

NEW YORK STOCK EXCHANGE  
Department of Stock List  
11 Wall Street

September 17, 1942.

Mr. Milton V. Freeman  
Assistant to the General Counsel  
Securities and Exchange Commission  
18th and Locust Streets  
Philadelphia, Pennsylvania.

Dear Mr. Freeman:

We appreciate the opportunity you have afforded us to comment upon the proposed revisions of the proxy rules enclosed with your letter of August 19, 1942.

It seems to us apparent that any device for corporate regulation as distinguished from market regulation which rests upon the listing or non-listing of a security rests upon a very narrow and insecure foundation. Anything which tends to drive securities away from the regulated exchange markets must necessarily further narrow the field in which effective market regulation can operate. Where government finds a particular corporate regulation necessary, it does not seem to us appropriate that the application of such regulation should depend upon the listing of a security. We invite your attention to the fact that the proposed new proxy rules depart still further from market regulation and admittedly enter the field of corporate regulation. The evils which the Commission believes exist are certainly not peculiar to companies whose securities are listed on a national securities exchange and we do not believe that it is appropriate to use machinery established for market regulation to attempt to correct evils which are unrelated to the markets. If there are widespread evils which need correction, we believe that the government should adopt a direct approach which will apply wherever that evil may exist.

There are other factors which would seem to make the proposed changes in the proxy rules particularly inopportune at this time. The armed forces have already taken many office employees. Trained office personnel cannot be replaced. The increase in business activity has added a considerable burden to the presently undermanned office staffs and in addition the agencies of the Federal government which are concerned with the war effort require many detailed applications and reports in connection with priorities, allocations, foreign fund control, production control, price control, etc. It would seem that time and effort essential to the war effort should not be diverted to the preparation and clearance of complicated proxy statements.

We have no way of knowing the number of long-distance telephone calls or trips to Philadelphia which are necessary in clearing proxy statements under the present rules. Under the

Mr. Milton V. Freeman-2

proposed rules not only is the proxy statement itself greatly expanded both as to scope and detail but in addition the annual reports to stockholders may have to be cleared with the Commission. The new rules undoubtedly will add greatly to the load carried by the already over-taxed telephone and transportation facilities. The increased drain on manpower raises the question of whether it will be physically possible for the Commission's staff to handle the increased burden of proxy examination and war censorship. Under Rule X-6 it is necessary for the Commission to authorize or direct the filing under separate confidential cover of information which would contravene the Code of Wartime Practices or regulations of war agencies. The censoring of the Form 10-K reports has taken several months. This process as applied to a proxy statement will have to be completed in less than ten days.

The comments of the Department of Stock List on the proposed revisions of the proxy rules are contained in the annexed memorandum.

The New York Stock Exchange respectfully requests the opportunity of appearing before the Securities and Exchange Commission to present its objections to the proposed rules.

Yours very truly,

P. L. West,  
Acting Director.

Enc.  
PLW:hm