



SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

August 30, 1984

John J. Phelan, Chairman and
Chief Executive Officer
New York Stock Exchange
11 Wall Street
New York, New York 10005

Dear John:

Thanks very much for your excellent letter of August 7th, setting forth your very constructive approach to our mutual objectives. The attached memo summarizes the Commission's recent results and some objectives.

Over the years, you have personally made major contributions to such objectives. I would therefore appreciate your comments and suggestions concerning any of the items noted in the attached memo and future goals, worthy of our joint efforts, including:

- o Accelerating the effort to immobilize (or virtually eliminate) stock and bond certificates through book-entry systems within two years (which I appreciate is ambitious).
- o Broker/dealers providing corporations with the identity of their non-objecting beneficial shareholders by January 1, 1986 to improve shareholder communications at significant savings to issuers and the financial community. Enactment early next year of the pending parallel bank legislation would be very desirable.
- o Full scale implementation of the electronic intermarket surveillance system and transaction audit trails during the coming year, to facilitate the quick identification of market manipulation and insider trading, and reduce transaction reconciliation costs.
- o Implementation next year of the legislative initiatives of the Bush Task Group on Regulation of Financial Services to simplify and rationalize the regulatory structures of the financial service industries.
- o Repeal (or major amendment) next year of the Public Utility Holding Company Act. The purposes of the Act were achieved 20 years ago, but it continues to burden electric and gas utilities, investors and consumers with redundant pervasive regulations administered by the Commission.

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- o The prospect within two years of 24-hour, global markets in so-called world class issues and attendant improvements in foreign issuer disclosures and investor protections.
- o The SEC's pilot electronic filing, processing and dissemination of corporate information system (Edgar) is scheduled to commence next month. Industrywide implementation within three years to accelerate dramatically the processing, dissemination and efficient utilization of such information.
- o The adequacy of the \$300 million SIPC fund to address industry contingencies during the next bear market.

Another area of concern is the consequence of the erosion of shareholder voting rights through recapitalizations, charter and bylaw amendments and state statutes. While voting rights are not accorded high value by investors, the question posed is the consequences to investors, the financial community and corporate issuers of the gradual disenfranchisement of shareholders. Will non-voting common stockholders tend to shift into debt issues, limited partnerships, royalty trusts, real estate and other investments which afford capital a stronger "bargaining position"? This is of course but one of the many questions posed.

These are a few thoughts inspired by your letter. I would appreciate your comments and additional suggestions, with a view to our getting together informally here or in New York on October 1st (or an earlier or later date at your convenience) to sort-out our mutual objectives and priorities.

With best personal regards.

Sincerely yours,


John S.R. Shad

Attachment

SECURITIES AND EXCHANGE COMMISSION
1981-84 Results

During the past three years, the Shad Commission has devoted its efforts to increasing investor protections and reducing paperwork and other expenses, ultimately borne by investors, by over a billion dollars per annum.

Increases in investor protections include:

- o Through automation, paperwork reduction and other improvements, each SEC Division has achieved record results, or the highest levels in several years, in each of the last two years, with 3% less personnel. Increases since 1981 include:
 - o 37% in the annual volume of enforcement cases;
 - o 28% in investment company and adviser inspections;
 - o 16% in broker-dealer reports processed;
 - o 15% in full disclosure filings handled;
 - o 150% in accounting firm peer reviews, under SEC oversight.
- o Initiation of the electronic intermarket surveillance system and transaction audit trails to improve detection of market manipulation and reduce transaction reconciliation costs, ultimately borne by investors.
- o Supervision of all over-the-counter brokers has been consolidated under the National Association of Securities Dealers, with SEC oversight.
- o The US/Swiss Accord has removed the haven of the Swiss securities laws from those who would trade on inside information.
- o Initiation of the Insider Trading Sanctions Act and pending tender offer legislation.

Reductions in paperwork and other expenses for the benefit of investors, include:

- o Initiation of the pilot high-speed electronic filing, processing and dissemination of corporate information system (Edgar).
- o Adoption of the shelf registration Rule 415, at an interest and paperwork saving of over a billion dollars per annum.
- o Integration of corporations' registration and reporting requirements under the multiple securities laws and regulations, at a saving of over \$350 million per annum and other benefits.

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- o Expansion of the institutional book-entry delivery system, also at a saving of over \$350 million per annum.
- o Updating brokers' clearing house deposit and net capital requirements has freed-up over a billion dollars of capital and helped handle the record volume of trading and financings.
- o New small business and private placement exemptions of securities offerings to others than the public at large, under which over \$20 billion per annum is being raised at substantial savings.
- o Simplification and improvement of proxy statements, mutual fund prospectuses, shareholder communications, accounting and other regulations at substantial annual savings.
- o The SEC/Commodity Futures Trading Commission Accord and legislation, resolved a seven-year jurisdictional dispute and permitted authorization of new options and futures to permit investors and corporations to hedge stock market, foreign currency and other risks.
- o Proposed regulation by functional activities, instead of by outmoded industry classifications; consolidation of overlapping and duplicative regulatory activities; and other concepts. To implement such concepts, proposed and participated in Bush Task Group on Regulation of Financial Services.
- o Proposed repeal of the Public Utility Holding Company Act, the purposes of which were achieved 20 years ago, but it continues to burden electric and gas utilities, investors and consumers with redundant regulations.