United States Senate
COMMITTEE ON BANKING AND CURRENCY

October 22, 1953

Hon. J. Allen Frear, Jr.
United States Senate
Washington 25, D. C.

Dear Allen:

As you are aware, there has been general agreement among all who are familiar with the operation and administration of the Securities and Exchange Commission that many of its policies and procedures should be revised in the light of experience under the Act. In 1941 much progress was made toward reaching agreement between the SEC, the House Interstate Commerce Committee and industry on what changes should be made in SEC policies and procedures, but World War II, the postwar and Korean War legislative pressures resulted in no action being taken.

Instead of the establishment of an Advisory Committee to study the operation and administration of the SEC and the possible changes deemed advisable, the SEC itself has asked industry to submit its proposals for changes in policy, procedure and suggested legislation for it to evaluate and to take into consideration in the revision of its rules and regulations and to advise the responsible Committees of Congress, to the extent requested to do so, on such recommendations as the President may submit to the Congress.

The Commission desired close liaison with the Congress and accordingly asked the cooperation of the Chairman of our Committee, Senator Capehart. The Chairman requested me as Chairman of the Subcommittee having jurisdiction over the SEC to cooperate with that Commission, which I am doing with the help of the staff of the Banking and Currency Committee.

Thusfar I have received all the proposals submitted by the New York Stock Exchange, the American Stock Exchange and the National Association of Security Dealers to the SEC. Summaries of the proposals and all the materials are available if you desire to study them.

On Monday, October 19, I wish staff members Donaldson and McMurray held an informal conference with the SEC Commissioners and four SEC staff employees on those proposals of industry which either would or might require legislative action. The purpose was largely educational on our side and exploratory on the part of the Commission.
I indicated to the Commission that in view of the heavy legislative calendar next session it was my best judgment that any amendments to the SEC Acts should be limited to non-controversial and technical amendments if favorable congressional action were to be achieved. The five Commissioners apparently were in full agreement with this approach. In any event it seemed to me that regardless of what my own personal views may be as to what I may regard as necessary amendments and improvements in the administration of the SEC, that as a representative of the Banking and Currency Committee, I should refrain from encouraging the recommendation to the Congress of what might be a controversial amendment or to recommend any changes in the administration of the Act, which might be contrary to desire of the members of this committee. This approach will in no way prejudice the right of any member of the committee to offer any amendments to the various Acts the SEC administers if they so desire.

I am attaching a memorandum from Joe McMurray, which very briefly outlines our full day's discussion of the twelve proposals with the SEC. We will be happy to fill you in with whatever further information you or your staff desires.

On November 4 we are holding another informal conference with the SEC and the representatives of the New York Stock Exchange, American Stock Exchange, the National Association of Security Dealers, Investment Bankers Association, and possibly other industry groups to discuss these various proposals. I should like very much to have you with us, if at all possible. The conference will be held in the Senate Banking and Currency Committee room, starting at 10:00 a.m.

Incidentally, I invited Congressman Wolverton, Chairman of the House Interstate and Foreign Commerce Committee, to our conference on October 19 and again for the November 4 meeting.

Since the October 19 conference was strictly informal, and since all the attitudes expressed are purely tentative until we have more time to study and listen, I would greatly appreciate it if you would keep the attached memorandum strictly confidential.

It would be very helpful to me if I can have the benefit of any reactions you may have.

With all good wishes, I am

Cordially,

Prescott Bush

Enclosure