



SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

(202) 755-4846



FOR IMMEDIATE RELEASE: October 13, 1978 78-36a

CHAIRMAN WILLIAMS COMMENTS ON GAO REPORT REGARDING NASD INSPECTIONS

Chairman Harold M. Williams has issued the following statement on the recent report of the General Accounting Office concerning the Commission's inspection oversight of the National Association of Securities Dealers:

"The GAO's report contains some valid criticisms of our inspection oversight of the NASD and useful suggestions for possible improvement. While the Commission does not agree with all of the GAO's comments, in general the report is constructive and helpful. The Commission's staff has for some time recognized the need to strengthen the inspection program, and the Commission has already committed additional resources to this effort in fiscal 1979 and 1980.

"The GAO's report, however, dealt only with the inspection aspect of the Commission's total NASD oversight program, and generalizations regarding that program are

thus inappropriate. The Commission has a wide range of formal and informal procedures for gathering information about and reviewing the NASD's policies and practices, of which our headquarters staff's inspections of the NASD's broker-dealer examinations are only one part. The Commission's oversight procedures include its statutorily mandated approval or disapproval of all NASD rule change proposals, formal and informal Commission reviews of NASD disciplinary actions, the headquarters staff's day-to-day consultation with the NASD and their coordination and supervision of examinations of NASD members conducted by the Commission's regional and branch offices, and the Commission's field offices' virtually daily contact with NASD district offices concerning the results of examinations and other regulatory and enforcement matters.

"These major components of the Commission's NASD oversight program, to which the bulk of the Commission's limited resources in this area have necessarily been devoted, were not evaluated in the GAO's report. The GAO's conclusions and recommendations are accordingly of limited application in assessing the effectiveness of the Commission's total NASD oversight program.

"In light of the concept of self-regulation embodied in the Securities Exchange Act, as recently amended in 1975, not every communication made by the Commission's staff to the NASD in the course of carrying out the Commission's oversight function ought to be formalized or made the subject of a written record; nor should every criticism made by the Commission's staff which is not accepted by the NASD necessarily be formally resolved by the Commission. Neither of these results, in my view, would represent an improvement in the Commission's oversight program; nor do they appropriately reflect the relationship between the Commission and the NASD contemplated by the Act. The GAO's report appears to take a different view in this regard."

* * *

The House Subcommittee on Oversight and Investigations released the GAO's report to the press and to the Commission late Thursday afternoon. The Commission has not yet had an opportunity to analyze the report in detail, but will submit detailed formal comments to the appropriate Congressional committees in the near future.