

MEMORANDUM

March 25, 1982

TO: All Commission Employees

FROM: John S.R. Shad

There have been recent leaks of confidential Commission matters to the press and others.

To have assumed the serious risks of an illegal act, the person responsible must have felt very strongly that he or she was doing "the right" thing.

I am sure none of us agree with every Commission decision. However, members of the Enforcement and Corporation Finance Divisions, the Office of the General Counsel, and Commissioners who participated on opposite sides of the free and open debate of the issues on the merits (as well as a large number of present and former members of the staff), have expressed their deep concern over the effect of these leaks on the Commission's integrity and ability to function effectively.

Candid oral and written exchanges in mutual confidence are a necessity. We are also dependent on other government agencies and the private sector to provide information to us in confidence.

Leaks destroy confidence and seriously inhibit the Commission's ability to discharge its Congressional mandate.

Commissioner Evans' poignant views on this subject are attached.

Attachment

I AM THE SECURITIES AND EXCHANGE COMMISSION; BUT THE COMMISSION IS ALSO YOU. THE SEC IS ALL OF US AND WHAT WE ARE AND DO.

Regardless of what else a person may have, if he does not have integrity he has virtually nothing. I feel that the same is true of the Commission. The Commission has been fortunate over the years to have the highest caliber of staff, both in

competence and dedication. Although no human institution is without flaws, the Commission has had the deserved reputation of being as close to that goal as can be found in government.

One of the reasons for this cherished position is the freedom members of the Commission and staff have usually enjoyed to express different points of view, which are often very strongly held, in an open and frank manner without fear of public disclosure, reprisal, or ridicule. This privilege is essential to the integrity of the Commission.

No member of the staff or Commission has the right to undermine this process regardless of how strongly he or she may disagree with a final Commission decision. Perhaps the person who made available to the press internal memoranda that were part of the decision-making process in the Citicorp case believed it would be in the Commission's interest or in the public interest. It may have been done to embarrass the Commission or certain of its members or staff. Perhaps the action was rationalized as a matter of conscience. Whatever the reason, I do not believe the behavior can be justified.

It was a betrayal of the trust and confidence we should all be able to have in each other's integrity, despite our differences. It has caused suspicion and doubt where none should exist. It has taken something from each of us and it has weakened the Commission's ability to fulfill its mission.

The illegal leakage of corporate information that the Commission determined need not be disclosed is a breach of faith that undermines our ability to obtain information in the future. It is also more difficult to hold those under our regulatory jurisdiction to a high standard of conduct or supervisory excellence if our own is suspect.

The Commission must seek to find whomever is responsible for the Citicorp incident, but it must be done in a way that will not add to mistrust and animosity. Although it is my hope that this effort will meet with success, that cannot be expected to solve the problem. In the final analysis, honesty, loyalty, and integrity cannot be achieved through force or fear.

These high human virtues represent a commitment of one's self in concert with others in order to accomplish tasks that cannot be done alone. Each of us must inspire such characteristics in others by practicing them ourselves. We must create an atmosphere in which all can feel the satisfaction of having done our best to serve the public interest even when the Commission does not agree with our recommendations; and our actions must be such that those with whom we serve would be ashamed not to comply with high Commission standards.