



OFFICE OF
THE CHAIRMAN

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

December 11, 1987

The Honorable William Proxmire
United States Senate
Washington, D.C. 20510

Dear Senator Proxmire:

The current budget problems pose extremely negative consequences for the Securities and Exchange Commission. I write to enlist your support in preventing significant impediments to the Commission's ability to meet current and future regulatory problems.

During the years 1980 to 1987, a period in which the securities industry grew dramatically, Commission personnel resources decreased by 111 staff years from 2041 to 1930 staff years. As you know, the Commission currently must meet its normal regulatory obligations, and also must devote important resources to matters relating to the October market event. In that regard, it must collect data, prepare studies, make recommendations, and implement regulatory changes. Additionally, current and impending changes in the international capital markets demand increased Commission attention and resources.

The Commission's 1987 appropriated budget was \$114,500,000. The 1988 appropriations passed by the Senate (\$142,045,000) and the House (\$141,500,000) seem to offer the promise of increased resources for the Commission. The proposed 1988 budget request contained authorization for approximately \$15,000,000 in new funding for Edgar, the proposed electronic filing system, but the remainder consisted largely of increases necessary to meet certain non-discretionary costs.

If the proposed reductions occur so that the Commission's final appropriated budget is in the range of \$135,000,000, the Commission's available funds for non-Edgar matters will be at or below the 1987 levels. This result would be most unfortunate for the Commission during these trying times.

You can help by urging that the budget legislation contains language appropriating funds for the Commission at approximately \$142,000,000 rather than at some lower level.

Additionally, and equally important even if not coupled with a \$142,000,000 1988 appropriation, the following language is essential:

Funds provided for the Securities and Exchange Commission for Edgar and for the Federal Employees' Retirement System but not used for these purposes are available to the Commission for other valid obligations deemed necessary by the agency.

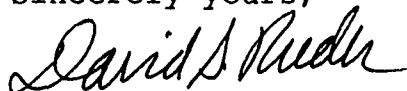
This language is needed in fiscal year 1988 to assure that the Commission has discretion to spend its full appropriation in support of its pressing program needs. Without such language, the Commission could have its appropriation restricted by the Office of Management and Budget in a manner requiring that authorized funds for Edgar and the Federal Employees' Retirement System but not obligated for these needs be returned to the Treasury at fiscal year end. An apportionment of this type was imposed by OMB in FY 1987 and resulted in the agency losing discretion over the obligations of \$2.5 million.

The entire budget of the Securities and Exchange Commission is extremely small in comparison to other Federal programs. Moreover, the Commission's original budget request of \$145,036,000 amounts to only 52% of projected Commission generated by 1988 fee revenues of \$278,100,000.

Attached to this letter is additional information concerning Commission activities, staff levels and funding. If you need further information, please contact me or George G. Kundahl, Executive Director (272-2700).

May I thank you in advance for your assistance.

Sincerely yours,



David S. Ruder
Chairman

Enclosure

Securities and Exchange Commission

Budget Data, FY 1988

Staff Resources

	<u>1980</u>	<u>1987</u>	change (1980-1987)
<u>MARKET REGULATION</u>			
Total Staff Years	268	239	-29
Sales in U.S. Markets (\$Millions)	\$542	\$2,500	\$1,957
Registered Broker/ Dealers	6,750	13,000	6,250
NASD Registered Reps	196,000	440,000	244,000
<u>INVESTMENT MANAGEMENT</u>			
Total Staff Years	215	213	-2
Investment Companies	1,461	3,300	1,839
Assets of Investment Co's. (\$Billions)	\$235	\$1,200	\$965
Investment Advisers	4,580	13,000	8,420
Assets of Investment Advisers(\$Billions)	\$440	\$3,500	\$3,060
<u>CORPORATION FINANCE</u>			
Total Staff Years (without Edgar)	420	419	-1
#IPO's filed	710	2,220	1,510
#Annual Repts filed	8,344	10,829	2,485
#Annual Proxies filed	6,740	9,033	2,293
<u>ENFORCEMENT</u>			
Total Staff Years	678	601	-77
Other	460	458	-2
TOTAL AGENCY	2,041	1,930	-111