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STOCK EXCHANGE PRACTICES

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MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

RECOMMENDING

ENACTMENT OF LEGISLATION PROVIDING FOR THE REGULATION  
BY THE FEDERAL GOVERNMENT OF THE OPERATIONS OF EX-  
CHANGES DEALING IN SECURITIES AND COMMODITIES FOR  
THE PROTECTION OF INVESTORS

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FEBRUARY 6 (calendar day, FEBRUARY 9), 1934.—Read; referred to the Com-  
mittee on Banking and Currency and ordered to be printed

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*To the Congress:*

In my message to you last March proposing legislation for Federal supervision of national traffic in investment securities I said, "This is but one step in our broad purpose of protecting investors and depositors. It should be followed by legislation relating to the better supervision of the purchase and sale of all property dealt with on exchanges."

This Congress has performed a useful service in regulating the investment business on the part of financial houses and in protecting the investing public in its acquisition of securities.

There remains the fact, however, that outside the field of legitimate investment, naked speculation has been made far too alluring and far too easy for those who could and for those who could not afford to gamble.

Such speculation has run the scale from the individual who has risked his pay envelop or his meager savings on a margin transaction involving stocks with whose true value he was wholly unfamiliar, to the pool of individuals or corporations with large resources, often not their own, which sought by manipulation to raise or depress market quotations far out of line with reason, all of this resulting in loss to the average investor, who is of necessity personally uninformed.

The exchanges in many parts of the country which deal in securities and commodities conduct, of course, a national business because their

customers live in every part of the country. The managers of these exchanges have, it is true, often taken steps to correct certain obvious abuses. We must be certain that abuses are eliminated and to this end a broad policy of national regulation is required.

It is my belief that exchanges for dealing in securities and commodities are necessary and of definite value to our commercial and agricultural life. Nevertheless, it should be our national policy to restrict, as far as possible, the use of these exchanges for purely speculative operations.

I therefore recommend to the Congress the enactment of legislation providing for the regulation by the Federal Government of the operations of exchanges dealing in securities and commodities for the protection of investors, for the safeguarding of values, and so far as it may be possible, for the elimination of unnecessary, unwise, and destructive speculation.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *February 9, 1934.*

