



SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

May 1976

June 29, 1976

The Honorable John E. Moss
Chairman
Subcommittee on Oversight
and Investigations
Committee on Interstate and
Foreign Commerce
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I appreciate your letter of June 3, 1976, reiterating the considerations that led the Subcommittee to release the staff study on the Commission's voluntary disclosure program.

I agree that the final assessment of the adequacy of the Commission's actions to require disclosure of questionable and illegal payments and practices must be made by the full Congress and the American public. The Commission's Report on Questionable and Illegal Corporate Payments and Practices and our correspondence with and testimony before your Subcommittee generally set forth the various considerations the Commission often must weigh in determining whether facts are "material" in the legal sense and thus required to be disclosed to investors and shareholders by the federal securities laws. I do not feel that the Subcommittee would be served by a further recitation of those factors.

The Commission does continue to have the concerns we expressed in our May 21, 1976, letter to the Subcommittee but this letter is not to replot that ground. On reflection and in the hope of maintaining and advancing an exceptionally good relationship that this Commission has with your

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Subcommittee, I would like to put my personal reactions in a new perspective.

Since the Commission is a disclosure agency, its judgment on what should and should not be disclosed is the very essence of its jurisdiction. My desire is to find a mechanism or an approach which will respect that jurisdiction and yet not interfere with the considered judgment of your Oversight Subcommittee when that Subcommittee believes that we have made an incorrect judgment.

Obviously, we must make whatever information that you deem appropriate available to you so that you may make a decision and, preferably, if you disagree, you can express that disagreement without reversing our decisions.

My hope is to find a means to have a meaningful discussion between ourselves and your Subcommittee before such a reversal occurs. Such an approach will better enable your Subcommittee and this Commission initially to identify the areas of consensus and better define the areas of disagreement.

In that spirit therefore, I suggest that in the future, your staff may wish to present their objectives to us initially so that we can respond more thoughtfully to their points. I also hope that in rare cases where our concern is particularly strong, we may be able to ask for a closed meeting with the Subcommittee to present our views. If after such proceedings, your Subcommittee nonetheless chooses to make public disclosures, we will of course be required to abide the results. Conceivably, a time will arise where the matter at issue is in our judgment of so critical a nature that we may wish to pursue an appeal to the full House.

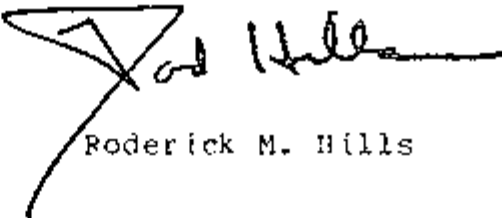
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Obviously, my comments are merely suggestions. I fully appreciate that neither your Subcommittee nor any other subcommittee or committee of Congress would want to be tied in advance to any given procedure. I would however appreciate your views as to whether or not you think such a procedure might be appropriate at times in the future.

While I continue to believe that the disclosures that were made can have a deleterious effect on our voluntary disclosure program, I have no doubt whatsoever that overall, the oversight work of your Subcommittee has had a beneficial impact on the work of the Commission. We all believe that our most recent oversight hearings were productive and useful. On behalf of the Commission, I wish to thank you for the time that you have spent on the activities of the Commission and for your own consideration and understanding throughout the process.

With best regards,

Sincerely,

A handwritten signature in black ink, appearing to read "Roderick M. Hills". The signature is written in a cursive style with a large, stylized initial "R" that loops back under the name. The signature is positioned above the typed name.

Roderick M. Hills