

MEMO# 3488

February 5, 1992

SEC BUDGET REQUEST FOR FISCAL YEAR 1993

February 5, 1992 TO: BOARD OF GOVERNORS NO. 9-92 SEC RULES COMMITTEE NO. 6-92
RE: SEC BUDGET REQUEST FOR FISCAL YEAR 1993

Attached is a copy of the budget estimate of the Securities and Exchange Commission for fiscal year 1993. With respect to investment management regulation, the SEC asserts that additional resources are necessary in order "to meet the challenges represented by major structural changes in the investment company industry, rapid development of new products, increased complexity of investment strategies, and further internationalization of the securities markets." (See p. 11) The SEC notes that assets of investment companies will reach \$1.7 trillion in 1993 and that since these assets are not federally insured or subject to "first line" oversight by a self regulatory organization, the SEC inspection program is of particular importance to the protection of these assets. To achieve maximum industry coverage, the inspection program in 1993 will target large investment company complexes, money market funds and large investment advisers. Specifically, the staff will inspect the 100 largest complexes and all money market funds as well as selected small complexes and stand alone funds. In addition, investment advisers managing more than \$1 billion or having high risk profiles will be targeted for inspection. The proposal states that this should bring the average inspection cycle to once every 24 years. While this is far from the optimum cycle, the SEC notes that it is a 20 percent improvement over the average inspection cycle of 30 years in 1992. We will keep you informed of developments on this matter. Lawrence A. Rogers
General Counsel Attachment