

NEWS

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

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REMARKS TO
FALL MEETING OF THE
ASSOCIATION OF GENERAL COUNSEL
WASHINGTON, D.C.
OCTOBER 8, 1981

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U.S. SECURITIES AND
EXCHANGE COMMISSION

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*/ THE SECURITIES AND EXCHANGE COMMISSION, AS A MATTER OF POLICY, DISCLAIMS RESPONSIBILITY FOR ANY PRIVATE STATEMENT BY ANY OF ITS EMPLOYEES. THE VIEWS EXPRESSED HERE ARE THOSE OF MR. FEDDERS AND DO NOT NECESSARILY REFLECT THE VIEW OF THE COMMISSION, OR OF MR. FEDDERS' COLLEAGUES ON THE STAFF OF THE COMMISSION.

I AM DELIGHTED TO ADDRESS THIS MEETING OF THE ASSOCIATION OF GENERAL COUNSEL. YOUR ACTIVITIES AS SENIOR LEGAL ADVISERS OFTEN ARE PROFOUNDLY AFFECTED BY THE NATIONWIDE ENFORCEMENT PROGRAM OF THE SECURITIES AND EXCHANGE COMMISSION. THUS, I AM PLEASED TO SHARE WITH YOU MY FIRST PUBLIC REMARKS AS DIRECTOR OF THE DIVISION OF ENFORCEMENT.

IN MY 81 DAYS AT THE COMMISSION, I HAVE MADE AN INTENSIVE REVIEW AND ASSESSMENT OF THE ENFORCEMENT PROGRAM. WITH RECOGNITION THAT MY VIEWS HAVE MATURED FOR LESS THAN A FISCAL QUARTER, I WILL DISCUSS THREE TOPICS. FIRST, MY APPROACH TO ENFORCEMENT. SECOND, AREAS THAT I BELIEVE REQUIRE RENEWED ENFORCEMENT VIGILANCE. FINALLY, I WILL MAKE SEVERAL OBSERVATIONS

ABOUT SPECIFIC ASPECTS OF THE COMMISSION'S ENFORCEMENT PROGRAM.

ENFORCEMENT APPROACH

AT THE OUTSET, I WILL SPEAK BRIEFLY ABOUT MY ENFORCEMENT APPROACH.

I DO NOT WANT THE COMMISSION'S ENFORCEMENT PROGRAM TO BE IDENTIFIED FOR WHAT IT IS AGAINST. I WANT THE PROGRAM TO BE RECOGNIZED FOR WHAT IT IS FOR.

THE COMMISSION'S PURPOSE IS TO INSURE THAT THE NATION'S CAPITAL MARKETS OPERATE WITH AN INTEGRITY THAT PROMOTES INVESTOR CONFIDENCE. OUR ENFORCEMENT RESPONSIBILITY IS TO FERRET OUT THOSE WHO ABUSE THE MARKET SYSTEM AND WHO DECEIVE INVESTORS. THE DIVISION OF ENFORCEMENT IS NOT IN EXISTENCE TO DISCREDIT OR IMPAIR OUR CAPITAL MARKETS.

AS CHAIRMAN JOHN SHAD HAS SAID: OUR SECURITIES MARKETS ARE THE BEST THE WORLD HAS EVER KNOWN. THE BROADEST, THE MOST ACTIVE, EFFECTIVE, EFFICIENT AND THE FAIREST. THE PRICES OF THE VAST MAJORITY OF SECURITIES REFLECT PUBLICLY AVAILABLE INFORMATION AND INVESTORS' OPINIONS OF THE PROSPECTS FOR THE COMPANIES AND THE ECONOMY.

PUBLIC CONFIDENCE IN THE INTEGRITY OF OUR MARKETS IS ESSENTIAL TO CAPITAL FORMATION AND TO OUR NATION'S ECONOMIC GROWTH AND STABILITY. OUR MARKETS AND EVEN OUR ECONOMIC STABILITY CAN BE JEOPARDIZED BY ATTEMPTS TO ABUSE THE SYSTEM OR TO DECEIVE INVESTORS. ALTHOUGH I BELIEVE THAT ABUSE AND DECEPTION ARE THE EXCEPTIONS, THEY REMAIN SERIOUS PROBLEMS.

