TESTIMONY OF
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U.S. SECURITIES AND EXCHANGE COMMISSION

CONCERNING THE SECURITIES AND EXCHANGE COMMISSION'S EXAMINATION OVERSIGHT OF SECURITIES FIRMS AFFILIATED WITH BANKS

BEFORE THE SUBCOMMITTEE
ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT
OF THE COMMITTEE ON BANKING AND FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

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Chairwoman Roukema, Congressman Vento and Members of the Subcommittee:

I appreciate this opportunity to testify today on behalf of the Securities and Exchange Commission ("SEC" or "Commission") regarding its examination oversight of securities firms affiliated with banks.

INTRODUCTION

This testimony provides an overview of how the Commission conducts on-site examinations, describes the program areas of most relevance to bank affiliates, and concludes with a discussion of how we coordinate our efforts with those of bank regulators. Specifically, in response to your inquiry, we will describe our process for examining broker-dealers, including our examination cycle, areas of focus, training for examiners, coordination with other regulators, and our risk assessment program. We will also discuss how we measure the effectiveness of self-regulatory organization examinations, and how we review securities firms' internal controls. However, before turning to

the specifics of the program, a few points deserve special emphasis.

Most importantly, the Commission's primary mission is to protect investors and maintain fair and orderly markets. To achieve these goals the Commission conducts examinations as part of its compliance program. That is, we focus on registrants' compliance with their legal and regulatory duties under the federal securities laws. We do not interfere with the competitive discipline of the marketplace. To use Adam Smith's words, our mission is to "hold the ring" in which securities firms compete. So long as they play by the rules, securities firms are free to innovate, to enjoy the profits of creativity, and also to fail.

As Chairman Levitt has testified in prior hearings, there is a fundamental difference between our program and that of the bank regulators. Bank regulators are concerned about the safety and soundness of banking institutions and the prevention of bank failure. The Commission, on the other hand, focuses on disclosure, investor protection, and the maintenance of fair and orderly markets. As discussed later in this testimony, the Commission is very interested in risks posed to securities firms by their significant affiliated companies. However, our fundamental mission is the same whether the securities firm is affiliated with a bank, an insurance company, or has no affiliations at all.

In essence, the work of the examination program is a

practical application of functional regulation. We examine the functions of the securities industry. Because our authority extends as far as the securities markets, with some notable exceptions, including banks performing securities functions, our examiners can follow the evidence wherever it leads. In other words, we can track down the source of a compliance problem because we have the authority to examine the underwriter who brought the securities to market, the traders who maintained the secondary market, the investment adviser who recommended the product as a good buy, the registered representative who made the sale, and the self-regulatory organization that allowed the registered representative to enter the business. We have embarked on a number of recent initiatives to enhance our oversight of industry-wide developments, including several large scale special purpose sweep examinations. But most importantly, whether an issue involves the entire market, or only one firm, our examiners are trained specialists in this type of oversight.

We have a lot of respect for the bank examiners, and we defer to them on issues related to bank functions. At the same time, because of our expertise in the securities markets, we expect that they will defer to us with respect to the functions that we oversee. Over the past several years, we have increased our coordination with the bank regulators. We hope this coordination will continue, and that we will develop a relationship in which we can coordinate our functions in the public interest.

I. Overview of the Commission's Examinations

The SEC was established by the Securities Exchange Act of 1934 ("Exchange Act") to administer the federal securities laws.[1] It was created after Congressional inquiries into the market crash of 1929 revealed shocking misconduct in the securities markets. The Commission's foremost mission is to protect investors and maintain fair and orderly markets. Examinations play an important role in accomplishing that mission.

The examination program is authorized by the Exchange Act,[2] the Investment Advisers Act of 1940 ("Advisers Act")[3] and the Investment Company Act of 1940 ("Investment Company Act").[4] These Acts authorize the Commission to conduct "reasonable periodic, special or other examinations" of the records of broker dealers, investment companies, investment advisers, and transfer agents, among others. They also authorize the Commission to conduct these examinations "at any time" or "from time to time." The Commission has statutory authority to examine all records of a broker dealer, investment adviser, or transfer agent. In addition, the Commission can examine the records that an investment company is required to keep by law or regulation.

