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MEMORANDUM

October 16, 1987

TO: Linda Fienberg
FROM: Chairman Ruder
RE: Long Range Planning

JAR

Sometime in the near future, I hope we can turn our attention to Commission long range planning. I believe it important that we establish a series of goals for both short-term and long-term and involving both internal and external matters. Set forth below are a number of thoughts which I have concerning goals and plans. These are not set forth in any particular order.

1. Commission Staffing. Is the internal organization of the Commission acceptable in order to achieve Commission goals? Specifically, attention might be directed to the following:

a. Internationalization. Should an ad hoc steering committee be established in order to establish internationalization goals? Should a Commissioner be assigned to be a part of such a steering committee if it is established?

b. OCE-DEPA. Should the Office of the Chief Economist and the Department of Economics and Policy Analysis be combined? If so, how?

c. Edgar Management. Are the proposed series of committees established for Edgar management satisfactory?

d. Efficient Use of Staff Time. Without meaning to suggest any changes, should we review questions of priorities of use for staff time, including required attendance at closed Commission meetings, participation in testimony preparation, and participation in Chairman speech preparation.

2. Automation. Have appropriate steps been taken to address the question of automation of the Commission? More particularly, what steps might be taken to accelerate the procurement of micro-computers for Commission staff, particularly in Enforcement and OGC? What is the relationship between this automation and the installation of equipment in connection with the Edgar project?

3. Budget Matters. Are the procedures in place for budget preparation and review satisfactory? Is there sufficient input from the operating divisions? To what extent should the suggestion for increases in grade for initial hiring of attorneys be implemented?

4. Insider Trading. Assuming that an insider trading definition with or without legislative history proposals will be transmitted to the Riegle Committee before my trip to Japan, what additional steps should be taken to establish the Commission's position regarding insider trading? Should a position paper or release be prepared? Should the Commissioners engage in a series of speeches? What testimony would be likely?

5. Glass-Steagall. Assuming that Commission testimony will be required on November 3rd and on December 1st or thereafter, what steps should be taken to make clear the Commission's position on Glass-Steagall? To what extent should the staff be required to draft technically correct amendments to the securities laws and the Banking Holding Company law in the event that Glass-Steagall is repealed or might be repealed?

6. Municipal and Government Bonds. Should some means be established by which bond market trading should be addressed? Should a special Commission task force or committee be established to review bond market problems, including both government and municipal bonds? If a Tower amendment repeal is to be advocated, to what extent should the MSRB be included in such efforts? In general, what kind of dealer regulation is required in this area?

7. CFTC and Volatility. As the financial futures markets begins to expand, serious concerns will arise regarding the dual regulation of financial futures instruments and "securities". Although abolition of the CFTC or merger of the CFTC with the SEC seems a politically disastrous approach, what steps can be taken to assure greater cooperation between the SEC and the CFTC regarding regulation of various instruments? Should greater steps or more formal methods be established in order to assure strong cooperation? More specifically, what steps can be taken in coordination between the SEC and CFTC to limit market volatility, assuming such limitation is a desirable objective? What about new products?

8. Internationalization of Securities Markets. What are the areas which require a strong Commission action or attention? What steps should be taken in the following areas:

a. Disclosure, including harmonization or reciprocal arrangements regarding disclosure and accounting standards.

b. Enforcement, including expansion and refinement of agreements regarding sharing of information between enforcement agencies.

c. Market linkages, including appropriate mechanism for preserving or establishing linkages between U.S. and foreign markets. This topic includes the question of internationalization.

d. Broker-dealer regulation, including questions of access by foreign broker-dealers to American markets and the reverse.

e. Clearance and settlement systems, including steps to improve international clearance and settlement and protections against negative reactions from international failures in this area.

f. Insider trading and other anti-fraud provisions, including the question whether and how efforts should be made to induce other countries to increase their regulatory mechanism regarding insider trading, market manipulation, and misrepresentation.

9. Tender Offers. Should the Commission should take an active role in urging tender offer reform? At the least, examination should be made regarding the question of the Commission's rulemaking power in this area.

10. One-share one-vote. What is happening to this proposal? To what extent should stock exchange rules in the corporate governance area?

11. Disclosure. What proposals exist to improve disclosure or to decrease the cost of disclosure? Should two markets be allowed, one for institutional investors and one for non-institutions?

12. Enforcement policies. Questions might be raised regarding case selection, allocation of cases between the Washington and regional offices, review of sanctions in the broker-dealer area, and Commission policy towards disgorgement in insider trading cases.

13. Market Regulation. What questions exist regarding automation of the domestic markets? This topic is related to the internationalization topic.

14. Investment Management. What rulemaking proposals are pending? Are there steps which should be taken to provide more resources for Investment Management?

15. Rule 2(e). What position should the Commission take on the use of Rule 2(e) proceedings as a means of disciplining accountants and attorneys? The question of public or private is apparently an open one at this time.

16. Etc.