I AGREE WITH CHAIRMAN SHAD'S STATEMENT THAT MOST INVESTORS, BROKERS AND BUSINESS PERSONS ARE HONEST. THEY WANT TO COMPETE IN A FAIR ENVIRONMENT. THEY WANT TO SEE THOSE WHO LIE, CHEAT AND STEAL INVESTIGATED, PROSECUTED AND SANCTIONED.

IT IS MY FIRM INTENTION THAT THE COMMISSION WILL CONTINUE TO BE ACTIVE AND EFFECTIVE IN THE ENFORCEMENT OF THE SECURITIES LAWS. HISTORY TELLS US THAT TIMES OF ECONOMIC TURMOIL SPAWN NEW ABUSES AND NEW DECEPTIONS. OUR ENFORCEMENT PROGRAM NECESSARILY REFLECTS THE EVENTS AND PROBLEMS OF THE TIMES IN WHICH WE LIVE. THE COMMISSION WILL BE VIGILANT FOR THOSE ABUSES THAT ARISE DURING OUR NATION'S CURRENT ECONOMIC DIFFICULTIES.

I CAN ASSURE YOU THAT ANY CONDUCT THAT VIOLATES THE
SECURITIES LAWS WILL BE PURSUED VIGOROUSLY.

ADMITTEDLY, THE FOREGOING IS SOMEWHAT GENERAL.
MY APPROACH MAY BE UNDERSTOOD MORE FULLY IF I MOVE TO
A DISCUSSION OF THREE AREAS WHICH I BELIEVE REQUIRE
RENEWED ENFORCEMENT VIGILANCE.

AREAS FOR RENEWED
ENFORCEMENT VIGILANCE

THE AREAS ARE:

FIRST, TRADING WHILE IN POSSESSION OF MATERIAL
NON-PUBLIC INFORMATION, OR WHAT IS OFTEN CALLED "INSIDER
TRADING." SECOND, THE MANIPULATION OF THE SECURITIES
MARKETS. THIRD, FRAUD BY REPORTING COMPANIES.

BY LISTING THESE SPECIFIC ENFORCEMENT PROGRAMS,
I DO NOT MEAN TO SUGGEST THAT MY PREDECESSORS OR

PRIOR COMMISSIONS IGNORED THEM. THE RECORD IS TO THE CONTRARY. FROM MY SELECTION OF THESE AREAS, NO ONE SHOULD ASSUME THAT THE COMMISSION WILL BE LESS VIGOROUS WHEN PURSUING VIOLATIONS OF OTHER PROVISIONS OF THE SECURITIES LAWS. TO DO SO WOULD BE FOLLY. I MENTION THESE THREE AREAS BECAUSE THEY ARE CURRENTLY IN THE FOREFRONT.

TRADING ON MATERIAL
NON-PUBLIC INFORMATION

THE COMMISSION REMAINS DEEPLY CONCERNED ABOUT TRADING BY PERSONS IN POSSESSION OF MATERIAL NON-PUBLIC INFORMATION.

THE COMMISSION HAS BROUGHT OVER 40 CASES IN THIS AREA SINCE JANUARY 1978. THIS IS MORE INSIDER TRADING CASES THAN IT BROUGHT FROM 1934 TO 1978. YET, MORE CAN AND WILL BE DONE IN THIS AREA.

THE COMMISSION WILL INTENSIFY ITS EFFORTS TO PREVENT, DETECT AND PROSECUTE TRADING BY PERSONS IN POSSESSION OF MATERIAL NON-PUBLIC INFORMATION. THE PROGRAM TO DATE HAS BEEN SUCCESSFUL IN TERMS OF THE NUMBER OF CASES INITIATED, THE RELIEF OBTAINED AND THE RESULTANT COMMUNICATION OF THE COMMISSION'S VIEW OF INSIDER TRADING. YET, THERE REMAINS WIDE-SPREAD ABUSE OF MATERIAL NON-PUBLIC INFORMATION BY CORPORATE INSIDERS, THEIR PROFESSIONAL ADVISORS THEIR TIPPEES, AND OTHERS. WE WILL NOT SHY AWAY FROM CASES BASED ON CIRCUMSTANTIAL EVIDENCE IF THE RELEVANT FACTS DEMONSTRATE THAT ANY PERSON BREACHED A TRUST, CONFIDENCE OR OTHER DUTY OWED TO ANOTHER PERSON BY EFFECTING TRADES WHILE IN POSSESSION OF INSIDE INFORMATION.

