



SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

MEMORANDUM

March 31, 1966

TO: All Regional Administrators

FROM: Manuel F. Cohen, Chairman *Manuel F. Cohen*

SUBJECT: Cooperation with State Authorities

Recently, the State Securities Administrators pointed out areas where there has been a lack of communication and cooperation between the Commission's staff and State authorities. The Commission believes it is to everyone's advantage to coordinate the activities of the Commission, its Regional Administrators, the State Securities Administrators, the NASD, and the exchanges. As I have said in the past, we must make every effort to reduce to a minimum the burdens caused by our complex system of securities regulation. We must eliminate as much as we can the waste of energies and resources caused by duplication and lack of coordination in the regulatory effort. It is our obligation to see that our overlapping jurisdiction works to the public benefit and not as a hindrance to legitimate regulatory and industry goals.

As part of our overall program to improve coordination, and to help create an atmosphere of mutual understanding and cooperation, all Regional Offices should comply with the following procedures, unless in particular cases special circumstances exist which justify departing from these standards:

1. The State Securities Administrator should be furnished with a schedule of proposed broker-dealer inspections to be conducted within his State. This procedure would parallel our present inspection arrangement

with the NASD and would further eliminate duplication in the regulatory programs being administered by the Commission, the States and the self-regulatory bodies.

In cases where there has been no advance notice of an inspection, the Regional Office should advise the appropriate State Securities Administrator at the time the inspection commences.

2. The State Securities Administrator should be offered the opportunity to participate, either on a joint basis or as an observer and to the extent permitted by State law, in routine inspections conducted by the staff. Several such programs are now being pursued and they have been helpful in training State inspection personnel and, as a result, several States hope to initiate or expand their own inspection programs which will be coordinated with those of the Commission and the self-regulatory bodies. Through such cooperative programs with the States, we hope that the scope and effectiveness of the self-regulatory and Commission inspection programs will be strengthened.
3. The Regional Administrator should advise the State Securities Administrator of injunctive and public administrative proceedings which are to be instituted against persons or firms within his State. The notification should be made prior to the matter becoming public and should be as full and complete as possible. The notification should be made sufficiently in advance of the public notice of the action to allow the State Securities Administrator to formulate a course of action under State law, if indicated. The Regional Offices should also notify the appropriate State authorities

of the existence and general nature of non-public administrative proceedings.

4. The Regional Administrator should inform the State Securities Administrator that an investigation is being made within his State, particularly where a State filing or registrant is involved, or where a substantial promotion or fraud affecting the particular State is involved. State Securities Administrators who request information from Regional Offices should be given as much information as may properly be made available concerning the results of our investigation.

Adherence to these rules will result in greater cooperation with State authorities. I will appreciate receiving any suggestions you may have for further improvements, and your making every effort to fulfil the spirit, as well as the letter, of these rules.