

NEW YORK STOCK EXCHANGE

ELEVEN WALL STREET

34

RICHARD WHITNEY  
PRESIDENT

The Willard Hotel,  
Washington, D. C.,

April 12, 1934.

Hon. Franklin D. Roosevelt,  
The White House,  
Washington, D. C.

My dear Mr. President:

I trust you will afford me an opportunity of presenting to you the views of the New York Stock Exchange and the other principal exchanges in the country in regard to the legislation looking toward the regulation of stock exchanges now pending before Congress. As you undoubtedly know, I endeavored to see you before you left on your vacation but found it was impossible on account of the pressure under which you were working.

I make this request because I am sincerely disturbed as to what may happen if unsound legislation is enacted. The original Fletcher-Rayburn bill contained so many drastic and unworkable features that even its proponents realized that substantial amendments were necessary to cure its manifest errors. A modified measure was introduced by Chairman Rayburn on March 22, 1934. This so-called Rayburn bill retained, however, many of the dangerous and deflationary features of the original bill and I am confident that its enactment would be a disaster. While the Committees of

Congress which are now considering the Rayburn bill have endeavored to inform themselves of the practical consequences of its passage, the subject is so technical and the time at the disposal of the members of the Committees is perhaps so limited that they must, of necessity, rely upon the persons who drafted the bill. While it has frequently been said that these persons have consulted experts in regard to the operation of our security markets, I think it is worthy of note that the persons who should be most expert in such matters, to-wit, the officers and employees of the exchanges, have not been consulted. This is probably the reason why so many completely unworkable provisions were included in the Fletcher-Rayburn bill and have been retained in the modified bill.

In spite of statements to the contrary, it is the earnest desire not only of the New York Stock Exchange but of all of the principal stock exchanges of the country that a sound regulatory statute should be adopted. When I first appeared in opposition to the Fletcher-Rayburn bill I made a definite proposal looking toward the effective regulation of the use of credit for unwise speculation and of manipulative and unfair practices on stock exchanges. On March 27, 1934, at the request of the Senate Committee, I presented specific amendments to the Rayburn bill which were designed to eliminate its dangerous and deflationary features without destroying its effectiveness. These proposed amendments were authorized and approved by the representatives of no less than twenty-five

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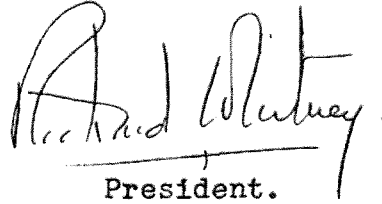
of the principal stock exchanges of the country. Last week counsel for the Boston Stock Exchange submitted to the members of the House Committee on Interstate and Foreign Commerce a draft of a regulatory bill which had been prepared by him in consultation with the representatives of the same twenty-five stock exchanges. This bill gives the Federal Reserve Board power to control margins to prevent excessive speculation and proposes the establishment of a Federal Stock Exchange Commission with unlimited power to require stock exchanges to adopt such rules or regulations as may be necessary to furnish adequate information to investors and to prevent unfair practices. It further makes certain manipulative transactions federal crimes punishable by heavy fines and imprisonment. The submission of this bill is proof positive that the stock exchanges of the country are not opposed to effective legislation. They are, however, united in opposing the Rayburn bill because they know that the immediate and necessary effect of its enactment will be a renewed deflation of security prices and a dislocation of business which will unquestionably interfere with your program for recovery.

I sincerely trust that you will accord me an interview so that I can explain to you fully and frankly the dangers which are inherent in the adoption of a rigid and inflexible regulatory statute like the one now under

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consideration. I trust you will believe me when I say that in making this request I am actuated solely by a desire to see sound legislation enacted and I earnestly hope you will arrange to see me.

Faithfully yours,

  
Richard Whitney.

President.

RW:W