



OFFICE OF
THE CHAIRMAN

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

April 13, 1988

The Honorable Ernest F. Hollings
Chairman, Subcommittee on Commerce,
Justice, State & Judiciary &
Related Agencies
Senate Appropriations Committee
S146A The Capitol
Washington, D.C. 20510

Dear Chairman Hollings:

It is my understanding that because you and the other members of your Subcommittee are under severe pressure this year to complete the Senate's legislative agenda, you are reducing the number of appropriations hearings. Whether or not I am asked to appear in person, I would appreciate your full consideration of this letter and the attached justification materials in support of the Securities and Exchange Commission's request of \$160.9 million for FY 1989. I believe that this request represents the minimum staff to carry out this agency's statutory and regulatory responsibilities at this crucial time.

Current securities market events, such as the October 1987 market break, the Commission's aggressive insider trading program, and the SEC's growing role in domestic and foreign economic policy have, and will continue to have, significant impacts on the Commission's ability to perform its statutory responsibilities. These factors in combination with those of the last eight years, during which the SEC's statutory mandate and numbers of regulated entities grew significantly, have now created a wide imbalance between the agency's total program responsibilities and the resources available to carry them out. The SEC's 1989 appropriation request presently before you is an attempt to rectify this imbalance.

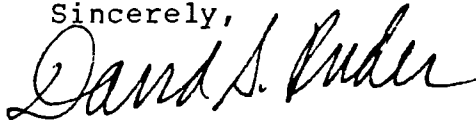
I am especially troubled by the potential effect on the SEC of the Concurrent Budget Resolutions for FY 1989 which Congress is presently considering. The SEC is included in the budget's functional category code 370 - Commerce and Housing Credit. This code is targeted in the Budget Committee mark of the Senate Resolution for \$2.6 billion, as compared with \$2.9 billion in the House Resolution. The impact of a 10 percent reduction in SEC funding, as contemplated by the

The Honorable Ernest F. Hollings
Page Two

Senate mark, coupled with the need to absorb mandatory cost increases identified in the agency's request, could require the agency to lose 650 staff years, a 31 percent reduction. Even by freezing EDGAR, the electronic filing system, in its current pilot stage, the Commission would still be required to reduce 325 staff years or 16 percent. Both of these scenarios will have extremely negative consequences for the SEC at a time when strong financial markets, overseen by viable disclosure, regulation and enforcement programs, are needed to bolster a fragile economy. I hope you will agree that the SEC must be protected from the overall budget reductions under the Concurrent Budget Resolution and must be given special treatment, similar to that provided drug enforcement activities, the Census, and air traffic controllers.

I am available at any time to respond to any questions you may have regarding the Commission's operations or the importance of preserving its ongoing activities at this critical point in its history. In addition, your staff may contact George Kundahl, the Executive Director, or Lawrence Haynes, the Comptroller, regarding any budget issues.

Sincerely,

A handwritten signature in cursive script that reads "David S. Ruder".

David S. Ruder
Chairman

Enclosure