

File: Markets

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

March 18, 1988

EXECUTIVE ORDER

- - - - -

WORKING GROUP ON FINANCIAL MARKETS

By virtue of the authority vested in me as President by the Constitution and laws of the United States of America, and in order to establish a Working Group on Financial Markets, it is hereby ordered as follows:

Section 1. Establishment. (a) There is hereby established a Working Group on Financial Markets (Working Group). The Working Group shall be composed of:

- (1) the Secretary of the Treasury, or his designee;
- (2) the Chairman of the Board of Governors of the Federal Reserve System, or his designee;
- (3) the Chairman of the Securities and Exchange Commission, or his designee; and
- (4) the Chairman of the Commodity Futures Trading Commission, or her designee.

(b) The Secretary of the Treasury, or his designee, shall be the Chairman of the Working Group.

Sec. 2. Purposes and Functions. (a) Recognizing the goals of enhancing the integrity, efficiency, orderliness, and competitiveness of our Nation's financial markets and maintaining investor confidence, the Working Group shall identify and consider:

- (1) the major issues raised by the numerous studies on the events in the financial markets surrounding October 19, 1987, and any of those recommendations that have the potential to achieve the goals noted above; and
- (2) the actions, including governmental actions under existing laws and regulations (such as policy coordination and contingency planning), that are appropriate to carry out these recommendations.

(b) The Working Group shall consult, as appropriate, with representatives of the various exchanges, clearinghouses, self-regulatory bodies, and with major market participants to determine private sector solutions wherever possible.

(c) The Working Group shall report to the President initially within 60 days (and periodically thereafter) on its progress and, if appropriate, its views on any recommended legislative changes.

more

(OVER)

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

March 18, 1988

STATEMENT BY MARLIN FITZWATER
ASSISTANT TO THE PRESIDENT FOR PRESS RELATIONS

In view of the extraordinary events in the financial markets in 1987 and the findings of the numerous market studies, including studies by federal agencies, self-regulatory organizations, and the President's Task Force on Market Mechanisms, it is clear that further, closely coordinated work needs to be done.

Despite our financial system's notable success in withstanding the shock of those events, we need to ensure that the public is protected by assuring financial integrity of the markets during periods of significant price changes. We also must be concerned about the quality and fairness of our markets for all participants and the willingness of individuals and institutions to participate in these markets. In addressing these issues, we must keep clearly in mind the vital national interest in preserving the efficiency and international competitiveness of our financial markets and institutions.

To these ends, the President is asking the Secretary of the Treasury to chair a select Working Group on Financial Markets to coordinate the Government's efforts to evaluate recommendations and to seek the resolution of the complex issues involved. The other Working Group members will be the Chairmen of the Board of Governors of the Federal Reserve System, the Securities and Exchange Commission and the Commodities Futures Trading Commission. The President expects that they will consult with the various exchanges, clearinghouses, self-regulatory bodies, and major market participants as they proceed. He has asked the Working Group to consult also with the Congress as this work progresses.

The goals of the Working Group are two-fold: first, to ensure the continued integrity, competitiveness, and efficiency of our nation's financial markets; and second, to maintain the public's confidence in those markets. Much can be done within the existing legal framework by both regulators and market participants, but the President has asked the Working Group to consider also whether any legislative changes are necessary.

In the President's judgment and that of his senior advisors, the major items the Working Group should address are investor confidence, credit and settlement system risks, and maintenance of orderly, efficient and internationally competitive markets. The issues raised by the several studies that in our view merit the greatest attention are listed below. None of them is simple, and while deserving high priority may not be resolved quickly or without considerable reflection. A significant number of issues have been suggested by most of the reports and commentators, while others have had more limited support. The list, which was developed in consultation with all members of the Working Group, is not intended to include all of the suggestions made, nor all of the items that may be addressed by the Working Group; nor is it intended to imply an endorsement of all items listed.

The major issues the President has asked the Working Group to address are attached.

more

4. Providing for or requiring physical delivery for settlement of index futures and options.
 5. Development of block trading procedures for index futures and options on futures.
 6. Revision of the equity market short-sale rules.
 7. Use of "open outcry", "one price auction" and specialist book disclosure approaches in large, intra-day order imbalance situations in specialist markets to facilitate price discovery and market clearing and minimize inter-market disruptions and discontinuities.
 8. Emergency measures to restrict large, rapid liquidations of positions.
 9. Pre-established standards for shortened trading hours for all markets in periods of sustained heavy volume.
 10. Investigation of the usefulness of enhanced reporting requirements for broker-dealer recordkeeping, large trader tracking systems, and program trades, with due consideration to financial privacy concerns and international capital flows.
 11. Imposition of price limits for index futures and options.
 12. Full day closings in response to specified price moves.
 13. Restrictions on access to the DOT system for program trades based on either volume or price move limits.
 14. Price limits on individual stocks.
 15. Aggregate cash and derivative market position limits.
- D. Regulatory Structure
1. Careful consideration of the desirability of more formal inter-market coordination and cooperation mechanisms, different regulatory regimes, a "tie-breaking referee" for inter-market issues, or emergency powers.
 2. Development of mechanisms for international coordination on multi-market issues.

#

Working Group on Financial Markets

I. Commodity Futures Trading Commission

Wendy Gramm
Chairman
(202) 254-6970

Andrea Corcoran
Director, Division of Trading and Markets
(202) 254-8955

Paula Tosini *
Director, Division of Economic Analysis
(202) 254-3201

Donald Heitman
Counsel/Executive Assistant to the Chairman
(202) 254-5954

Deliveries: c/o Paula Tosini
Commodity Futures Trading Commission
Room 510
2033 K. Street, N.W.
Washington, D.C. 20581

II. Federal Reserve Board

Alan Greenspan
Chairman
(202) 425-3201

E. Gerald Corrigan
President, New York Federal Reserve Bank
(212) 720-6173

Donald Kohn
Deputy Staff Director, Office of Monetary
and Financial Policy
(202) 452-3761

Patrick M. Parkinson
Chief, Capital Markets Section,
Division of Research and Statistics
(202) 452-3631

Martha S. Scanlon *
Assistant Director, Division of Research
and Statistics
(202) 452-3826

Deliveries: c/o Martha S. Scanlon
Federal Reserve Board
Room 3245, Board Building
20th & Constitution Avenue, N.W.
Washington, D.C. 20551

III. Securities and Exchange Commission

David Ruder
Chairman
(202) 272-2000

Alden Adkins *
Special Counsel to the Chairman
(202) 272-2002

Richard G. Ketchum
Director, Market Regulation
(202) 272-3000

Brandon Becker
Associate Director, Division of Market Regulations
(202) 272-2866

Deliveries: c/o Alden Adkins
Securities and Exchange Commission
Room 6000
450 5th Street, N.W.
Washington, D.C. 20549

IV. Treasury Department

George D. Gould (Chairman)
Under Secretary for Finance
(202) 566-5164

Charles O. Sethness *
Assistant Secretary for Domestic Finance
(202) 566-2103

Robert B. Zoellick
Counselor to the Secretary and
Executive Secretary
(202) 566-2867

Gregory P. Wilson
Deputy Assistant Secretary for Financial
Institutions Policy
(202) 343-0255

*Make
Darby*

Gordon Eastburn
Director, Office of Financial Institutions
Policy
(202) 566-5337

Deliveries: c/o Charles Sethness
U.S. Treasury Department
Room 2326
15th & Pennsylvania Ave., N.W.
Washington, D.C. 20220

* Primary Staff Contact