

United States Senate

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
WASHINGTON, D.C. 20510

April 23, 1974

The Honorable Ray D. Garrett, Jr.
Chairman
Securities and Exchange Commission
Washington, D. C. 20549

Dear Mr. Chairman:

We have followed with interest the Commission's consideration of the various issues related to the trading of put and call options on national securities exchanges. In our view, the Commission has handled the registration and regulation of the "pilot" operation on the Chicago Board Options Exchange with considerable sensitivity to the difficult regulatory problems involved, as well as a firm commitment to maintaining investor confidence in our equity markets generally. Likewise, we believe that the Commission's full scale investigation of the many public policy questions posed by extended options trading is a responsible and constructive step.

Without qualifying our support for the Commission's general approach to options trading, we wish to inquire about the reasons for the Commission's apparent delay in deciding whether to permit such trading on more than one exchange. It is our understanding that the Chicago Board Options Exchange is the only exchange that has received the Commission's permission to trade options. We also understand that the American Stock Exchange filed proposed rule changes with the Commission over three months ago designed to permit it to trade options, but that as yet the Commission has not acted on this application.

There is no doubt that there are many complex questions associated with multiple exchange trading of options. Certainly, the difficulties that the Commission is presently encountering in the attempt to integrate the markets for listed securities into a national market system counsels against allowing the markets for options to develop in an uncoordinated and fragmented manner. Nevertheless, to delay unnecessarily the decision as to whether the American Stock Exchange or any other registered exchange will be permitted to trade options is unfair to that exchange and its members and works against the certainty with respect to regulatory policy that is so important for business planning and which the Commission and the Congress have recently been working so hard to foster.

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We believe that the SEC should act promptly to answer the basic question of whether or not multiple markets for options will be permitted. We do not wish to take a position one way or the other on the merits of this question. Our only interest is to assure that there is no further delay in the resolution of this issue beyond that absolutely necessary for responsible regulation. In light of the extensive information on the subject now available, we hope that the Commission will be able to notify the American Stock Exchange of its decision in the very near future.

Sincerely,

Harrison A. Williams

William Proxmire