

Home Page > The Public Record

Text only of letters sent from the Commerce Committee Democrats.

November 16, 1999

The Honorable David M. Walker
Comptroller General
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Walker:

I am writing to request your assistance with respect to a matter of significant importance to the protection of investors. It involves the Securities Investor Protection Corporation (SIPC) which was created by Congress in 1970 after a large number of customers were unable to obtain possession of their cash and securities from failed broker-dealers.

First, I request that GAO update its September 1992 report, Securities Investor Protection: The Regulatory Framework Has Minimized SIPC's Losses, GAO/GGD-92-109 (September 1992), and inform me of the extent to which SIPC and the Securities and Exchange Commission (SEC) have implemented the GAO's recommendations. In that report to then-Senator Don Riegle and me, GAO recommended that:

- The chairmen of SIPC and SEC should periodically review the adequacy of SIPC's funding arrangements (see p. 53).
- The chairmen should also work with self-regulatory organizations to improve the SIPC's access to information and automated systems necessary to carry out a liquidation of a large firm on as timely a basis as possible. In addition, the SEC chairman should periodically review SIPC operations to ensure that SIPC liquidations are timely and cost effective (see p. 62).
- Finally, the chairmen of SIPC and SEC, within their respective jurisdictions, should review and, as necessary, improve disclosure information and regulations to ensure that customers are adequately informed about the SIPC status of SEC-registered financial firms that serve as intermediaries in customer purchases of securities and have access to customer property (see p. 72).

Second, I am transmitting a letter dated October 20, 1999, and enclosures from the president of the Public Investors Arbitration Bar Association (PIABA) and also request, in response to the concerns raised by PIABA, that you closely examine the operations of the SIPC, focusing on the policies and procedures used by the SIPC to determine the legitimacy of claims, the consistency with which these decisions are applied, and the amount of oversight of SIPC being provided by the SEC as required under the Securities Investor Protection Act of 1970 (see e.g. secs. 3(a)(2)(B), 3(c)(3), 11, and 13(f) thereof).

Third, I ask that you examine the impact of enactment of the Gramm-Leach-Bliley Act on SIPC's mandate, including the interplay of and any gaps in the coverage of SIPC insurance (securities), deposit insurance (banking), and state guarantee funds (insurance), and the extent to which consumers are adequately informed in a clear and concise manner about the respective coverages and status of various employees and products in institutions that provide one-stop shopping for financial services.

Thank you for your cooperation and attention to my request.

Sincerely,

JOHN D. DINGELL
RANKING MEMBER

Enclosure

cc:

The Honorable Tom Bliley
The Honorable Michael G. Oxley
The Honorable Edolphus Towns
The Honorable Arthur Levitt, Jr., Chairman, SEC
Mr. Clifford Hudson, Chairman, SIPC

Prepared by the Committee on Energy and Commerce
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