

United States Senate

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
WASHINGTON, D.C. 20510

May 22, 1975

The Honorable Ray Garrett, Jr.
Securities Exchange Commission
500 North Capitol Street
Washington, D.C. 20549

Dear Chairman Garrett:

From your letter of May 20, 1975, I can see that you and I do not agree on what is meant by "a fresh un-biased Commission review of Rule 394". I would therefore, like to take this opportunity to review with you the Congressional mandate which, in my opinion, was given to the Commission in S. 249.

The original Senate Bill S. 249 contained no specific reference to Rule 394. On the other hand, H.R. 4111 did contain specific proposals pertaining to the abrogation of that Rule. The Conference Committee in reaching its compromise decision on this subject matter clearly decided to direct the Commission to review Rule 394 "de novo" in light of the new standards contained in the final legislation.

In my opinion, it would, therefore, be incorrect for you or any other member of the Commission to cite prior Senate or House hearings or reports on Rule 394 in interpreting Congressional intent. Any attempt to do so would evidence a clear lack of understanding of the legislative process. Where a legislative provision such as the one on Rule 394 is not in either original bill, Congressional intent with regard to the provision can only be interpreted by a reading of the final Act along with the House-Senate managers report. In this instance, the report is unambiguous and directly contrary to Commissioner Evans's remarks.

The Honorable Ray Garrett, Jr.

May 22, 1975

No matter what I or any other individual has said in the past, the Act and the Conference Report speak for themselves on the question of Rule 394. I hope that I do not have to remind you that in our democratic society, laws are not made by a single individual or by a regulatory commission. They are made by the Congress acting in unison. I trust that your recent letter is not intended to repudiate this premise.

With every good wish, I am

Sincerely,

Harrison A. Williams, Jr.

HAW/mk
cc: John Evans