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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
MARKET REGULATION

FEB 14 1973

Paul Kolton, President
American Stock Exchange
86 Trinity Place
New York, New York 10006

Re: Broker-Dealer Examiner Training

Dear Paul:

In the very important area of broker-dealer examiner training and with the wholehearted cooperation and participation of officials and examiners of the self-regulatory organizations as co-planners, lecturers and attendees we have completed three 5-day and one 3-day intensive training programs since last October. These were held in Washington in October (5 days), Boston in November (3 days), New York in December (5 days) and Los Angeles in January (5 days).

A three day program has been planned for Chicago to be held on April 23, 24, and 25, 1973. This will be for the examiners of the Chicago Regional Office, the Chicago, Kansas City, Denver and Dallas Offices of the NASD, the MSE and the 9 states comprising the territory of the Chicago Regional Office. Following the completion of that program, it is proposed to conduct a 3 to 5 day training program in Washington for examiners of all the regulatory organizations who were unable to attend those which have just been mentioned. It is contemplated that this will be held in May or June 1973.

As you know, the principal thrust has been to offer training in the area of developing possible violations of the registration and anti-fraud provisions of the Securities Act of 1933 and the anti-fraud provisions of the Securities Exchange Act of 1934. However, a substantial amount of time has been devoted to Rules 15c3-3, 15c3-1 and market manipulation. Substantially all participants have expressed a great deal of interest in these topics.

Thus far, the following number of examiners have received some training in these programs: Washington-85; Boston-42; New York-235; and Los Angeles-90. The anticipated number who will attend the Chicago conference is 100 examiners. There has been tremendous and willing support of the Commission on the part of the participating self-regulatory organizations. The program held in New York, in fact, was sponsored jointly by the NYSE and the SEC. Thus far, the participants in all of these programs have included broker-dealer examiners from the SEC, the major self-regulatory bodies (except one which will send its examiners to the Chicago program), the various states and Canadian provinces and representatives of intelligence units of numerous police departments. In view of the importance of this training, particularly in methods of detecting violations of the registration and anti-fraud provisions of the 1933 Act and anti-fraud provisions of the 1934 Act, we will be willing to provide lecturers to appear and present material for your examiners at your training programs. Arrangements to do this can be made through Alex Brown (202) 755-1390. We have already commenced to do this with the NASD.

In addition to our willingness to participate in your training programs, we are also planning a permanent program to continue to train broker-dealer examiners to detect possible violations of the securities laws. I will write to you more in detail concerning this matter at a later date since these training sessions also will be available to your examiners and since we would like to have your active participation in these programs as co-planners, lecturers and attendees.

Cooperative activity in the training of all broker-dealer examiners will not only improve the quality of broker-dealer examinations and aid in standardizing effective examination procedures but will also result in such examinations developing into an effective preventive enforcement instrumentality, thus aiding the self-regulatory process.

Your comments and suggestions will be greatly appreciated.

Sincerely,

G. Bradford Cook
Director

