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U.S. House of Representatives
SUBCOMMITTEE ON TELECOMMUNICATIONS,
CONSUMER PROTECTION, AND FINANCE
OF THE
COMMITTEE ON ENERGY AND COMMERCE
Washington, D.C. 20515

March 9, 1982

Mr. John S.R. Shad
Chairman
U.S. Securities and Exchange Commission
500 North Capitol Street
Washington, D.C. 20549

Dear Mr. Chairman:

I am writing to confirm our telephone invitation to you to testify at hearings on proposed legislation relating to the jurisdiction of the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) over certain new and proposed "derivative" investment instruments. The hearings will also address H.R. 5515, legislation which would place a moratorium on futures and option contracts on stock indices or stock groups, and other relevant matters. The hearings will be held on March 16, 1982, and will begin at 9:30 a.m., in a room to be announced.

With respect to the proposed legislation on the SEC and CFTC jurisdiction, I would appreciate your directing your testimony to a brief explanation of the legislation, the purpose of the legislation, and the reasons why it was decided to allocate jurisdiction in the manner proposed in the legislation.

In addition, as you may know, a number of concerns have been raised about the impact of the jurisdictional scheme upon the securities markets and investors. Specifically, concerns have been raised about problems that may result from the different regulatory treatment given by the SEC and CFTC over instruments which, in some cases, may be functionally equivalent. In addition, concerns have been raised that futures trading on securities-based products is expanding to a wider market of investors, but without the investor protections offered by the federal securities laws. It has also been suggested that intermarket manipulative schemes and trading abuses may be difficult to detect when the underlying securities are regulated by one agency and the derivative instruments are regulated by another. In addition, some have said that the proliferation of derivative instruments based upon "values" or "differences" will detract from the liquidity of the secondary market for securities and divert funds from the capital formation process itself. I would appreciate your directing your testimony to these and other concerns you believe should be considered by the Subcommittee.

Written statements will be included in the hearing record in full. We ask that you limit your oral presentation to ten minutes, highlighting your written submission, so that Subcommittee members will have sufficient time to engage you in a more detailed discussion

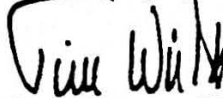
of your statement. Subcommittee rules require that you file 75 copies of your written testimony with the Subcommittee staff, Room B-331 Rayburn House Office Building, at least two days prior to the hearings.

If you have any questions concerning your participation in the hearing, please feel free to contact Marti Cochran at (202) 225-9304.

On behalf of the Subcommittee, I thank you for participating in these important hearings and look forward to your appearance.

With best wishes,

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Tim Wirth", written over a horizontal line.

Timothy E. Wirth
Chairman

TEW/mco