

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C.

March 22, 1954

Memorandum To All Regional Administrators

X-17A-5 reports are probably the most important source of information concerning brokers and dealers. They are important in enforcing the capital rule (in some cases, the hypothecation rules). The analysis of X-17A-5 financial reports is an important factor in determining the broker-dealer firms to be inspected and the scope of inspection.

These reports must be analyzed promptly upon their receipt by the regional offices; otherwise they lose their full effectiveness. To that end, the following procedures will henceforth be followed by the regional offices:

- (a) Each Regional Administrator should immediately initiate a program for the preparation of the analysis (check sheets) within ten days after receipt of the report or any amendments.
- (b) A copy of each report and any amendment should be transmitted promptly on receipt to the Division of Trading and Exchanges.
- (c) A copy of the check sheet should be transmitted promptly on completion to the Division of Trading and Exchanges.
- (d) The Regional Administrator will assign such personnel as may be necessary to make the analysis and will designate one person to be responsible therefor.
- (e) The designation of the person in charge of such analysis and any changes from time to time will be reported promptly to the Division of Trading and Exchanges.

X-17A-5 financial reports filed in the New York and Boston regional offices have for the past few years been analyzed by the Division of Trading and Exchanges in Washington. Hereafter, X-17A-5 reports filed in New York and Boston will be analyzed by those offices, commencing with reports filed on and after April 1, 1954, and May 1, 1954, respectively.

In considering personnel needed for this work, you would undoubtedly be interested in knowing the experience of other offices. In three offices, the complete processing of X-17A-5 reports during the first six months of the current fiscal year averaged 2.4 man-hours per report. The preparation of only check sheets on New York and Boston reports in the home office in 1953 averaged substantially less than 1.5 man-hours per report.



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