THE INSIDER TRADING ISSUE HAS BEEN INTENSIFIED BY THE MANY SUBSTANTIAL TENDER OFFERS, BUSINESS COMBINATIONS AND REORGANIZATIONS WHICH RECENTLY HAVE TAKEN PLACE. WE WILL CAREFULLY SCRUTINIZE TRADING ACTIVITY PRECEDING PUBLIC ANNOUNCEMENT OF SUCH TRANSACTIONS.

ALL ENTERPRISES WHICH HAVE CONFIDENTIAL INFORMATION IN THEIR POSSESSION THAT MAY AFFECT THE SECURITIES TRADING MARKETS HAVE AN AFFIRMATIVE OBLIGATION TO SAFEGUARD SUCH INFORMATION. WHILE NO PROCEDURES CAN GUARANTEE THAT INDIVIDUAL EMPLOYEES WILL NOT TAKE UNFAIR ADVANTAGE OF THEIR POSITION, ENTERPRISES SHOULD ESTABLISH POLICIES AND PROCEDURES REGARDING THE PROTECTION OF CONFIDENTIAL INFORMATION AND TAKE STEPS TO ENSURE THAT ALL PERSONNEL ARE FAMILIAR WITH THOSE POLICIES, INCLUDING

THE SERIOUS CONSEQUENCES THAT MAY RESULT FROM CONDUCT VIOLATING SUCH POLICIES.

THE COMMISSION WELCOMES THE AID OF ALL PARTIES IN ITS PROGRAM AGAINST INSIDER TRADING. WE HAVE BEEN WORKING IN COOPERATION WITH THE SELF-REGULATORY ORGANIZATIONS AND WILL CONTINUE THAT RELATIONSHIP. WE ASK ANY PERSON, PARTICULARLY MEMBERS OF THE BUSINESS AND SECURITIES COMMUNITIES, TO INFORM US OF SUSPICIOUS TRADING IN SECURITIES.

SEVERAL COMMENTATORS HAVE SUGGESTED THAT INSIDER TRADING CANNOT BE EFFECTIVELY PREVENTED. THEY ARE WRONG. OTHERS ARGUE EITHER THAT IT IS NOT WORTH PREVENTING OR THAT ALLOWING INSIDERS TO TRADE WHILE IN POSSESSION OF MATERIAL NON-PUBLIC INFORMATION WILL REWARD THEM FOR THEIR ENTREPRENURIAL ACTIVITIES. THEY

MAINTAIN THAT SUCH TRADING LEADS TO EFFICIENT MARKETS,
AND THAT IT IS NOT UNFAIR TO ANYONE.

THE SUGGESTIONS ARE REPUGNANT TO THE FUNDAMENTAL
CONCEPT OF FAIRNESS ON WHICH A FREE MARKET SYSTEM
DEPENDS. THEY DESERVE NO FURTHER RESPONSE.

MANIPULATION

I WILL TURN NEXT TO OUR ENFORCEMENT EFFORTS
AGAINST THOSE WHO MANIPULATE THE SECURITIES MARKETS.

A CHIEF AIM OF THE SECURITIES EXCHANGE ACT OF
1934 IS TO ELIMINATE MANIPULATIVE AND OTHER ABUSES
IN THE SECURITIES MARKETS, AND TO ESTABLISH MARKETS
WHERE PRICES ARE ESTABLISHED BY THE FREE AND HONEST
BALANCING OF INVESTMENT DEMAND WITH INVESTMENT SUPPLY.
MANIPULATION THREATENS THE INTEGRITY OF OUR CAPITAL
MARKETS.

