



# American Stock Exchange Inc.

86 Trinity Place  
New York NY 10006  
212/938-2401

Arthur Levitt Jr  
Chairman

CHAIRMAN'S OFFICE

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MAR 07 1979

EXCH. COMM.

March 5, 1979

The Honorable Harold M. Williams  
Chairman  
Securities and Exchange Commission  
500 North Capitol Street  
Washington, D. C. 20549

SECURITIES & EXCHANGE COMMISSION  
RECEIVED  
MAR 8 1979  
DIVISION OF MARKET REGULATION

Dear Harold:

The American Stock Exchange will be pleased to participate in a joint effort with the Commission and other self-regulatory institutions to develop meaningful responses to the SEC's Options Study recommendations.

Sincerely,



The Chicago Board  
Options  
Exchange

SECURITIES & EXCHANGE COMMISSION  
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MAR 7 1979

Edward F. Neild III  
Chairman Of The Board

LaSalle at Jackson  
Chicago, Illinois 60604 (312) 431-5600

March 2, 1979

DIVISION OF MARKET REGULATION

Chairman Harold M. Williams  
Securities and Exchange Commission  
500 North Capitol St., N.W.  
Washington, D.C. 20549

CHAIRMAN'S OFFICE

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MAR 05 1979 H.D.

Dear Chairman Williams:

This is in reply to your letter of February 22, 1979, relating to Release 15575.

The Chicago Board Options Exchange ("CBOE") hereby agrees to participate in the joint effort referred to in the second and third paragraphs of your letter. CBOE also agrees to continue to cooperate in honoring the voluntary moratorium on expansion of the standardized options markets as requested. Our agreement in both respects is, however, subject to the following comments:

(1) The wording of the Release (pages 2-3) indicates (a) that the Commission itself has concluded that all of the recommendations listed under I-A (pages 6-15) must be implemented in the manner and within the time limits set forth, and (b) that acceptance of this conclusion is inherent in the cooperation now requested. On the other hand, your letter refers to "the self-regulatory organizations [SROs] and the Commission working closely together to develop, wherever possible, uniform meaningful responses to the Options Study's recommendations" (page 1, 2nd par.) and sets a meeting, presumably for this purpose among others, to be held on March 13. Further, the Release provides for a thirty-day comment period (ending March 27) with respect to the contents of the Options Study and the plan announced in the Release, which we understand to mean that the Commission remains open to persuasion as to the merits of specific recommendations and as to appropriate measures of implementation.

We and our counsel have been giving very intensive consideration to the contents of the Options Study and Release 15575 since receiving them, but the time has obviously been inadequate to arrive at definitive conclusions as to all the complex and far-reaching subject matters involved. However, based on our studies to date and some preliminary, informal expressions by member firms, we believe it is highly likely that our comments, even if acquiescent to most of

the recommendations, will include some disagreements with particular recommendations of the Options Study as being unduly burdensome, impractical, or otherwise unnecessary or inappropriate. Also, we believe we may be able to offer better ways of addressing certain problems than those recommended by the Options Study.

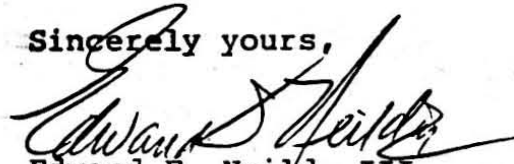
It must therefore be understood that, in expressing our general agreement to honor the voluntary moratorium and participate in the joint effort, we reserve the right to argue against, or make counter-suggestions with respect to, particular recommendations of the Options Study even though they may have been tentatively accepted by the Commission.

(2) The Release places great emphasis on the need for cooperative efforts of SROs and coordinated, uniform filings by them. Even assuming that this Exchange were prepared to agree with every recommendation of the Options Study and to file every requested rule change or undertaking within the time limit set forth in the Release, we have no way of knowing whether all other SROs would be equally cooperative and diligent. Moreover, the Options Study itself points out several important areas where CBOE has positive accomplishments to its credit but certain other SROs have unsolved problems. Assuming (without agreeing) that it would be appropriate for the Commission to condition all future expansion of this Exchange on our own total conformance to the Commission's plan, we believe it would be grossly unfair and improper for the Commission to hold our expansion in hostage to the cooperation of all other SROs, including those that have unsolved problems which we do not have, or those that may not have as much incentive as we do to terminate the moratorium at the earliest possible date.

