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SECURITIES AND EXCHANGE COMMISSION  
Washington

I had hoped that it would not be necessary for me to talk publicly again about reorganization of the New York Stock Exchange. We at the Securities and Exchange Commission have felt that within the exchange itself there was sufficient insistence upon thoroughgoing reform. We have felt that the Exchange, if allowed to undertake its own program of reconstruction, could do an effective job. Last November I outlined some of the problems which the Exchange had to face and I indicated the measures which I thought were necessary. The response of the Exchange was immediate. Within a short time a committee was appointed under the direction of Mr. Carle Conway to study the reorganization problem and to make whatever proposals and recommendations were considered desirable. With admirable dispatch that committee gave the Exchange an outstanding report. The reception accorded the Committee's recommendations left little doubt in our minds that the principles enunciated in the report represented the views of the great majority of the financial community and of the investing public. That they also represent the views of the great majority of the members of the New York Stock Exchange is clearly indicated by the overwhelming vote cast in favor the proposed new constitution of the Exchange.

The future of the cooperative effort in exchange government has never seemed brighter. Yet, there has been brought to our attention a set of circumstances which, we are told, may seriously endanger the plans of the forward-looking majority of the Exchange membership to extricate the Exchange from the difficulties from which it is striving to emerge. Incredible as they may seem in light of the recent vote, reliable reports have reached us that the minority

which had heretofore been in control of the Exchange has resorted to the expedient of circulating assurances to the effect that this Commission favors the retention of representatives of this group in the governing bodies of the Exchange on the ground that their presence is necessary and desirable to the efficient management of the Exchange. On behalf of the Commission I want categorically to deny such rumors or reports.

There is added reason for denying these rumors and reports because of the circumstances surrounding the selection of the present Nominating Committee of the Exchange. This Nominating Committee will name the candidates for the initial Board of Governors under the new constitution of the Exchange. The Conway Report had recommended a nominating committee which would be representative of the public interest as well as of the various interests of the Exchange. The new constitution of the Exchange, however, contained a special amendment which preserved for the 1938 nominations a Nominating Committee elected under the old system. The existing committee was thus not chosen in conformity to the Conway Committee's recommendation. This is of especial significance because upon the character of the 1938 nominations rests the character of the new Board of Governors, of the new paid president, and thus of the whole effort at reconstruction of the Exchange.

It is neither our purpose nor our desire to attempt to dictate to the Exchange the personnel of its new government. Our sole interest in stock exchange reorganization is to foster on the country's exchanges a type of management which will so effectively conduct exchange affairs as to render detailed Federal policing unnecessary. But such objectives cannot be attained by the Exchange and the Commission, working in harmony and cooperation if the activities of such a minority bent on perpetuating its own control are successful. As I have previously indicated, and as I know the majority of the Exchange desires, the reorganization of the Exchange should not be

a mere sham but thoroughgoing and complete in actual fact. The former philosophy of Exchange government should be abandoned, not merely on paper but in practice. Hence, we take this occasion to deny the false rumors that we have in any way favored the retention in the government of the Exchange of representatives of the group which formerly was in control.