



SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

(202) 755-4846



FOR IMMEDIATE RELEASE: Friday, July 13

79-37

HEADS OF SRO's INVITED TO MEETING TO DISCUSS ENDING OPTIONS MORATORIUM

The heads of eight securities industry self-regulatory organizations have been invited to meet with Chairman Harold M. Williams next month to discuss plans for ending the industry's voluntary moratorium on expansion of options trading.

In a letter mailed on July 9, Chairman Williams asked the heads of the self-regulatory organizations which are participating in the moratorium to meet with him in Washington on August 8, "to discuss termination of the moratorium and a transition to fair and orderly expansion of the options markets thereafter."

Recipients of the invitation were as follows:

Mr. Edward F. Neild, III, Chairman
Chicago Board Options Exchange, Inc.

Mr. Richard B. Walbert, President
Midwest Stock Exchange, Inc.

Mr. Gordon S. Macklin, President
National Association of Securities Dealers, Inc.

Mr. Wayne P. Luthringshausen, Chairman and
President
Options Clearing Corporation

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Mr. Arthur Levitt, Jr., Chairman
American Stock Exchange, Inc.

Mr. William M. Batten, Chairman
New York Stock Exchange, Inc.

Mr. Elkins Wetherill, President
Philadelphia Stock Exchange, Inc.

Mr. Charles Henry, President
Pacific Stock Exchange, Inc.

Attached is a text of the letter.

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

July 9, 1979

Dear :

As you know, on February 22, 1979, the Commission issued a release setting forth its program for implementing certain of the recommendations made by the Special Study of the Options Markets (the "Options Study") and for ending the options moratorium. 1/ I believe that significant progress has been made in carrying out that program. While much work remains to be done, I believe we can now begin to plan for cessation of the options moratorium. Accordingly, I am inviting you and representatives of the other self-regulatory organizations ("SROs") participating in the moratorium 2/ to attend a meeting with me at 10:00 a.m. on Wednesday, August 8, 1979, in the Commission's offices in Washington, D.C. to discuss termination of the moratorium and a transition to fair and orderly expansion of the options markets thereafter.

I believe that the Commission's moratorium termination plan should take into account the relative competitive positions of the options marketplaces both prior to commencement of the moratorium and as those positions have been affected by the moratorium itself and by developments since the moratorium began. In particular, I believe the

1/ See Securities Exchange Act Release No. 15575 (February 22, 1979).

2/ The participating self-regulatory organizations are: the American Stock Exchange, Inc. ("Amex"); the Chicago Board Options Exchange, Incorporated ("CBOE"); the Midwest Stock Exchange, Incorporated ("MSE"); the National Association of Securities Dealers, Inc. ("NASD"); the New York Stock Exchange, Inc. ("NYSE"); the Options Clearing Corporation ("OCC"); the Pacific Stock Exchange Incorporated ("PSE"); and the Philadelphia Stock Exchange, Inc. ("Phlx").

following factors deserve special recognition in this context: (1) the number of options classes which the Commission had authorized for each exchange prior to the commencement of the moratorium; (2) the number of such authorized classes which each exchange was precluded from filling as a consequence of the moratorium; and (3) Commission approval of the CBOE's and the MSE's plan to combine their options programs. 3/ The manner in which and extent to which these factors should be reflected in the Commission's plan to end the moratorium would appear, at least in part, to depend on the kinds of controls or limits, if any, which ought to govern the rate and nature of expansion of options trading after the moratorium is ended.

Formulation of a plan to end the moratorium must include consideration of whether additional multiple trading of options classes should be permitted in the proximate future (and, if so, under what circumstances). While I do not believe that multiple trading should be the central issue discussed at the meeting, it should be explored. In this regard, the extent to which a ban on multiple trading would act as a competitive constraint, and any justification for such constraint, also should be explored. Additionally, consideration should be given at the meeting to the feasibility of communication and trading linkages among the options exchanges.

I recognize that a plan for ending the moratorium which might seem appropriate in an environment characterized by additional multiple trading opportunities could prove inappropriate if further multiple trading is precluded for

3/ Securities Exchange Act Release No. 15762 (April 24, 1979), 17 SEC Docket 356 (May 9, 1979). As the Commission noted in that release, "[i]n the event that the expansion of puts trading is limited to some extent upon the termination of the Options Moratorium, the addition of the former MSE put classes may be considered in connection with any limitation applicable to the CBOE." Id. at 361.

any extended period. Therefore, I would like you to be prepared to discuss termination of the moratorium assuming each of the following two hypotheses:

(1) expansion of multiple trading of put and call options classes would be permitted immediately without the implementation of one or more national market system-type communications and trading linkages among the options markets; or

(ii) expansion of multiple trading of put and call options classes would be prohibited until implementation of one or more national market system-type communications and trading linkages among the options markets.

In order to assist in the preparation for this meeting, I am requesting that all participating SRO's submit to the Division of Market Regulation, by July 27, 1979, a list of the issues which should be discussed. The Commission's Division of Market Regulation will contact your staff in the near future to make final arrangements for the meeting.

Sincerely,

Harold M. Williams
Chairman