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I entered the office of Mr. Jerome N. Frank, Chairman of the Securities and Exchange Commission in Washington, promptly at 2:30 P.M. on Friday, September 15. Present in Mr. Frank's office were Mr. Ganson Purcell, Director of Trading and Exchange Division and Mr. Edwin A. Sheridan, Executive Assistant to the Chairman.

Mr. Frank laughingly said that he had something all ready for me and pointed to the corner of the room. I did not see what he referred to, but he insisted that I go over and have a closer look at it, which I did, and discovered it to be a large box marked on the outside "Dynamite". I smiled and suggested that we start right in under the circumstances.

Mr. Frank asked if I had been to Skytop yet and for about three minutes we discussed my meeting with the Securities Commissioners there the day before and my lunch with Mr. and Mrs. Eicher.

I then opened the discussion by stating that he, of course, knew that I had come down to tell him what steps were being taken by my Board to further the Report of the Public Examining Board. However, since the matter of grievances had been brought up, I thought I would take this opportunity to air some of mine.

I said that I had heard thru the "grapevine" that he was mad at me and that he doubtless had heard thru similar sources that I was sore at him. He interrupted to say that he had not heard it thru the "grapevine" but had read it in the paper. I smiled at this and said I thot the "grapevine" had also been busy.

I said I had no desire to become cantankerous, but that I did not want to be in any way involved in anything where I was saying things behind his back that I did not say to his face and that accordingly I intended to mince no words but to tell him exactly my side of the case and what I had been saying to people behind his back.

The next fifteen minutes I rehearsed the early steps of my contacts with him following his selection as Chairman of the Commission. I told him that the shift in the Chairmanship from Mr. Douglas to Mr. Frank had come at a peculiarly bad time for my administration of the Exchange inasmuch as the completion of the program worked out jointly was nearing the end and the low volume of business was causing serious dissatisfaction in my own community with any steps for changes, regardless of whether they had been agreed to the previous October or not. That this was a human factor which anyone with intelligence would recognize.

As soon as Mr. Frank assumed the Chairmanship I went to Washington, offering him full cooperation, told him of my difficulties and suggested that we continue to operate on the round table basis which had worked effectively with his predecessor. As a result of that meeting I went to Washington with Mr. Shields, Mr. Harding, Mr. Russell and Mr. Davis for a discussion of the balance of the October program.

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The meeting had been successful and a good many things had been smoothed out. I had hoped we would continue to work along these lines in the same joint fashion that we had been working for the better part of a year.

Shortly thereafter I heard a good many rumours of people consulting with Mr. Frank and received word that he was going to make an address to the Customers' ~~Met.~~ The day for the address arrived and he had not communicated with me in any way or thru anyone altho a good portion of what he intended to say was being relayed to me thru the so-called "grapevine". Had he given me an opportunity to take a look at his address I was certain that I could have, to some degree, at least, minimized its deleterious effect upon this community, *even* if he had insisted on continuing to talk about a broker's bank.

Mr. Frank interrupted at this point to insist that he had had very vew of these contacts and to say how sorry he was that he had not consulted with me about the talk and that he regretted it very much. Mr. Sheridan interposed to say that it was probably his fault as he should have gotten in contact with me for Mr. Frank. Mr. Frank made a half-hearted attempt to defend his address and said there was nothing new in it and he couldn't understand what all the fuss was about. I said I was not interested in that part of it ^{enough} that the very fact that it had stirred up so much discussion was ~~also~~ proof of the fact that it did not bear the connotation which he felt that it had.

I said that to my way of looking at it he had put me on the spot - violated round table technique and made a public issue of a broker's bank. I said that I would like to point out to him the fantastic and unfair position that I personally was put in when, with the stroke of a pen, he discarded the central depository for securities and suggested by continual letters to the press, as well as in his address, that the central depository was my idea and mine alone and had nothing to do with the broker's bank conception. I said he could imagine how a good portion of my community felt when they heard that I had spent their money to have a study made of a central depository merely because it was my idea - the community had ~~an~~ ^{little} interest in it and that every intelligent person in the community knew that it was the first step toward a broker's bank if one was to be declared feasible. Now the Commission under Mr. Frank was expsoing Mr. Martin's duplicity - that he had just been wasting the time and the money of the community at a time when they could ill afford to spend it, to further Mr. Martin's pet ideas. If they thot that that represented cooperation, it was a pretty sorry affair. That Mr. Purcell, who was present at the meeting, knew the background as well as I did and that I was absolutely certain that Mr. Douglas had it clear in his mind as to just what my understanding was about the whole matter - that I had made my position very clear to Mr. Douglas on two separate occasions and that my study of the central depository had to some degree at least, been *freedome* ~~under~~ ^{freedome} duress. I said I felt very keenly about this and resented the entire matter deeply. None of the three present made any comment on my assertions.

and certainly was a part of the Joint Exchange S.E.C. program

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Mr. Frank halfway apologized for his references to the central depository in his address, by saying what a short time he had had to work on the speech and admitting it had been prepared perhaps too hurriedly. The attitude of all three of those present was semi-apologetic.

I said that I had met Mr. Frank the day following his address - that I had endeavored to let him see something of my picture - that the broker's bank issue was now such an important one that I would have to meet it head on. He said that following that meeting he had expected me to bring a group to Washington to discuss it on a round table basis.

