

MEMORANDUM

TO : Chairman Ruder  
FROM : Nina Gross *Nina*  
DATE : March 29, 1988  
RE : Market break letters from Congress

Attached for your information is a chart which details the numerous substantive requests we have had from Members of Congress on the Market Break and where they now stand. I think the chart will prove useful in assuring that we follow up on these requests. The various letters referred to on the chart as attached will be forwarded to you supplementally. Many letters are involved, and we are now in the process of indexing them for ease of reference. We did not want to hold up the chart while this was being done.

Attachment

cc: Linda Fienberg  
Alden Adkins  
Brent Taylor  
Rick Ketchum  
Brandon Becker  
Mark Fitterman  
Howard Kramer  
Holly Smith  
Alton Harvey  
Dan Goelzer  
Phil Parker  
Anne Chafer

Requests from Congress re: October Market Break 1/

(A) Requests Made before Staff Report of February 2, 1988 2/

<u>From and Date</u>	<u>Subject</u>	<u>Response date Requested by Member</u>	<u>Assigned</u>	<u>Status</u>	<u>Related Hearing if Any</u>
1. (a) Chairman Proxmire, letter of 10/23/87 (attached)	Requests reconstruction of recent market events and policy recommendations	"Next 30-60 days"	Ketchum	Market Regulation submitted proposed response 3/21/88. Now under consideration in Chairman's Office.	Hearings by Senate Committee on Banking on 11/4/87, 2/3/88, and 3/31/88
(b) Chairman Proxmire, letter of 10/27/87 (attached)	Requests testimony on market break	--	Ketchum	Testimony delivered 11/4/87	Hearing by Senate Committee on Banking on 11/4/87

1/ These are substantive requests and do not include letters on behalf of individual investors/constituents.

2/ Prior to late 1987, there was no routine procedure in place for acknowledging the receipt of substantive Congressional correspondence, such as these letters, while a final response was being formulated. An acknowledgement process has been established by the Chairman's Office, and many such letters are now acknowledged. Such acknowledgements, where sent, are reflected on this chart by an asterisk as the conclusion of information provided in this status column.

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(c) Chairman Proxmire, letter of 11/6/87 (attached)	Requests SEC and Fed to study whether government should adopt a policy to stabilize stock market during periods of volatility	--	Ketchum	<u>Completed:</u> Chairman Ruder responded 12/30/87 (attached) saying this subject would be considered by staff study on market break and by the Commission.*	Hearings by Senate Committee on Banking on 11/4/87 and 2/3/88.
(d) Chairman Proxmire, letter of 11/13/87 (attached)	Questions from Senators Sanford and Riegle to supplement hearing record of 11/4/87	--	Ketchum	<u>Completed:</u> Courtesy letter 12/22/87 (attached) advised Proxmire questions to be addressed in staff study on market break. Final responses sent 3/23/88 (attached). *	Hearing by Senate Committee on Banking on 11/4/87.

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2. (a) Senator D'Amato, letter of 11/9/87 (attached)	Identifies issues expected to be covered in staff study of October market break	--	Ketchum	<u>Completed:</u> Response by Chairman Ruder of 1/13/88 to Senator D'Amato (attached) answers some questions; remainder will be considered in staff study to extent feasible.	Hearing by Senate Committee on Banking on 2/3/88
(b) Senator D'Amato, letter of 11/12/87 (attached)	Asks questions supplemental to hearing record of 11/4/87	--	Ketchum	Market Regulation submitted proposed response to Chairman's Office on 3/17/88. *	Hearing by Senate Committee on Banking on 11/4/87

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. Senator Riegle, letter of 10/22/87 attached)	Asked that Commission begin task of re-structuring market events of week of market break in order to prepare for hearings on the market decline which the Subcommittee on Securities plans to hold.	--	Ketchum	<u>No response necessary.</u> Letter intended as statement of Senator Riegle's interests and intentions in connection with possible Subcommittee hearings.	Hearings were held by Senate Committee on Banking on 11/4/87 and 2/3/88; Committee has scheduled further hearings for 3/31/88.
1. Chairman Leahy and Senator Lugar, letter dated 11/12/87 (attached)	Asks questions re: market decline during weeks of 10/12 and 10/19	12/7/87	Ketchum	<u>Completed:</u> Response by Chairman Ruder of 12/1/87 (attached) indicates questions will be answered in staff study; if study not fully responsive, can be dealt with in subsequent letter.	Hearing by Senate Committee on 3/17/88.

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5. (a) Chairman Markey, letters of 10/7/87, 10/15/87, and 10/20/87 (attached) and letter from Chairman Markey and Congressman Rinaldo of 10/23/87 (attached)	Series of letters concerning drops in market, program trading, and market volatility	11/2/87 (requested response date for letter of 10/7/87) and 11/6/87 (requested response date for letter of 10/23/87); other two letters do not specify a response date.	Ketchum	<u>Completed:</u> Response by Chairman Ruder of 12/23/87 (attached) refers to this series of letters, answers questions, and indicates more definitive information will be forthcoming in staff study. * (Separate acknowledgements sent for letters of 10/7 and 10/23) (attached).	Hearing by House Subcommittee on Telecommunications and Finance scheduled for 3/23/88.
(b) Chairman Markey, letter of 10/23/87 (attached)	Invitation to testify on 10/28/87	11/6/87	Ketchum	Subcommittee was briefed in closed door session on 10/28/87.	Hearing by House Subcommittee on Telecommunications and Finance was rescheduled and held 3/23/88.
(c) Chairman Markey, letter of 11/17/87 (attached)	Request that SEC remain in close contact with Subcommittee as developments evolve.	--	Ketchum	<u>No response necessary.</u>	Hearing by House Subcommittee on Telecommunications and Finance on 3/23/88.

