


D-11

MEMORANDUM

December 30, 1981

TO : Chairman Shad
FROM : Douglas Scarff 
SUBJECT : MOSS Operations for FY-82

Now that our funding level for FY-82 has been determined, we must decide shortly what level of MOSS activity is warranted for the remainder of the fiscal year. In view of Commission representations to Congress as recently as this past October, I assume at a minimum the Commission will continue to operate the existing MOSS pilot for some months. Attached are my recommendations for an extremely limited increase in the capacity of the MOSS pilot without materially altering its scope.

I believe that continuation of the MOSS program at this modestly expanded level will give the Commission significant additional credibility with both Congress and the SROs, at marginal cost to the Commission and no incremental burden to the SROs. At the same time, this course of action is fully consistent with our publicly expressed commitment to scale down drastically the planned expansion of MOSS, and not to request additional MOSS funding in the outyears, until the Commission can judge the success of the SRO initiative. I recommend this course for two reasons. First, simply operating the MOSS pilot at the FY-81 level will be portrayed by the press, and perceived

by some elements in the Congress, as having declared MOSS terminal, forestalling only in pulling the plug on its life support system. Second, the failure by the NYSE to develop any clear course to a floor-wide audit trail within any specified timeframe will be seized upon in the same quarters to demonstrate that the Commission is relinquishing its leverage before last August's commitments have been fulfilled. This judgment is made in the context of our having to formally report to the Congress again within 90 days and our expected budget oversight hearings touching on this subject within that timeframe.

cc: Dan Goelzer
George Kundahl
John Fedders
John Adkins ✓
Matt Schneider

PROPOSED FY 1982 MOSS PILOT UPGRADE

1. The addition of approximately 100 stocks and 20 class of options per month. This would mean that by the end of FY 82 we would have approximately 1000 stocks in MOSS. (700 NYSE stocks and 900 Amex stocks) This will not require obtaining any additional data from the SROs, nor will it require a substantial programming effort by the SEC staff. It is estimated that hardware cost for this operation will amount to between \$50,000 and \$100,000 in FY 82, depending on whether we buy or rent certain pieces of hardware.
2. The integration of specialized news services with the present MOSS output. This would not require any additional information from any SRO. It is expected that this information can be purchased from an outside vendor for approximately \$20,000 in FY 82.
3. Review and refine the present algorithms to increase the efficiency and usefulness of MOSS output. This would deal with such matters as mini-manipulations, capping, pegging, and marking the close. This would be done in-house and would not require specific funding.

Atkins indicated
that online data re-
tention & access times → up to 60 days
an "implicit" aspect
of the above proposals
-DM (1/82)