ONE TYPE OF VIOLATION HIGH AMONG OUR ENFORCEMENT PRIORITIES IS MANIPULATIVE ACTIVITIES ASSOCIATED WITH THE SO-CALLED "HOT ISSUE" MARKET THAT HAS BEEN CENTERED IN DENVER. THIS MARKET HAS BEEN CHARACTERIZED BY THE PROMOTION AND SALE OF HIGHLY SPECULATIVE STOCKS IN INITIAL OFFERINGS FOR A MINIMAL PRICE, FOLLOWED BY EXTREMELY ACTIVE TRADING AND RAPID PRICE INCREASES CAUSED BY EXCESSIVE DEMAND IN THE AFTER-MARKET.

SERIOUS ABUSES EXIST BOTH IN THE OFFERING SALES PRACTICES AND IN THE AFTER-MARKET ACTIVITY. DISCLOSURES IN THE PROSPECTUS POINT OUT THE SPECULATIVE RISKS INVOLVED. HOWEVER, THEY OFTEN ARE CONSIDERED TO OBLIVION BY AGGRESSIVE BROKERS. THE ABUSES ALSO INCLUDE TIE-IN ARRANGEMENTS, DELAYED DELIVERIES OF SECURITIES AND REFUSALS TO EXECUTE SELL ORDERS.

THE PRACTICES ARTIFICIALLY MAINTAIN OR INCREASE THE PRICE OF THE STOCK. THE ARTIFICIAL PRICE RISE OFTEN FUELS INVESTOR DEMAND AND CAUSES AN UPWARD SPIRALING EFFECT ON BOTH PRICE AND DEMAND. THESE PRACTICES DETRACT FROM AN ORDERLY MARKETPLACE. THEY CONTRIBUTE TO MARKET ACTIVITIES AND PRICES WHICH ARE NOT THE RESULT OF THE NATURAL FORCES OF SUPPLY AND DEMAND. THE COMMISSION WILL CONTINUE TO WORK CLOSELY WITH THE NATIONAL ASSOCIATION OF SECURITIES DEALERS TO CURB ABUSES WHICH EXIST IN THE "HOT ISSUES" AREA.

ANOTHER AREA OF POTENTIAL ENFORCEMENT ACTION IS INTERMARKET MANIPULATION. LISTED OPTION TRADING HAS MADE IT POSSIBLE FOR A MANIPULATOR TO REALIZE LARGE GAINS ON SMALL MANIPULATED MOVEMENTS IN EQUITY SECURITIES

AS A RESULT OF THE LEVERAGE AFFORDED BY OPTIONS.

THE POTENTIAL FOR THIS MANIPULATIVE CONDUCT IS PARTICULARLY GREAT WHEN ONE MAY REALIZE LARGE GAINS BY "CAPPING" A STOCK BELOW A PARTICULAR EXERCISE PRICE, OR BY "PEGGING" THE PRICE AT A LEVEL ABOVE THE EXERCISE PRICE, NEAR THE EXPIRATION DATE OF THE SERIES.

THE DIVISIONS OF ENFORCEMENT AND MARKET REGULATION HAVE TAILORED THE COMMISSION'S MARKET SURVEILLANCE ACTIVITIES TO ADDRESS MANIPULATIVE ABUSES. WE WILL CONTINUE TO ENHANCE AND COORDINATE THESE SURVEILLANCE EFFORTS IN CONJUNCTION WITH THOSE OF THE SELF-REGULATORY ORGANIZATIONS. THE COMMISSION IS PROMOTING GREATER COOPERATION BETWEEN THE EQUITIES EXCHANGES AND OPTIONS EXCHANGES SO

THAT INTERMARKET MANIPULATION CAN BE READILY
DETECTED.

THE COMMISSION'S OBJECTIVE OF PRESERVING
MARKET INTEGRITY AND INVESTOR CONFIDENCE WILL NOT
BE ACHIEVED UNLESS THERE IS AN INCREASE IN ENFORCEMENT
PRESENCE IN MARKET RELATED INVESTIGATIONS, AND A
SUBSTANTIAL INCREASE IN OUR CAPACITY TO FOLLOW-UP
ON MATTERS BROUGHT TO OUR ATTENTION BY SELF-REGULATORY
ORGANIZATIONS AND OTHERS. THIS IS PARTICULARLY IMPORTANT
WITH RESPECT TO TRADING ABUSES INVOLVING SPECULATIVE
SECURITIES AND NEW ISSUES, INSIDER TRADING, IMPROPER
SELLING PRACTICES, TRADING ABUSES IN THE SECURITIES
OF FOREIGN ISSUERS, AND INTERMARKET MANIPULATIVE
ACTIVITY IN OPTIONS AND THE UNDERLYING SECURITIES.

