

February 4, 1938.

The Honorable
Francis T. Maloney,
United States Senate.

Re: The Maloney Bill (S. 3255)

My dear Senator Maloney:

I submitted the Maloney Bill to the President with an explanatory memorandum. I indicated among other things that there are two alternative methods for the establishment of a suitable mechanism of regulation in the over-the-counter field. The first would be one of the direct regulation by the Commission over the individual brokers and dealers. The second would consist in extending to the over-the-counter markets the technique used in the regulation of exchanges under the Securities Exchange Act of 1934. I also indicated that it was our judgment that the second alternative was the preferable one and that the Maloney Bill would satisfactorily accomplish the result.

The memorandum dated February 1, 1938 from the President stated:
"I wholly agree with you that we must have some regulation of over-the-counter brokers and dealers. It is a corollary of what we have already accomplished. I agree with you that the second course you suggest is preferable. You can so indicate to the Committee."

Accordingly I pass this information on to you.

Yours faithfully,

William O. Douglas,
Chairman.