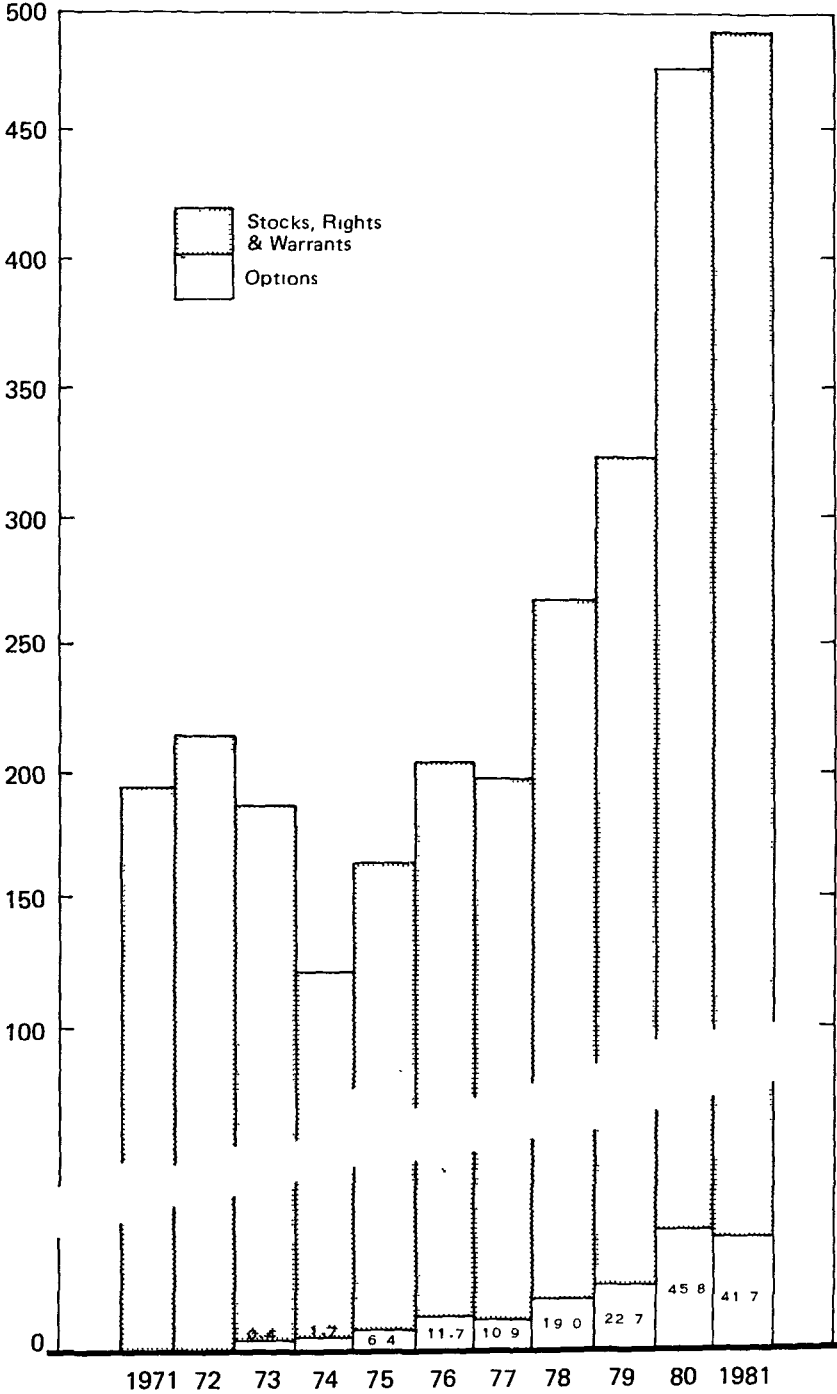


Table 19
SHARE VOLUME BY EXCHANGES¹

in Percentage

| Year | Total Share Volume (thousands) | NYSE | AMEX | MSE | PSE | PHLX | BSE | CSE | Other ² |
|------|-----------------------------------|-------|-------|------|------|------|------|------|--------------------|
| 1935 | \$ 681,971 | 73 13 | 12 42 | 1 91 | 2 69 | 1 10 | 0 96 | 0 03 | 7 76 |
| 1940 | 377,897 | 75 44 | 13 20 | 2 11 | 2 78 | 1 33 | 1 19 | 0 08 | 3 87 |
| 1945 | 769,018 | 65 87 | 21 31 | 1 77 | 2 98 | 1 06 | 0 66 | 0 05 | 6 30 |
| 1950 | 893,320 | 76 32 | 13 54 | 2 16 | 3 11 | 0 97 | 0 65 | 0 09 | 3 16 |
| 1955 | 1,321,401 | 68 85 | 19 19 | 2 09 | 3 08 | 0 85 | 0 48 | 0 05 | 5 41 |
| 1960 | 1,441,120 | 68 47 | 22 27 | 2 20 | 3 11 | 0 88 | 0 38 | 0 04 | 2 65 |
| 1961 | 2,142,523 | 64 99 | 25 58 | 2 22 | 3 41 | 0 79 | 0 30 | 0 04 | 2 67 |
| 1962 | 1,711,945 | 71 31 | 20 11 | 2 34 | 2 95 | 0 87 | 0 31 | 0 04 | 2 07 |
| 1963 | 1,880,793 | 72 93 | 18 83 | 2 32 | 2 82 | 0 83 | 0 29 | 0 04 | 1 94 |
| 1964 | 2,118,326 | 72 81 | 19 42 | 2 43 | 2 65 | 0 93 | 0 29 | 0 03 | 1 44 |
| 1965 | 2,671,012 | 69 90 | 22 53 | 2 63 | 2 33 | 0 81 | 0 26 | 0 05 | 1 49 |
| 1966 | 3,313,899 | 69 38 | 22 84 | 2 56 | 2 68 | 0 86 | 0 40 | 0 05 | 1 23 |
| 1967 | 4,646,553 | 64 40 | 28 41 | 2 35 | 2 46 | 0 87 | 0 43 | 0 02 | 1 06 |
| 1968 | 5,407,923 | 61 98 | 29 74 | 2 63 | 2 64 | 0 89 | 0 78 | 0 01 | 1 33 |
| 1969 | 5,134,856 | 63 16 | 27 61 | 2 84 | 3 47 | 1 22 | 0 51 | 0 00 | 1 19 |
| 1970 | 4,834,887 | 71 28 | 19 03 | 3 16 | 3 68 | 1 63 | 0 51 | 0 02 | 0 69 |
| 1971 | 6,172,668 | 71 34 | 18 42 | 3 52 | 3 72 | 1 91 | 0 43 | 0 03 | 0 63 |
| 1972 | 6,518,132 | 70 47 | 18 22 | 3 71 | 4 13 | 2 21 | 0 59 | 0 03 | 0 64 |
| 1973 | 5,899,678 | 74 92 | 13 75 | 4 09 | 3 68 | 2 19 | 0 71 | 0 04 | 0 62 |
| 1974 | 4,950,833 | 78 47 | 10 27 | 4 39 | 3 48 | 1 82 | 0 86 | 0 04 | 0 67 |
| 1975 | 6,381,669 | 80 92 | 8 96 | 4 05 | 3 25 | 1 54 | 0 84 | 0 13 | 0 31 |
| 1976 | 7,125,201 | 80 03 | 9 35 | 3 87 | 3 93 | 1 41 | 0 78 | 0 44 | 0 19 |
| 1977 | 7,134,946 | 79 54 | 9 73 | 3 95 | 3 71 | 1 49 | 0 66 | 0 64 | 0 28 |
| 1978 | 9,564,663 | 80 08 | 10 75 | 3 58 | 3 14 | 1 49 | 0 60 | 0 15 | 0 21 |
| 1979 | 10,977,775 | 79 78 | 10 82 | 3 29 | 3 38 | 1 64 | 0 54 | 0 27 | 0 28 |
| 1980 | 15,584,209 | 79 95 | 10 79 | 3 83 | 2 80 | 1 51 | 0 56 | 0 32 | 0 24 |
| 1981 | 15,969,398 | 80 68 | 9 32 | 4 60 | 2 87 | 1 55 | 0 51 | 0 37 | 0 10 |

¹Share volume for exchanges includes stocks, rights, and warrants

²Other includes all exchanges not listed above

Table 20
DOLLAR VOLUME BY EXCHANGES¹

in Percentage

| Year | Total Dollar Volume (thousands) | NYSE | AMEX | MSE | PSE | PHLX | BSE | CSE | Other ² |
|------|------------------------------------|-------|-------|------|------|------|------|------|--------------------|
| 1935 | \$ 15,396,139 | 86 64 | 7 83 | 1 32 | 1 39 | 0 88 | 1 34 | 0 04 | 0 56 |
| 1940 | 8,419,772 | 85 17 | 7 68 | 2 07 | 1 52 | 1 11 | 1 91 | 0 09 | 0 45 |
| 1945 | 16,284,552 | 82 75 | 10 81 | 2 00 | 1 78 | 0 96 | 1 16 | 0 06 | 0 48 |
| 1950 | 21,808,284 | 85 91 | 6 85 | 2 35 | 2 19 | 1 03 | 1 12 | 0 11 | 0 44 |
| 1955 | 38,039,107 | 86 31 | 6 98 | 2 44 | 1 90 | 1 03 | 0 78 | 0 09 | 0 47 |
| 1960 | 45,309,825 | 83 80 | 9 35 | 2 72 | 1 94 | 1 03 | 0 60 | 0 07 | 0 49 |
| 1961 | 64,071,623 | 82 43 | 10 71 | 2 75 | 1 99 | 1 03 | 0 49 | 0 07 | 0 53 |
| 1962 | 54,855,293 | 86 32 | 6 81 | 2 75 | 2 00 | 1 05 | 0 46 | 0 07 | 0 54 |
| 1963 | 64,437,900 | 85 19 | 7 51 | 2 72 | 2 39 | 1 06 | 0 41 | 0 06 | 0 66 |
| 1964 | 72,461,584 | 83 49 | 8 45 | 3 15 | 2 48 | 1 14 | 0 42 | 0 06 | 0 81 |
| 1965 | 89,549,093 | 81 78 | 9 91 | 3 44 | 2 43 | 1 12 | 0 42 | 0 08 | 0 82 |
| 1966 | 123,697,737 | 79 77 | 11 84 | 3 14 | 2 84 | 1 10 | 0 56 | 0 07 | 0 68 |
| 1967 | 162,189,211 | 77 29 | 14 48 | 3 08 | 2 79 | 1 13 | 0 66 | 0 03 | 0 54 |
| 1968 | 197,116,367 | 73 55 | 17 99 | 3 12 | 2 65 | 1 13 | 1 04 | 0 01 | 0 51 |
| 1969 | 176,389,759 | 73 48 | 17 59 | 3 39 | 3 12 | 1 43 | 0 67 | 0 01 | 0 31 |
| 1970 | 131,707,946 | 78 44 | 11 11 | 3 76 | 3 81 | 1 99 | 0 67 | 0 03 | 0 19 |
| 1971 | 186,375,130 | 79 07 | 9 98 | 4 00 | 3 79 | 2 29 | 0 58 | 0 05 | 0 24 |
| 1972 | 205,956,263 | 77 77 | 10 37 | 4 29 | 3 94 | 2 56 | 0 75 | 0 05 | 0 27 |
| 1973 | 178,863,622 | 82 07 | 6 06 | 4 54 | 3 55 | 2 45 | 1 00 | 0 06 | 0 27 |
| 1974 | 118,828,272 | 83 62 | 4 39 | 4 89 | 3 50 | 2 02 | 1 23 | 0 06 | 0 29 |
| 1975 | 157,555,469 | 85 04 | 3 66 | 4 82 | 3 25 | 1 72 | 1 18 | 0 17 | 0 16 |
| 1976 | 195,224,815 | 84 35 | 3 87 | 4 75 | 3 82 | 1 68 | 0 93 | 0 53 | 0 07 |
| 1977 | 187,393,082 | 83 96 | 4 60 | 4 79 | 3 53 | 1 62 | 0 73 | 0 74 | 0 03 |
| 1978 | 249,603,319 | 84 35 | 6 17 | 4 19 | 2 84 | 1 63 | 0 61 | 0 17 | 0 04 |
| 1979 | 300,728,389 | 83 65 | 6 93 | 3 82 | 2 85 | 1 80 | 0 56 | 0 35 | 0 04 |
| 1980 | 476,416,379 | 83 54 | 7 32 | 4 32 | 2 27 | 1 59 | 0 51 | 0 40 | 0 05 |
| 1981 | 491,017,044 | 84 74 | 5 41 | 5 04 | 2 32 | 1 60 | 0 50 | 0 40 | 0 00 |

¹Dollar volume for exchanges includes stocks, rights, and warrants

²Other includes all exchanges not listed above

Special Block Distribution

distributions with a value of \$450 million
 Secondary distributions accounted for all of
 these block distributions.

