

NYRO

MEMORANDUM

August 3, 1962

To: William L. Cary, Chairman  
From: Llewellyn P. Young  
Regional Administrator  
Subject: Reorganization of New York Regional Office

Annexed to this memorandum is a chart showing a proposed reorganization of the New York Regional Office that I would like to make effective as soon as conveniently possible.

The proposed reorganization is designed to deal with a number of administrative problems that have troubled me since I came to the New York Regional Office about a year ago. The decision of Bill Moran to join the American Stock Exchange brought matters to a head. I believe this the time to put the reorganization into effect with a minimum of disarrangement.

A New Associate Regional Administrator

The departure of Bill Moran as Associate Regional Administrator leaves the option of filling his position or abolishing it. I recommend that the position be kept. The past year has demonstrated to me that the Associate Regional Administrator plays a key role in seeing that office policies are properly executed, assisting in the over-all administration of the office and attending to the myriad larger questions of day to day office operation. I believe that the position should be filled from within the existing staff. The two logical candidates in the New York Regional Office

are Messrs. Devaney and Blair. While both are men of considerable ability, I believe that Mr. Devaney's temperament and talents, as well as his longer tenure at the New York Regional Office and greater familiarity with its personnel and with the Street, better qualify him for this position. In making this recommendation I do not wish to derogate Mr. Blair by the comparison. He is a man of no mean legal and administrative ability.

#### Consolidation of Enforcement

I believe that the enforcement groups, now split in two, should be consolidated under the aegis of Mr. Blair as an Assistant Regional Administrator. The split was made in 1960 for reasons of, I believe, expediency. It makes no sense to me to have enforcement attorneys who are skilled in 1933 Act matters but not in 1934 Act matters, or the other way around. Unhappily, our enforcement problems do not come tied in such neat packages.

The effect of consolidated enforcement will be to cast an even heavier burden upon Mr. Blair, and upon Andrew Grass, his Chief Enforcement Attorney. I am sure that they will measure up to the task. I would like to be able to recommend an increase in grade commensurate with the increase in work, but I understand that under present Civil Service requirements this is not feasible. Furthermore, it would create considerable "compression" at the upper end of the scale. As soon as such increase in grade is feasible, I intend to recommend it.

#### Separation of Investment Company and Investment Adviser Work

I recommend that Investment Company inspections and Investment Adviser inspections be separated from broker-dealer inspections. At the present time they tend to be stepchildren. During the past fiscal year this office did not begin to meet its quota of Investment Company and Investment Adviser inspections. This may be attributable

largely to a late start, an insufficient number of personnel or an over-ample quota. At the same time, I feel that the result may have been in part due to the fact that the Assistant Regional Administrator (Mr. Blair), while extremely conscientious and hard working, had a great many other problems to deal with, many of which at the moment seemed of greater importance than the inspection program.

I recommend that the Investment Company inspections and Investment Adviser inspections be transferred to the aegis of Dick Bandler, who will assume responsibility for them as well as for the corporate reorganization work. I also recommend that Mr. Bandler be made an Assistant Regional Administrator. As a consequence of this, Mr. Bandler's work will closely parallel that of the Division of Corporate Regulation. An exception is the Investment Adviser inspection program. From my experience at the New York Regional Office, this is much more closely related to Investment Company inspections than it is to broker-dealer inspections.

#### The Position of Regional Counsel

I recommend that Mr. Weiss be made Regional Counsel for the New York Regional Office and that under him he have a Section of Interpretation, a Complaint Section and the Public Reference Unit. For the past year I have been trying to improve the quality of the legal paper work of the office, and have personally rewritten briefs and pleadings and have supervised the rewriting of others. Unhappily, I feel that our briefs still retain in many instances a pedestrian character that fails to do justice to our argument. This is much a result of the pressure under which the enforcement attorneys operate. One of the duties of the Regional Counsel will be, personally and through his Interpretation Section, to review all briefs before they leave the office. A second and equally important duty will be to research and prepare memoranda on the innumerable interpretative questions that arise each week, both in the form of inquiries from the public and in the form of problems in enforcement matters.

