

MEMO# 6101

August 10, 1994

LEVITT COMMENTS TO DINGELL ON GAO DERIVATIVES REPORT; MARKEY ON FUND USE OF DERIVATIVES

August 10, 1994 TO: BOARD OF GOVERNORS NO. 74-94 FEDERAL LEGISLATION COMMITTEE
NO. 19-94 FEDERAL LEGISLATION MEMBERS NO. 16-94 RE: LEVITT COMMENTS TO DINGELL
ON GAO DERIVATIVES REPORT; MARKEY ON FUND USE OF DERIVATIVES

SEC Chairman Arthur Levitt has responded to House Energy and Commerce Committee Chairman John Dingell's request for his views on the GAO's May 1994 report on derivatives, entitled "Financial Derivatives: Actions Needed to Protect the Financial System." Chairman Levitt continues to support the Commission's earlier position that derivatives legislation is not presently necessary. Chairman Dingell, in releasing the SEC letter, stated: "I am encouraged by the action taken to date and planned by our financial regulators to address the significant issues raised by financial derivatives. The Working Group is continuing to review the adequacy of the financial regulators' existing authority. While it did not identify a need for legislation at this time, it is an issue we will address in the future if necessary." This would seem to indicate that derivatives legislation will not pass the Congress this year. Issues raised by derivative use will continue to be reviewed by The Working Group, a formally organized group made up of financial regulators. As reported earlier, the Commission is preparing its response to the June 15th request by Congressmen Markey and Fields for a survey of derivative use by mutual funds. (See Institute memo to Board of Governors No. 51-94, SEC Rules Committee No. 65-94 dated June 16, 1994.) Copies of the Levitt response and the Dingell press release are attached. If you have any questions on these matters, please contact the Legislative Affairs Department at (202) 326-5890. -2- This memo can be found on FUNDS, the Institute's Fund User Network and Delivery System, under "Legislative Affairs; Washington Update." Julie Domenick Senior Vice President Legislative Affairs Attachments