

M E M O R A N D U M

February 6, 1975

To: Chairman Garrett  
Commissioner Loomis  
Commissioner Evans  
Commissioner Pollack  
Sheldon Rappaport  
Lee Pickard  
Tony Snodgrass

From: Commissioner Sommer

I'm attaching a checklist that Jay Peake has developed for assessing the manner in which securities firms are preparing for Mayday. He tells me that very few firms, including some very large ones, show up well by their responses to these inquiries. I thought you might be interested in this.

Attachment

Checklist for Mayday '75

1. Have you an on-going committee of marketing and operational senior management to establish overall policy?      Yes            No
  
2. Have you a written plan for setting rates after May 1, 1975?            Yes            No
  
3. Have you analyzed your costs by type of order through your system?  
    Yes            No
  
4. Have you developed profitability rates for your customers?            Yes            No
  
5. Have you decided to “unbundle” commissions?      Yes            No
  
6. Do you plan to charge hard dollars for research?      Yes            No
  
7. Have you decided on what your firm’s ultimate role in the securities industry will be?  
    Yes            No
  
8. Have you examined your operational capabilities to implement your marketing strategies?      Yes            No
  
9. Do you have a plan for reacting quickly and positively to a dramatic new marketing proposal by one or more major national firms?      Yes            No
  
10. Have you prepared a marketing program and compensation schedule for your registered representatives?      Yes            No
  
11. Have you determined whether you will play a leadership role in innovative pricing and marketing?      Yes            No
  
12. Have you made new financial arrangements with your clearing firm (if any) or with your service bureau (if any)?      Yes            No
  
13. Have you made a revenue/profit study on your firm’s profitability at varying changes from your present fixed rates?      Yes            No
  
14. Have you decided whether or not to use your own brokers on exchanges?  
    Yes            No
  
15. Have you begun to plan for the unfixed intra-member rates for May 1, 1976?  
    Yes            No

16. Do you expect to be in business as a viable part of the securities industry in 1977?  
 Yes       No
17. Are you considering a merger?       Yes       No
18. If you are considering a merger, do you believe it will be with your firm as the senior partner, or as the junior partner?  
 Senior       Junior
19. Do you plan to restructure the organization of your firm, either legally or through internal reorganization?       Yes       No
20. Do you believe your firm has sufficient permanent capital to operate profitably during the next three years?       Yes       No
21. What return on equity capital do you believe to be reasonable in the next three years?  
 0-5%       5-10%       10-15%       15-20%       20%+
22. What return on equity capital have you received during the past three years?  
 1972       1973       1974
23. Do you see the future of the securities industry as  Excellent  
 Good       Fair       Poor?