In 1981, there were 43 special block

Table 21
SPECIAL BLOCK DISTRIBUTIONS REPORTED BY EXCHANGES

(Value in Thousands)

| YEAR | Secondary distributions | | | Exchange distributions | | | Special offerings | | |
|------|-------------------------|-------------|-----------|------------------------|-------------|-----------|-------------------|-------------|----------|
| | Number | Shares Sold | Value | No | Shares Sold | Value | No | Shares Sold | Value |
| 1942 | 116 | 2,397,454 | \$ 82,840 | 0 | 0 | 0 | 79 | 812,390 | \$22,694 |
| 1943 | 81 | 4,270,580 | 127,462 | 0 | 0 | 0 | 80 | 1,097,338 | 31,054 |
| 1944 | 94 | 4,097,298 | 135,760 | 0 | 0 | 0 | 87 | 1,053,667 | 32,454 |
| 1945 | 115 | 9,457,358 | 191,961 | 0 | 0 | 0 | 79 | 947,231 | 29,878 |
| 1946 | 100 | 6,481,291 | 232,398 | 0 | 0 | 0 | 23 | 308,134 | 11,002 |
| 1947 | 73 | 3,961,572 | 124,671 | 0 | 0 | 0 | 24 | 314,270 | 9,133 |
| 1948 | 95 | 7,302,420 | 175,991 | 0 | 0 | 0 | 21 | 238,879 | 5,466 |
| 1949 | 86 | 3,737,249 | 104,062 | 0 | 0 | 0 | 32 | 500,211 | 10,956 |
| 1950 | 77 | 4,280,681 | 88,743 | 0 | 0 | 0 | 20 | 150,308 | 4,940 |
| 1951 | 88 | 5,193,756 | 146,459 | 0 | 0 | 0 | 27 | 323,013 | 10,751 |
| 1952 | 76 | 4,223,258 | 149,117 | 0 | 0 | 0 | 22 | 357,897 | 9,931 |
| 1953 | 68 | 6,906,017 | 108,229 | 0 | 0 | 0 | 17 | 380,680 | 10,486 |
| 1954 | 84 | 5,738,359 | 218,490 | 57 | 705,781 | \$ 24,664 | 14 | 189,772 | 6,670 |
| 1955 | 116 | 6,756,767 | 344,871 | 19 | 258,348 | 10,211 | 9 | 161,850 | 7,223 |
| 1956 | 146 | 11,696,174 | 520,966 | 17 | 156,481 | 4,645 | 8 | 131,755 | 4,557 |
| 1957 | 99 | 9,324,599 | 339,062 | 33 | 390,832 | 15,855 | 5 | 63,408 | 1,845 |
| 1958 | 122 | 9,508,505 | 361,886 | 38 | 619,876 | 29,454 | 5 | 88,152 | 3,286 |
| 1959 | 148 | 17,330,941 | 822,336 | 28 | 545,038 | 26,491 | 3 | 33,500 | 3,730 |
| 1960 | 92 | 11,439,065 | 424,688 | 20 | 441,644 | 11,108 | 3 | 63,663 | 5,439 |
| 1961 | 130 | 19,910,013 | 926,514 | 33 | 1,127,266 | 58,072 | 2 | 35,000 | 1,504 |
| 1962 | 59 | 12,143,656 | 658,780 | 41 | 2,345,076 | 65,459 | 2 | 48,200 | 588 |
| 1963 | 100 | 18,937,935 | 814,984 | 72 | 2,892,233 | 107,498 | 0 | 0 | 0 |
| 1964 | 110 | 19,462,343 | 909,821 | 68 | 2,553,237 | 97,711 | 0 | 0 | 0 |
| 1965 | 142 | 31,153,319 | 1,603,107 | 57 | 2,334,277 | 86,479 | 0 | 0 | 0 |
| 1966 | 126 | 29,045,038 | 1,523,373 | 52 | 3,042,599 | 118,349 | 0 | 0 | 0 |
| 1967 | 143 | 30,783,604 | 1,154,479 | 51 | 3,452,856 | 125,404 | 0 | 0 | 0 |
| 1968 | 174 | 36,110,489 | 1,571,600 | 35 | 2,669,938 | 93,528 | 1 | 3,352 | 63 |
| 1969 | 142 | 38,224,799 | 1,244,186 | 32 | 1,706,572 | 52,198 | 0 | 0 | 0 |
| 1970 | 72 | 17,830,008 | 504,562 | 35 | 2,066,590 | 48,218 | 0 | 0 | 0 |
| 1971 | 204 | 72,801,243 | 2,007,517 | 30 | 2,595,104 | 65,765 | 0 | 0 | 0 |
| 1972 | 229 | 82,365,749 | 3,216,126 | 26 | 1,469,666 | 30,156 | 0 | 0 | 0 |
| 1973 | 120 | 30,825,890 | 1,151,087 | 19 | 802,322 | 9,140 | 91 | 6,662,111 | 79,889 |
| 1974 | 45 | 7,512,200 | 133,838 | 4 | 82,200 | 6,836 | 33 | 1,921,755 | 16,805 |
| 1975 | 51 | 34,149,069 | 1,409,933 | 14 | 483,846 | 8,300 | 14 | 1,252,925 | 11,521 |
| 1976 | 44 | 20,568,432 | 517,546 | 16 | 752,600 | 13,919 | 22 | 1,475,842 | 18,459 |
| 1977 | 39 | 9,848,986 | 261,257 | 6 | 295,264 | 5,242 | 18 | 1,074,290 | 14,519 |
| 1978 | 37 | 15,233,141 | 569,487 | 3 | 79,000 | 1,429 | 3 | 130,675 | 1,820 |
| 1979 | 37 | 10,803,680 | 192,258 | 3 | 1,647,600 | 86,066 | 6 | 368,587 | 4,708 |
| 1980 | R 44 | 24,979,045 | 813,542 | 2 | 177,900 | 5,101 | 4 | 434,440 | 7,097 |
| 1981 | R 43 | 16,079,897 | 449,600 | 0 | 0 | 0 | 0 | 0 | 0 |

R = Revised

Value and Number of Securities Listed on Exchanges

The market value of stocks and bonds listed on U.S. exchanges at the end of 1981 was \$1,820 billion, a decrease of two percent over the previous year. The market value for stocks was \$1,238 billion, a decrease of eight percent during the year. In

contrast, the value of listed bonds increased 13 percent. Stocks with primary listing on the New York Stock Exchange had a market value of \$1,144 billion and represented 92 percent of the value of common and preferred stocks listed on registered exchanges. Those listed on the Amex accounted for seven percent of the total listed and were valued at \$90 billion.

Table 22
SECURITIES LISTED ON EXCHANGES¹

December 31, 1981

| EXCHANGES | COMMON | | PREFERRED | | BONDS | | TOTAL SECURITIES | |
|---------------------------------------|--------------|------------------------|------------|------------------------|--------------|------------------------|------------------|------------------------|
| | Number | Market Value (Million) | Number | Market Value (Million) | Number | Market Value (Million) | Number | Market Value (Million) |
| Registered | | | | | | | | |
| American | 915 | \$ 87,612 | 99 | \$ 1,771 | 245 | \$ 5,104 | 1,259 | \$ 94,487 |
| Boston | 72 | 911 | 1 | + | 1 | 1 | 74 | 912 |
| Cincinnati | 5 | 23 | 2 | 3 | 6 | 37 | 13 | 63 |
| Midwest | 16 | 458 | 3 | 15 | 0 | 0 | 19 | 473 |
| New York | 1,534 | 1,120,059 | 686 | 23,734 | 3,110 | 573,893 | 5,330 | 1,717,686 |
| Pacific | 59 | 1,718 | 18 | 428 | 38 | 884 | 115 | 3,030 |
| Philadelphia | 26 | 1,409 | 2 | 25 | 5 | 1,808 | 33 | 3,242 |
| Intermountain | 35 | 1 | 0 | 0 | 0 | 0 | 35 | 1 |
| Spokane | 25 | 11 | 0 | 0 | 0 | 0 | 25 | 11 |
| Total | 2,687 | \$1,212,202 | 811 | \$25,976 | 3,405 | \$581,727 | 6,903 | \$1,819,905 |
| Includes the following foreign stocks | | | | | | | | |
| Registered | | | | | | | | |
| New York | 41 | \$45,182 | 3 | \$51 | 140 | \$7,489 | 184 | \$52,722 |
| American | 54 | 24,591 | 0 | 0 | 8 | 210 | 62 | 24,801 |
| Pacific | 3 | 180 | 2 | 39 | 0 | 0 | 5 | 219 |
| Total | 98 | \$69,953 | 5 | \$90 | 148 | \$7,699 | 251 | \$77,742 |

¹Excluding securities which were suspended from trading at the end of the year, and securities which because of inactivity had no available quotes

+ = Less than 0.5 million, but greater than zero

Source SEC Form 1392

Table 23
VALUE OF STOCKS LISTED ON EXCHANGES

(Billions of Dollars)

| Dec 31 | New York Stock Exchange | American Stock Exchange | Exclusively On Other Exchanges | Total |
|--------|-------------------------------|-------------------------------|--------------------------------------|---------|
| 1936 | \$ 59.9 | \$ 14.8 | | \$74.7 |
| 1937 | 38.9 | 10.2 | | 49.1 |
| 1938 | 47.5 | 10.8 | | 58.3 |
| 1939 | 46.5 | 10.1 | | 56.6 |
| 1940 | 41.9 | 8.6 | | 50.5 |
| 1941 | 35.8 | 7.4 | | 43.2 |
| 1942 | 38.8 | 7.8 | | 46.6 |
| 1943 | 47.6 | 9.9 | | 57.5 |
| 1944 | 55.5 | 11.2 | | 66.7 |
| 1945 | 73.8 | 14.4 | | 88.2 |
| 1946 | 68.6 | 13.2 | | 81.8 |
| 1947 | 68.3 | 12.1 | | 80.4 |
| 1948 | 67.0 | 11.9 | \$3.0 | 81.9 |
| 1949 | 76.3 | 12.2 | | 91.6 |
| 1950 | 93.8 | 13.9 | 3.3 | 111.0 |
| 1951 | 109.5 | 16.5 | 3.2 | 129.2 |
| 1952 | 120.5 | 16.9 | 3.1 | 140.5 |
| 1953 | 117.3 | 15.3 | 2.8 | 135.4 |
| 1954 | 169.1 | 22.1 | 3.6 | 194.8 |
| 1955 | 207.7 | 27.1 | 4.0 | 238.8 |
| 1956 | 219.2 | 31.0 | 3.8 | 254.0 |
| 1957 | 195.6 | 25.5 | 3.1 | 224.2 |
| 1958 | 276.7 | 31.7 | 4.3 | 312.7 |
| 1959 | 307.7 | 25.4 | 4.2 | 337.3 |
| 1960 | 307.0 | 24.2 | 4.1 | 335.3 |
| 1961 | 387.8 | 33.0 | 5.3 | 426.1 |
| 1962 | 345.8 | 24.4 | 4.0 | 374.2 |
| 1963 | 411.3 | 26.1 | 4.3 | 441.7 |
| 1964 | 474.3 | 28.2 | 4.3 | 506.8 |
| 1965 | 537.5 | 30.9 | 4.7 | 573.1 |
| 1966 | 482.5 | 27.9 | 4.0 | 514.4 |
| 1967 | 605.8 | 43.0 | 3.9 | 652.7 |
| 1968 | 692.3 | 61.2 | 6.0 | 759.5 |
| 1969 | 629.5 | 47.7 | 5.4 | 682.6 |
| 1970 | 636.4 | 39.5 | 4.8 | 680.7 |
| 1971 | 741.8 | 49.1 | 4.7 | 795.6 |
| 1972 | 871.5 | 55.6 | 5.6 | 932.7 |
| 1973 | 721.0 | 38.7 | 4.1 | 763.8 |
| 1974 | 511.1 | 23.3 | 2.9 | 537.3 |
| 1975 | 685.1 | 29.3 | 4.3 | 718.7 |
| 1976 | 858.3 | 36.0 | 4.2 | 898.5 |
| 1977 | 776.7 | 37.6 | 4.2 | 818.5 |
| 1978 | 822.7 | 39.2 | 2.9 | 864.8 |
| 1979 | 960.6 | 57.8 | 3.9 | 1,022.3 |
| 1980 | 1,242.8 | 103.5 | 2.9 | 1,349.2 |
| 1981 | 1,143.8 | 89.4 | 5.0 | 1,238.2 |

Securities on Exchanges

As of September 30, 1982, a total of 7,119 securities, representing 3,014 issuers, were admitted to trading on securities exchanges in the United States. This compares with 7,062 issues, involving 3,128 issuers a year earlier. Over 5,000 issues

were listed and registered on the New York Stock Exchange, accounting for 61.2 percent of the stock issues and 88.5 percent of the bond issues. Data below on "Securities Traded on Exchanges" involved some duplication since it includes both solely and dually listed securities.

