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NINETY-SEVENTH CONGRESS

Congress of the United States

House of Representatives

COMMERCE, CONSUMER, AND MONETARY AFFAIRS
SUBCOMMITTEE

OF THE

COMMITTEE ON GOVERNMENT OPERATIONS

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OCT 14 1981

Executive Assistant
Office of the Chairman

October 13, 1981

Hon. John S.R. Shad, Chairman
Securities and Exchange Commission
500 North Capitol Street
Washington, D.C. 20549

CHAIRMAN'S OFFICE

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OCT 14 1981

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SEC. & EXCH. COMM.

Dear Mr. Shad:

This is in further reference to my telegram to you dated October 6, 1981, requesting the SEC to investigate reports, received by the subcommittee, of insider dealing in stock options for Santa Fe International Corporation. As you know, Kuwait Petroleum Corporation is seeking a takeover of Santa Fe. I am writing now to inform you that hearings will be held by this subcommittee into this subject on October 21, 1981, at 9:30 A. M. A room location will be furnished later. Your appearance and testimony are requested and should deal with the following:

1. What is the status of the SEC's investigation of the allegations of insider trading in Santa Fe International options? What does the SEC investigation disclose?
2. If the SEC does find insider trading, (a) what remedies are available to the SEC? (a) What remedies are available to the individual investors or market makers who have been harmed?
3. Is the SEC investigating the possibility of insider trading by Santa Fe International executives and, generally, any Santa Fe role in stock or option trading?
 - a. Under what circumstances can a listed company request suspension of trading in its stock?
 - b. What were Santa Fe's reasons for requesting and obtaining suspension of trading on Friday, October 2, 1981?
 - c. Is the SEC investigating the suspension of trading in this instance?
 - d. Is the SEC investigating the timing of the Santa Fe-Kuwait takeover agreement with a view to determining if the agreement was timed to take

advantage of the expiration date of October options? What does the SEC investigation show with respect to the dates on which the merger talks began and were consummated?

4. Relate the SEC's past experience in investigations of this kind, e.g., in the cases of St. Joseph Minerals, Kennecott-Sohio and Amax-Standard Oil of California and other cases of alleged insider trading of the options in anticipation of a takeover.
 - a. Has the SEC been unable to identify possible insider trading because of the use of Swiss accounts and other foreign entities which refuse to supply the SEC with the identity of the customer?
 - b. Does the SEC need additional powers to avoid such obstacles in the future?
 - c. In the case of foreign trades, do you recommend (i) that all proceeds remain in the U.S. for six months to give the SEC and the exchanges an opportunity to investigate and act in insider cases; (ii) that the exchanges prohibit trades by non-identified clients, such as Swiss-numbered accounts?
5. Who is hurt, and to what extent, by insider trading situations such as the one alleged in Santa Fe?
6. Are the stock exchanges doing all they should to protect their market makers and the general public in situations such as one alleged in Santa Fe?
7. Will the SEC's enforcement capability be affected by proposed budget cuts? If so, how?

Please supply 75 copies of your written testimony by October 20, 1981.

If you have any questions please contact Ted Jacobs, the subcommittee chief counsel.

Sincerely,



Benjamin S. Rosenthal
Chairman

BSR:jv