

United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS
WASHINGTON, DC 20510-6075

May 23, 1988

The Honorable Howard Metzenbaum
Chairman
Subcommittee on Antitrust, Monopolies and Business Rights
Committee on the Judiciary
Washington, D.C. 20510

Dear Howard:

I am writing to express my concerns about efforts currently underway to weaken the civil RICO remedies, particularly as these efforts affect our ability to deter financial fraud.

I am particularly concerned with S. 1523's creation of a securities exemption that would bar most treble damages when a potential securities remedy exists. In its present form, the small investor protections have been deleted, raising even more troubling questions about whether this is the appropriate direction to take at this time.

As you know, the Banking Committee has jurisdiction over the securities laws, including the insider trading laws. Proponents of S. 1523 -- especially the securities exemption -- frequently assert that these matters are best left to the securities laws. However, our Committee now is examining current insider trading and other securities laws out of a concern that they are not adequate to address the problems of massive financial crimes.

I appreciate that some consider RICO to be seriously flawed and that amendments are necessary. But I worry that weakening RICO now before we are able address needed reform of securities law may open a gap through which white collar crooks will ride roughshod.

Events of the past several years have made clear that bank and securities fraud, insider trading and other varieties of economic crime pose a threat to the integrity of our business institutions and financial markets. It is incumbent upon us to address these problems in a manner--and order--that strengthens protection of the public -- not weakens it. I would be happy to work with the Judiciary Committee and other relevant Committees to ensure that the laws governing white collar crime are effective and comprehensive.

I look forward to working with the Committee on this matter. Thank you for your consideration of my views.

Sincerely,

William Proxmire
Chairman

WP:bnm