Table 24
SECURITIES TRADED ON EXCHANGES

| | Issuers | | Stocks | | Bonds ¹ | |
|------------------------|---------|------------|----------------------|----------|--------------------|-------|
| | | Registered | Temporarily exempted | Unlisted | Total | |
| American | 925 | 961 | 1 | 22 | 984 | 244 |
| Boston | 999 | 149 | | 915 | 1,064 | 11 |
| Chicago Board of Trade | 3 | 1 | | 2 | 3 | |
| Cincinnati | 454 | 67 | | 407 | 474 | 36 |
| Intermountain | 44 | 41 | | 3 | 44 | |
| Midwest | 1,299 | 359 | 1 | 1,004 | 1,364 | 32 |
| New York | 1,862 | 2,305 | 1 | | 2,306 | 2,964 |
| Pacific Coast | 802 | 781 | 1 | 197 | 979 | 165 |
| Philadelphia | 974 | 278 | 1 | 880 | 1,159 | 95 |
| Spokane | 31 | 31 | | 3 | 34 | |

¹Issuers exempted under Section 3(a)(12) of the Act, such as obligations of U.S. Government, the states, and cities, are not included in this table.

Table 25
UNDUPLICATED COUNT OF SECURITIES ON EXCHANGES

(September 30, 1982)

| | Stocks | Bonds | Total | Issuers Involved |
|---|--------------|--------------|--------------|------------------|
| Registered and Listed | 3,743 | 3,340 | 7,083 | 3,002 |
| Temporarily Exempted from registration | 2 | 2 | 4 | 2 |
| Admitted to unlisted trading privileges | 24 | 8 | 32 | 10 |
| Total | 3,769 | 3,350 | 7,119 | 3,014 |

1933 ACT REGISTRATIONS

Effective Registration Statements

During the fiscal year ending September 30, 1982, 4,744 registration statements valued at \$158 billion became effective. This represented increases of 10 percent over 1981 results in both number and value of effective registrations.

Among issuers whose registration statements became effective, there were 1,927 first-time registrants in fiscal year 1982, an increase of 467 registrants (32 percent) from the previous fiscal year's total of 1,460.

The number of registration statements filed rose by 4 percent to 4,413 in fiscal year 1982 from the 4,223 statements filed in fiscal year 1981.

Table 26
EFFECTIVE REGISTRATIONS

(Millions of Dollars)

| Fiscal Year | Total | | Cash Sale for Account of Issuers | | | |
|-----------------------------------|----------------------|-------------|----------------------------------|-----------------------------|-----------------|-------------|
| | Number of Statements | Value | Common Stock ¹ | Bonds, Debentures and Notes | Preferred Stock | Total |
| Fiscal Year ended June 30 | | | | | | |
| 1935 ² | 284 | \$913 | \$168 | \$490 | \$28 | \$686 |
| 1936 | 689 | 4,835 | 531 | 3,153 | 252 | 3,936 |
| 1937 | 840 | 4,851 | 802 | 2,426 | 406 | 3,634 |
| 1938 | 412 | 2,101 | 474 | 666 | 209 | 1,349 |
| 1939 | 344 | 2,579 | 318 | 1,593 | 109 | 2,020 |
| 1940 | 306 | 1,787 | 210 | 1,112 | 110 | 1,432 |
| 1941 | 313 | 2,611 | 196 | 1,721 | 164 | 2,081 |
| 1942 | 193 | 2,003 | 263 | 1,041 | 162 | 1,466 |
| 1943 | 123 | 659 | 137 | 316 | 32 | 485 |
| 1944 | 221 | 1,760 | 272 | 732 | 343 | 1,347 |
| 1945 | 340 | 3,225 | 456 | 1,851 | 407 | 2,714 |
| 1946 | 661 | 7,073 | 1,331 | 3,102 | 991 | 5,424 |
| 1947 | 493 | 6,732 | 1,150 | 2,937 | 787 | 4,874 |
| 1948 | 435 | 6,405 | 1,678 | 2,817 | 537 | 5,032 |
| 1949 | 429 | 5,333 | 1,083 | 2,795 | 326 | 4,204 |
| 1950 | 487 | 5,307 | 1,786 | 2,127 | 468 | 4,381 |
| 1951 | 487 | 6,459 | 1,904 | 2,838 | 427 | 5,169 |
| 1952 | 635 | 9,500 | 3,332 | 3,346 | 851 | 7,529 |
| 1953 | 593 | 7,507 | 2,808 | 3,093 | 424 | 6,325 |
| 1954 | 631 | 9,174 | 2,610 | 4,240 | 531 | 7,381 |
| 1955 | 779 | 10,960 | 3,864 | 3,951 | 462 | 8,277 |
| 1956 | 906 | 13,096 | 4,544 | 4,123 | 539 | 9,206 |
| 1957 | 876 | 14,624 | 5,858 | 5,689 | 472 | 12,019 |
| 1958 | 813 | 16,490 | 5,998 | 6,857 | 427 | 13,282 |
| 1959 | 1,070 | 15,657 | 6,387 | 5,265 | 443 | 12,095 |
| 1960 | 1,426 | 14,367 | 7,260 | 4,224 | 253 | 11,737 |
| 1961 | 1,550 | 19,070 | 9,850 | 6,162 | 248 | 16,260 |
| 1962 | 1,844 | 19,547 | 11,521 | 4,512 | 253 | 16,286 |
| 1963 | 1,157 | 14,790 | 7,227 | 4,372 | 270 | 11,869 |
| 1964 | 1,121 | 16,860 | 10,006 | 4,554 | 224 | 14,784 |
| 1965 | 1,266 | 19,437 | 10,638 | 3,710 | 307 | 14,655 |
| 1966 | 1,523 | 30,109 | 18,218 | 7,061 | 444 | 25,723 |
| 1967 | 1,649 | 34,218 | 15,083 | 12,309 | 558 | 27,950 |
| 1968 | 2,417 | 54,076 | 22,092 | 14,036 | 1,140 | 37,268 |
| 1969 | 3,645 | 86,810 | 39,614 | 11,674 | 751 | 52,039 |
| 1970 | 3,389 | 59,137 | 28,939 | 18,436 | 823 | 48,198 |
| 1971 | 2,989 | 69,562 | 27,455 | 27,637 | 3,360 | 58,452 |
| 1972 | 3,712 | 62,487 | 26,518 | 20,127 | 3,237 | 49,882 |
| 1973 | 3,285 | 59,310 | 26,615 | 14,841 | 2,578 | 44,034 |
| 1974 | 2,890 | 56,924 | 19,811 | 20,997 | 2,274 | 43,082 |
| 1975 | 2,780 | 77,457 | 30,502 | 37,557 | 2,201 | 70,260 |
| 1976 | 2,813 | 87,733 | 37,115 | 29,373 | 3,013 | 69,501 |
| Transition Quarter July-Sept 1976 | 639 | 15,010 | 6,767 | 5,066 | 413 | 12,246 |
| Fiscal Year ended September 30 | | | | | | |
| 1977 | 2,915 | 92,579 | 47,116 | 28,026 | 2,426 | 77,568 |
| 1978 ³ | 3,037 | 65,043 | 25,330 | 23,251 | 2,128 | 50,709 |
| 1979 | 3,112 | 77,400 | 22,714 | 28,894 | 1,712 | 53,320 |
| 1980 | 3,402 | 110,583 | 33,076 | 42,764 | 2,879 | 78,719 |
| 1981 | (r) 4,326 | 144,132 | 49,276 | 40,163 | 2,505 | 91,944 |
| 1982 | (p) 4,744 | 158,325 | 48,799 | 62,200 | 4,012 | 115,011 |
| Cumulative Total | 74,991 | \$1,606,607 | \$629,702 | \$540,227 | \$47,916 | \$1,217,845 |

(r) = revised
(p) = preliminary

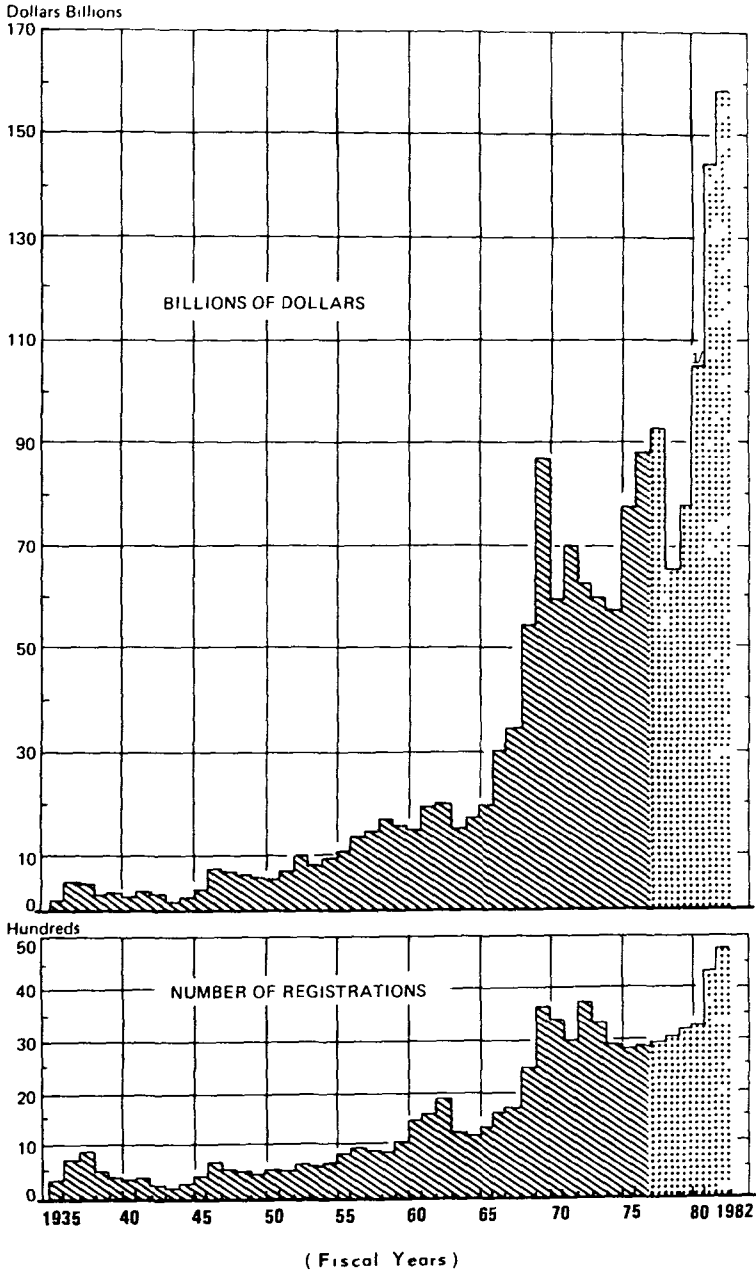
¹Includes warrants, shares of beneficial interest, certificates of participation and all other equity interests not elsewhere included

²For 10 months ended June 30, 1935

³The adoption of Rule 24f-2 (17 CFR 270 24f-2) effective November 3, 1977 made it impossible to report the dollar value of securities registered by investment companies

Note The Total Cash Sale differs from earlier presentations due to changes in rounding procedures

Securities Effectively Registered With S.E.C. 1935-1982



..... FISCAL YEAR END CHANGED FROM JUNE TO SEPTEMBER

DATA FOR TRANSITION QUARTER JULY-SEPTEMBER 1976 NOT SHOWN ON CHARTS
EFFECTIVE REGISTRATIONS \$15.0 BILLION, NUMBER OF REGISTRATIONS 639

1/ DOES NOT INCLUDE INVESTMENT COMPANIES AS OF 1/1/78 DUE TO RULE CHANGE

Purpose and Type of Registration

Effective registrations for cash sale for the account of issuers amounted to \$115 billion (73 percent) of the \$158 billion of effective registrations in fiscal year 1982. Some \$62 billion of these effective registrations (39 percent of all registrations) were intended for immediate offerings rather than for extended or other types of offerings, an increase of \$1 billion (2 percent) from the value of such registrations in the previous fiscal year. Securities issues registered by business to be offered to the general public totalled \$60 billion, an increase of \$3 billion (6 percent) from the value of such offerings in fiscal year 1981.

