

April 1, 1935.

George K. Weeks, Esq.,  
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Fifty-two Wall Street,  
New York, New York.

Dear Mr. Weeks:

I acknowledge with thanks your letter of March 20, 1935, in which you suggest that the Commission present to Congress at its present session recommendations for amendments to the Securities Exchange Act of 1934 in several respects.

For some time past the Commission has devoted considerable attention to the problems presented by the over-the-counter markets. Suggestions for the regulation of the over-the-counter markets were sent out recently to interested persons for their reactions. In the event that these suggestions have not been brought to your attention, a copy is enclosed herewith.

It is expected that the program set forth in these suggestions, if adopted, will serve in some degree to level out the inequalities which you describe as existing between unregistered and registered securities. Further steps toward that objective are in contemplation. We are fully cognizant of the necessity for placing the over-the-counter markets under such control as will insure to investors protection comparable to that provided by the Act in the case of national securities exchanges.

While I agree that steps are necessary to arrest the flight of corporations from the registered exchanges to the over-the-counter markets, I cannot concur in your statement that the leading bank stocks have withdrawn their securities from the exchanges because of the Act. Upon examination you will find that, with few exceptions, the leading bank stocks were withdrawn from the exchanges long prior to the effective date of the Securities Exchange Act.

With respect to your suggestion that the requirements

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for the furnishing of information by corporations with listed securities be relaxed unless similar requirements can be made applicable to corporations whose securities are traded in over-the-counter, it seems to me that the more desirable approach to the problem lies in the direction of bringing the latter type of corporation up to the level of the former so far as corporate reporting is concerned.

Similarly, I cannot agree that most of the provisions of Section 16 have proven impractical and ineffective and should be relaxed. Although reports have been required under the Section for only a brief period, many of the anticipated benefits have begun to materialize. In course of time these reports should be of increasing value and the effect of their publication should be altogether wholesome.

Thus far, the Commission has felt that its powers are adequate to cope with the various problems which you present. If it should be demonstrated that amendments to the Act are necessary to increase these powers, I have no doubt that an appeal to Congress would be promptly made.

Permit me to thank you for your evident interest in the work of the Commission.

Very truly yours,

Joseph P. Kennedy,  
Chairman.

Enclosure.  
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