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During the past week this annual peregrination of the National Security Traders Association has impressed me as in many respects a rather remarkable phenomenon. It's sort of interesting to speculate about the reasons why it occurs. Beyond the enjoyment that people with common interests derive from association in new and delightful surroundings, there might be many reasons.

As we came down the Coast from the Pacific Northwest we have all heard how each year the salmon, following some unerring natural impulse, return in great migrations to the headwaters of their native streams. There they make appropriate arrangements for more salmon to continue where their careers leave off. But it does not appear to be a primary purpose of this migration to produce new little security traders.

Up in the Flathead Valley a couple of weeks ago I saw a flight of geese winging its way south over Nine Pipes Reservoir. Each year they are persuaded by some subtle intuition that it's time to move for awhile to some warmer and more hospitable place. The hospitality that the Northwest and the Coast have shown their visitors suggests that that may be a persuasive reason why each year this group takes wing from its various home cities once long migration like this. But many come from climates that claim, whether with reason or not, to be at least as equable, -- and generous hospitality is characteristic of our people everywhere. So that can't be the whole story.

Of course, throughout all history men have been making pilgrimages. Frequently they have been to pay reverence at more sacred shrines, or crusades to accomplish the return of some revered object to more sympathetic hands. But no crusading spirit has been evident, and the shrine of most of the pilgrims appears to lie in the other direction. Many indeed have been the backward glances to learn how things were going back home.

Again, there have been many great flights from persecution, real or imagined. But here the S.E.C. has dogged your every footstep-- and besides has outposts in almost every city on your path. So **this** can't be a journey of escape.

There have been too, great flights from drought and famine. But here the market quotation follow, and frequently precede your progress. And they create the same symptoms of hunger that must be fed, and thirst that must be quenched as they do in your home cities.

More nearly, perhaps, the motives for this westward movement may be like those that inspired the great migrations over the plain and through the passes that brought the settlement of these vast and fruitful region-- the seeking of new fields to cultivate--new opportunities to turn from the natural richness of this country a better living--new contacts with new people and a wealth of vast new resources. But I doubt that many on this convention trip plan to stay on and settle here as the old timers did.

There's still another reason that might have some bearing. Driving through Montana recently we came upon a little town that had looked big enough on the map but proved to have only a few homes, several bars and a general store. The manager of the general store was a colorful product of that arduously beautiful country. He told us a simple tale that may have some bearing on why you come.

It seems the road to the nearest city, some fifty miles away, had been torn up by logging trucks and hard winters, and badly needed grading. He said that he was the only one who seemed to take much interest in getting anything done about it. So, he said:

"I went into town to look up a fellow there who has considerable influence in such matters. I went looking for him at that fine new hotel they have there. And do you know what? Those fellows over there are making so damn much money they get together and have lunch with each other every week."

Well, it is probably impossible for anyone to say exactly what combination of factors inspires annual meetings like this. But it does seem to me it's proving to be a good thing for you to get together every year as you do. You are building within your segment of the securities industry a spirit that seems well on its way to solidarity. I understood you began ten or twelve years ago with only rather tenuous social ties. It seems plain enough that in the years since you have developed into a group that feels a keen sense of common interests - an awareness of problems that concern us all - and a realization of responsibility to speak its mind as a group and to help work out those problems. I hope that tendency continues. I hope that it continues constructively and that it keeps free from narrow viewpoints and shortsighted selfish motives.

Because I believe you have reached that point I want to speak briefly about the relationship between your industry and the S.E.C. and about the attitude that your association and you as members may choose to take over the years to come towards the Commission's activities.

I speak for an agency that came into being at about the same time as your association. We are concerned officially with most of the same problems that concern you. We are concerned, as you are, with the efficient functioning of the securities markets. We are concerned, as you are, that those markets shall serve with the utmost effectiveness as a place where interests in sound enterprises may be readily distributed when those enterprises need financing - and where such interests may be readily exchanged between those who first acquire them and others who want them later. We are concerned, as you are, that the public's confidence in those markets shall be maintained - and for that reason we are concerned - and if you are realistic you are too - that transactions in those markets shall be consistently fair to all participants, and free from fraud and manipulation.

You and the Commission view these questions from somewhat different points of view. We operate under Congressional direction to take steps to assure the fairness of transactions in securities. The main force that directs you to the same objective is plain business good sense - the principle of not killing the goose that lays the golden eggs by working it to death.

Now I don't believe there's any question that in the past it has been a widely accepted view within your industry that our viewpoints are essentially antagonistic. There are some indications that that attitude is on the wane. But you know and I know that it still persists with great force in many quarters in your business. At times those who share it are highly articulate. They berate with sweeping adjectives any action or suggestion of the Commission regardless of thought as to its merit.

I suggest to you that such an attitude is wholly unrealistic and contrary to the facts. Not only that. It impairs and impedes the Commission's opportunities to be as helpful to you in your business as it might be. It sometimes obstructs opportunities to work out with you the best and most practicable solutions to problems which everyone agrees need a solution. It sometimes obscures your appreciation that situations need correction when, in fact, they plainly do. It deprives us, on the Commission, of many of your most productive suggestions. Where we might have from you useful, constructive ideas, which would be wholly welcome, it gives us instead carping, sterile criticism that does no one any good except specialists on high blood pressure. Often, I am sure, dispositions we make of questions that require our action are not as sound or practical as they might be if your industry would put its weight on a laboring oar and help work out the most practical answers rather than standing by merely making caustic comments. The comments don't bother us much. But we'd rather have thoughtful advice and suggestions.