Of this amount, debt securities accounted for \$38 billion (or 63 percent of this total), preferred stock \$4 billion (6 percent) and common stock \$19 billion (31 percent). Cash rights offerings (offerings to security holders) came to \$543 million, a decline of 17 percent from the \$656 million of such offerings in the previous year. Immediate cash offerings by foreign governments in fiscal year 1982 totalled \$1 billion, a decrease of \$2 billion (57 percent) from the \$3 billion of such offerings in fiscal year 1981.

In fiscal year 1982, another \$53 billion of securities (33 percent of all registrations) were registered for cash sale for the account of the issuer in delayed and extended offerings (offerings other than those for immediate cash sale). Registrations for delayed offerings (offerings pursuant to Rule 415, or so-called "shelf" registrations)

amounted to \$21 billion. Securities registered for the account of issuers other than for cash sale (in conjunction with exchange offers, for example) amounted to \$39 billion in 1982, or 25 percent of all registrations. Registrations of securities for secondary offerings (for the account of security holders rather than issuers) amounted to \$5 billion (3 percent) of all registrations in fiscal year 1982. Of these latter registrations, \$1 billion (23 percent) were in conjunction with cash sales and \$3 billion (77 percent) were for other types of offerings such as ones to be offered from time to time.

Of the \$67 billion of debt securities registered in fiscal year 1982, 56 percent or (\$38 billion) were registered for immediate cash sale to the general public for the account of the issuer, and delayed and extended cash sale for the account of issuer accounted for 34 percent. Registrations of preferred stock for immediate cash sale for the account of issuer represented 54 percent of the \$7 billion of preferred stock registrations; registrations for other than cash sale for the account of issuer made up 39 percent of such registrations. Registrations of common stock for immediate cash sale for the account of issuer (\$19 billion) comprised 23 percent of the \$83 billion of common stock registrations; registrations for delayed and extended cash sales for the account of issuer accounted for 35 percent of these registrations; and registrations for other than cash sale for the account of issuer comprised 37 percent.

Note: 1981 figures have been revised.

Table 27
**EFFECTIVE REGISTRATIONS BY PURPOSE AND TYPE OF SECURITY:
 FISCAL YEAR 1982**

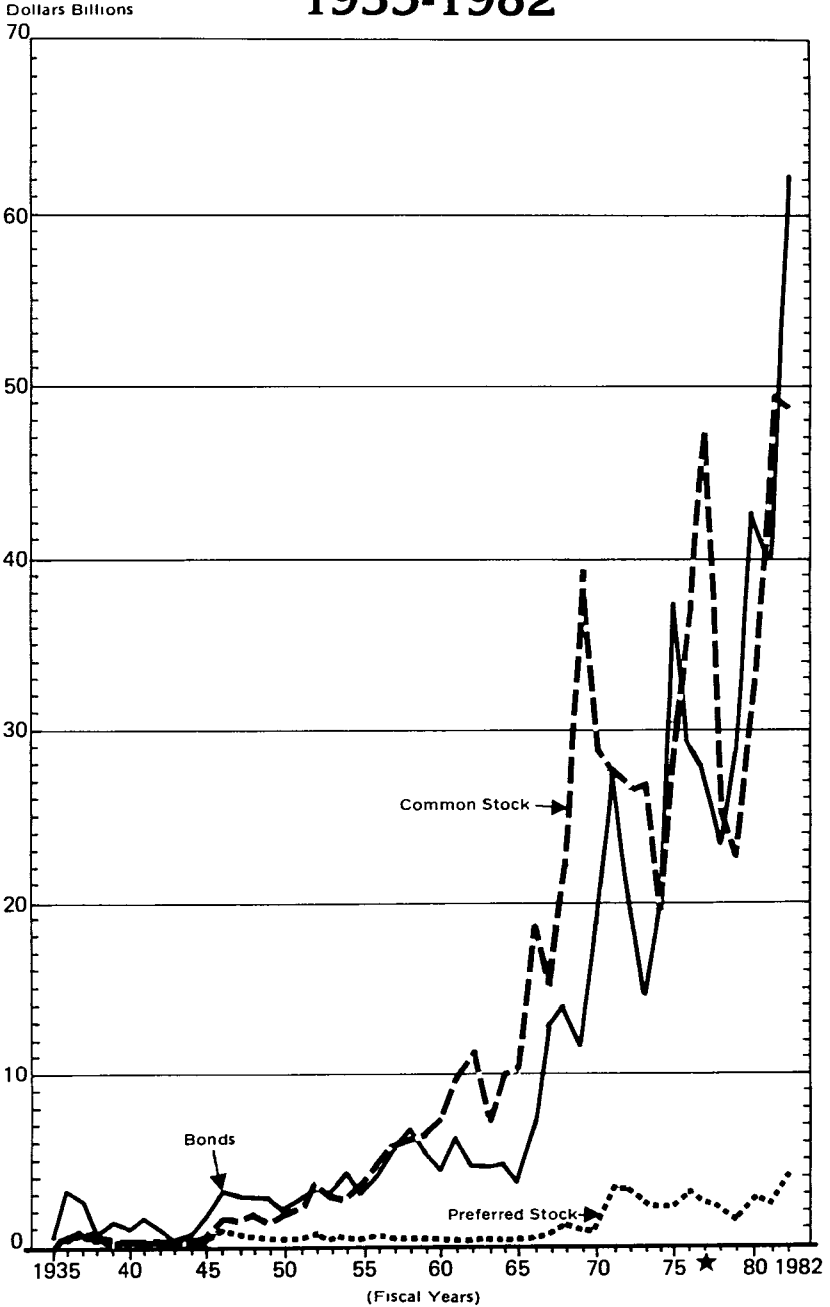
(Millions of Dollars)

| Purpose of registrations | Type of Security | | | |
|---|------------------|----------------------------------|--------------------|------------------------------|
| | Total | Bonds Debentures and Notes | Preferred Stock | Common Stock ¹ |
| All registrations (estimated value) | \$158,325 | \$67,408 | \$7,029 | \$83,888 |
| For account of issuer for cash sale | 115,011 | 62,200 | 4,012 | 48,799 |
| Immediate offering | 62,325 | 39,450 | 3,815 | 19,060 |
| Corporate | 60,978 | 38,104 | 3,815 | 19,060 |
| Offered to | | | | |
| General Public | 60,436 | 38,011 | 3,815 | 18,610 |
| Security Holders | 543 | 93 | 0 | 450 |
| Foreign Governments | 1,346 | 1,346 | 0 | 0 |
| Delayed and extended cash sale and other issues | 52,686 | 22,750 | 197 | 29,739 |
| For account of issuer for other than cash sale | 38,862 | 5,101 | 2,758 | 31,002 |
| Secondary Offerings | 4,452 | 106 | 259 | 4,087 |
| Cash Sale | 1,030 | 10 | 230 | 790 |
| Other | 3,423 | 96 | 30 | 3,297 |

¹Includes warrants, shares of beneficial interest, certificates of participation and all other equity interests not elsewhere included

Note Preliminary

Effective Registrations Cash Sale For Account Of Issuers 1935-1982



★ Beginning in 1977, Fiscal Years End in September Rather than June.

Data for Transition Quarter July-September 1976 Not Shown on Chart.
Bonds \$5.1 Billion, Preferred Stock \$.4 Billion, Common Stock \$6.8 Billion

Regulation A Offerings

During fiscal year 1982, 259 notifications

were filed for proposed offerings under Regulation A. Issues between \$500,000—\$1,500,000 predominated.

Table 28
OFFERINGS UNDER REGULATION A

| | Fiscal 1982 | Fiscal 1981 | Fiscal 1980 |
|----------------------------------|----------------|----------------|----------------|
| Size | | | |
| \$100,000 or Less | 7 | 8 | 17 |
| \$100,000—\$200,000 | 30 | 31 | 25 |
| \$200,000—\$300,000 | 11 | 39 | 17 |
| \$300,000—\$400,000 | 7 | 23 | 23 |
| \$400,000—\$500,000 | 15 | 35 | 35 |
| \$500,000—\$1,500,000 | 189 | 303 | 281 |
| Total | 259 | 439 | 398 |
| Underwriters | | | |
| Used | 74 | 172 | 100 |
| Not Used | 185 | 267 | 298 |
| Total | 259 | 439 | 398 |
| Offerors | | | |
| Issuing Companies | 246 | 429 | 382 |
| Stockholders | 12 | 3 | 14 |
| Issuers and Stockholders Jointly | 1 | 7 | 2 |
| Total | 259 | 439 | 398 |

ENFORCEMENT

Types of Proceedings

As the table reflects, the securities laws provide for a wide range of enforcement actions by the Commission. The most common types of actions are injunctive proceedings instituted in the Federal district courts to enjoin continued or threatened

securities law violators, and administrative proceedings pertaining to broker-dealer firms and/or individuals associated with such firms which may lead to various remedial sanctions as required in the public interest. When an injunction is entered by a court, violation of the court's decree is a basis for criminal contempt against the violator.

Table 29
TYPES OF PROCEEDINGS

| ADMINISTRATIVE PROCEEDINGS | |
|---|--|
| Persons Subject to, Acts Constituting, and Basis for, Enforcement Action | Sanction |
| Broker-dealer, municipal securities dealer, investment adviser or associated person | |
| Willful violation of securities acts provision or rule, aiding or abetting such violation, failure reasonably to supervise others, willful misstatement or omission in filing with the Commission, conviction of or injunction against certain crimes or conduct | Censure or limitation on activities, revocation, suspension or denial of registration, bar or suspension from association (1934 Act §§ 15B(c)(2)—(6) 15b(b)(4)—(6) Advisers Act §§ 203(e)—(f)) |
| Registered securities association | |
| Organization or rule not conforming to statutory requirements | Suspension of registration or limitation of activities, functions, or operations (1934 Act § 19(h)(1)) |
| Violation of or inability to comply with the 1934 Act, rules thereunder, or its own rules, unjustified failure to enforce compliance with the foregoing or with rules of the Municipal Securities Rulemaking Board by a member or person associated with a member | Suspension or revocation of registration, censure or limitation of activities, functions, or operations (1934 Act, § 19(h)(1)) |
| Member of registered securities association, or associated person | |
| Being subject to Commission order pursuant to 1934 Act, § 15 (b), willful violation of or effective transaction for other person with reason to believe that person was violating securities acts provisions, rules thereunder, or rules of Municipal Securities Rulemaking Board | Suspension or expulsion from the association, bar or suspension from association with member of association (1934 Act, §19(h)(2)-(3)) |
| National securities exchange | |
| Organization or rule not conforming to statutory requirements | Suspension of registration or limitation of activities, functions, or operations (1934 Act § 19(h)(1)) |
| Violation of or inability to comply with 1934 Act, rules thereunder or its own rules, unjustified failure to enforce compliance with the foregoing by a member or person associated with a member | Suspension or revocation of registration, censure or limitation of activities, functions, or operations (1934 Act, § 19(h)(1)) |
| Member of national securities exchange, or associated persons | |
| Being subject to Commission order pursuant to 1934 Act, § 15(b), willful violation of or effective transaction for other person with reason to believe that person was violating securities acts, provisions or rules, thereunder | Suspension or expulsion from exchange, bar or suspension from association with member (1934 Act, §§ 19(h)(2)-(3)) |
| Registered clearing agency | |
| Violation of or inability to comply with 1934 Act, rules thereunder, or its own rules, failure to enforce compliance with its own rules by participants | Suspension or revocation of registration, censure or limitation of activities, functions, or operations (1934 Act, § 19(h)(1)) |

*Statutory references are as follows "1933 Act", the Securities Act of 1933, "1934 Act", the Securities Exchange Act of 1934, "Investment Company Act", The Investment Company Act of 1940, "Advisers Act", the Investment Advisers Act of 1940, "Holding Company Act", the Public Utility Holding Company Act of 1935, "Trust Indenture Act", the Trust Indenture Act of 1939, and "SIPA", the Securities Investor Protection Act of 1970

