



SECURITIES INDUSTRY ASSOCIATION

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EDWARD I. O'BRIEN
President

October 28, 1981

The Honorable Neal Smith
House Appropriations Committee
2373 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Smith:

In connection with your hearings relating to the 12% across the board budget cuts for all Government agencies, we thought it might be helpful if you were to have our comments relating to the Securities and Exchange Commission.

The Securities Industry Association is the trade association representing over 500 securities firms headquartered throughout the United States and Canada. Its members include securities organizations of virtually all types -- investment banks, brokers, dealers, and mutual fund companies as well as specialists and other firms functioning on the floors of exchanges. SIA members are active in all exchange markets, in the over-the-counter market and in all phases of corporate and public finance. Collectively, they provide investors with a full spectrum of securities and investment services and account for approximately 90% of the securities business being done in North America.

In general, we support the principle that further cuts in the Federal budget are desirable, and based on briefings from Treasury Secretary Regan, we understand and support the thinking underlying the recommendation.

In the case of the Securities and Exchange Commission, however, we believe that there are some special factors which bear upon its responsibilities and which are worthy of your consideration. The Securities and Exchange Commission is the major Government agency providing the oversight and enforcement of all of the regulatory agencies which are critical to this country's capital market process; the strength of these capital markets is vital to this country's economic well-being and compliment the philosophy of the Economic Recovery Act of 1981.

Our understanding is that a 12% cut in the budget of the SEC would materially reduce the Commission's ability to perform this responsibility.

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Under the circumstances, it might be desirable for these budget cuts to average 12% but allow for lesser reductions in certain areas where undue hardship or special considerations would appear to exist.

We recognize that every agency wants to be in a favored position, but we wanted you to be aware of our concern for the potential damage we felt the Commission might suffer if it were required with all other agencies to reduce its budget proportionately.

Sincerely,

Ralph D. DeNunzio
Chairman

Edward I. O'Brien
President