

United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS
WASHINGTON, DC 20510-6075

April 9, 1987

The Honorable John D. Dingell
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, D.C. 20515

Dear John:

As the Chairman of the House Committee on Energy and Commerce, I know you have expressed the view, which I share, that the time is right for Congress to consider strengthening the federal securities laws, particularly in light of the revelations growing out of the current insider trading scandal.

While the need for tender offer reform is clear, I know that there is less uncertainty concerning the law on insider trading. Traditionally, I have held the view, which I believe you share, that the law as written is working effectively, especially now with so many cases being brought and violators being sent off to jail. However, behind closed doors, I have heard from people who have spent much of their careers at the SEC, and some who are currently there -- and these people tend to be some of the toughest enforcers to have ever set foot in the Commission -- that a clarification is needed. Even industry representatives concede the need for help from our respective Committees. Reasons given include uncertainty about the outcome of the Winans case, as well as the fact that there is unlikely to ever be a better time to craft a clarification with teeth in it than now.

As a result, a panel of experts has agreed to assist the Congress in the effort to come up with a workable clarification. This group will report on their recommendations by May 25, 1987.

The individuals that we can count on to present us with a definition which is truly in the public interest from the enforcement perspective include: Harvey Pitt, a former SEC general counsel; Judge Stanley Sporkin, former head of the Division of Enforcement; Gary Lynch, the current head of the Division of Enforcement; Irving Pollack, a former Democratic SEC Commissioner and head of Market Regulation and Enforcement; Ted Levine, a former SEC Associate Director of the Division of Enforcement; and Daniel Goelzer, the current SEC general counsel.

The commitment of each of these individuals to laws which effectively deal with insider trading is unquestionable.

The other individuals I have asked to participate in this effort are similarly outstanding members of the securities bar with a deep sense of public responsibility and commitment but who also represent specific interests or constituencies which must be considered. These other members are James Treadway, John Olson -- who has taken the lead on this issue at the American Bar Association, Lewis Black, Sam Scott Miller, and Richard Phillips.

The purpose of this letter is to request that we both consider together the desirability of a clarification of our laws on insider trading after we have had an opportunity to review the work product of these ongoing efforts. If the law can be improved, and these efforts generate widespread Congressional and private sector support, it is important that we act now; I am concerned that the result in the Winans case may impair the efficacy of present law and make it that much harder to implement the kind of law we both desire.

It goes without saying that I would like very much to work with you on this subject.

Sincerely,

Donald W. Riegle, Jr.
Chairman
Securities Subcommittee