



# The Commonwealth of Massachusetts

Department of the State Secretary

Securities Division

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Secretary of State

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April 7, 1981

George A. Fitzsimmons, Secretary  
Securities and Exchange Commission  
500 North Capitol Street  
Washington, D.C. 20549

Re: Proposed Rule 17a-24, Customer Complaint Registries  
File No. S7-873

Dear Mr. Fitzsimmons:

The Securities Division of the Commonwealth of Massachusetts offers the following comments and suggestions with respect to proposed rule 17a-24, Part 240 of the Securities Exchange Act of 1934. In general, we support the establishment of a customer complaint registry as adding an important tool that will assist all regulators in guarding against securities fraud and thereby insuring the continued confidence of investors in the capital formation marketplace. Massachusetts shares the belief of the SEC that there is a need for greater coordination and pooling of information among all securities regulatory bodies, be they government agencies or self-regulatory organizations. The investigative and enforcement efforts of all such bodies would be more efficient and effective if access to a customer complaint registry was available.

While we question the efficiency of a bifurcated system for filing and maintaining complaint information, we appreciate the reasoning behind the Commission's proposal to designate the National Association of Securities Dealers and the New York Stock Exchange as registries. The division of responsibility between the two SRO's is logical and no doubt the result of some rather lengthy negotiations.

We do have some important comments with respect to Section 24(c) of the proposed rule, and believe that our concerns reflect those of our fellow members of the North American Securities Administrators Association. Section 24(c) needs to be clarified so as to specifically include state securities agencies within those entities to which "information contained in a designated complaint registry shall be made available."

Similarly, Section 24(c) should also include language that would create a presumption that any request for information contained in a designated complaint registry is for a "legitimate regulatory purpose". Such language could avoid future problems between those operating the

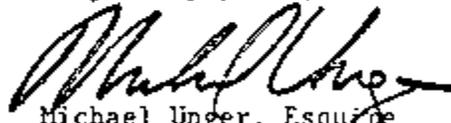
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registries and state or federal agencies requesting information. While the Commission, itself, might not contemplate problems in obtaining information since it maintains oversight responsibility for the SRO's, state regulators should have clear authority to obtain data from the registries so as to preclude the possibility of disputes. State securities administrators should not have to be put in the unconscionable position of satisfying a legitimate regulatory purpose burden. Rather, a state securities regulator's request for information should be deemed prima facie legitimate unless proven otherwise.

We are confident that the states will continue to maintain their aggressive activity in the area of securities investigation and enforcement. Through the growing resources of NASAA, state securities administrators have been able to collaborate extensively on multi-state investigations, as well as lend important substantive assistance to other state and federal agencies. The significant role filled by state securities agencies has been duly noted in the report issued by the SEC Transition Team in December, 1980.

We urge the Commission to implement proposed Rule 17a-24, with the changes noted above.

Very truly yours,



Michael Unger, Esquire  
Director

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