

September 6, 1939

The Honorable
The Secretary of State
Washington, D.C.

Sir:

As you have already been advised, this Commission has instituted proceedings under Section 8(d) of the Securities Act of 1933, as amended, to suspend the effectiveness of registration statements filed under this Act by the Konversionskasse Fur Deutsche Auslandsschulden to cover certain 50-year 3% Funding Bonds guaranteed by the German Government. The hearing in this proceeding has been set for September 18, 1939. In connection with this proceeding it is the Commission's intention to produce evidence indicating that certain information required by the Securities Act has been omitted from the registration statements filed by the Konversionskasse Fur Deutsche Auslandsschulden and the German Government and in addition that certain of the information furnished, particularly respecting the short-term indebtedness of the German Government and its gold and foreign exchange position is so incomplete as to render the information presented in the registration statements materially misleading. In this regard, representatives of this Commission have conferred with Dr. Herbert Feis, Adviser on International Economic Affairs, and Mr. Frederick Livesey, Assistant Advisor, who have been of considerable assistance in obtaining documentary evidence necessary to the proof of the Commission's case.

The presentation of the evidence in this case will, however, require not only the production of relevant documents but also certain oral testimony by persons who can be qualified to discuss the trends of the German economy preceding the present crisis. In this regard, it is the desire of counsel for the Commission to call as an expert witness Mr. Robert M. Stephenson, Assistant Commercial Attache in Berlin for the last four years. Although Mr. Stephenson's testimony would relate to information obtained during his service with the United States Bureau of Foreign and Domestic Commerce, it is our understanding that pursuant to the President's recent executive order he is now an officer of your Department.

This Commission would greatly appreciate your consenting to the loan of Mr. Stephenson's services to this Commission from September 11, 1939, until the conclusion of the scheduled hearing. It is anticipated that the hearings will be concluded prior to October 1, 1939. We should also appreciate your consenting to our use of Mr. Stephenson as a witness in the proceeding.

We understand that Mr. Stephenson is now on annual leave. In the event that your Department considers it appropriate, we should be glad to arrange for budgetary reimbursement if he desires to return to active duty for the period involved.

May I respectfully request that consideration of this letter be expedited in view of the short period of time remaining before the commencement of the hearing.

Sincerely,

Jerome N. Frank
Chairman

MCShaughnessy:CMK