

MEMORANDUM

April 8, 1985

TO: Chairman Shad
FROM: David Martin *DM*

In response to an inquiry from Bruce Ingersoll of the Wall Street Journal, you have asked for some materials on the proposed Public Securities Act of 1985, which will be cosponsored by Congressmen Dingell, Wirth, and others and is expected to be introduced following the Easter recess. Attached you will find a copy of the proposed legislation, a memorandum from Congressman Wirth to members of the Committee on Energy and Commerce, a recent Wall Street Journal article that discusses the government securities market, and an April 4th letter to you from Congressman Dingell (assigned to Dan Goelzer) requesting comments on the bill ("at your earliest opportunity") and technical drafting assistance by Alan Rosenblat (by April 12th).

Essentially, the legislation would amend Section 15B of the 1934 Act to expand the authority of the MSRB to include dealers in Treasury securities and government agency securities. The MSRB would be renamed the "Public Securities Rulemaking Board," and would be empowered to adopt provisions governing registration, inspection, customer protection, antifraud, and books and record-keeping of government securities dealers. As with the current system, the rules would be enforced by the NASD, the SEC, or the appropriate federal bank regulators. The legislation would specifically exempt primary dealers and would also give the Federal Reserve Board special margin setting authority.

The legislation was drafted by Chairman Dingell's full committee staff, the Subcommittee staff and the personal staffs of Reps. Luken, Swift, Rinaldo and Oxley. Although no agencies have taken a position on the draft legislation, the Federal Reserve, the MSRB and the NASD have been consulted.