The Office of Compliance Inspections and Examinations ("OCIE") administers the Commission's examination program. The

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[1] Exchange Act § 4(a), 15 U.S.C. § 78d(a).

[2] Exchange Act § 17(a)&(b), 15 U.S.C. § 78q(a)&(b).

[3] Advisers Act § 204, 15 U.S.C. § 80b-4.

[4] Investment Company Act § 31(b), 15 U.S.C. § 80a-30(b).

Commission created OCIE in 1995. Previously, the Divisions of Market Regulation and Investment Management had administered the program. The Commission created OCIE to streamline and improve the examination process. OCIE's consolidated program management ensures an enhanced focus on the examination program, more consistency among examinations, greater flexibility in directing resources where they are needed most, and, perhaps most importantly, an improved capacity for taking a coordinated approach to industry-wide developments. We have approximately 75 staff in the home office in Washington and 500 staff in regional offices. Both headquarters and regional office staff conduct examinations. In addition, the home office provides overall program management.

As part of the Commission's broad mission, the examination program's mandate is to protect investors through fostering compliance with the securities laws, detecting violative conduct, ensuring that violations are cured, overseeing self-regulation in the securities industry, and informing the Commission of developments in the regulated community. To carry out its mission, OCIE selects registrants for examination, conducts on-site reviews of their operations, and then takes steps to remedy the problems it finds.

Selecting firms for examination is an important part of our work. To deal with the tremendous growth and innovation in the securities markets, we increasingly target firms through a more risk-based and systematic methodology.

Registrants are targeted for examination based on an evaluation of factors suggesting that the firm poses a heightened compliance risk to investors. These factors can include: the nature and size of the registrant's business; the number of public customers it serves; whether it holds customer funds and securities; the length of time it has been registered; its prior examination history; the products it offers; its disciplinary history; customer complaints; regulatory problems of employees; its advertising and performance claims; and information obtained from other regulators. Financial and operational soundness may be a factor, but it is only one of many types of compliance risk that are considered.

It is important to note that risk factors help us prioritize firms for examination. They do not necessarily indicate that violations are in progress. Instead, they indicate a possibility of heightened risk or weaknesses that may lead to deficiencies or violations.

To properly implement the risk based approach, we train our examiners to have an overall view of the regulated community. For example, examiners participate in many different examinations, so they can see how a variety of firms operate. We send staff to different parts of the country, create teams whose members have varied backgrounds and specialties, and of course, provide extensive classroom and field training. Commission staff are trained to recognize when a firm is deviating from an industry norm.

The risk based approach also allows us to obtain a broad overview of compliance practices in the industry. For example, OCIE often includes a particular topic in examinations. It may be a small portion of each examination, so the registrants involved may not even realize this is an area of particular focus. However, when the results are consolidated in Washington, a comprehensive overview of the issue is possible. This comprehensive view assists the Commission in setting standards and regulations for the industry.

In addition, SEC examiners conduct numerous stand-alone systematic reviews or "sweeps." Recent sweeps reviewed internal controls at trading firms, the use of soft dollars, salesmen with career profiles of disciplinary and compliance problems (what some call "rogue" brokers), sales practices for variable annuity products, supervisory systems for firms registered as both brokers and investment advisers, compliance practices by financial planners, and operations by certain types of transfer agencies.

Once a registrant has been selected for review, examiners visit its offices, interview management, review documents and analyze its operations. Examiners often ask for computer data relating to trading, portfolio activity, and other matters, for analysis back in our offices. The examiners use the information to check for irregularities -- often called "red flags" -- that signal that the firm may be violating the securities laws and related rules, or engaging in practices that heighten the

likelihood of such violations.

During examinations, the staff digs deeply into the areas selected for review. For example, to examine for sales practice violations, or other abusive mistreatment of customers, we review the details of specific transactions and accounts. As many broker-dealers know, it is not uncommon for examiners to ask them why they thought a particular security was suitable for a particular customer, why the securities in a particular account were traded so frequently, or why a particular customer made multiple purchases of mutual fund shares, when a single purchase would have entitled them to a discount on the sales charge. We also ask the broker-dealers to produce the books and records of the firm documenting what they tell us. Our examiners are trained to follow the evidence, wherever it may lead.

Deficiencies identified during examinations range from record-keeping problems and sloppy compliance practices, to serious violations such as hidden insolvencies threatening customers and the market, misrepresentations, conflicts of interest, market manipulation and sales practice abuses.