FRAUDULENT DISCLOSURE
PRACTICES

NOW, I WILL DISCUSS OUR PROGRAM AGAINST
FRAUD BY REPORTING COMPANIES.

AT THE HEART OF THE DISCLOSURE REQUIREMENTS OF
THE SECURITIES ACT OF 1933 AND THE SECURITIES EXCHANGE
ACT OF 1934 IS THE CONCEPT THAT ALL MATERIAL INFORMATION
RELATING TO A COMPANY SHOULD BE FAIRLY AND ACCURATELY
REPORTED. THE COMMISSION WILL CONTINUE TO DEVOTE
SIGNIFICANT ENFORCEMENT EFFORTS TO THE DETECTION AND
SUPPRESSION OF FRAUD IN THIS CONTEXT.

THIS ASPECT OF THE NATIONWIDE ENFORCEMENT PROGRAM
IS INCREASINGLY IMPORTANT AS THE COMMISSION CONTINUES
ITS EFFORTS TO DEREGULATE, TO STREAMLINE THE DISCLOSURE
PROCESS AND TO EXPAND THE SCOPE OF EXEMPT OFFERINGS.

THE DEREGULATION EFFORTS ARE EXEMPLIFIED BY THE COMMISSION'S RECENT RELEASE FOR PUBLIC COMMENT OF THE "INTEGRATION PACKAGE" AND PROPOSED REGULATION D. THE INTEGRATION PACKAGE WOULD REDUCE THE PAPERWORK, TIME AND EXPENSE PRESENTLY INCURRED BY PUBLIC CORPORATIONS. REGULATION D WOULD CODIFY AND EXPAND VARIOUS EXEMPTIVE RULES UNDER THE 1933 ACT.

A FUNDAMENTAL AND ESSENTIAL COMPANION TO DEREGULATION IS STRONG ENFORCEMENT. THE COMMISSION IS COMMITTED TO AN ENFORCEMENT POLICY WHICH WILL PREVENT DEREGULATION FROM LESSENING INVESTOR PROTECTION.

THE COMMISSION WILL GIVE A HIGH PRIORITY TO INVESTIGATING AND PROSECUTING THOSE WHO ENGAGE IN FRAUD IN REPORTING INFORMATION ABOUT THEIR COMPANIES.

I AGAIN CAUTION YOU NOT TO INTERPRET MY REMARKS AS AN INDICATION THAT THE COMMISSION WILL BE LESS VIGOROUS IN INVESTIGATING AND PROSECUTING OTHER VIOLATIONS OF THE SECURITIES LAWS. ORGANIZED CRIMINAL ACTIVITIES IN THE MARKETS, FRAUD BY REGULATED ENTITIES, PROXY AND TENDER OFFER ABUSES AND UNSCRUPULOUS INVESTMENT COUNSELORS, TO NAME A FEW, WILL CONTINUE TO BE PURSUED.

GENERAL OBSERVATIONS

BEFORE I CONCLUDE, I WILL MAKE SEVERAL GENERAL OBSERVATIONS ABOUT THE COMMISSION'S NATIONWIDE ENFORCEMENT PROGRAM. THE REMARKS SHOULD PROVIDE YOU WITH A FURTHER UNDERSTANDING OF MY APPROACH.

FIRST, THE COMMISSION ALONE CANNOT FERRET OUT ALL THOSE WHO ABUSE THE CAPITAL MARKETS AND WHO DECEIVE INVESTORS. WE HAVE LIMITED RESOURCES. THE

SIZE OF OUR ENFORCEMENT STAFF AND BUDGET IS DECLINING WHILE THE SECURITIES INDUSTRY WE POLICE IS EXPANDING RAPIDLY.

