

March 7, 1935

My dear Senator Fletcher:

On February 13 you wrote me concerning a complaint made by a correspondent of yours in respect to activity in the stocks of National Department Stores and McCrory Stores.

On February 20 I wrote you that I would cause a special check to be made of transactions in those securities during the period referred to.

Such examination has been completed and in the opinion of our staff nothing has occurred which can be construed as a violation of either the Securities Act of 1933 or the Securities and Exchange Act of 1934.

It was found, for instance, that in the period of January 14 to February 18, 29,000 shares of National Department Stores stock were traded in. No less than 159 individual customers of various brokerage houses participated in that volume of trading in lots of 100 shares or more.

Of this total one customer (a corporation) accounted for 16,200 shares. The President of this corporation, which is engaged in an allied business (the cloak and suit industry) is also a director of National Department Stores. This account, however, appears on only one side of the market having been a continual seller of stock that they had been carrying for some time. The account did not buying.

In the case of McCrory Stores 163 customers accounted for trading in 35,000 shares. Here there was nothing at all that looked like concentrated buying or selling.

In view of the improbability of any collusive action between so many widely separated customers buying and selling stocks at different levels and on different days and in view of the fact that wherever sizable transactions took place, they were confined to one side of the market, we feel that there has been nothing more transpire in these stocks to date than speculative buying and selling reflecting favorable developments in the retail store business throughout the country, and that there is nothing which suggests a violation of either Act.

I should like to add that it is the policy of our staff that once a market situation has been investigated, even though no violation has been discovered, to continue observation of transactions in the securities involved with a view to future action. This will be done in the cases of National Department Stores and McCrory Stores.

The compilations of transactions supporting the above conclusions are on file with the Securities and Exchange Commission. Of course, these are available to you personally at your pleasure. Meanwhile, if you care to have some one from your office pursue the matter for you, you will find that Mr. Fayne of my office will be glad to go over the matter in detail at any time.

Yours sincerely,

Joseph P. Kennedy
Chairman

Honorable Duncan U. Fletcher
United States Senate
Washington, D. C.

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