The Complaint Section under the Regional Counsel will have the duty of sifting, initially researching, responding to and making recommendations with respect to, the very large number of complaints that come in by letter, over the telephone and in person every week. At the present time we have been using young attorneys for this job. Seventy-five per cent of the complaints are trivia and another fifteen per cent can be taken care of without too much difficulty. It takes a young attorney about six months to become sufficiently familiar with the work of the Commission, the details of the Street and the material in our files to do a workmanlike job, but by the time six months have elapsed, any young attorney worth his salt is completely bored with the work. Any attorney who is not bored with the work probably he is not a good man to have on the job. The solution that I have hit upon - at least I hope it will prove a solution - is to put in the Complaint Section several able but elderly investigators whose physical condition limits their ability fully to utilize their potential in our strenuous enforcement cases. These men will have the knowledge of the Commission, the knowledge of the Street and the knowledge of our files that no young attorney could hope to have. They also will not be, I hope, bored through frustrated aspirations. Their work will be overseen by the Regional Counsel, and, as I will show shortly, also by Mr. Charles Ferrall as Special Investigations Consultant.

#### Special Investigations Consultant

At the present time Mr. Charles Ferrall acts in fact as Chief Investigator of the office and chief adviser with respect to all broker-dealer, market surveillance, fraud, manipulation, Investment Company and Investment Adviser problems. Beyond this he has the administrative responsibility directly, through Mr. Bradicich, for all of the broker-dealer, Investment Company and Investment Adviser inspection sections. On top of this, he personally, together with the Associate Regional Administrator and the Regional Administrator, reviews most incoming complaints

and problems for the purpose of making an assignment, and then personally drafts the assignment. He is a very busy man.

I recommend that he be freed of his direct administrative responsibilities and be permitted to devote his time to doing what is most useful for the office - reviewing incoming problems and reviewing all major problems in the broker-dealer, Investment Company and Investment Adviser area, and advising the Regional Administrator with respect thereto. I contemplate that the Complaint Section under the Regional Counsel will do all preliminary research on incoming complaints, the results of which first be forwarded to Mr. Ferrall, who will make his recommendation to the Regional Administrator. Any assignment would then be prepared under the direction of an Assistant Regional Administrator and again reviewed by Mr. Ferrall.

#### Branch of Small Issues

I recommend that the Section of Small Issues be made a branch and be taken out of the direct administrative supervision of Mr. Weiss. This will give recognition to a defacto situation now existing.

#### Special Trial Counsel

One of our difficulties is our lack of experienced trial counsel to handle important cases (e.g., Sutro, Gilbert). Invariably, such counsel are found only in the higher administrative ranks of the office. Assigning such a case to them has always resulted in a lack of proper supervision of the younger attorneys for whose work they are responsible. It is not feasible to develop overnight trial counsel of sufficient ability to avoid this problem. The solution is to take such a man out of the administrative hierarchy and make him available to handle such cases as they arise. Arthur Goldman is the logical candidate for this. His early training was in Corporate Regulation. At

the New York Regional Office he developed into an excellent Chief Enforcement Attorney. In his position as Special Trial Counsel, he will be available to work both with Mr. Blair on major broker-dealer enforcement cases and with Mr. Bandler on major Investment Company, Investment Adviser or Reorganization cases, as the circumstances require.

#### Special Enforcement Group

I plan to retain this group. It has made a fine record in putting a substantial crimp in the operations of the firms on our Surveillance List (successor to the "Boiler Room" list), has acted as a fire brigade in emergency situations and has taken on such major cases as the AMOS Treat matter, all without disrupting the routine enforcement procedures of the office.

#### Administrative Office

I have not as yet found the man to fill this position. I have one or two candidates in mind, and in addition plan to talk to the Director of the Second Civil Service Region. Until he is found, his functions will continue to be performed by me, by the Associate Regional Administrator, and by my Special Counsel, Mr. Bicks.

#### General

I appreciate the valuable assistance Messrs. Brennan and Becker in helping me work out the details of the reorganization.

LLEWELLYN P. YOUNG  
Regional Administrator

LPYoung:gp