Most examinations conclude with the issuance of a deficiency letter to the registrant. A deficiency letter describes the problems we found and requires the registrant to correct them. This provides highly focused specific deterrence.

When examiners discover serious violations, such as fraud or sales practice abuses, they refer the matter to our Division of Enforcement for possible further investigation and enforcement

action. Every year, somewhere on the order of 20% to 25% of broker dealer examinations, 5% to 6% of investment adviser and investment company examinations, and 6% to 8% of transfer agent examinations result in enforcement referrals. Cases brought against regulated entities make up a significant portion of the enforcement cases that the Commission brings each year. Many of those cases originated with referrals from the examination program.

II. Program Areas of Most Relevance to Securities Firms Affiliated With Banks

The areas of our program with the most direct relevance to securities firms affiliated with banks are broker-dealers, investment managers, and transfer agents. We will discuss each in turn.

A. The Broker-Dealer Program

The regulation of broker-dealers is based on a dual system of private and public regulation. Industry self-regulation is a cornerstone of the federal regulatory regime for broker dealers. Specifically, securities exchanges and associations must register with the Commission as self-regulatory organizations ("SROs") and then provide self-regulation for their members. At the present time, there are eight registered exchanges, the American Stock Exchange; the Boston Stock Exchange; the Chicago Stock Exchange; the Chicago Board Options Exchange; the Cincinnati Stock Exchange; the New York Stock Exchange ("NYSE"); the Pacific Exchange; and the Philadelphia Stock Exchange. There is one registered dealer association, the National Association of

Securities Dealers, Inc. ("NASD").

All of the SROs are responsible for exercising compliance oversight over their members,[5] but, in practical terms, most SRO examinations are conducted by the NYSE and the NASD. Both the NYSE and NASD examine their members on cycles, in which every firm is examined at least once during a designated period. The NYSE has more than three hundred members that deal with the public. It examines all of them every year. The NASD has more than fifty-five hundred members. It examines them on a variety of cycles ranging from one to six years.

To provide better coordination of these examinations, in November 1995, the SEC signed a Memorandum of Understanding with the SROs and state regulators, to coordinate examinations and share information. The parties to the agreement have held a series of national and regional summit meetings to coordinate their programs. In particular, the coordination of examinations of firms belonging to more than one SRO has been very successful. The SROs have been able to accommodate between 85% and 90% of all firms requesting such a single consolidated examination.

Since representatives of the SROs will testify during this hearing, we will leave it to them to describe their programs and how they relate to the bank regulators.

The SEC also has a significant examination program for broker dealers. We examine between 630 and 645 broker dealers each year. During our examinations we review a number of

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[5] Exchange Act § 19(g)(1), 15 U.S.C. § 78s(g)(1).

different areas. These may include the firm's business, such as underwriting, market making and selling practices; its financial condition, including significant assets and liabilities, and its net capital position; how well it is protecting customers' assets and securities, including its compliance with customer reserve requirements; and its supervisory systems and internal controls over sales practices, including, how it responds to customer complaints and litigation, how it monitors activity in customer accounts, how it assures the suitability of products recommended to investors, and how it prevents specific problems, such as, for example, churning, unauthorized transactions and market manipulation. Since SROs provide the bulk of routine supervision, our examinations focus on overseeing the SROs and on responding quickly to serious problems.

About half of our broker dealer examinations are for the purpose of overseeing SROs. In these examinations, sometimes called "oversight" examinations, we select a firm that was recently examined by an SRO, review the broker dealer's compliance performance, and then critique the quality of the SROs' examination, particularly with respect to any compliance problems the SRO examination failed to discover. In essence, this is a form of quality control over the SROs. Our examinations also provide us with direct compliance oversight of the broker dealers we select for this review, information we can use to target SRO program areas for inspection, and regular updates on new products, innovations and trends in the market.

To maintain regular oversight of the firms with structural importance, we examine the twenty largest broker dealers every four years.

We also examine broker dealers when we suspect that violations may be in progress. Such examinations, sometimes called "cause" examinations, are also conducted by SROs. In addition, the examination program also assists the Commission's Division of Enforcement during their investigations, particularly when the alleged misconduct involves matters within examiners' special expertise, such as manipulative trading or sales practice abuses.