WE ARE IN THE PROCESS OF ADJUSTING OUR STRATEGY TO MAXIMIZE OUR RESOURCES.

AS PART OF ITS NATIONWIDE ENFORCEMENT STRATEGY, THE COMMISSION WILL STRENGTHEN ITS WORKING RELATIONSHIP WITH THOSE ORGANIZATIONS FOR WHICH THE COMMISSION HAS OVERSIGHT RESPONSIBILITY. THESE INCLUDE THE SECURITIES INDUSTRY SELF-REGULATORY ORGANIZATIONS: THE SECURITIES EXCHANGES, THE N.A.S.D. AND OTHERS. THESE ORGANIZATIONS MUST IMPROVE THEIR VETTING AND SURVEILLANCE CAPABILITIES AND ENFORCEMENT PROGRAMS.

THE COMMISSION ALSO WILL EXPAND ITS WORKING RELATIONSHIP WITH THE NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION AND THE RESPECTIVE STATE SECURITIES ADMINISTRATORS. WE WILL ASSIST THE STATES IN THEIR ENFORCEMENT PROGRAM.

THE COMMISSION WILL CONTINUE TO MAINTAIN CLOSE LIAISON WITH THE DEPARTMENT OF JUSTICE, THE VARIOUS U.S. ATTORNEY'S OFFICES, OTHER LAW ENFORCEMENT AUTHORITIES, AS WELL AS CERTAIN STATE REGULATORY AGENCIES SUCH AS THE GAMING COMMISSIONS FOR THE STATES OF NEVADA AND NEW JERSEY. MOREOVER, THE COMMISSION MAINTAINS ITS OWN INTELLIGENCE CAPABILITIES AND WORKS CLOSELY WITH OTHER FEDERAL AGENCIES AS WELL AS FOREIGN AND LOCAL AUTHORITIES IN ORDER TO SHARE INFORMATION AND COORDINATE ACTIVITIES OF MUTUAL CONCERN.

IN APPROPRIATE CIRCUMSTANCES THE COMMISSION WILL REFER ITS FILES TO THE DEPARTMENT OF JUSTICE OR STATE CRIMINAL DEPARTMENTS WITH AN AFFIRMATIVE REQUEST FOR PROSECUTION. WHEN APPROPRIATE, THE ENFORCEMENT STAFF WILL RENDER ASSISTANCE TO PROSECUTORIAL AUTHORITIES.

IF WE ARE SUCCESSFUL IN OUR COOPERATIVE EFFORTS, MORE OF THOSE WHO ABUSE THE SYSTEM WILL BE INVESTIGATED, PROSECUTED AND SANCTIONED. TOGETHER WE WILL HAVE A GREATER IMPACT AND SERVE AS A GREATER DETERRENT TO SECURITIES FRAUD AND MARKET ABUSE. WE WILL MULTIPLY THE EFFECTIVENESS OF THE S.E.C.'S LIMITED RESOURCES. A TRUE NATIONWIDE ENFORCEMENT PROGRAM WILL DEVELOP.

A SECOND OBJECTIVE IS TO IMPROVE THE COMMISSION'S INVESTIGATIVE ABILITIES IN ORDER TO REACH THE MERITS OF EACH CASE PROMPTLY. ACHIEVING THIS GOAL WILL REQUIRE

IMPROVEMENTS OF OUR ENFORCEMENT CAPABILITIES. WE HOPE TO REACH A DETERMINATION MORE QUICKLY WHETHER TO INITIATE AN ENFORCEMENT PROCEEDING OR TO CLOSE AN INVESTIGATION WITHOUT ACTION.

THIRD, I SHARE CHAIRMAN SHAD'S DESIRE TO ENCOURAGE VOLUNTARY DISCLOSURE. RECENTLY, HE SAID THAT "IN ORDER TO ENCOURAGE VOLUNTARY CORPORATE COMPLIANCE, THE COMMISSION WILL GIVE CONSIDERATION TO EFFORTS OF COMPANIES WHICH PROMPTLY CORRECT ERRONEOUS OR INADEQUATE DISCLOSURE AND TAKE OTHER APPROPRIATE REMEDIAL ACTIONS."

