

T O S C

July 2, 1935

My dear Sir:

I am enclosing for your attention an article which appeared in the Chicago Herald and Examiner for Wednesday, June 26, 1935. This article was occasioned directly by your statement to the Press of June 25th, concerning which I have already talked with you.

The enclosed indicates clearly the unfortunate consequences attendant upon your public discussion of "bucket shops". The reading of this article without any comment on my part is sufficient to indicate the basis of the feeling of the Commissioners that by this unfortunate exaggeration a serious injustice has been done to them, to the Act, and to the whole policy of the protection of investors.

For your information, let me state that Mr. Hammond of our legal staff conferred with Mr. Barlow, Special Assistant to The Attorney General, to whom we were directed by your office as the one most familiar with security fraud matters. Mr. Barlow was able to give us the names of but eleven firms that could be brought within the terms of your public statement, none of which was known to be operating at that time. Mr. Barlow had no available information as to houses operating in New York, although he did state that Postal Inspector Taylor had the names of some of these fraudulent firms. One of the names mentioned, Maryland Bond and Service Corporation, was investigated by the Commission in November of last year. The office was deserted when we arrived and what evidence we had was submitted to your Department

some weeks ago. An injunction has been secured against Harrison Knight and Company, of Baltimore, Md., mentioned by Mr. Barlow, and state officials have indicted the officers only yesterday.

I have intentionally refrained from making comment publicly on your remarks because of my feeling that the administration is harmed by any publicity given to departmental disputes.

Your exaggerated estimate so naturally interpreted as a reflection on the Commission has been a serious blow to the Commission's prestige which is so essential to the attainment of the statutory objectives. In the light of this, may I suggest that some appropriate publicity be given by you to correct the erroneous impression which, I am sure, you did not intend to convey.

Respectfully,

Joseph P. Kennedy,
Chairman.

The Honorable Homer S. Cummings,
Attorney General,
Washington, D. C.

J. P. Kennedy