

MEMORANDUM

June 11, 1980

TO : Douglas S. Scarff
Steve E. Levy
Daniel L. Goelzer
Matthew R. Schneider
Joel H. Goldberg
Ira H. Pearce
Martin Moskowitz
Stanley B. Judd
Peter S. Kiernan
Benjamin Vandegrift
Catherine McGuire
Anne E. Chafer
William Dale
Abba D. Poliakoff
Michael D. Lefever ✓
Bruce Beatt
Howard Bartnick

FROM : Bob Pozen *REP*

RE : Financial Futures Joint Study

As you know, Senator Stewart added the famous "egg" amendment which passed the Senate. Attached is a memo from the Office of Legislative on this amendment.

You should assume, regardless of what happens on this amendment, that our joint study on financial futures is continuing on schedule. Senator Stewart's bill only directs the CFTC to study the silver crisis, it does not preclude a broader study of the financial futures market.

MEMORANDUM

June 10, 1980

TO : Chairman Williams
THROUGH: Matt Schneider *Matt*
FROM : Peter Kiernan *Peter*
RE : The "Egg Amendment" - Senator Stewart's Amendment to H.R. 6288 to Amend the Egg Research and Consumer Information Act so as to Provide for a CFTC-Initiated Working Group to Report to the Congress by October 1, 1980 Concerning the Silver and Futures Markets

As you know, we have been looking into the so-called Egg Amendment to determine what legislative action, if any, is appropriate. Our recommendation is that we undertake no action at the present time.

H.R. 6288 was originally passed in the House and then sent to the Senate, where the Egg Amendment was added on the floor and the bill was passed in its amended form. The amended bill must now be agreed to by the House or go to conference. We understand that it is likely to be raised on the House floor without prior scheduling, where an attempt will be made to have it voted on with unanimous consent.

If the Commission were to have a good chance in stopping the bill, we would want to (1) muster a forceful argument as to the problems it would create, (2) form a unified strategy of opposition in concert with the Treasury and the Federal Reserve, and (3) persuade our allies in the Congress to be prepared to object when unanimous consent was sought for voting on H.R. 6288. And, if we won there, (4) we would have to be prepared to combat alternative routes that might be sought for adopting the Egg Amendment.

We can't be very sanguine about any of 1-4 above.

(1) The Egg Amendment (attached) is so vague that it is difficult to assert that it will have any dire consequences for the current study on financial futures. To raise a hue and cry over its vagueness, even if successful, would just encourage Senator Stewart to draft a more precise, probably more damaging, bill.

(2) My contacts with the legislative staff at Treasury and the Fed and Ralph's discussion with their representatives to the working group last Friday indicate that (a) they aren't terribly disturbed by the Egg Amendment and (b) don't intend to do any work opposing it. In fact, my discussions with Frank Cavanaugh at Treasury gave me a clear impression that an important factor in their decision was that opposing the Amendment could well result in more harmful statutory language as described in (1) above.

(3) I have discussed the Egg Amendment with a number of House and Senate staffers and am not encouraged about what they might do on our behalf here.

Howard Menell told me that the Senate Banking staff is aware of the Amendment and not particularly troubled by it. They do intend to send you a letter in the near future (over whose signature is not clear at this point) indicating that they interpret the Amendment not to affect the course of the present study.

Barbara Timmer of Chairman Rosenthal's office had a similar reaction. She was well aware of the Amendment and finds it not in the least troublesome. She is drafting a letter to you - and legislation - with respect to the creation of an "inter-agency market regulatory council." The purpose of the council will be

- (1) to promote more frequent contact between the heads of the interested agencies - SEC, Treasury, CFTC, and the Fed and
- (2) to act as an overseer over the CFTC with authority to pass on major policy decisions - possibly including such matters as the approval of new types of contracts and setting margin requirements.

Franz Oppen and Kathy Seddon were both interested in our concern with the Egg Amendment but not very promising about their ability to muster up effective opposition to it. Franz, in particular, said that without support from the Treasury and the Fed we would have a very uphill fight. Kathy noted that it could come up at any time, and it was possible that our potential allies might well not be present to object when it did.

(4) Even if we stopped the amendment procedurally on the House floor, we still would have a difficult time stopping it in Conference Committee, where the representatives would be from the respective Agriculture committees, or stopping some later form of the bill, which also would be in the domain of the Agriculture Committees. And our efforts might well make Senator Stewart even less favorably inclined towards us on CFTC (or Banking Committee) issues.

All in all, we would propose that no further action be taken on the Egg Amendment at this time. Do you agree?

cc: Dan Goelzer
Ralph Ferrara
Bob Pozen
Alan Rosenblat