THE COMMISSION'S OBJECTIVE IS COMPLIANCE WITH THE LAW. OBVIOUSLY, VOLUNTARY DISCLOSURE WILL NOT BE A SELF-IMMUNIZING PROCESS. THE COMMISSION HAS ALWAYS TAKEN INTO CONSIDERATION VOLUNTARY DISCLOSURE EFFORTS IN FORMULATING ITS ENFORCEMENT DETERMINATIONS. SUCH

CONSIDERATIONS WILL CONTINUE. OF COURSE, THE NATURE OF CERTAIN VIOLATIONS WILL AFFECT THE DEGREE OF CONSIDERATION ACCORDED.

FOURTH, THE COMMISSION WILL TAKE STEPS TO INSURE THAT CONDUCT WHICH THREATENS THE INTEGRITY OF ITS INVESTIGATIVE PROCESSES IS PROSECUTED. WE WILL SCRUTINIZE CLOSELY SITUATIONS IN WHICH PERJURY, DESTRUCTION OF DOCUMENTS OR OBSTRUCTION OF JUSTICE IS SUSPECTED WITH A VIEW TOWARD REFERRING SUCH MATTERS TO PROSECUTORIAL AUTHORITIES. ALSO, WE WILL SEEK PROMPT ENFORCEMENT OF OUR INVESTIGATIVE SUBPOENAS WHEREVER APPROPRIATE.

FIFTH, I HAVE INITIATED INFORMAL, UNSTRUCTURED MEETINGS WITH SECURITIES PRACTITIONERS. A VARIETY OF TOPICS ARE DISCUSSED, INCLUDING THE INITIATION, CONDUCT AND CLOSING OF ENFORCEMENT INVESTIGATIONS. I WILL BENEFIT

FROM THE KNOWLEDGE, EXPERIENCE AND CONSTRUCTIVE COMMENTS OF THOSE WITH WHOM I MEET. THE LEGAL PROFESSION, AS WELL AS THE ACCOUNTING PROFESSION, CAN HELP THE COMMISSION ACCOMPLISH ITS MISSION.

MY FINAL TOPIC IS THE GROWING NUMBER OF SUITS BEING FILED AGAINST MEMBERS OF THE COMMISSION'S ENFORCEMENT STAFF. IF THE STAFF IS ENGAGED IN MISCONDUCT, THE COMMISSION WILL SUFFER THE CONSEQUENCES. STAFF MISCONDUCT IS RARE. IT IS NOT CONDONED. WE ARE IMPROVING OUR PROFESSIONALISM AND CONTROLS TO AVOID MISTAKES. ON THE OTHER HAND, SOME OF THE SUITS ARE FRIVOLOUS AND ONLY DILATORY TACTICS. SOME ARE DESIGNED TO DIVERT ATTENTION FROM THE UNDERLYING SUBSTANTIVE ISSUES.

THE COMMISSION IS COMMITTED TO VIGOROUSLY DEFENDING ITS STAFF MEMBERS. IN THOSE CASES WHERE WE BELIEVE THE CHARGES ARE FRIVOLOUS, I WILL ENCOURAGE THE COMMISSION

TO CONSIDER SEEKING SANCTIONS AGAINST PLAINTIFFS FOR
FRIVOLOUS LITIGATION AND MOVING FOR OUR DEFENSE COSTS.
WE WILL DO WHAT IS NECESSARY TO PREVENT THE STAFF FROM
UNNECESSARILY BECOMING THE FOCUS OF LITIGATION.

CONCLUSION

NOW, PERMIT ME A FINAL POINT.

ENFORCEMENT IS AN HONORABLE UNDERTAKING.

THE COMMISSION'S ENFORCEMENT EFFORTS MUST BE
SUPPORTED AND ENCOURAGED BECAUSE THEY IMPROVE OUR
NATION'S CAPITAL MARKETS AND ECONOMIC STABILITY.

THE COMMISSION EMPLOYEES ENGAGED IN ENFORCEMENT
ACTIVITIES ARE EXTREMELY CAPABLE AND PROFESSIONAL.
WE KNOW THE IMPORTANCE OF OUR MISSION. WE WILL NOT
BE DETERRED.