

DOUG BARNARD, JR., GEORGIA, CHAIRMAN
JOHN M. SPRATT, JR., SOUTH CAROLINA
JOE KOLTER, PENNSYLVANIA
BEN ERDREICH, ALABAMA
ALBERT G. BUSTAMANTE, TEXAS
MATTHEW G. MARTINEZ, CALIFORNIA

Assigned to Ketchum. Pls. prepare response for Chairman

Signature. Cys: Goelzer, Fienberg, Adkins, Peters, Leg. A:
ONE HUNDREDTH CONGRESS

Congress of the United States

House of Representatives

COMMERCE, CONSUMER, AND MONETARY AFFAIRS
SUBCOMMITTEE

OF THE

COMMITTEE ON GOVERNMENT OPERATIONS

RAYBURN HOUSE OFFICE BUILDING, ROOM B-377

WASHINGTON, DC 20515

October 22, 1987

due 11/6
LARRY E. CRAIG, IDAHO
ERNEST L. KONNYU, CALIFORNIA
JAMES M. INHOFE, OKLAHOMA
AMORY HOUGHTON, JR., NEW YORK

MAJORITY—(202) 225-4407

CHAIRMAN'S OFFICE
RECEIVED

OCT 23 1987
021679
SEC. & EXCH., COMM.

Hon. David S. Ruder
Chairman
Securities and Exchange Commission
Washington, DC 20549

Dear Mr. Chairman:

In pursuit of its oversight jurisdiction for the Securities and Exchange Commission, the Commerce, Consumer, and Monetary Affairs Subcommittee is exploring the general issue of the SEC's role in maintaining orderly markets under extraordinary conditions such as those experienced in recent days.

Accordingly, as a first step, please arrange to have your staff brief the subcommittee staff on this general matter. Specifically, we are interested in:

- (a) Determining whether in fact orderly markets have been maintained. We are informed, for example, of instances in which brokerage houses have been overwhelmed by the avalanche of trading, resulting in failure to execute orders. In one case, a customer's order for a round lot on the New York Stock Exchange was received by his broker two hours before the close of the exchange on Tuesday, October 20, 1987, but the order was never executed. Does the SEC have any way of determining how often this kind of situation occurred? Does it violate any SEC rule or regulation?
- (b) Determining the role of program trading linked to stock-index futures and options in the recent volatile stock markets and the SEC's control over program trading. A copy of this letter is being sent to the Chairman of the Commodities Futures Trading Commission to obtain his response on this question.
- (c) Other SEC powers in controlling volatile markets, and SEC's plans to determine the conditions under which these powers are to be used. What steps are available to stabilize trading under the unusual conditions recently prevailing? Does the SEC or CFTC have the power to impose daily price fluctuation limits on stock-index futures similar to those which exist for physical commodities?
- (d) Does the SEC or CFTC have the power to require or recommend an increase in margin requirements for index futures? Was such an alternative considered?

- (e) Have there been problems in exchange floor specialists' having sufficient capital to maintain orderly markets? What powers does the SEC have to alter capital requirements?

Please arrange to have your staff contact Theodore J. Jacobs of the subcommittee staff.

Sincerely,



Doug Barnard, Jr.
Chairman

DB:tjj:b

cc: Hon. Kalo A. Hineman
Acting Chairman
Commodity Futures Trading Commission
Washington, DC 20581