These are times, when, all over the world, it seems, men's tempers are short. There is a tendency after the strain of intense collaboration throughout a great war to grab hastily for immediate advantage - to focus on close objectives and overlook greater future prospects if they are in any degree remote. There is a widespread disposition to profess similar objectives but to wrangle over details of method to the point where the objectives are largely nullified. I think it may not be too much to hope that the relations between the Commission and your industry as a whole in the years ahead may belie that tendency.

If you can clearly understand that one of the Commission's primary concerns is to have your industry free from trouble that will damage its future standing and impair its usefulness and its earning potentiality, I see no reason why there should be any serious trouble in working out feasible methods for accomplishing that end. Details need not be complicating if objectives are really clear.

I think the time has long since come for genuine collaboration between your industry and the Commission in approaching the problems with which both you and the Commission have common concern. I don't mean merely pleasant talk of harmony. Nor do I mean, as has sometimes been suggested when some serious problem has existed, that the Commission should step aside and leave its correction wholly to the industry. You can do much through pressure of industry opinion and through your own machinery to prevent serious problems from arising or, when they do arise, from becoming widespread. But, when they do arise and spread, I think we should work together. The Commission has been given powers to correct various kinds of evils in your industry. I think Congress intended that those

powers should be used whenever necessary. I think they can be used most effectively and most practically, and with the least feasible interference with legitimate, fair and proper operations, if we collaborate in working out, and applying jointly, suitable remedies for practices shown to be bad for the people who do business with you. Such practices can't help but be detrimental in the long run to your business and to the reputation of your industry. To the extent that you will work with us in correcting them, we welcome and invite collaboration, and freely offer the Commission's facilities to aid in dealing with your problems.

Joint action in collaboration will require a closer and a more widespread understanding than has ever existed up to this time. It will require a more general realization throughout your business that the Commission and its staff genuinely desire to be helpful to you in meeting your problems and minimizing your difficulties. I don't plan to go into details here. I merely want to leave with you the suggestion that the attitude that the S.E.C. is the "bete noire" of the securities industry is a lot of nonsense, and to urge a better understanding of the fact that the Commission and those of you who want the securities business to be a sound business with high ethical standards have the same objectives and common responsibilities. If that understanding can be achieved, what you sometimes in the past have considered as troubles with the S.E.C. will be greatly diminished and our activities, on the other hand, can be at the same time more effective and less burdensome to those who do their business honestly and fairly. -

I want to refer briefly to one question now under consideration which I think would benefit from consideration in that spirit. There are others, but I shan't go into them now.

The Commission has recently submitted a report to Congress recommending amendments to the Securities Exchange Act of 1934 which would extend to investors in unregistered securities certain protections now afforded to investors in registered securities. Your association has submitted that report for your consideration. I hope that you will bring to its consideration an appreciation that it may have advantages to you. Consider whether there may not be great merit in the idea of having those who own securities assured that they can get the facts about the business in which their money is invested, in having them plainly informed of the purposes for which their proxies are sought by the management of that business, in having some assurance that those on the inside are not taking undue advantage of their inside position in trading in the company's securities. Consider whether it makes sense to have these protections available in securities registered on exchanges and lacking in securities that aren't so registered. Consider whether you don't have better and more saleable merchandise, other things being equal, if the company whose securities you sell makes the facts about its operations plainly evident to those whose money finances those operations. I have no doubt that you will have questions about the proposals made in the report, I hope you will consider them objectively and with an open mind. If you do I think you may find that they have substantial merit. If you disagree on details, let us know. We are never averse to constructive suggestions.

One point more I want to mention briefly - not so much because it follows logically from what I have said before, but because I think it is particularly important to your business and to the Commission's effectiveness:

You know, as well as I do, that the Commission does not approve securities registered with it. But you know equally well that many public purchasers think the S.E.C. does approve such securities. You know too that some salesmen encourage that idea, even though it is illegal to do so. It seems to me highly important that the public should understand quite clearly that we don't approve registered securities - that our function is to see to it as far as practically possible that companies offering securities through public distribution disclose the facts the buyer needs to know in order that he may decide for himself whether to buy those securities. And that it is up to the buyer to use that information to determine for himself what it is he's buying.

I think its highly important to your business that the public should have no doubts about that - and that you should make it unmistakably clear whenever you deal with retail customers.

It may be true that some buyers prefer to rely on second hand advice - that they don't want to bother with reading a prospectus. But it is important for them to know that the information is available if they want it and that they have a right to have it and to study it before they buy. It seems to me you have everything to gain by having your customers fully informed about the merits and risks of the securities they buy from you.

These comments suggest many questions about the way in which the registration and prospectus provisions of the 1933 Act are functioning. I think there is much to be desired especially out here on the Coast in that regard. I don't plan to discuss those questions here. I understand that they will be discussed fully in a statement soon to be made that will cover the whole question in more detail than is practicable now. I do want you to know that we are aware of the need for improvement in the way these particular provisions are operating. We are giving the question intensive consideration and we hope soon that throughout the country buyers will be regularly able to get correct, essential information about the securities offered to them in ample time and in such form that they can and will consider for themselves, with whatever expert advice they wish to have, whether they want the securities that are offered.