Table 29—Continued
TABLE OF PROCEEDINGS

ADMINISTRATIVE PROCEEDINGS

| Persons Subject to, Acts Constituting, and Basis for, Enforcement Action | Sanction |
|---|--|
| Participant in registered clearing agency | |
| Being subject to Commission order pursuant to 1934 Act, § 15(b)(4), willful violation of or effecting transaction for other person with reason to believe that person was violating provisions of clearing agency rules | Suspension or expulsion from clearing agency (1934 Act, § 19(h)(2)) |
| Securities information processor | |
| Violation of or inability to comply with provisions of 1934 Act or rules thereunder | Censure or operational limitations, suspension or revocation of registration (1934 Act, § 11A(b)(6)) |
| Transfer agent | |
| Willful violation of or inability to comply with 1934 Act, §§ 17 or 17A, or regulations thereunder | Censure or limitation of activities, denial, suspension, or revocation of registration (1934 Act, § 17A(c)(3)) |
| Any person | |
| Willful violation of securities act provision or rule, aiding or abetting such violation, willful misstatement in filing with Commission | Temporary or permanent prohibition from serving in certain capacities for registered investment company (Investment Company Act, § 9(b)) |
| Officer or director of self-regulatory organization. | |
| Willful violation of 1934 Act, rules thereunder, or the organization's own rules, willful abuse of authority or unjustified failure to enforce compliance | Removal from office or censure (1934 Act, § 19(h)(4)) |
| Principal of broker-dealer | |
| Engaging in business as a broker-dealer after appointment of SIPC trustee | Bar or suspension from being or being associated with a broker-dealer (SIPA, §10(b)) |
| 1933 Act registration statement | |
| Statement materially inaccurate or incomplete | Stop order suspending effectiveness (1933 Act, § 8(d)) |
| Investment company has not attained \$100,000 net worth 90 days after statement became effective | Stop order (Investment Company, Act, § 14(a)) |
| Persons subject to Sections 12, 13 or 15(d) of the 1934 Act. | |
| Material noncompliance with such provisions | Order directing compliance (1934 Act, § 15(c)(4)) |
| Securities Issue | |
| Noncompliance by issuer with 1934 Act or rules thereunder | Denial, suspension of effective date, suspension or revocation of registration on national securities exchange (1934 Act, § 12(j)) |
| Public interest requires trading suspension | Summary suspension of over-the-counter or exchange trading (1934 Act, § 12(k)) |

Table 29—Continued
TYPES OF PROCEEDINGS

ADMINISTRATIVE PROCEEDINGS

| Persons Subject to, Acts Constituting, and Basis for, Enforcement Action | Sanction |
|---|--|
| Registered investment company | |
| Failures to file Investment Company Act registration statement or required report, filing materially incomplete or misleading statement of report | Revocation of registration (Investment Company Act, § 8(e)) |
| Company has not attained \$100,000 net worth 90 days after 1933 Act registration statement became effective | Revocation or suspension of registration (Investment Company Act, § 14(a)) |
| Attorney, accountant, or other professional or expert | |
| Lack of requisite qualifications to represent others, lacking in character or integrity, unethical or improper professional conduct, willful violation of securities laws or rules, or aiding and abetting such violation | Permanent or temporary denial of privilege to appear or practice before the Commission (17 C.F.R. § 201.2(e)(1)) |
| Attorney suspended or disbarred by court, expert's license revoked or suspended; conviction of a felony or misdemeanor involving moral turpitude. | |
| Permanent injunction against or finding of securities violation in Commission-instituted action finding of securities violation by Commission in administrative proceedings | Automatic suspension from appearance or practice before the Commission (17 C.F.R. § 201.2(e)(2)) |
| | Temporary suspension from appearance before Commission (17 C.F.R. § 201.2(e)(3)) |
| Member of Municipal Securities Rulemaking Board | |
| Willful violation of securities laws, rules thereunder, or rules of the Board | Censure or removal from office (1934 Act, § 15B(c)(8)) |

CIVIL PROCEEDINGS IN FEDERAL DISTRICT COURTS

| Persons Subject to, Acts Constituting, and Basis for, Enforcement Action | Sanction |
|---|---|
| Any person | |
| Engaging in or about to engage in acts or practices violating securities acts, rules or orders thereunder (including rules of a registered self-regulatory organization) | Injunction against acts or practices which constitute or would constitute violations (plus other equitable relief under court's general equity powers) (1933 Act, § 20(b); 1934 Act § 21(d), 1935 Act § 18(f), Investment Company Act, § 42(e), Advisers Act, § 209(e), Trust Indenture Act, § 321) |
| Noncompliance with provisions of the law, rule, or regulation under 1933, 1934, or Holding Company Act, order issued by Commission rules of a registered self-regulatory organization, or undertaking in a registration statement | Writ of mandamus, injunction, or order directing compliance (1933 Act, § 20(c), 1934 Act, § 21(e), Holding Company Act § 18(g)) |
| Securities Investor Protection Corporation | |
| Refusal to commit funds or act for the protection of customers | Order directing discharge of obligations or other appropriate relief (SIPA, § 7(b)) |

Table 29—Continued
TYPES OF PROCEEDINGS

| CIVIL PROCEEDINGS IN FEDERAL DISTRICT COURTS | |
|---|--|
| Persons Subject to, Acts Constituting, and Basis for, Enforcement Action | Sanction |
| National securities exchange or registered securities association | |
| Noncompliance by its members and persons associated with its members with the 1934 Act, rules and orders thereunder, or rules of the exchange or association | Writ of mandamus, injunction or order directing such exchange or association to enforce compliance (1934 Act, § 21 (e)) |
| Registered cleaning agency | |
| Noncompliance by its participants with its own rules | Writ of mandamus, injunction or order directing cleaning agency to enforce compliance (1934 Act, § 21 (e)) |
| Issuer subject to reporting requirements | |
| Failure to file reports required under § 15(d) of 1934 Act | Forfeiture of \$100 per day (1934 Act, § 32 (b)) |
| Registered investment company or affiliate | |
| Name of company or of security issued by it deceptive or misleading | Injunction against use of name (Investment Company Act, § 35(d)) |
| Officer, director, member of advisory board, adviser, depositor, or underwriter of investment company. | |
| Engage in act or practice constituting breach of fiduciary duty involving personal misconduct | Injunction against acting in certain capacities for investment company, and other appropriate relief (Investment Company Act, § 36(a)) |
| Any person having fiduciary duty respecting receipt of compensation from investment company. | |
| Breach of fiduciary duty | Injunction (Investment Company Act, § 36(a)) |
| III REFERRAL TO ATTORNEY GENERAL FOR CRIMINAL PROSECUTION | |
| Basis for Enforcement Action | Sanction or Relief |
| Any person | |
| Willful violation of securities acts or rules thereunder or willful misstatement in any document required to be filed by securities laws and rules or by self-regulatory organization in connection with an application for membership, participation or to become associated with a member thereof | Maximum penalties \$10,000 fine and 5 years imprisonment, an exchange may be fined up to \$500,000, a public-utility holding company up to \$200,000 (1933 Act, §§ 30(b), 24, 1934 Act, §§ 21(d), 32(a), Holding Company Act, §§ 18(f), 29, 1939 Act, § 325, Investment Company Act, §§ 42(e), 49, Advisers Act, §§ 209(e), 217) |
| Any issuer which violates § 30A(a) of the 1934 Act (foreign corrupt practices) | Maximum penalty: \$1,000,000 fine (1934 Act, § 32(c)(1)) |
| Any officer or director of an issuer, of any stockholder acting on behalf of such issuer who willfully violates § 30A(a) of the 1934 Act | Maximum penalty: \$10,000 fine and 5 years imprisonment (1934 Act, § 32(c)(2)) |
| Any employee or agent (subject to the Jurisdiction of the United States) of an issuer found to have violated § 30A(a) of the 1934 Act, who willfully carried out the act or practice constituting such violation | Maximum penalty: \$10,000 fine and 5 years imprisonment (1934 Act, § 32(c)(3)) |

Table 30
**INVESTIGATIONS OF POSSIBLE VIOLATIONS OF THE ACTS
ADMINISTERED BY THE COMMISSION**

| | |
|--|-------|
| Pending as of October 1, 1981 | 921 |
| Opened in fiscal year 1982 | 295 |
| Total for Distribution in fiscal year 1982 | 1,216 |
| Closed in fiscal year 1982 | 476 |
| Pending as of September 30, 1982 | 740 |

During the fiscal year ending September 30, 1982, 133 formal orders were issued by the Commission upon recommendation of the Division of Enforcement

Table 31
**ADMINISTRATIVE PROCEEDINGS INSTITUTED DURING FISCAL YEAR
ENDING SEPTEMBER 30, 1982**

| | |
|---|-----|
| Broker-Dealer Proceedings | 83* |
| Investment Adviser and Investment Company Proceedings | 15 |
| Stop Order Proceedings | 1 |
| Rule 2(e) Proceedings | 2 |
| Disclosure Proceedings (Section 15(c)(4) of the Exchange Act) | 5 |
| Total Proceedings in fiscal year 1982 | 106 |

*Includes 5 proceedings which were combined broker-dealer and investment adviser proceedings

Table 32
INJUNCTIVE ACTIONS

| Fiscal Year | Actions Initiated | Defendants Named |
|-------------|-------------------|------------------|
| 1973 | 178 | 654 |
| 1974 | 148 | 613 |
| 1975 | 174 | 749 |
| 1976 | 158 | 722 |
| 1977 | 166 | 715 |
| 1978 | 135 | 607 |
| 1979 | 108 | 511 |
| 1980 | 103 | 387 |
| 1981 | 115* | 398* |
| 1982 | 136 | 418 |

*Correction from figures in 1981 Annual Report

Table 33
CRIMINAL INDICTMENTS/INFORMATIONS

| Fiscal Year | Actions Initiated | Defendants Named |
|-------------|-------------------|------------------|
| 1973 | 40 | 178 |
| 1974 | 40 | 169 |
| 1975 | 53 | 199 |
| 1976 | 23 | 118 |
| 1977 | 68 | 230 |
| 1978 | 50 | 144 |
| 1979 | 42 | 112 |
| 1980 | 26 | 49 |
| 1981 | 26 | 48* |
| 1982 | 24 | 47 |

*Correction from figure in 1981 Annual Report

Trading Suspensions

During fiscal year 1982, the Commission suspended trading in the securities of nine companies, 14 less than the 23 trading suspensions in fiscal 1981. In most instances, the trading suspension was ordered either because of substantial questions as to the adequacy, accuracy or availability of public information concerning the company's financial condition or business operations, or because transactions in the company's securities suggested possible manipulation or other violations.

Foreign Restricted List

The Commission maintains and publishes a Foreign Restricted List which is designed to put broker-dealers, financial institutions, investors and others on notice of possible unlawful distributions of foreign securities in the United States. The list consists of names of foreign companies whose securities the Commission has reason to believe have been, or are being offered for public sale in the United States in possible violation of the registration requirement of Section 5 of the Securities Act. The offer and sale of unregistered securities deprives investors of all the protections afforded by the Securities Act, including the right to receive a prospectus containing the information required by the Act for the purpose of enabling the investor to determine whether the investment is suitable for him. While most broker-dealers refuse to effect transactions in securities issued by companies on the Foreign Restricted List, this does not necessarily prevent promoters from illegally offering such securities directly to investors in the United States by mail, by telephone, and sometimes by personal solicitation. The following foreign corporations and other foreign entities comprise the Foreign Restricted List

1. Aguacate Consolidated Mines, Incorporated (Costa Rica)
2. Alan MacTavish, Ltd. (England)

3. Allegheny Mining and Exploration Company, Ltd. (Canada)
4. Allied Fund for Capital Appreciation (AFCA, S.A.) (Panama)
5. Amalgamated Rare Earth Mines, Ltd. (Canada)
6. American Industrial Research S.A., also known as Investigation Industrial Americana, S.A. (Mexico)
7. American International Mining (Bahamas)
8. American Mobile Telephone and Tape Co., Ltd. (Canada)
9. Antel International Corporation, Ltd. (Canada)
10. Antoine Silver Mines, Ltd. (Canada)
11. ASCA Enterprisers Limited (Hong Kong)
12. Atholl Brose (Exports) Ltd. (England)
13. Atholl Brose Ltd. (England)
14. Atlantic and Pacific Bank and Trust Co., Ltd. (Bahamas)
15. Bank of Sark (Sark, Channel Island U.K.)
16. Briar Court Mines, Ltd. (Canada)
17. British Overseas Mutual Fund Corporation, Ltd. (Canada)
18. California & Caracas Mining Corp., Ltd. (Canada)
19. Canterra Development Corporation, Ltd. (Canada)
20. Cardwell Oil Corporation, Ltd. (Canada)
21. Caribbean Empire Company, Ltd. (British Honduras)
22. Caye Chapel Club, Ltd. (British Honduras)
23. Central and Southern Industries Corp. (Panama)
24. Cerro Azul Coffee Plantation (Panama)
25. Cia. Rio Banano, S.A. (Costa Rica)
26. City Bank A.S. (Denmark)
27. Claw Lake Molybdenum Mines, Ltd. (Canada)
28. Claravella Corporation (Costa Rica)
29. Compressed Air Corporation, Limited (Bahamas)