In addition to examination oversight, the Commission conducts a broker dealer risk assessment program through its Division of Market Regulation.[6] Approximately 225 of the largest broker dealers file quarterly reports disclosing financial information for their holding companies and affiliates. The Commission's staff reviews these reports for the risks that the holding company or its other material affiliates pose to the broker dealer. Specifically, these include market, credit, and other material risks. The information is used for regular oversight, and is particularly valuable in an emergency. However, it is important to emphasize that we are looking for risks to the broker dealer which might come from harm experienced by the holding company or other affiliates.

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[6] This program is operated pursuant to authority granted in § 17(h) of the Exchange Act. 15 U.S.C. § 78q.

Of course, the Subcommittee's primary interest is in how the examination program relates to broker dealers affiliated with banks. To state the matter briefly, our program applies equally to all broker dealers. Affiliations play a role in the Commission's oversight, such as, for example, when the staff reviews broker dealers' quarterly risk assessment reports. But fundamentally, the mission of the examination program does not change. The recent review of internal controls illustrates this point.

In recent years, the securities markets have experienced a dramatic increase in the volume of transactions, the complexity of instruments traded, and the concentration of this activity in a smaller number of trading firms. As a result of these developments, internal controls have increased in importance, since the health of any one major firm may now have structural importance. After a leading foreign securities firm suddenly failed because it had lost control over its trading operations, we implemented a special program to review selected broker dealers' internal control programs for managing risk.

In 1995 and 1996 we examined a sample of the largest trading firms. We looked at a several factors, including management, internal audits, trading risk, funding, liquidity, credit controls, and how the firms handled new products. As a result of the industry's efforts to understand risk better, and our focus on this area, we believe firms have improved their internal controls.

Several bank affiliates were in the sample, including the U.S. securities subsidiaries of major domestic and foreign institutions. However, since our focus was the broker dealers' internal controls, we used the same methodology for all of the examinations, regardless of the firms' non-securities affiliations. These highly focused examinations of the broker-dealers' internal controls supplemented the information we obtained from the risk assessment reporting system. Through both of these sources, we are able to provide effective oversight of the broker-dealers' internal controls.

Following the special review, we continue to examine firms' risk controls as appropriate. We are also working with the SROs to make sure this issue remains a priority. If, in the future, broker-dealers affiliated with banks divide responsibilities among the affiliates in a way that changes the fundamental nature of the bank-affiliated brokerage business, our techniques will also have to change.

B. The Investment Adviser and Investment Company Program

The Commission is a front-line regulator for investment managers. There are no SROs for investment companies and investment advisers. Therefore, routine compliance oversight plays a more important part in this part of our examination program than it does in our oversight of broker dealers. In each of the last two years, we have examined between 275 and 300 investment company complexes and between 1,400 and 1,600 investment advisers.

As a general rule, we examine every investment company complex at least once during a five year period, with an average cycle of once every three years. In addition, we are also using a risk-factor analysis to help us decide which complexes need to be examined more frequently.

As the front-line regulator in this area, our examinations must cover a wide variety of topics. During an examination we may review the investment company's registration and SEC filings; its disclosure to investors; its contractual arrangements, such as with its investment adviser; whether the Board of Directors is complying with its duties; the fund's custody arrangements; its computation of the value of its shares, that is, its net asset value; compliance with its investment policies and restrictions; whether it has engaged in any prohibited transactions; how it executes portfolio trades; whether there are any conflicts of interest; distribution activities and expenses; how it markets itself; how it calculates its performance; how it processes fund share transactions; and much more.

Rather than conducting comprehensive top-to-bottom examinations, in which all of these topics are covered, we increasingly focus on the areas within each complex that pose the greatest risk of compliance problems. We review the complex's management, internal controls, and compliance systems, to determine where we should focus our efforts. If a fund complex has excellent internal controls in a particular area, once we have adequately tested them to assure ourselves of their quality,

we do not subject that area to routine review. Instead, we focus on areas of weakness, where improvements are most likely to be needed.

