

NEWS

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

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FOR RELEASE: 1 p.m. Friday, August 26

77-20

COMMISSION ISSUES STAFF REPORT ON TRANSACTIONS IN NEW YORK CITY SECURITIES

The Commission transmitted to Congress today a Staff Report on Transactions in Securities of the City of New York. The Report is the product of a 19-month investigation and focuses on events which occurred during the period from October 1974 through April 1975, when the City faced a fiscal crisis and issued very large amounts of short-term securities.

The Report was transmitted to Congress at this time in response to requests from Senator William Proxmire, Chairman of the Senate Committee on Banking, Housing and Urban Affairs; Congressman William S. Moorhead, Chairman of the House Banking Subcommittee on Economic Stabilization; and Congressman Benjamin Rosenthal, Chairman of the House Government Operations Subcommittee on Commerce, Consumer and Monetary Affairs. Senator Proxmire's Committee and Congressman Moorhead's Subcommittee are pursuing their oversight responsibilities with regard to the New York City Seasonal Financing Act of 1975, and Congressman Rosenthal's Subcommittee is examining activities of several New York Clearinghouse member banks and the Federal agencies that regulate them.

The investigation which underlies the Report, conducted by the New York Regional Office, was one of the most complex in the Commission's history and involved collection of more than 250,000 documents and over 12,000 pages of sworn testimony. It sought to --

(1) determine the nature and extent of the knowledge of City officials, underwriters, and bond counsel with respect to the steadily-worsening financial condition of the City; and

(2) compare the knowledge of these parties to the disclosures made to the public from October, 1974 through April, 1975 -- a period during which approximately \$4 billion worth of City short-term debt securities were sold to the public.

"The federal securities laws administered by the Securities and Exchange Commission have as their principal purpose the protection of public investors," the Report declares. "Accordingly, our inquiry has been to determine whether, in the offer, sale and distribution of the City's debt securities, under the circumstances, there was provided the measure of disclosure mandated under the federal securities laws in the interests of the investing public. We conclude that it was not."

The Report is accompanied by an Introduction and Summary and is divided into seven chapters as follows:

- (1) Chronology of Events;
- (2) Accounting Practices and Financial Reporting;
- (3) The Role of the City and Its Officials;

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- (4) The Role of the Underwriters;
- (5) The Rating Agencies;
- (6) The Role of Bond Counsel; and
- (7) Analysis of Questionnaires Sent to Individual Investors, Syndicate Members and Managing Underwriters.

The Commission will, after receiving staff recommendations, consider what Commission action or legislative recommendations, if any, should follow.

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