

February 24, 1938.

Honorable Gerald J. Boileau  
House Office Building  
Washington, D.C.

My dear Congressman Boileau:

I beg to acknowledge receipt of your letter of February 17, inquiring concerning any discrepancies which may have come to the Commission's attention between financial statements filed by corporations in connection with the registration of securities and those contained in income tax returns filed with the Bureau of Internal Revenue.

Due primarily to necessary personnel limitations it has been impossible for us to make a comparison of these data in the case of each of the approximately twelve thousand registration statements, applications for registration, and annual reports which have been filed with the Commission to date. You will also appreciate that such a comparison may in general prove somewhat unsatisfactory, since the regulations governing the preparation of corporate tax returns were, of course, adopted by the Bureau of Internal Revenue with a view to the most effective administration of the revenue statutes and, therefore, accounting methods and procedures deemed appropriate for that particular purpose are followed. However, we have examined various income tax returns in the course of our investigation of individual cases and in a number of instances have secured information which was of great assistance in preventing the use of inaccurate or misleading statements in connection with proposed offerings of securities. While these examinations have in some cases revealed discrepancies between certain of the information contained in the income tax returns and that filed with the Commission, in view of the difference in the requirements which I have previously mentioned it is difficult for us to say definitely the extent to which they may constitute actual discrepancies such as apparently you have in mind. I might suggest that the Bureau of Internal Revenue, which I understand has more or less regularly availed itself of the information contained in our files, may be able to advise you more definitely in that respect.

If I can be of further assistance in the matter please call upon me at any time.

Yours faithfully,

William O. Douglas  
Chairman.