30. Continental and Southern Industries, S.A. (Panama)
31. Crossroads Corporation, S.A. (Panama)
32. Darien Exploration Company, S.A. (Panama)
33. Derkglen, Ltd. (England)
34. De Veers Consolidated Mining Corporation, S.A. (Panama)
35. Doncannon Spirits, Ltd. (Bahamas)
36. Durman, Ltd. Formerly known as Bankers International Investment Corporation (Bahamas)
37. Empresa Minera Caudalosa dePanama, S.A. (Panama)
38. Ethel Copper Mines, Ltd. (Canada)
39. Euroforeign Banking Corporation, Ltd. (Panama)
40. Finansbanker a/s (Denmark)
41. First Liberty Fund, Ltd. (Bahamas)
42. General Mining S.A. (Canada)
43. Global Explorations, Inc. (Panama)
44. Global Insurance Company, Limited (British West Indies)
45. Globus Anlage-Vermittlungsgesellschaft MBH (Germany)
46. Golden Age Mines, Ltd. (Canada)
47. Hebilla Mining Corporation (Costa Rica)
48. Hemisphere Land Corporation Limited (Bahamas)
49. Henry Ost & Son, Ltd. (England)
50. International Communications Corporation (British West Indies)
51. International Monetary Exchange (Panama)
52. International Trade Development of Costa Rica, S.A.
53. Ironco Mining & Smelting Company, Ltd. (Canada)
54. James G. Allan & Sons (Scotland)
55. J.P. Morgan & Company, Ltd., of London, England (not to be confused with J.P. Morgan & Co., Incorporated, New York)
56. Jupiter Explorations, Ltd. (Canada)
57. Kenilworth Mines, Ltd. (Canada)
58. Klondike Yukon Mining Company (Canada)
59. KoKanee Moly Mines, Ltd. (Canada)
60. Land Sales Corporation (Canada)
61. Los Dos Hermanos, S.A. (Spain)
62. Lynbar Mining Corp., Ltd. (Canada)
63. Massive Energy Ltd. (Canada)
64. Mercantile Bank and Trust & Co., Ltd. (Cayman Island)
65. Norart Minerals Limited (Canada)
66. Normandie Trust Company, S.A. (Panama)
67. Northern Survey (Canada)
68. Northern Trust Company, S.A. (Switzerland)
69. Northland Minerals, Ltd. (Canada)
70. Obsco Corporation, Ltd. (Canada)
71. Pacific Northwest Developments, Ltd. (Canada)
72. Pan-Alaska Resources, S.A. (Panama)
73. Panamerican Bank & Trust Company (Panama)
74. Pascar Oils Ltd. (Canada)
75. Paulpic Gold Mines, Ltd. (Canada)
76. Pyrotex Mining and Exploration Co., Ltd. (Canada)
77. Radio Hill Mines Co., Ltd. (Canada)
78. Rancho San Rafael, S.A. (Costa Rica)
79. Rodney Gold Mines Limited (Canada)
80. Royal Greyhound and Turf Holdings Limited (South Africa)
81. S.A. Valles & Co., Inc. (Philippines)
82. San Salvador Savings & Loan Co., Ltd. (Bahamas)
83. Santack Mines Limited (Canada)
84. Security Capital Fiscal & Guaranty Corporation S.A. (Panama)
85. Silver Stack Mines, Ltd. (Canada)
86. Societe Anonyme de Refinancement (Switzerland)
87. Strathmore Distillery Company, Ltd. (Scotland)
88. Strathross Blending Company Limited (England)
89. Swiss Caribbean Development & Finance Corporation (Switzerland)
90. Tam O'Shanter, Ltd. (Switzerland)
91. Timerland (Canada)

92. Trans-American Investments, Limited (Canada)
93. Trihope Resources, Ltd. (West Indies)
94. Trust Company of Jamaica, Ltd. (West Indies)
95. United Mining and Milling Corporation (Bahamas)
96. Unitrust Limited (Ireland)
97. Vacationland (Canada)
98. Valores de Inversion, S.A. (Mexico)
99. Victoria Oriente, Inc. (Panama)
100. Warden Walker Worldwide Investment Co. (England)
101. Wee Gee Uranium Mines, Ltd. (Canada)
102. Western International Explorations, Ltd. (Bahamas)
103. Yukon Wolverine Mining Company (Canada)

Right to Financial Privacy

Section 21(h)(6) of the Securities Exchange Act of 1934 [15 U.S.C. 78u(h)(6)] requires that the Commission "compile an annual tabulation of the occasions on which the Commission used each separate sub-

paragraph or clause of [Section 21(h)(2)] or the provisions of the Right to Financial Privacy Act of 1978 [12 U.S.C. 3401-22 (the "RFPA")] to obtain access to financial records of a customer and include it in its annual report to the Congress." During the fiscal year, the Commission successfully made applications to courts for orders pursuant to the subparagraphs and clauses of Section 21(h)(2) to obtain access to financial records of customers on four occasions. In these four applications, the provisions of Subsections 21(h)(2)(A)(v), (B) and (C)(i) and (ii) were relied upon seven times; Subsections 21(h)(2)(A)(v), (B) and (C)(ii) were relied upon five times; and Subsections 21(h)(2)(A)(iii), (iv) and (v), (B) and (C)(i) and (ii) were each relied upon once. The table below sets forth the number of occasions upon which the Commission obtained access to financial records of a customer using the procedures provided by (i) Section 1104 of the RFPA [12 U.S.C. 3404], applicable to customer authorizations; and (ii) Section 1105 of the RFPA [12 U.S.C. 3405], applicable to administrative subpoenas.

| Section 1104 | Section 1105 |
|--------------|--------------|
| 4 | 142 |

PUBLIC UTILITY HOLDING COMPANIES

System Companies

At fiscal year 1982, there were 13 holding companies registered under the Public Utility Holding Company Act of 1935 of

which 12 are "active". In the 13 registered systems, there were 65 electric and/or gas utility subsidiaries, 62 non-utility subsidiaries, and 19 inactive companies, or a total of 161 system companies including the top parent and subholding companies. The following table lists the active systems.

Table 34
PUBLIC UTILITY HOLDING COMPANY SYSTEMS

| | Solely Registered Holding Companies | Registered Holding Operating Companies | Electric and/or Gas Utility Subsidiaries | Nonutility Subsidiaries | Inactive Companies | Total Companies | Other |
|--|-------------------------------------|--|--|-------------------------|--------------------|-----------------|----------------|
| Allegheny Power System (APS) | 1 | 1 | 3 | 4 | 1 | 10 | 2 ^a |
| American Electric Power Company (AEP) | 1 | 0 | 12 | 13 | 5 | 31 | 2 ^a |
| Central and South West Corporation (CSW) | 1 | 1 | 4 | 4 | 1 | 11 | 1 ^b |
| Columbia Gas System (CGS) | 1 | 0 | 9 | 14 | 0 | 24 | 0 |
| Consolidated Natural Gas Company (CNG) | 1 | 0 | 5 | 5 | 0 | 11 | 0 |
| Eastern Utilities Associates (EUA) | 1 | 0 | 3 | 1 | 0 | 5 | 4 ^c |
| General Public Utilities (GPU) | 1 | 0 | 4 | 3 | 2 | 10 | 0 |
| Middle South Utilities (MSU) | 1 | 0 | 7 | 3 | 3 | 14 | 1 ^b |
| National Fuel Gas Company (NFG) | 1 | 0 | 1 | 3 | 0 | 5 | 0 |
| New England Electric System (NEES) | 1 | 0 | 5 | 2 | 0 | 8 | 4 ^c |
| Northeast Utilities (NEU) | 1 | 0 | 6 | 6 | 6 | 19 | 4 ^c |
| Philadelphia Electric Power Co (PEP) | 0 | 1 | 1 | 0 | 1 | 3 | 0 |
| Southern Company (SC) | 1 | 0 | 5 | 4 | 0 | 10 | 0 |
| Total Companies | 12 | 3 | 65 | 62 | 19 | 161 | 18 |

^aOhio Valley Elec Corp & Subs

Indiana-Kentucky Elec Corp
electric utility
37 8% AEP
12 5% APS
49 7% Other Companies

^bArklahoma Corp

32% CSW
34% MSU
34% Oklahoma Gas & Elec

^cYankee Atomic Electric Co

30% NEES, 31 5% NEU,
4 5% EUA

Connecticut Yankee Atomic Power
Co 15% NEES, 44% NEU
4 5% EUA

Vermont Yankee Nuclear Power
Corp 20% NEES, 12% NEU,
2 5% EUA

Maine Yankee Atomic Power Co
20% NEES, 15% NEU, 4% EUA

Statutory utility subsidiaries

Table 35
**KEY FINANCIAL STATISTICS OF REGISTERED PUBLIC UTILITY
HOLDING COMPANY SYSTEMS**

| Name of Company | As of June 30, 1982 (000 omitted) | |
|--|-----------------------------------|---------------------|
| | Total Assets | Operating Revenues |
| Allegheny Power System (APS) | \$ 3,384,463 | \$ 1,655,509 |
| American Electric Power Company, Inc (AEP) | 11,736,678 | 4,223,000 |
| Central and South West Corporation (CSW) | 4,849,289 | 2,161,793 |
| Columbia Gas System, Inc , The (CGS) | 4,489,234 | 4,934,569 |
| Consolidated Natural Gas Company (CNG) | 2,947,776 | 2,999,783 |
| Eastern Utilities Associates (EUA) | 450,759 | 291,744 |
| General Public Utilities Corp (GPU) | 5,105,687 | 2,272,607 |
| Middle South Utilities, Inc (MSU) | 9,918,354 | 2,885,845 |
| National Fuel Gas Company (NFG) | 819,478 | 984,527 |
| New England Electric System (NEES) | 2,367,938 | 1,210,151 |
| Northeast Utilities (NEU) | 3,904,479 | 1,742,452 |
| Philadelphia Electric Power Company (PEP) | 59,538 | 6,371 |
| Southern Company, The (SC) | 12,903,405 | 4,586,900 |
| Total = | \$62,937,078 | \$29,955,251 |

Table 36
PUBLIC FINANCING OF HOLDING COMPANY SYSTEMS
FISCAL YEAR 1982

| | Bonds | Long-Term Notes and/or Debentures | Pollution Control Financings | Stock Preferred | Common | Short Term Debt |
|-----------------------------------|---------------|---|------------------------------------|--------------------|---------------|-----------------------|
| Allegheny Power System | | | | | | |
| Mohongahela Power Co | | | \$ 9,000,000 | | | \$ 80,000,000 |
| Potomac Edison Co | | | 9,000,000 | | | 57,000,000 |
| West Penn Power Co | | | 10,000,000 | | | 64,000,000 |
| American Electric Power | | | | | \$ 62,000,000 | 165,000,000 |
| Appalachian Power Co | \$ 60,000,000 | | | \$ 70,000,000 | | 200,000,000 |
| Indiana Michigan Electric Co | 140,000,000 | | | 40,000,000 | | 50,000,000 |
| Kentucky Power | 30,000,000 | | | | | 5,000,000 |
| Michigan Power Co | | | | | | 160,000,000 |
| Ohio Power Co | 130,000,000 | | | 40,000,000 | | |
| Wheeling Electric Co | | \$ 22,000,000 | | | | |
| Columbus & Southern Ohio Co | 65,000,000 | | | | | |
| Central & Southwest Corp | | | | | 93,000,000 | 300,000,000 |
| Central Power & Light Co | 75,000,000 | | | | | 110,000,000 |
| Public Service of Oklahoma | | | | | | 110,000,000 |
| Southwestern Electric Power Co | 70,000,000 | | | | | 100,000,000 |
| West Texas Utilities | | 30,000,000 | | | | 35,000,000 |
| Central & Southwest Services | | | | | | 10,000,000 |
| Transok Pipeline Co | | | | | | 15,000,000 |
| Columbia Gas System | | 100,000,000 | | | | 450,000,000 |
| Consolidated Natural Gas | | | | | | |
| Eastern Utilities Assoc | 25,000,000 | | | | 12,000,000 | 1,500,000 |
| Blackstone Valley Electric Co | | | | | | 9,800,000 |
| Eastern Edison Co. | | | | | | 33,600,000 |
| Montaup Electric Co | | | | | | |
| General Public Utilities | | | | | | 43,000,000 |
| Jersey Central Power & Light Corp | | | | | | 125,000,000 |
| Metropolitan Edison Co | | | | | | 50,000,000 |
| Pennsylvania Edison Co | | | | | | 75,000,000 |

