

Jan 29, 1938

My dear Congressman Englebright:

This is a reply to your letter of January 23, 1938, with reference to the enclosed communications to you under date of January 17, 1938, from Mr. G.J. Rector, Nevada City, California, relating to the salaries and bonuses proposed to be paid to certain executives and others of Loew's Incorporated. I have noted your suggestions that an investigation should be made of this matter.

As you know, the Commission is engaged in the administration of certain laws including those which are designed, in general, to effect the following objectives: the full disclosure of material facts relating to certain securities publicly offered for sale through the mails or by any means or instruments of transportation or communication in interstate commerce; the prevention of fraud in certain transactions involving the sale of securities; and the regulation of national securities exchanges and over-the-counter markets. The powers of the Commission, including its investigatory powers, are limited by the provisions of these laws.

This company has filed with the Commission certain registration statements under the Securities Act of 1933 and the Securities Exchange Act of 1934. It would seem that authority, if any, to conduct the investigation you suggest must be found in one of these Acts. However, neither of these Acts contains any specific provision authorizing the Commission to regulate the payment by a corporation of salaries and bonuses to executives and others. This aspect of corporate activity, as you likewise know, is ordinarily governed by State laws which generally vest management in the Board of Directors selected by stockholders of a corporation in accordance with the provisions of applicable law. I have considered your suggestion, and it does not appear that Mr. Rector's letter presents a matter within the jurisdiction of this Commission.

I have taken the liberty of having the enclosed letter copied for our files, and I return the original herewith, together with a copy of this letter that you may transmit to Mr. Rector if you desire.

I wish to thank you for your letter, and to say that we await any further opportunity to be of service to you.

Yours faithfully,

William O. Douglas,
Chairman.

Enclosure:

Letter of January 17, 1938, from Mr. Rector.

The Honorable Harry L. Englebright,
House of Representatives,
Washington, D.C.