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JS as to
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MEMORANDUM

Letter to Proxmire
goes out.
November 13, 1984

TO : JS a copy of
FROM : LQ well on
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CP - then give this to Melissa
to file
under
Market
Reg

Attached is a draft response to Senator Proxmire's letter of October 23. You will note it is very brief in large because I don't think we should commit to his suggested Advisory Committee.

Proxmire has suggested that an Advisory Committee be formed ostensibly to address two interrelated major issues:

- 1) the internationalization of the trading markets; and
- 2) the evolution, through computer and electronic technology, of the various trading markets into a single telecommunications network.

He suggests that there will be a major international competition among countries to control the new telecommunications system, and among companies to develop and purvey the technology and use of the technology. His letter suggests that to permit a timely, informed and competitive U.S. response, the Commission should establish an Advisory Committee to consider the issues raised by these accelerating trends of internationalization and technological revolution.

There are of course questions of funds and resources to dedicate to the process. Given the breadth of the issues raised, such a study would take a long time - likely no less than 18 months. There is also a real question of whether a study on such broad issues will be worthwhile.

I have spoken with Rick Ketchum to ascertain which of Proxmire's issues might infringe on areas that the Commission would like full discretion to deal with (i.e. no Advisory Committee input). Items 1 and 2 of Proxmire's letter - Automation, current trading practices and effects on OTC trading of computerization fall in this category.

Of course, there is the possibility that if Proxmire really wants to have such a study, if we do not appear receptive, he may get some other group to head it up and we could lose control of the process.

I think we might consider putting out a concept release asking a number of the questions suggested by Proxmire's letter, and also put the issues before an SIA Committee and the NYSE, AMEX and NASD for discussion. This would not only permit a better definition of the issues, but would also be responsive to Proxmire without getting into an Advisory Committee. I've spoken with Rick Ketchum about this and he is in agreement.

Attachment

cc: Rick Ketchum
David Martin

The Honorable William Proxmire
United States Senate
Washington, D.C. 20510

Dear Senator Proxmire:

Thank you for your letter of October 23rd and your thoughts on the Commission's goals. I too have focused on the issues raised at our Major Issues Conference regarding institutionalization of the market, comparable regulation of financial institutions and the regulation of new products and have asked the Commission staff to give particular attention to these areas this year.

The issue of the internationalization of the securities markets is one of special interest to me and your ideas are certainly thought provoking and in need of attention. Your letter has been forwarded to the senior staff for their consideration as we define our immediate and long range goals. The Division of Market Regulation has begun discussions with the SIA, as well as the NYSE, AMEX and the NASD concerning the implications of the evolving global market. In addition, the Division is drafting a concept release to solicit public comment on the issues raised by your letter concerning internationalization of the markets and the technological revolution.

Thank you again for your continued support of the Commission. I look forward to working with you on these and other issues in the upcoming year.

Sincerely,

John S.R. Shad