Table 36—Continued
PUBLIC FINANCING OF HOLDING COMPANY SYSTEMS
FISCAL YEAR 1982

| | Bonds | Long-Term Notes and/or Debentures | Pollution Control Financings | Preferred | Stock | Common | Short Term Debt |
|--|-----------------|---|------------------------------------|---------------|---------------|-----------------|-----------------------|
| Middle South Utilities | | | | | | \$200,000,000 | |
| Arkansas Power & Light Co | | \$ 148,000,000 | | \$ 50,000,000 | | | \$ 191,000,000 |
| Louisiana Power & Light Co | \$ 100,000,000 | | \$ 60,000,000 | | | | 183,000,000 |
| Mississippi Power & Light Co | | | | | | | 47,000,000 |
| New Orleans Public Service System Fuel, Inc | | 75,000,000 | | | | | 23,000,000 |
| National Fuel Gas Co | | | | | | | |
| Seneca Resources Corp | | 42,000,000 | | | | | 123,000,000 |
| New England Electric System | | | | | | | |
| Mass Electric Co | 25,000,000 | | | | | | |
| Narragansett Co | 20,000,000 | | | | | | |
| New England Power Co | 50,000,000 | | | | | | 14,000,000 |
| Northeast Utilities | | | | | | | |
| Connecticut Light & Power | 65,000,000 | 350,000,000 | | 40,000,000 | | 86,000,000 | 100,000,000 |
| Hartford Electric Light Co | 70,000,000 | 182,000,000 | | | | | 270,000,000 |
| Holyoke Water Power Co | | 28,000,000 | 12,000,000 | | | | 140,000,000 |
| Western Mass Electric Corp | | 123,000,000 | | 30,000,000 | | | 85,000,000 |
| Northeast Nuclear Energy Corp | | 25,000,000 | | | | | 80,000,000 |
| Philadelphia Electric Power Co | | | | | | | 7,000,000 |
| The Southern Company | | | | | | | |
| Alabama Power Co | 100,000,000 | | 10,000,000 | | | 44,000,000 | 100,000,000 |
| Georgia Power Co | 250,000,000 | | 150,000,000 | 75,000,000 | | | 300,000,000 |
| Gulf Power Co | | | 32,000,000 | | | | 375,000,000 |
| Mississippi Power Co | 25,000,000 | | | | | | 40,000,000 |
| Southern Electric Generating Co | | | | | | | 30,000,000 |
| Connecticut Yankee Atomic Power Co | | 25,000,000 | | | | | |
| Yankee Atomic Electric Co | | | | | | | 16,000,000 |
| Maine Yankee Atomic Power Co | | 50,000,000 | | | | | |
| Total | \$1,290,000,000 | \$1,200,000,000 | \$392,000,000 | \$345,000,000 | \$497,000,000 | \$4,352,900,000 | |

Total = \$8.08 billion

Table 37
**SUBSIDIARY SERVICE COMPANIES OF PUBLIC UTILITY HOLDING COMPANY SYSTEMS
AS OF DECEMBER 31, 1981**

(In Millions)

| Name of Service Company | Total Billings | Total Assets | Total Personnel | Number of Operating Utilities Served |
|---------------------------------------|-------------------|-----------------|--------------------|---|
| Allegheny Power Service Corporation | \$ 28.7 | \$ 2.8 | 528 | 3 |
| American Electric Power Service Corp | 124.2 | 46.0 | 2,596 | 8 |
| Central and South West Service, Inc | 18.2 | 5.5 | 258 | 4 |
| Columbia Gas System Service Corp | 46.2 | 22.5 | 729 | 7 |
| Consolidated Natural Gas Service Corp | 28.6 | 6.6 | 356 | 5 |
| EUA Service Corporation | 10.9 | 2.1 | 271 | 3 |
| GPU Service Corporation | 66.4 | 32.4 | 1,372 | 4 |
| Middle South Services, Inc | 45.0 | 61.3 | 718 | 5 |
| New England Power Service Co | 77.6 | 8.7 | 1,540 | 4 |
| Northeast Utilities Service Co | 130.7 | 97.4 | 2,713 | 4 |
| Southern Company Services, Inc | 153.9 | 66.4 | 2,960 | 5 |
| Total | \$730.4 | \$351.7 | 14,041 | 52 |

Fuel Programs

During fiscal year 1982, the Commission authorized over \$1.5 billion for fuel exploration and development activities for the holding company systems. This represents a 50 percent increase over fiscal year 1981 fuel expenditures. The following table lists the authorization by holding company system for each fuel program.

Largely as a result of radical changes in cost and availability of fuel, utilities have embarked on major programs to acquire

control over part of their fuel supply. Generally, the arrangements involve the formation of subsidiaries or entry into joint ventures for the production, transportation and financing of fuel supplies or the supply of capital for the exploration and development of reserves with a right to share in any discovered reserves. Since 1971, the Commission has authorized expenditures of over \$5.7 billion for fuel programs of holding companies subject to the Holding Company Act.

Table 38
REGULATED FUEL PROGRAM EXPENDITURES OF HOLDING COMPANY SYSTEMS
 (Fiscal 1982)

(In millions of dollars)

| | Gas and/or Oil Exploration and Financing | Fuel Oil Inventory | Coal, Lignite Exploration & Development | Coal Mining Expansion | Uranium Exploration | Nuclear Fuel Procurement | Transportation & Storage |
|-----------------------------|--|-----------------------|---|--------------------------|------------------------|--------------------------------|-----------------------------|
| American Electric Power Co | \$ 365 | | | \$74.0 | | | \$ 16.7 |
| Central & South West Co | 367.0 | | 23.1 | | | | |
| Columbia Gas System, Inc | 200.0 | | | | | | |
| Consolidated Natural Gas Co | 82 | 147.0 | 5.9 | | 9.2 | 245.3 | 96.8 |
| Middle South Utilities | 42.0 | | | | | | |
| National Fuel Gas System | 135.0 | | | | | | |
| New England Electric System | | | | | | 65.0 | 65.0 |
| Northeast Utilities | | | | | | | |
| Southern Company | | | | | | | 9.7 |
| | \$788.7 | \$147.0 | \$29.0 | \$74.0 | \$9.2 | \$310.3 | \$188.2 |

Total = \$1.55 billion

Table 39
REGULATED FUEL PROGRAM EXPENDITURES OF HOLDING COMPANY SYSTEMS
(Fiscal 1971—Fiscal 1982)
(In Millions of Dollars)

| Fiscal year expenditures | Approximate Holding Company Systems Expenditures 1971-1982 Breakdown | | | | | | | | | |
|---------------------------------|---|-----------------------|---|--------------------------|------------------------|--------------------------------|--|----------------------|--------|--|
| | Gas and/or Oil Exploration and Financing | Fuel Oil Inventory | Coal Lignite Exploration and Development | Coal Mining Expansion | Uranium Exploration | Nuclear Fuel Procurement | Fuel Transportation and Storage | Coal Gasification | | |
| 1982 | \$ 419.9 | - | \$515.0 (E) | \$629.9(E) | \$ 6.6 | \$ 91.0 | \$ 60.3 | - | | |
| 1981 | 782.2 (E) | - | 107.8 | - | - | - | 82.8 | - | | |
| 1980 | 457.0 (E) | - | - | - | - | - | - | 25.0 | | |
| 1979 | - | - | - | - | - | - | - | 13.0 | | |
| 1978 | 444.9 | 862.2 | 35.0 | 21.5 | 34.0 | 636.7 | 236.0 | - | | |
| 1977 | 60.1 | - | 23.9 | - | - | - | 44.3 | - | | |
| 1971-1976 | 358.2 | - | - | - | - | - | 65.0 | - | | |
| | - | - | - | - | - | 116.0 | - | - | | |
| | - | - | - | - | - | 60.0 | 46.1 | - | | |
| Total 1971-1982 by program = | \$2,528.3 | \$862.2 | \$681.7 | \$651.4 | \$40.6 | \$909.7 | \$534.5 | - | \$38.0 | |
| Total 1971-1982 = \$5.7 billion | | | | | | | | | | |

(E) Estimated

CORPORATE REORGANIZATIONS

During the fiscal year the Commission entered 28 reorganization cases filed under Chapter 11 of the Bankruptcy Code involving companies with aggregate stated assets of about \$8.8 billion and close to 290,000 public investors. Including these new cases, the Commission was a party in a total of 51 Chapter 11 cases during the fiscal year. The stated assets of the companies involved in these cases totalled approximately

\$12.5 billion and their indebtedness of about \$10.8 billion. During the fiscal year, two cases were concluded through confirmation of a plan of reorganization and liquidation, leaving 49 cases in which the Commission was a party at year-end.

The Commission also continued its participation in pending reorganization cases under Chapter X of the prior Bankruptcy Act. During the fiscal year four Chapter X cases were closed, leaving at year-end 48 open Chapter X cases

Table 40
**PENDING REORGANIZATION PROCEEDINGS UNDER CHAPTER X OF THE
 BANKRUPTCY ACT IN WHICH THE COMMISSION PARTICIPATED**

Fiscal Year 1982

| Debtor | District Court | Petition Filed | SEC Notice of Appearance Filed |
|--|----------------|----------------|--------------------------------|
| Aldersgate Foundation, Inc ² | M D Fla. | Sept 12, 1974 | Oct 3, 1974 |
| Arlan's Dept Stores, Inc ² | SD N Y | March 8, 1974 | March 8, 1974 |
| Bankers Trust Co ² | SD Miss | Dec 16, 1976 | April 5, 1977 |
| Beck Industries, Inc | SD N Y | May 27, 1971 | July 30, 1971 |
| Bermec Corp ² | SD N Y | April 16, 1971 | April 19, 1971 |
| Beverly Hills Bancorp | CD Cal | April 11, 1974 | May 14, 1974 |
| Brethren's Home, The ² | SD Ohio | Nov 23, 1977 | Dec 27, 1977 |
| Bubble up Delaware, Inc | CD Cal | Aug 31, 1970 | Oct 19, 1970 |
| Carolina Caribbean Corp ² | WD N C | Feb 28, 1975 | April 17, 1975 |
| Citizens Mortgage Investment Trust | D Mass | Oct 5, 1978 | Nov 1, 1978 |
| Commonwealth Corp ² | ND Fla | June 28, 1974 | July 17, 1974 |
| Continental Investment Corp ² | D Mass | Oct 31, 1978 | Oct 31, 1978 |
| Continental Mortgage Investors | D Mass | Oct 21, 1976 | Oct 21, 1976 |
| Diversified Mountaineer Corp ² | SD W Va | Feb 8, 1974 | April 24, 1974 |
| Duplan Corp ² | SD N Y | Oct 5, 1976 | Oct 5, 1976 |
| Farrington Manufacturing Co ² | ED Va | Dec 22, 1970 | Jan 14, 1971 |
| First Baptist Church, Inc of Margate, Fla ² | SD Fla | Sept 10, 1973 | Oct 1, 1973 |
| First Home Investment Corp of Kansas, Inc ⁴ | D Kan | April 24, 1973 | April 24, 1973 |
| Fort Cobb, Okla Irrigation Fuel Authority ² | WD Okla | April 20, 1979 | July 16, 1979 |
| GEBCO Investment Corp | WD Pa | Feb 8, 1977 | March 24, 1977 |
| Wm Gluckin Co, Ltd ² | SD N Y | Feb 22, 1973 | March 6, 1973 |
| Guaranty Trust Co ² | WD Okla | April 9, 1979 | April 9, 1979 |
| Gulfco Investment Corp | WD Okla | March 22, 1974 | March 28, 1974 |
| Harmony Loan, Inc ² | ED Ky | Jan 31, 1973 | Jan 31, 1973 |
| Hawaii Corp ^{2 3} | D Hawaii | March 17, 1977 | March 17, 1977 |
| Home-Stake Production Co | ND Okla | Sept 20, 1973 | Oct 2, 1973 |
| Investors Funding Corp of New York ² | SD N Y | Oct 21, 1974 | Oct 22, 1974 |
| King Resources Co ² | D Colo | Aug 16, 1971 | Oct 19, 1971 |
| Lake Winnebago Development Co, Inc | WD Mo | Oct 14, 1970 | Oct 26, 1970 |
| Lusk Corp | D Ariz | Oct 28, 1965 | Nov 15, 1965 |
| Mount Everest Corp ² | ED Pa | May 29, 1974 | June 28, 1974 |
| National Telephone Co, Inc ² | D Conn | July 10, 1975 | May 27, 1976 |
| North American Acceptance Corp ² | ND Ga | March 5, 1974 | March 28, 1974 |
| Omega-Alpha, Inc ² | ND Texas | Jan 10, 1975 | Jan 10, 1975 |
| Pacific Homes ¹ | CD Cal | Dec 9, 1977 | Feb 2, 1978 |
| Pan American Financial Corp ² | D Hawaii | Oct 2, 1972 | Jan 9, 1973 |
| Parkview Gem, Inc ² | WD Mo | Dec 18, 1973 | Dec 28, 1973 |
| Pocono Downs, Inc | MD Pa | Aug 20, 1975 | Aug 20, 1975 |
| John Rich Enterprises, Inc ² | D Utah | Jan 16, 1970 | Feb 6, 1970 |
| Reliance Industries, Inc | D Hawaii | May 24, 1976 | Aug 10, 1976 |
| Royal Inns of America, Inc ² | SD Cal | April 24, 1975 | June 24, 1975 |
| Sierra Trading Corp ² | D Colo | July 7, 1970 | July 22, 1970 |
| Stanndco Developers, Inc | WD N Y | Feb 5, 1974 | March 7, 1974 |
| Stirling Homex Corp ¹ | WD N Y | July 11, 1972 | July 24, 1972 |
| Sunset International Petroleum Corp ² | ND Texas | May 27, 1970 | June 10, 1970 |
| TMT Trailer Ferry, Inc ² | SD Fla | June 27, 1957 | Nov 22, 1957 |
| Tilco, Inc ¹ | D Kans | Feb 7, 1973 | Feb 22, 1973 |
| U S Financial, Inc ² | SD Cal | Sept 23, 1975 | Nov 3, 1975 |
| Washington Group, Inc | MD N C | June 20, 1977 | July 25, 1977 |
| Western Growth Capital Corp | D Ariz | Feb 10, 1967 | May 16, 1968 |
| Westgate California Corp | SD Cal | Feb 26, 1974 | March 8, 1974 |
| Wonderbowl, Inc. ² | CD Cal | March 10, 1967 | June 7, 1967 |

