

Congress of the United States
House of Representatives
Committee on Interstate and Foreign Commerce
Room 1334, Longworth House Office Building
Washington, D.C.

July 26, 1963

Honorable William L. Cary
Chairman
Securities and Exchange Commission
Washington 25, D. C.

Dear Mr. Chairman:

I desire to acknowledge your letter of July 23, 1963, although you will appreciate that owing to the demands of our legislative schedule this week I have not been able to give the letter and its contents the attention which I am certain they merit.

Naturally, we are pleased to have the second installment of the Commission's recommendations including recommendations for legislation to add to those of your letter of April 19. I am sure that you appreciate that we have been somewhat disturbed, as I know you have been, over the delay in receiving the results of the Commission's study and of its recommendations although I well can understand that there may be problems of staff and time which have deterred you from meeting the original schedule. I feel that I must express my continuing concern over the fact that even this second part does not contain the results of the Commission's study nor the Commission's recommendations on the highly important subject of the operation of the principle of self-regulation in the securities markets, and I trust that as you have indicated, this further installment will be available in the near future.

The Securities Act of 1934, of course, is premised to a large degree upon the policy that both the exchange and over-the-counter rules should be substantially self-governed by certain rules for the protection of the public in the conduct of its operations. The reexamination of this policy with all of its ramifications was a primary objective of the Committee and the Congress two years ago in adding section 19(d) to the Act. This Section directs the Commission to make a study of the adequacy, for the protection of investors, of the rules of the national securities exchanges and national securities association, including rules for the expulsion, suspension, or disciplining of a member for conduct inconsistent with just and equitable principles of trade.

It is my hope that when we see the whole study on the rules of both the exchanges and the national securities association, and see what the Commission proposes to do about the rules governing the exchanges and the national securities association either by legislation, by Commission rule, or by both, we shall be enabled promptly to discharge our own legislative responsibilities in the field.

This Committee has ever been mindful of its duties to the public in seeing to it that the public has the protection which it has every right to believe the statutes provide. It was for this reason that we initiated the study and for this reason we shall give the study results and Commission recommendations full consideration. I know that you share with us this same desire to assure adequacy of protection for the investors, and, accordingly, we shall look forward to your completion of the assignment entrusted to you at as early a date as possible.

Sincerely yours,

OREN HARRIS, M.C.
CHAIRMAN

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copies to Commission
Milt Cohen
Phil Loomis