

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

February 8, 1988

The Honorable Donald W. Riegle, Chairman
Securities Subcommittee of the Committee on
Banking, Housing, and Urban Affairs
United States Senate
Washington, D.C. 20510

The Honorable Alfonse M. D'Amato
Securities Subcommittee of the Committee on
Banking, Housing, and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Chairman Riegle and Senator D'Amato:

On November 18, 1987, the Commission submitted to you its revised proposal for legislation to define insider trading. The letter of transmittal accompanying that proposal stated that the proposal would be acceptable to a majority of the Commission, provided that certain interpretive positions are clearly set forth in the legislative history. In particular, the letter stated that the Commission would furnish suggested language addressing the following issues:

- The Commission's authority to exempt from the legislation's provisions persons whose information is obtained from sources with a remote or insubstantial nexus to the securities markets;
- The import of the terms "misappropriation" and "conversion," as used in the legislation;
- The scope of the legislation's exclusivity;
- The application of the legislation's prohibitions to market information;
- The application of the legislation to communications to and from analysts;
- The scope of derivative liability under the legislation; and

- The application of the legislation to private transactions.

Enclosed is proposed language discussing these issues in the context of the provisions of the proposal to which they relate. The Commission urges that this language be included in the Committee Report to accompany the legislation.

I look forward to working further with you and the Subcommittee on this important matter.

Sincerely,

David S. Ruder
Chairman

Enclosure