

November 1, 1938

Mr. William McC. Martin,  
President, New York Stock Exchange,  
11 Wall Street,  
New York City, New York.

Dear Mr. Martin:

On behalf of the Commission, I transmit herewith copies of the complete transcript of the evidence taken by this Commission at the hearings in the matter of Richard Whitney, et al, together with copies of Part I of Volume I of the Commission's report in this matter.

It is not the province of this Commission to determine whether or not any given set of facts constitutes violation of rules of the New York Stock Exchange. Such determination lies, of course, with the appropriate officials of the Exchange. The Commission feels, however, that the facts disclosed by the evidence adduced in its investigation into the conduct of Richard Whitney and others should be brought to the attention of the officials of your Exchange in order that they may determine whether there were violations of its rules and whether any action may seem necessary or proper.

The Commission, as you know, has in the past, in referring to the Exchange matters of this character as a result of its investigations, in many cases suggested specific rules of the Exchange the provisions of which may have been violated. In all such cases, however, we have not attempted in any way to limit the scope of the Exchange's investigation to matters pertaining to conduct violative of such rules, nor have we endeavored to indicate the nature or extent of penalties which might be imposed.

In this instance we make no change in our customary procedure. The Commission wishes to direct your attention specifically to the possibility of violation by persons who appeared and testified in the proceedings of Section 8 of Article XVII of the Constitution of the New York Stock Exchange prior to its amendment on May 16, 1938, which now appears as Section 10 of Article XVI of the Amended Constitution, giving authority to the Governing Committee (now the Board of Governors) to suspend from the Exchange any member adjudged guilty of any act determined by the Committee (Board) to be "detrimental to the interest or welfare of the Exchange". Consideration should also be given to Article XVII, Section 7 of the old Constitution (Article XVI, Section 6, of the Amended Constitution).

Without attempting to limit your examination of the testimony or the scope of any additional investigation which you may make, but primarily for the purpose of facilitating your

consideration of this voluminous record, we would direct your attention to the testimony and comments contained on the following pages of Part I of Volume I of the report enclosed, together with the citations to the transcript of hearings therein contained: Pages 23, 24, 85 – 98, inclusive, 109 – 123, inclusive, and 142 – 161 inclusive.

The Commission would appreciate learning the results of the Exchange's consideration of this matter.

Yours faithfully,

William O. Douglas,  
Chairman

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