

(SAN FRANCISCO STOCK EXCHANGE)

155 SANSOME STREET

SAN FRANCISCO

March 2, 1943.

Mr. Ganson Purcell, Chairman,
Securities and Exchange Commission,
Philadelphia, Pennsylvania.

Dear Mr. Purcell:

On September 2, 1942 we directed to your office, comments of Exchange Counsel on the proposed draft of amendments to the Commission's proxy rule under Section 14 of the Securities Exchange Act of 1934.

In our letter of transmittal of Counsel's comments and suggestions we advised that this Exchange had not given proxy rules more than cursory examination because these particular rules related to securities registered on the Exchange rather than to matters dealing directly with Exchange regulation. For this reason the attitude of the Exchange on these matters has been more or less indifferent, assuming that the registrant and its counsel were in a better position to present their objections to regulations which directly affected them. In this attitude, in the light of current developments, it now is evident, we were quite shortsighted.

We now find that while the type of regulation imposed upon the registrant does not affect the Exchange directly, the indirect result of the proxy regulation may be the very thing that leads to our ultimate destruction. The repercussions to the regulation are indicating themselves throughout the entire country, as well as on this Exchange. We are reliably informed that certain corporations whose securities are listed on the San Francisco Stock Exchange are, for various reasons connected with the new proxy rules, seriously considering applications for delisting.

Certainly it was not the intention of Congress in enacting the Securities Exchange Act of 1934, nor is it the desire of the Commission, to drive securities off the regulated Stock Exchange markets of the country to the comparatively unregulated over-the-counter market. It is a fact however, that the additional burdens being placed upon registered corporations are becoming so onerous, that the trend to delist can only become accelerated and the over-the-counter markets expanded, because there is no similar regulation.

Formerly the curb markets were a proving ground, leading to ultimate listing on other stock exchanges, - but no such trend is in evidence as to over-the-counter markets. It is our experience that

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requirements imposed upon listed companies by the Securities and Exchange Commission are a definite deterrent to listing of those securities enjoying the privilege of unregulated over-the-counter markets. During the past two years this Exchange only had one new stock issue and three bond issues added to the List and all of the issuers were under regulation because of other issues which were registered.

In soliciting new listings we are invariably confronted by the management with the statement that rules and regulations of the Securities and Exchange Commission are too technical and burdensome to the management with no tangible advantage to the stockholder.

This letter is directed to you with the hope that immediate action may be taken before it is too late. We have had applications to delist securities before but never was the trend so definite as it is at present, and when once this trend is firmly established there is nothing that will stop it. The classical arguments in favor of listing, will not of themselves, be sufficiently persuasive to arrest the delisting movement which I can visualize and which, once started, will be violently destructive.

A copy of this communication is being sent to Congressman Clarence Lea, Chairman of the House Committee on Foreign and Interstate Commerce for the use of that Committee in their consideration of amendments to the Securities and Exchange Act of 1934 which have been under discussion since the hearings in January, 1942 and in which we participated.

Your prompt and earnest consideration of this problem is requested in order that those of us who have tried to cooperate with the spirit and provisions of the Securities and Exchange Act of 1934, may not find ourselves the victims of over zealous regulation on the one hand and no regulation on the other.

Very truly yours,



Sidney L. Schwartz,
President.