¹Reorganization proceedings closed during fiscal year 1982

²Plan has been substantially consummated but no final decree has been entered because of pending matters

³Report or memorandum on plan of reorganization filed during fiscal year 1981

Table 41

**REORGANIZATION PROCEEDINGS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE
IN WHICH COMMISSION ENTERED APPEARANCE**

| Debtor | District Court | Fiscal Year Filed |
|---|----------------|-------------------|
| Airlift International, Inc | S D FL | 1981 |
| AM International | N D IL | 1982 |
| American Nautilus Fitness Center ³ | S D CA | 1981 |
| Arctic Enterprises, Inc ¹ | D MN | 1981 |
| Atlas Mortgage Loan Co | E D CA | 1982 |
| Auto Train Corp ² | D DC | 1980 |
| Bear Lake West | D ID | 1982 |
| Bobbie Brooks, Inc | N D OH | 1982 |
| Braniff International | N D TX | 1982 |
| Christian Life Center | N D CA | 1980 |
| Coleman American Companies, Inc | D KS | 1980 |
| Colonial Commercial Corp | S D NY | 1982 |
| Colonial Discount Corp | S D IN | 1982 |
| Combustion Equipment Association | S D NY | 1981 |
| Computer Communications | C D CA | 1981 |
| Dreco Energy Service Ltd | S D TX | 1982 |
| Empire Oil & Gas Co | D CO | 1982 |
| Fashion Two-Twenty, Inc | N D OH | 1982 |
| Fidelity American Financial Corp | C D CA | 1981 |
| FWD Corporation ¹ | E D PA | 1981 |
| General Resources Corp | N D GA | 1980 |
| Goldblatt Brothers, Inc | N D IL | 1981 |
| Grove Finance Company | D UT | 1981 |
| G Weeks Securities | W D TN | 1980 |
| Haven Properties, Inc | D OR | 1982 |
| Hawai Nevada Investment Corp ² | D NV | 1981 |
| Heritage Investment Group of Ark ³ | E D AR | 1981 |
| Horizon Hospital, Inc | M D FL | 1981 |
| Inforex, Inc ¹ | D MA | 1980 |
| Itel Corporation | N D CA | 1981 |
| KDT Industries, Inc | S D NY | 1982 |
| L S Good & Co ² | N D WV | 1980 |
| Leisure Time Products, Inc | N D IN | 1982 |
| Lewis Energy Corporation | D CO | 1982 |
| The Lionel Corp | S D NY | 1982 |
| Mansfield Tire & Rubber | N D OH | 1980 |
| Manville Corp | S D NY | 1982 |
| McClouth Steel Corp | S D MI | 1982 |
| Mid American Lines Inc | W D MI | 1982 |
| NOVA REIT | D C VA | 1981 |
| Nucorp Energy, Inc | S D CA | 1982 |
| Omega Financial Investment Corp ² | C D CA | 1981 |
| Park Nursing Center | E D MI | 1980 |
| Penn-Dixie Industries | S D NY | 1980 |
| Pleasant Grove Medical Center ¹ | N D TX | 1980 |
| Resource Exploration, Inc ¹ | N D OH | 1980 |
| Rusco Industries, Inc | S D GA | 1982 |
| Sambos Restaurants, Inc | C D CA | 1982 |
| Saxon Industries, Inc | S D NY | 1982 |
| SBE, Incorporated ¹ | N D CA | 1980 |
| Seatrain Lines, Inc | S D NY | 1981 |
| Shelter Resources | N D OH | 1982 |
| Southland Lutheran Home ¹ | C D CA | 1980 |
| Stewart Energy Systems | D ID | 1982 |
| Tax Info Ctr /P&K Fry | D OH | 1982 |
| Tenna Corp ² | N D OH | 1980 |

Table 41—Continued

**REORGANIZATION PROCEEDINGS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE
IN WHICH COMMISSION ENTERED APPEARANCE**

| Debtor | District Court | Fiscal Year Filed |
|------------------------------|----------------|-------------------|
| Topps & Trowers ¹ | N D CA | 1980 |
| Unishelter, Inc | E D WI | 1981 |
| UNR Industries | N D IL | 1982 |
| Western Farmers Association | D WA | 1980 |
| White Motor Corp | N D OH | 1980 |
| Wickes Companies | C D CA | 1982 |
| Wilnor Drilling, Inc | S D IL | 1982 |

¹Plan of reorganization confirmed²Case liquidated under Chapter 7³Chapter 11 petition dismissed

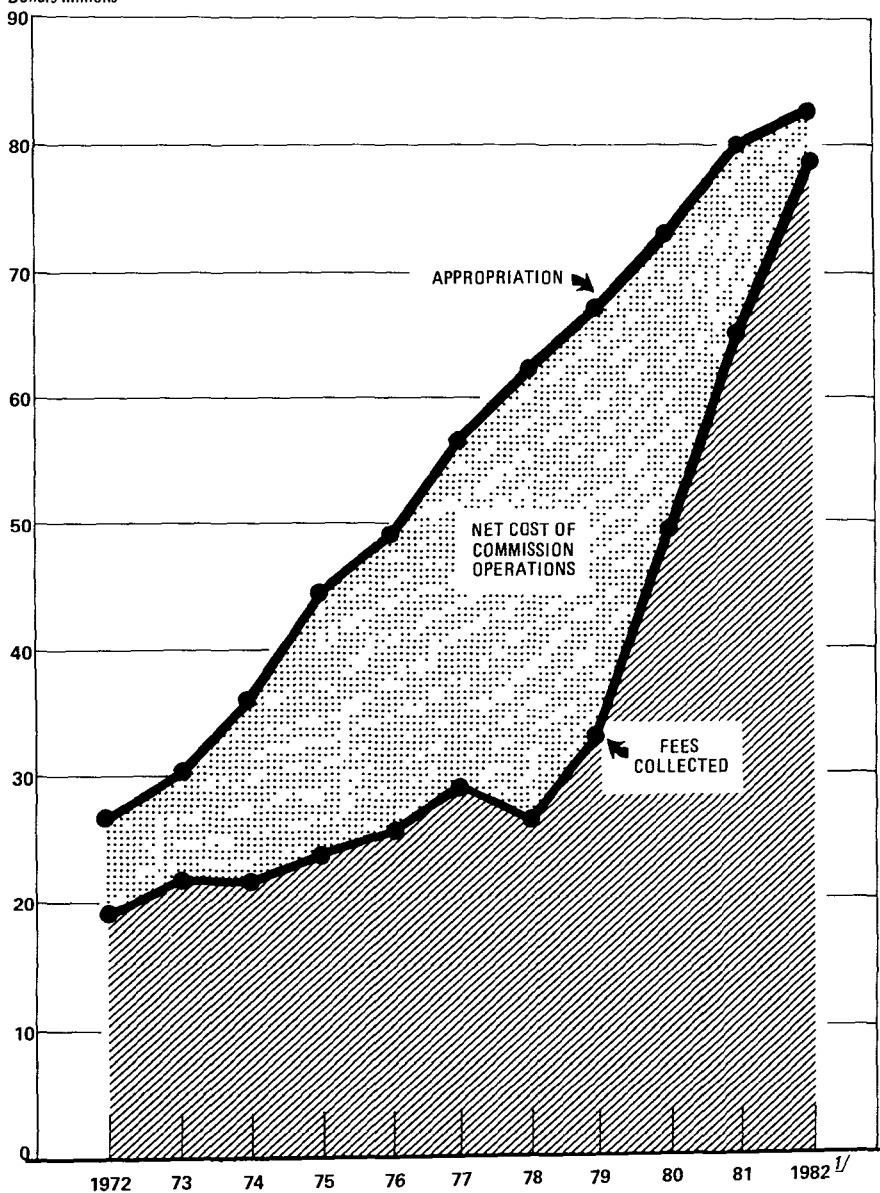
SEC OPERATIONS

The Commission collects fees for the registration of securities, securities transactions on national securities exchanges, and miscellaneous filings, reports and applications. In fiscal year 1982 the Commission

collected \$78.2 million in fees for deposit into the General Fund of the Treasury. This amount represented 94 percent of the Commission's appropriated funds, as compared with 81 percent (\$65.3 million) in the preceding year.

Appropriated Funds vs Fees Collected

Dollars Millions



^{1/} Estimated

Table 42
BUDGET ESTIMATES AND APPROPRIATIONS

| Action | Fiscal 1978 | | Fiscal 1979 | | Fiscal 1980 | | Fiscal 1981 | | Fiscal 1982 | | Fiscal 1983 | |
|---|----------------|--------------|----------------|--------------|----------------|--------------|----------------|-------------------------|----------------|-------------------------|----------------|--------------|
| | Posi- tions | Money | Posi- tions | Money | Posi- tions | Money | Posi- tions | Money | Posi- tions | Money | Posi- tions | Money |
| Estimate submitted to the Office of Management and Budget | 2,133 | \$59,000,000 | 2,179 | \$66,600,000 | 2,244 | \$72,478,000 | 2,424 | \$85,748,000 | 2,230 | \$92,395,000 | 2,016 | \$88,053,000 |
| Action by the Office of Management and Budget | -41 | -710,000 | -47 | -1,800,000 | -144 | -3,039,000 | -426 | -9,653,000 | -248 | -9,559,000 | -120 | -3,753,000 |
| Amount allowed by the Office of Management and Budget | 2,092 | 58,290,000 | 2,132 | 64,800,000 | 2,100 | 69,039,000 | 1,998 | 76,095,000 ¹ | 1,982 | 82,836,000 ² | 1,896 | 84,300,000 |
| Action by the House of Representatives | | -290,000 | -7 | -150,000 | | -93,000 | +23 | +255,000 | +20 | -1,130,000 | | |
| Sub-total | 2,092 | 58,000,000 | 2,125 | 64,650,000 | 2,100 | 68,946,000 | 2,021 | 76,350,000 | 2,002 | 81,706,000 | | |
| Action by the Senate | | +290,000 | | +40,000 | | +40,000 | | +750,000 | +19 | +2,594,000 | | |
| Sub-total | 2,092 | 58,290,000 | 2,125 | 64,650,000 | 2,100 | 68,986,000 | 2,021 | 77,100,000 | 2,021 | 84,300,000 | | |
| Action by conferees | | -190,000 | | -190,000 | | -750,000 | | -750,000 | | -1,394,000 | | |
| Annual appropriation | 2,092 | 58,100,000 | 2,117 | 64,650,000 | 2,100 | 68,986,000 | 2,021 | 76,350,000 | 2,021 | 82,806,000 | | |
| Supplemental appropriation | | 4,375,000 | | 2,450,000 | | 3,753,000 | | 3,850,000 | | +400,000 | | |
| Total appropriation | 2,092 | 62,475,000 | 2,117 | 67,100,000 | 2,100 | 72,739,000 | 2,021 | 80,200,000 | 2,021 | 83,306,000 | | |

¹Original submission to Congress was \$77,150,000, subsequently reduced by OMB

²Original submission to Congress was 2,141 positions and \$88,560,000, subsequently reduced by OMB.