We also examine investment advisers. In the past, advisers were inspected much less frequently than investment companies, because the resources available for examinations did not keep up with the explosive growth in the number of registrants. However, the Investment Adviser Supervision Coordination Act of 1996,[7] significantly altered the regulatory environment. As a result of the Act, only the largest advisers will remain subject to SEC inspection. These advisers will constitute only about one third of the previous population of registrants, but they manage something on the order of 95% of all advisory assets. Hence, in the future, the SEC's inspection program will remain responsible for most advisory assets, but for a much smaller population of registrants. As a result, the SEC will establish a maximum five year inspection cycle for advisers. This will give advisers and investment company complexes a similar level of oversight.

In addition to our routine compliance oversight, we are devoting increasing resources to sweeps involving investment managers. For example, we recently conducted a massive review of soft-dollar practices. "Soft dollars" are credits provided by broker dealers to investment managers in exchange for the managers directing clients' brokerage to the broker dealer. The

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[7] Title III of the National Securities Markets Improvement Act of 1996, Pub. L. No. 104-290, 110 Stat. 3416 (1996).

investment managers can use the soft dollars to purchase valuable goods and services. This practice obviously creates a danger that managers will be tempted to disregard their primary fiduciary duty to their clients. Chairman Levitt instructed us to conduct a full inquiry into this area, and we are doing so. We examined 75 broker dealers who provide goods and services in exchange for soft dollars, and 280 investment managers who purchase them. We are currently analyzing the information gathered and preparing our report.

The scope of this review demonstrates the importance of our ability to take a systematic approach to market-wide issues. As a widespread business practice, a systematic approach involving hundreds of examinations was needed.

As before, the Subcommittee's primary interest is in how this program relates to banks. Like our program for broker dealers, we are generally interested in the same issues when we examine a bank advised mutual fund as when we examine any other fund.[8] Of course, the adviser's status and affiliations play a role in our oversight, such as, for example, when we examine for conflicts of interest. But with one exception, our fundamental mission is generally the same.

The one exception arises from our concern that when investors purchase an investment in a bank, they may be confused about whether or not their investment is federally insured. To

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[8] While banks are excepted from the Investment Advisers Act, § 202(a)(11), 15 U.S.C. § 80b-2(a)(11), many have relationships with registered advisers.

address this concern, whenever we examine a bank advised fund we carefully review how it markets itself, and what types of disclosures are made to potential investors, to make sure they understand that a mutual fund is not protected by deposit insurance.

C. The Transfer Agent Program

Regulation of transfer agents[9] is based on a system in which the SEC and bank regulators share responsibility. While nonbank transfer agents register with the SEC,[10] the Exchange Act requires bank transfer agents to register with their bank regulator.[11] However, the Commission examines all registered transfer agents, including those who have registered as such with their bank regulator.[12] Thus, in fiscal 1996, of the 167 registered transfer agents examined by the SEC, 29 were banks

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[9] A transfer agent is any person who engages on behalf of an issuer of securities to: countersign the issuer's securities upon issuance; monitor the issuance of such securities with a view to preventing unauthorized issuance (when doing this a transfer agent is usually called a "registrar"); register the transfer of such securities; exchange or convert such securities; or transfer record ownership by bookkeeping entry without physical issuance of securities certificates. *See* Exchange Act § 3(a)(25), 15 U.S.C. § 78c(a)(25).

[10] *See* Exchange Act § 17A(c)(2), 15 U.S.C. § 78q-1(c)(2) (transfer agent must register with its appropriate regulatory agency); and § 3(a)(34)(B), 15 U.S.C. § 78c(a)(34)(B) (SEC is appropriate regulatory agency for nonbank transfer agents).

[11] Exchange Act § 17A(c), 15 U.S.C. § 78q-1(c). Depending on the status of the bank, the appropriate regulatory agency could be the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation. Exchange Act § 3(a)(34)(B), 15 U.S.C. § 78c(a)(34)(B).

[12] Exchange Act § 17(b), 15 U.S.C. § 78q(b).

registered with their bank regulator.

The fundamental goal of the transfer agent program is to avoid the crippling breakdown of the national transfer, clearance and settlement process that contributed to the back office crisis of the late 1960s and early 1970s. As a result, our examiners focus on the rules requiring quick and effective processing. We also conduct systematic reviews in this area. In 1996 and 1997 we conducted a series of examinations of transfer agents that provide services for pension plans investing in mutual funds. Our purpose was to obtain some insight into what appears to be a growing sector. As with our supervision of broker-dealers, investment advisers and investment companies, systematic oversight is an essential element in overseeing the structural or functional issues in this area.

