MEMORANDUM

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?