\* \* \*

We, of course, hope that the concerns expressed in the two preceding paragraphs will prove unfounded and that, rather, (1) the Commission will be prepared to consider modifications of the plan in light of comments of CBOE and others within the thirty-day comment period (or if that period proves inadequate, in light of later comments as well); and (2) all SROs will be in substantial accord as to "meaningful responses" and will be diligent in accomplishing them. We necessarily reserve the right, however, to withdraw our cooperation in the joint effort and in the voluntary moratorium if actual experience in the coming months should prove that either of these hopes cannot be realized.

Sincerely yours,

  
Edward F. Neild, III

# MSE

MIDWEST STOCK EXCHANGE, INCORPORATED

120 South La Salle Street Chicago, Illinois 60603

Telephone: (312) 368-2222

Office of the President

March 5, 1979

CHAIRMAN'S OFFICE

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MAR 12 1979

Chairman Harold M. Williams  
Securities and Exchange Commission  
500 North Capitol Street  
Washington, D.C. 20549

SEC. & EXCH. COMM.

Dear Harold:

This is in reply to your letter of February 22, 1979 relating to Release No. 15575.

The Midwest Stock Exchange herewith agrees to continue to cooperate in honoring the voluntary moratorium. As we understand the Release, the moratorium, which began in July, 1977 as a temporary measure, can be lifted within six months of the date of the Release if all the self-regulators agree to adopt the rule proposals, as set forth in the Release.

Accordingly, this is to advise you that the Midwest Stock Exchange agrees to participate in the joint effort referred to in your letter. You should know, however, that our initial reaction and the feedback we have started to receive from our member firms indicate that a substantial number of the proposals in the Release are impractical and unnecessary and would dramatically increase the cost for these firms and their customers in doing options business. Presumably, as we work together with other self-regulators and the Commission, there will be sufficient opportunity to modify the proposals in the Release, as appropriate, without further delaying a lifting of the moratorium.

Sincerely,



Richard B. Walbert

RBW:jmm

SECURITIES & EXCHANGE COMMISSION  
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MAR 12 1979

SECURITIES & EXCHANGE COMMISSION

# NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

SECURITIES & EXCHANGE COMMISSION

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MAR 6 1979

DIVISION OF MARKET REGULATION

February 28, 1979

CHAIRMAN'S OFFICE

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MAR 02 1979

Chairman Harold M. Williams  
Securities and Exchange Commission  
500 North Capitol Street  
Washington, D. C. 20549

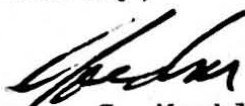
Dear Harold:

Thank you for your letter of February 22, 1979 and copy of the Release issued by the Commission announcing its plan and projected timetable for implementing certain recommendations of the Special Study of the Options Markets and for terminating the voluntary moratorium on expansion of the standardized options markets.

Although there are many parts of the Options Study with which we do not agree, I have no reason to believe that the NASD will not agree to participate with other self-regulatory organizations in honoring the voluntary moratorium until the steps outlined in the Commission's implementation plan have been completed. We will, of course, participate in a cooperative effort to develop wherever possible uniform, meaningful responses to the Options Study's recommendations. In that connection, we will have representatives at your meeting with self regulatory organizations at 2:00 p.m. on Tuesday, March 13th in the Commission's offices.

The next meeting of our Board of Governors is March 16th. If the Association develops any additional views on the moratorium or the cooperative self regulatory joint effort, I will forward them to you.