As with broker-dealers, our on-site examinations in this area follow the same fundamental methodology for banks and non-banks. We are equally concerned about the effectiveness of the transfer function whether the transfer agent is a bank or an independent firm registered solely with the SEC.

III. Coordination with Bank Regulators

As Chairman Levitt has emphasized, improving our coordination with other regulators is a high priority.[13] To further this goal, the examination program has embarked on a

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[13] Arthur Levitt, *The SEC and the States, Toward a More Perfect Union, Remarks to the North American Securities Administrators Association Conference* (October 23, 1995).

number of initiatives.[14] As an integral part of these efforts, we have worked to enhance our coordination with federal bank regulators.

In recent months we have met with representatives of the Federal Reserve Board and the Office of the Comptroller of the Currency regarding our coordination of routine examinations. We hope these discussions lead to enhanced coordination of our programs.

We have also entered into a Memorandum of Understanding with the Office of the Comptroller of the Currency ("OCC"). On June 12, 1995, the Commission and the OCC announced an agreement that provides for joint examinations of mutual funds advised by national banks and national banks that provide investment services to funds. The agreement specified that the examinations would evaluate several areas of common interest. These include:

* Systems of internal control used to assure compliance with regulatory requirements including disclosures to investors;
* Risk management systems used by the adviser to monitor and control the risks in light of the fund's objectives;
* Management of conflicts of interest between the adviser and the advised funds or other advisory clients, including the use of brokers, soft dollar arrangements, acquisition of new

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[14] For example, among other things, we have conducted an extensive program of joint financial planner examinations with state regulators; created a joint public/private panel, in consultation with the Investment Company Institute, to study and improve our mutual fund examination program; and entered into the Memorandum Of Understanding with SRO and state broker dealer regulators described above.

clients, allocation of orders, and personal securities transactions;

* Revenues, expenses and financial statements related to investment advisory activities; and

* The nature of the services provided to the fund by the bank itself.

The SEC and OCC also agreed that the scope and staffing of particular examinations will be determined by both agencies on a case-by-case basis, and that documents prepared or obtained by either agency during the joint examinations will be treated as confidential.

Since entering into the agreement, the SEC and OCC have conducted five joint examinations. The findings of these examinations are confidential, so we would prefer not to speak of them in any detail in a public setting. These examinations have been useful to us, because, for the first time, the Commission staff was able to compare activity in a fund portfolio to activity in bank trust accounts, as part of the review for conflicts of interest.

Our examination programs have been cooperating for many years with respect to transfer agents. Prior to examining any bank transfer agent, we notify its bank regulator and consult on the feasibility and desirability of coordinating examinations.[15] In many instances, the bank regulator will participate in our

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[15] The procedure is set forth in Exchange Act § 17(b), 15 U.S.C. § 78q(b).

examination. Every year, we also refer the results of several transfer agent examinations to the appropriate federal bank regulator, for further action.[16]

Finally, the Commission coordinates with bank regulators when we find that bank affiliated registrants have committed serious securities laws violations. The Commission's Division of Enforcement contacts the appropriate bank regulator when the staff is considering recommending that the Commission bring an enforcement action against a bank affiliated firm. Through these processes, we have established a long term working relationship with all of the federal bank regulators.

IV. Conclusion

The fundamental mission of the Commission's examination program is to protect investors and maintain fair and orderly markets. In today's complex and interrelated marketplace, accomplishing this mission requires careful integration and coordination of efforts. The Commission created OCIE to provide that type of examination oversight. As previously mentioned, because of our authority, we can follow the evidence wherever it leads. Because the Commission has authority to examine the underwriter who brought the securities to market, the traders who maintained the secondary market, the investment adviser who recommended the product as a good buy, the registered representative who made the sale, and the SRO that allowed the

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[16] We also consult with bank regulators prior to conducting examinations of clearing agencies and municipal securities dealers. *See id.*

registered representative into the business, we can follow the evidence until we track down the source of a compliance problem. This is both the most effective, and the most efficient way to provide compliance oversight of the securities business.

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Again, thank you for offering me this opportunity to appear today and testify about our examination oversight of securities firms affiliated with banks. We stand ready to provide you with any further assistance that you require.