

KELLEY DRYE & WARREN

101 PARK AVENUE
NEW YORK, N.Y. 10178

(212) 808-7800

CABLE "LAWYERLY"

TELEX 12389

TELECOPIER: (212) 808-7898

(212) 808-7899

WRITER'S DIRECT LINE

(212) 808-7570

624 SOUTH GRAND AVENUE
LOS ANGELES, CA 90017
(213) 689-1300
TELECOPIER (213) 622-6639

50 CALIFORNIA STREET
SAN FRANCISCO, CA 94111
(415) 989-3530
TELECOPIER (415) 421-9454

SIX STAMFORD FORUM
STAMFORD, CT 06901
(203) 324-1400
TELECOPIER (203) 327-2669

1330 CONNECTICUT AVE., N.W.
WASHINGTON, D.C. 20036
(202) 463-8333
TELECOPIER (202) 463-8338

SOUTHEAST FINANCIAL CENTER
200 SOUTH BISCAYNE BOULEVARD
MIAMI, FL 33131-2388
(305) 372-0030
TELECOPIER (305) 358-5188

175 SOUTH STREET
MORRISTOWN, NJ 07960
(201) 267-4948
TELECOPIER (201) 539-3167

CORRESPONDENT OFFICE
SOGI & ITO
HIBIYA PARK BUILDING
TOKYO 100, JAPAN
(03) 201-0401

January 16, 1987

TAGGART D. ADAMS
TRACY B. AMBLER
DAVID E. BARRY
NED H. BASSEN
ROBERT D. BICKFORD, JR.
WILLIAM C. BLIND
LEONARD A. BLUE
RICHARD W. BRADY
PAUL R. BRENNER
PAUL L. BRESSAN
RICHARD G. BRODRICK
JOHN M. CALLAGY
BRIAN J. CALVEY
SCOTT G. CAMPBELL
MICHAEL J. CANNING
RICHARD S. CHARGAR
BRIAN CHRISTALDI
RICHARD J. CONCANNON
JEFFREY S. COOK
JOHN J. COSTELLO
SAMUEL S. CROSS
ROBERT E. CROTTY
EUGENE T. D'ABLEMONT
H. THOMAS DAVIS, JR.
RICHARD E. DONOVAN
PAUL F. DOYLE
W. CHRISTIAN DREWES
ROBERT EHRENBARD
ALAN M. EPSTEIN
WALTER T. FAULKNER
LAWRENCE B. FISHER
B. HARRISON FRANKEL
JOHN A. GARRATY, JR.
JOHN F. GIBBONS
WILLIAM R. GOLDEN, JR.
PAUL C. GUTH
ROBERT L. HAIG
BEN I. HARAGUCHI
WILLIAM C. HECK
MARTIN D. HEYERT

CAROL D. HINTON *
BUD GEO. HOLMAN
MICHAEL S. INSEL
ROBERTA S. KARMEL
THOMAS B. KINZLER
ARNOLD S. KLEIN
WILLIAM A. KROHLEY
EDWARD M. LEBOW *
HOWARD M. LOEB
MICHAEL LUBLINSKI
JOHN J. LYNAGH
GEORGE J. MARCHESI
CHARLES L. MARINACCIO *
LELAND J. MARKLEY
JOHN PATRICK MARSHALL
JUN MORI *
JOSEPH S. MUTO *
FREDERIC S. NATHAN
MYRON H. NORDOQUIST *
EDWIN L. NORRIS
CHARLES OECHLER
HENRY Y. OTA *
THEODORE PEARSON
ALTON E. PETERS
JOHN J. QUINN
SARAH L. REID
EDWARD ROBERTS, III
FREDERIC A. RUBINSTEIN
TERRANCE W. SCHWAB
FREDERICK T. SHEA
JOHN W. SIMPSON *
FRANCIS Y. SOGI
MERRILL B. STONE
HOWARD S. TUTHILL III
DAVID L. VAUGHAN
CHAUNCEY L. WALKER
KEVIN J. WALSH
SHIGERU WATANABE *
E. LISK WYCKOFF, JR.
HARVEY FOLKS ZIMAND

WALTER E. BEER, JR.
GEORGE A. BURRELL, P. C.
WILLIAM C. BURT *
JOSEPH W. DRAKE, JR.
THOMAS B. GILCHRIST, JR.