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(d) Chairman Markey, letter of 1/15/88 (attached)	Request for trade- by-trade breakdown of index-related trading on 1/8/88	2/5/88	Ketchum	Interim response 3/3/88 from Chairman Ruder to Chairman Markey indicated we were seeking necessary data from NYSE, (attached); pro- mised final response after the data was received and noted that we had asked NYSE to furnish data by 3/16/88. Data has been received; Division is analyzing and preparing response.	Hearing by Subcommittee on Telecommunica- tions and Finance on 3/23/88.
(6) Chairman Barnard, letter of 12/15/87 (attached)	Adequacy of Capital available to stock exchange specialists and other securities dealers	1/19/87	Ketchum	<u>Completed:</u> Interim response sent 12/21/87 (attached). Detailed final response sent by Chairman Ruder to Chairman Barnard on 3/18/88 (attached).	---

B. Requests made Since Staff Report of February 2, 1988

<u>From and Date</u>	<u>Subject</u>	<u>Response date Requested by Member</u>	<u>Assigned</u>	<u>Status</u>	<u>Related Hearing if Any</u>
(1) Chairman Proxmire, (2/3/88 at hearing, pg. 26 of transcript attached)	SEC legislative recommendations to improve financial markets and other questions from hearing record. Memos of 2/8/88 and 2/9/88 (attached) from Office of Legislative Affairs to Division call their attention to these requests.	3/4/88	Ketchum	(A) Initial response (attached) sent 3/4/88 from Chairman Ruder to Chairman Proxmire re: status report on agency coordination and steps being taken by SROs. (B) Further response sent 3/17/88 (attached) saying legislative recommendations would be premature in view of interagency working group, will outline concerns in testimony of 3/31/88.	Hearing by Senate Committee on Banking on 3/31/88.



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(2) Chairman Proxmire, letter of 2/22/88 (attached)	Questions supplement hearing record of 2/3/88	ASAP	Ketchum	Legislative Affairs requested Division to submit proposed response to Chairman Ruder by 3/23/88 so can be submitted prior to hearing of 3/31/88. Draft of letter was submitted, and partial comments from Chairman's Office were sent back to Division on 3/22/88. Division now revising letter.	Hearing of 2/3/88.

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(3) Chairman Proxmire, letter of 3/11/88 (attached)	Reiterates request for legislative recommendations and testimony on 3/31/88	"Within next several days"	Ketchum	<u>Completed:</u> Chairman Ruder responded to Chairman Proxmire on 3/17/88 (attached) saying legislative initiatives would be premature in light of ongoing efforts of interagency working group but will outline concerns in testimony.	Hearing by Senate Committee on Banking on 3/31/88.
(4) Senator Bond, letter of 2/2/88 (attached)	Exchange for physicals trading in London used to evade short sale rule	---	Ketchum	Proposed response submitted to Chairmans's Office on 3/22/88	---

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(5) Chairman Dingell, letter of 2/3/88 addressed to SEC & CFIC (attached)	Re: market break. Advises of intent to hold hearings at a date to be set later and requests information as to coordination between SEC and CFIC and what steps been taken by SROs and member firms	3/14/88	Ketchum	<u>Completed:</u> Response sent 3/15/88 (attached).	Hearing by House Subcommittee on Telecommunica- tions and Finance on 3/23/88.
(6) Chairman Dingell (and Chairman Markey and Congressmen Lent and Rinaldo), letter of 2/18/88 addressed to SEC, CFIC and Federal Reserve (attached)	Request for contingency plan	3/25/88	Ketchum	Dingell staff has extended response date to 3/29/88. Response is almost complete, and Division intends to submit in time to meet that deadline.	Hearing by House Subcommittee on Telecommunica- tions and Finance on 3/23/88.

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(7) Chairman Markey, letter of 3/15/88 (attached)	Confirms request for testimony on 3/23/88 and asks series of pre-hearing questions	(a) Testimony on 3/23/88 and (b) responses to questions by 3/21/88	Ketchum	Chairman Ruder testified and responses were provided to Subcommittee.	Hearing by House Subcommittee on Telecommunications and Finance, 3/23/88.
(8) Chairmen Dingell and Markey, letter of 3/4/88 (attached)	Series of questions on short sales and frontrunning as factors in October market break	3/31/88	Ketchum	Division preparing response.	---
(9) Chairman Leahy, letter of 2/23/88 (attached)	Requests testimony on 3/17/88	---	Ketchum	Chairman Ruder testified	Hearing by Senate Committee on Agriculture on 3/17/88.

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(10) Chairman Leahy, letter of 3/4/88 (attached)	Transmits draft bill to establish Intermarket Monitoring Council	---	Ketchum	Internal response due on 3/21/88. Has not yet been submitted. Chairman Ruder did make brief comment on bill at hearing of 3/17/88 (preliminary transcript page 79). *	Hearing by Senate Committee on Agriculture on 3/17/88.
(11) Chairman Barnard, letter of 1/6/88 (attached)	Requests access for staff of Subcommittee on Commerce, Consumer and Monetary Affairs to responses Commission has received to its requests for information from major brokerage firms	---	Goelzer	<u>Completed:</u> Subcommittee staff have agreed that no response is necessary; see memorandum of 2/8/88 from Nina Gross to David Mahaffey (attached).	---