Sincerely,

  
Gordon S. Macklin  
President

GSM:jk

**THE** New York Stock  
**Exchange**

CHAIRMAN'S OFFICE  
**RECEIVED**  
MAR 05 1979

March 1, 1979

William M. Batten  
Chairman and  
Chief Executive Officer

The Honorable Harold M. Williams  
Chairman  
Securities and Exchange Commission  
500 North Capitol Street, N.W.  
Washington, D. C. 20549

Dear Harold:

In reply to your letter of February 22, I want to let you know that the New York Stock Exchange will continue to honor the voluntary moratorium on options trading. We are willing to work closely with the other self-regulatory organizations and the Commission to develop wherever possible uniform meaningful responses to the Options Study recommendations and, if possible, to adhere to the timetable set forth in the plan. We will look forward to hearing from your office on the details of the meeting on March 13. An important item which might be discussed at the meeting is the appropriate organizational structure for the self-regulatory organizations to enable them to work together to efficiently study, address and respond effectively to the Study's recommendations calling for joint action.

Sincerely,

*Wm Batten*

SECURITIES & EXCHANGE COMMISSION  
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MAR 7 1979  
DIVISION OF MARKET REGULATION



The Options Clearing Corporation

March 5, 1979

Mr. Harold M. Williams  
Chairman  
Securities and Exchange Commission  
500 North Capitol Street  
Washington, D. C. 20549

CHAIRMAN'S OFFICE

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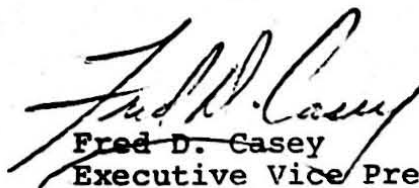
MAR 07 1979

EXCH. COMM.

Dear Mr. Williams:

This is in response to your letter of February 22, 1979 to Mr. Wayne P. Luthringshausen to advise you that The Options Clearing Corporation will continue to observe the voluntary moratorium and participate in the timely implementation of the recommendations of the Options Study.

Sincerely,

  
Fred D. Casey  
Executive Vice President

FDC:eb

SECURITIES & EXCHANGE COMMISSION  
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MAR 8 1979  
DIVISION OF MARKET REGULATION

THE  
PACIFIC  
STOCK EXCHANGE  
INCORPORATED

Charles J. Henry  
President  
(415) 393-4160

March 5, 1979

CHAIRMAN'S OFFICE  
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MAR 12 1979  
SEC. & EXCH. COMM.

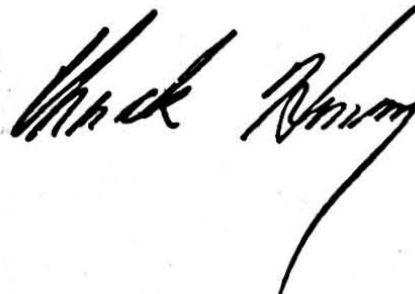
Mr. Harold M. Williams, Chairman  
Securities and Exchange Commission  
500 North Capitol Street, N.W.  
Washington, D.C. 20549

Dear Mr. Williams:

In response to your letter of February 22, 1979 regarding the plan and projected time table for implementing certain recommendations of the "Report of the Special Study of the Options Markets," the Pacific Stock Exchange Incorporated supports continuation of the voluntary moratorium for an additional six month period during which we will endeavor to work with other self-regulatory organizations in developing responses to the Options Study's recommendations.

We have a number of questions regarding the details of the implementation plan which I trust shall be answered at your meeting with the self-regulatory organizations on March 13, 1979.

Very truly yours,



cc: Charles E. Rickershauser  
Philip J. Lo Bue

SECURITIES & EXCHANGE COMMISSION  
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MAR 12 1979  
DIVISION OF MARKET REGULATION

ELKINS WETHERILL  
PRESIDENT

**PHILADELPHIA STOCK EXCHANGE**

March 1, 1979

CHAIRMAN'S OFFICE

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MAR 05 1979

Chairman Harold M. Williams  
Securities and Exchange Commission  
500 North Capitol Street  
Washington, D.C. 20549

Dear Harold:

As requested by your letter of February 22, 1979, this letter is to advise you that the Philadelphia Stock Exchange agrees to participate, wherever appropriate, in a joint effort to implement certain of the Options Study's recommendations. Pending this endeavor, the Exchange agrees to honor the voluntary moratorium.

Sincerely,



SECURITIES & EXCHANGE COMMISSION

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DIVISION OF MARKET REGULATION