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3/10/88. Copies to Ruder, Fienberg, Peters, Gross,  
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**U.S. House of Representatives**  
**Committee on Energy and Commerce**  
Room 2125, Rayburn House Office Building  
Washington, DC 20515



February 18, 1988

WM MICHAEL KITZMILLER, STAFF DIRECTOR

The Honorable David S. Ruder  
Chairman  
Securities and Exchange Commission  
450 Fifth Street, N. W.  
Washington, D. C. 20549

CHAIRMAN'S OFFICE  
RECEIVED

The Honorable Kalo A. Hineman  
Acting Chairman  
Commodity Futures Trading Commission  
2033 K Street, N. W.  
Washington, D. C. 20581

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SEC. & EXCH. COMM.

The Honorable Alan Greenspan  
Chairman  
Board of Governors  
The Federal Reserve System  
Washington, D. C. 20551

Dear Messrs. Chairmen:

The market decline of October, 1987, was a wrenching and sobering experience for the marketplaces, market participants, regulators, and those of us in Congress with oversight responsibility for our securities markets. Several major studies of the events surrounding the market break have shed considerable light on that crisis period. There can now be little doubt that stocks, options and futures on stock indexes constitute a unified and highly interrelated market where actions taken in one marketplace can have immediate effects in all others.

Numerous suggestions have been proposed as appropriate regulatory or legislative responses to the events of October. On January 26, 1988, Comptroller General Charles A. Bowsher, head of the General Accounting Office, testified before the Subcommittee on Telecommunications and Finance regarding that agency's preliminary observations on the October crash. While he recognized that legislative reform may eventually be needed, it was his urgent recommendation that a contingency plan to coordinate and implement intermarket actions needs to be developed immediately to ensure that our markets function in satisfactory fashion should another emergency occur. He recommended that such an emergency contingency plan be adopted within 30 to 60 days. We believe that his recommendation regarding a contingency plan should be implemented as a concrete first step toward increased coordination among the markets and restoration of investor confidence.

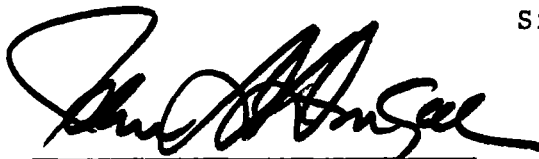
The Honorable David S. Ruder  
The Honorable Kalo A. Hineman  
The Honorable Alan Greenspan  
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To this end, we are requesting that the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC), in consultation with the marketplaces they regulate and the Federal Reserve Board (the Fed), undertake the formulation of a contingency plan which addresses such issues as:

- o The method by which the SEC and the CFTC will coordinate their decisionmaking.
- o How these decisions will be communicated to the markets.
- o How disagreements regarding regulatory measures and responses will be resolved.
- o How much authority the marketplaces should have to act independently of the regulators in crisis circumstances.
- o The establishment of a mechanism for dissemination of market information between and across all relevant markets in a timely fashion.
- o Agreements on those circumstances that would call for a relaxation or interpretation of rules to facilitate market liquidity, such as the interpretation of rules associated with corporate stock repurchase plans.
- o Agreements with the Fed on liquidity support mechanisms for market participants during market emergencies.
- o Development of cross-market circuit-breaker mechanisms.

In our judgment, it is critical that this contingency plan be developed as soon as possible. Our markets remain vibrant; but they are at the same time delicate. To permit them to function without such a contingency plan courts unnecessary risk. Therefore, we request that the SEC, CFTC and the Fed report their progress in developing and implementing this contingency plan no later than the close of business on March 25, 1988. For our part, we stand ready to provide whatever assistance we can offer.

Sincerely,



JOHN D. DINGELL  
CHAIRMAN



NORMAN F. LENT  
RANKING MINORITY MEMBER



EDWARD J. MARKEY  
CHAIRMAN,  
SUBCOMMITTEE ON  
TELECOMMUNICATIONS AND  
FINANCE



MATTHEW J. RINALDO  
RANKING MINORITY MEMBER,  
SUBCOMMITTEE ON  
TELECOMMUNICATIONS AND  
FINANCE