MICHIKO ITO CRAMPE
ALFRED P. O'HARA
NEIL T. PROTO *
ALFRED W. ROBERTS
EDWARD R. VENIT *

COUNSEL

*NOT ADMITTED IN NEW YORK

BY HAND

Mr. John J. Phelan, Jr.
Chairman of the Board
New York Stock Exchange, Inc.
11 Wall Street
New York, NY 10005

Dear John:

Enclosed is my draft of a charter for the NYSE Study on Self-Regulation. As you will see, I first set forth an organization for the Study, then what ideas I had concerning topics the Study should investigate and then a directive concerning the timing of the Study's reports. You may wish to add or delete topics on the Study's inquiry list.

I have been somewhat more detailed than may be necessary concerning compensation for the co-Chairmen, members

KELLEY DRYE & WARREN

John J. Phelan, Jr.

-2-

January 17, 1987

and advisers of the Study. However, I am sensitive to the fact that Chuck and I are both board members and will be compensated for our work on this Study. Further, we and other members of the Study may be hiring our associates to do research. As we have discussed, this could become an expensive project and you may wish to consider how to audit or contain the costs. In particular, you may wish to appoint a stock exchange employee as staff director.

I did not attempt to set forth the various factors which prompted the Exchange to direct a Study on Self-Regulation at this time. I am not an enthusiast of "WHEREAS" clauses in legal documents and I think that the motivation for the Study can best be set forth in a presentation to the Board and whatever press release eventually is made about the Study or its work.

I hope you will find the enclosed draft charter responsive to your concerns. Please call me if you wish to discuss the Study or if you wish me to redraft this charter before our meeting on Tuesday.

Sincerely,



Roberta S. Karmel

cc: Charles F. Barber

CHARTER - Study on Self-Regulation
New York Stock Exchange, Inc.
(Adopted February 5, 1987)

RESOLVED, that an investigation, analysis and report on the current and future role of the New York Stock Exchange, Inc. ("NYSE") as a self-regulatory organization ("SRO"), within the framework of the federal securities laws, be conducted by a Study on Self-Regulation (the "Study"); and it is

FURTHER RESOLVED, that Charles F. Barber and Roberta S. Karmel, members of the NYSE Board, shall be appointed Co-Chairmen of the Study and that such Co-Chairmen and John J. Phelan, Jr., Chairman of the NYSE and Richard R. Shinn, Executive Vice-Chairman of the NYSE, shall appoint no more than five Members of the Study, to be selected from the securities, corporate, academic and legal communities; and it is

FURTHER RESOLVED, that the Co-Chairmen of the Study and the Members of the Study shall be compensated at the rate of \$ _____; and it is

FURTHER RESOLVED, that the Study may retain a staff director and such advisers and consultants as the Study Co-Chairmen believe appropriate, including partners or employees of organizations with which the Co-Chairmen or Members are affiliated, at customary and usual billing rates; and it is

FURTHER RESOLVED, that the duties of the Study shall include:

(1) Analyzing the current role of the NYSE as an SRO and, in particular, explaining how that role has changed and evolved as a result of the 1975 amendments to the Securities Exchange Act of 1934;

(2) Investigating and analyzing the regulatory functions of the NYSE with particular attention to its oversight of members in the areas of (a) financial adequacy, (b) operations, (c) sales practices and (d) market surveillance;

(3) Investigating and analyzing the self regulatory role of member firms of the NYSE with particular attention to (a) distinctions between electronic access and other members, and (b) whether different compliance systems are required for trading, investment banking, merchant banking, retail, sales or other business segments;

(4) Investigating and analyzing the oversight by the Securities and Exchange Commission ("SEC") of the NYSE and the relationship between the NYSE and other SROs;

(5) Investigating and analyzing the relationship between the NYSE and regulatory agencies other than the SEC; for example, the Commodity Futures Trading Commission, banking regulators and state securities regulators;

(6) Investigating and analyzing the effect of the incorporation, public ownership and holding company structure of large member firms on NYSE self-regulation;

(7) Investigating and analyzing the impact of internationalization of the securities markets on NYSE self-regulation; and

(8) Recommending such changes in NYSE rules or procedures or legislation which may be required for the NYSE to continue its role as the premier SRO for the securities industry; and

(9) Coordinating the Study with such other similar studies that the NYSE has or may authorize on the future of the public corporation and derivative products and hedging strategies; and it is

FURTHER RESOLVED that the study make an interim report to the Chairman of the NYSE and the NYSE Board of Directors by August 31, 1987 and a final report to the NYSE Chairman and the Board of Directors by February 28, 1988.