

John J. Phelan, Jr.
212 656 4100

NYSE

OM0916220161683:101
01/06/87

January 8, 1987

Mrs. Roberta Karmel

Dear Roberta:

Attached is a proposed draft..not complete.
Based on our conversation, would love to
have your input, and thoughts as to whether
we're going in right direction.

Thanks,

John

Attach.

11 Wall Street, New York, N.Y. 10005

CHARTER

REGULATION IN THE YEARS AHEAD

WHEREAS, self-regulation in the securities

has been codified in the nation's

fifty years, is essential to

fairness of the nation's

York Stock Exchange has long been

premier self-regulatory

not only for the proper and

the Exchange market itself, but

Securities and Exchange Commission with

ilities to oversee the financial

and operational condition of its member organizations; and

WHEREAS, it is imperative that the Exchange

continue to play its critically important role as a self-

regulatory organization in the future; and

WHEREAS, the multiple, rapid changes taking place

in securities markets today, including, in particular, the

internationalization of those markets, the increasingly

close and rapid interaction of the stock market with the

markets for stock options, financial futures and currencies,

the complex and often computerized trading strategies and

techniques that are emerging, the power and speed of modern

CHARTER

STUDY OF SELF REGULATION IN THE YEARS AHEAD

WHEREAS, self-regulation in the securities industry, a tradition that has been codified in the nation's securities laws for over fifty years, is essential to protect the integrity and fairness of the nation's securities markets; and

WHEREAS, the New York Stock Exchange has long been recognized as the nation's premier self-regulatory organization, responsible not only for the proper and efficient functioning of the Exchange market itself, but also assigned by the Securities and Exchange Commission with major regulatory responsibilities to oversee the financial and operational condition of its member organizations; and

WHEREAS, it is imperative that the Exchange continue to play its critically important role as a self-regulatory organization in the future; and

WHEREAS, the multiple, rapid changes taking place in securities markets today, including, in particular, the internationalization of those markets, the increasingly close and rapid interaction of the stock market with the markets for stock options, financial futures and currencies, the complex and often computerized trading strategies and techniques that are emerging, the power and speed of modern

technology and telecommunications to move vast sums of investment capital and create global trading opportunities, the increasing diversification of financial commitments of Exchange member organizations, and the changing structure and ownership of those organizations, place serious and unprecedented strains on the regulatory system in general and on the tradition of self-regulation in particular; and

WHEREAS, it is imperative that the Exchange be as fully informed of these emerging challenges as possible in order to assure that the system of self-regulation will continue to be able to respond successfully and remain, in the decades ahead, the cornerstone of the nation's securities regulatory structure; and

WHEREAS, in this rapidly changing environment, it may also be necessary for the Exchange to interact freely with the Congress and to integrate its regulatory responses with the activities of other self-regulatory organizations, the Securities and Exchange Commission, the Treasury Department and other regulatory bodies such as the Board of Governors of the Federal Reserve System, the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

NOW, THEREFORE, the Exchange hereby authorizes the creation of an independent study group, to be chaired by _____, and to be sponsored by the Exchange, the task of which shall be to examine these and other

similar emerging challenges to an efficient system of self-regulation in the securities industry, and to recommend responses that might be initiated by the Exchange, the other self-regulatory organizations, the Securities and Exchange Commission, Congress and others; and the Exchange hereby authorizes the Chairman of the Study of Self-Regulation, in concert with the Chairman of the Exchange and subject to the approval of this Board of Directors, to name such other prominent members of the securities, financial, corporate and academic communities as he may deem appropriate to serve with him on the Study; and the Exchange hereby further authorizes the Chairman of the Study of Self-Regulation to staff the Study as he deems appropriate and to arrange for the assistance of such outside advisers and consultants as he may deem proper; and the Exchange hereby directs that the Chairman of the Study of Self-Regulation coordinate the Study with the other studies being authorized by this Board of Directors on this date in order that they may be harmonized and each may be given the benefits of the insights and findings of the others; and the Exchange hereby further expresses the hope that an interim report of the Study's progress be directed to the Chairman of the Exchange and this Board of Directors within the next six months, that the Study be completed within the next twelve months and that, upon its completion, the Chairman of the Study issue

its final report to the Chairman of the Exchange and this Board of Directors.