

"Coordinating Our Efforts With Your Efforts"

A talk by

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National Association of Securities Administrators

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There is only one point I especially want to make in this brief luncheon talk. It is this: The S.E.C. and the State Commissions were created for the same purpose -- namely -- to keep the capital markets clean. We can, and must, work together.

The Securities and Exchange Commission is 16 years old. They tell me that in 1934 when the S.E.C. was established, some of the State Commissions were apprehensive that the S.E.C. would encroach on their jurisdiction; - that it would endeavor to supplant them. The experience of working together these 16 years has, I am sure, allayed that fear for all time. The fact of the matter is that ours has been a most liveable relationship.

The results of our joint efforts speak for themselves. There has been a remarkable improvement in the protection which the American investor is receiving against fraud and swindle. Improper conduct in the securities business today is comparatively rare when you consider the volume of securities transactions handled daily. We who are engaged in the business of regulation find ourselves concerned mostly with the fringe elements people who seem to exist in every society and who cannot or will not confine themselves to legitimate activities. For the vast majority of those engaged in the securities business, we find that our job is largely supervisory and preventative.

It has not always been that way, as you know. I think that much of the credit for the progress rightfully belongs with the State Commissions. Like our regional administrators, you of the various State Commissions are on the spot, -- familiar with the local situations, and equipped to act speedily. You are in a position to move effectively to stop fraudulent activity before it has run its harmful course.

We at the S.E.C. have always considered that a big part of our job is supplementing (not supplanting) your efforts. To be sure, there are areas in which our jurisdiction is concurrent. But in such cases we would much prefer to turn a case over to you or to seek your aid rather than to handle it ourselves unassisted. I think our record bears that out. I am not revealing any Commission secrets when I tell you that whenever a new investigation case is brought to the table, the Commission always inquires whether the case might more appropriately be handled by the state authorities, and when it is such a case, we bow out.

It is also our policy in these cases, as you know, whenever possible to make available to state authorities the contents of our confidential investigation files; and our staff is ready to assist you - by testifying, and in other ways. We feel that we are all engaged in a joint project taking the fraud out of free enterprise so that the savings of the American people can be productively invested in legitimate business.

This spirit of cooperation between us is an inherent part of the S.E.C. tradition. Not long ago I was shown a letter from the first

chairman of the S.E.C., Joseph P. Kennedy, written to the securities commission of a midwestern state back in June of 1935. Mr. Kennedy said in that letter:

"I wish to assure you that the Commission has no intention of infringing upon the jurisdiction of State Commissions. We desire the greatest possible cooperation between all agencies engaged in protecting the public against fraudulent securities transactions. It is recognized that there are many types of securities violations which can be handled only by State Commissions. Furthermore, the Commission is interested in strengthening and supporting fully the state organizations for our mutual benefit."

I can say to you that this policy, stated so aptly in Mr. Kennedy's letter written 15 years ago, continues as the policy of the Commission.

These conventions permit an interchange of ideas, promote understanding, and make for unity. Your excellent liaison committee is also at work in this field. Yet I am convinced that much can be gained by us, by those being regulated, and by the public in general if there were a greater interchange of ideas between us and more across-the-table discussion of our mutual problems. The opportunities for such discussion exist in many areas.

One which comes to mind is forms and reports. A great deal has already been accomplished in coordinating our various forms and reports, but we have by no means exhausted the possibilities. Information supplied through forms and reports are the raw materials basic to intelligent regulation. Each of us needs certain information to carry on our duties. But sometimes I wonder whether in setting up our requirements we give enough consideration to the point of view of the fellow who has to file these forms, particularly the ones doing an interstate business who have to qualify with numerous authorities.

I am told that the larger New York law firms specializing in the securities business have whole departments whose sole job is to fill out the myriad forms and papers required by the S.E.C. and the 47 states having blue sky laws in connection with a new issue of securities. I don't want to be branded as unfair to the legal profession, or as standing in the way of their fees, but it does seem that we should be able to find the common denominator.

I recognize that one difficulty in this field is variation in the several state securities laws. Some states, like my own Michigan, have stringent qualification laws. Others follow a different theory. But regardless of whether yours is a fraud statute, a qualification statute, or a disclosure statute like ours, some of the information required is bound to be the same. Several years ago, working together,

we evolved a procedure for brokers' financial reports which greatly simplified the reporting burdens of the individual broker. I urge that we extend this mutual effort into other fields of security regulation.

Another example of cooperation is the Securities Violation File which we set up many years ago. This has proven an extremely valuable enforcement instrument. If you have any ideas on how we can make this more useful to you, I hope you won't hesitate to make them known.

We have always welcomed your reactions to proposed changes or additions to our rules and regulations. Many of you have fashioned some of your requirements with our rules in mind; and there may be times when contemplated changes would upset your procedures in significant ways. We want to hear about that, and your comments will be carefully considered before any change is adopted.

I could go on in this vein, and point up other areas where closer relations would be desirable. Undoubtedly each of you has an idea or two on that score, but I don't think it is necessary to say more. You get the point!

I am most grateful for this chance to meet and talk with you. We have brought a fairly large representation from the S.E.C. to this meeting. That is because we consider our work with you so very important. On behalf of my fellow commissioner, Mr. McCormick, and the staff members who are with us, I want to thank you for your hospitality and your kind attention.