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April 30, 1987

David S. Ruder, Esquire
Dean
Northwestern University Law School
357 E. Chicago Avenue
Chicago, Illinois 60611

Dear David:

As you may know, at the request of Senator Riegle, an ad hoc group of lawyers, designated by the Senator, has been meeting to see whether a clear, plain-English definition of the law against insider trading could be formulated. Our committee has reached a general consensus as to the contours and language of a proposed insider trading statute that would clarify the existing principles upon which the government's enforcement program has relied, without foreclosing any action the Commission could bring under current law. Beyond clarifying the law, the legislative process now under way would place the imprimatur of Congress on the theories advanced by the Commission and the Department of Justice in recent insider trading cases.

Our committee includes as members Lewis S. Black, Jr., Theodore A. Levine, Sam Scott Miller, John F. Olson, Richard M. Phillips, Irving Pollack, Judge Stanley Sporkin, James C. Treadway, Jr., and myself. Additionally, we received the views of a number of observers, including members of the Commission's staff, and members of the Senate Securities Subcommittee's staff. The product generated, however, is indisputably not a product of either staff.

Senator Riegle has asked that our committee report back to him by May 25, 1987, with a proposed statute. Prior to that time, we would like to accommodate your views, if any, concerning our proposal. To that end, I am enclosing the current draft of the proposal and a brief memorandum explaining some of the salient features of the draft.

FRIED, FRANK, HARRIS, SILRIVER & JACOBSON

David S. Ruder, Esq.
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After you have had a chance to review these materials, our committee is available to meet with you within the next two weeks, and would appreciate receiving from you your comments (preferably in writing, if possible) concerning the proposed statute at your earliest convenience. Needless to say, I believe that it would be premature, and probably counterproductive, to expose this draft publicly before we have the chance to fine-tune it to reflect your views, among others. I trust you will treat it appropriately. In addition, if you have views about other persons whose input might be valuable, I hope you will share those views with us.

Please feel free to contact me if you have any questions concerning the proposed legislation or the accompanying memorandum.

Sincerely,

Harvey L. Pitt *HL*
Harvey L. Pitt

Enclosures