I told him that he must, as an intelligent ^{man}, have seen that that was impossible - that he had already made a public issue of it - that a round table did not consist of a discussion after something had been made a public issue, but in discussing it before it was a public issue. He said he saw that ~~now~~. *my point of view now but he had not intended to make it such.*

I said I then proceeded to work out the problems which lead to the formation of the Public Examining Board and it was then a splendid idea and one which intelligently handled would have been a great help to both of us. I said I was willing to concede that the press had over-played the Board, ^{and} but certainly there was no intention of having the Board study punitive taxation or pump priming. However I said I did not want him to think that he had ever succeeded in selling me at the following ^{Sunday} morning meeting during the period that followed on the belief that a study undertaken by that Board of the broker's bank was not virtually a study of the entire business - that I considered his attitude completely unreasonable on that point and that he and I didn't talk the same language. I didn't care to debate the matter, but that the English language meant a different thing to him than it did ^{to} me - that the sentences which had been put into the letter which Mr. Bartlett and I presented to him "that the scope of the study was to be unlimited" had ~~been~~ not been put in to slip anything over on him, but had been put in as a necessity for an intelligent study of that type. I made it very clear to Mr. Frank that I thought his insistence on the September 1st date - and he knew that I had never deviated from my point on this - had complicated my own problem and definitely his problem also.

I told him that not only had it made it very difficult for some of the members of the Public Examining Board who worked without compensation full time during a very hot month in the summer, but that he had placed a terrific burden on the staff of the Exchange - that we had met our obligations fully in that respect and had turned out a creditable report and had seen to it that the information on which a creditable report might be turned out had been forthcoming. I said we did not complain about the work involved but that I resented particularly the release, in the midst of that report, of a dispatch to the press attempting to clarify Mr. Frank's attitude thru a man who was

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not even a member of my Board of Governors. That I considered it, under the circumstances, a direct personal affront and an affront to my Board of Governors. That if he was so inept in the handling of public relations as to offer cooperation to a Board appointed by a man who had come more than halfway to meet him in demands which he considered to be unreasonable and then intended to ~~trade~~ ^{write} ~~the~~ common courtesy and write letters which are to be given to the press without even consulting or informing that man, that I thought it was high time he learned something about public relations *disregard*

Mr. Sheridan interposed at this point and agreed with me, saying that he thought it was very bad procedure and a mistake. Mr. Frank sent for the file of his correspondence and after reading his authorization to Mr. Pierce to give the matter to the press, said that he agreed that I was right and wanted to apologize for it. His excuse was that he was on vacation and had he been able to consult with Mr. Purcell and Mr. Sheridan, he would not have done it. I said that was my only purpose - that I wanted to make it very clear that my remarks were not in any way to reflect on Mr. Pierce, who I thought had endeavored to be helpful in the matter, but I thought it very ~~bad~~ poor politics for him to select a man who was not a member of the Board of Governors for his liaison and that I wanted him to know that a good many people in addition to myself have resented it.

I then told him that I doubly resented the matter because of what I considered to be the excellent cooperation I had given him all along and in the face of difficulties particularly following his address on the 28th of June I had come out frankly in my Board for abiding by the letter as well as the spirit of the agreement of the previous October and despite a contrary point of view by some members of my Board had put through the finishing touches to that program. I made it very clear to Mr. Frank that I had not done this with any idea of catering to the SEC but because of my own personal conviction on the points involved and my own sense of integrity in the negotiations.

However, I felt that if he had any feel whatever of the situation he ought to be wanting to help me and to cooperate with me rather than to hinder my efforts. Mr. Frank was reasonably apologetic about this and said that the people in Wall Street did not appreciate how little time the Commission spent on such matters, that it probably would not be over 10% of their time and that they were not as fully informed on the situation as they might be.

He then attempted to counter by saying that he had been pretty mad at the last paragraph of my letter to the members transmitting the report of the Public Examining Board, pointing out that in his opinion the Commission had always been most lenient and tolerant in all matters. I said I had no intention of debating that point - that there again it was a matter of the English language and impressions produced, but regardless of what the attitude of the Commission actually had been, the impression ~~xxxx~~ of a good many fair minded ~~xxxx~~ people was not the same impression as the one Mr. Frank had.

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I said that since he had brought the point up I would like to talk about that for a while. That I wanted to make it very clear that the New York Stock Exchange has no intention of continuing to be the "guinea pig" of the entire industry. Part of my difficulties I said I could eliminate by just the point he raised that while the New York Stock Exchange was putting thru a rule prohibiting partners from trading on margin for their own account, the other Exchanges had totally disregarded it. I said I wanted to make it very clear that in saying this I was not attempting to throw bricks at any other Exchange or say what they ~~should~~ ought to do, but that I could illustrate my point better by saying that a man who is a good friend of mine, but who disagrees with me, told me that he had been out with a group of fellows who ~~was~~ commenting on the change in the rules said that if the New York Stock Exchange had a man with guts the way the New York Curb had and the Chicago Exchange they wouldn't have to put in any of these rules. That I was sorry that I had brought up a specific name and I wanted him to know in particular that I had a high regard for Mr. Rea. That I wanted him to understand that I was using this as an illustration. That I would personally work to put thru any rules that I believed in personally but that I certainly was not going to let the New York Stock Exchange be used as a "guinea pig" for the entire industry and that I was ~~you~~ going to move forward on attacking the things I thought wanted changing on the Commission's side.

I said that a lot of the dissatisfaction in my community and a good portion of the recent drive against me personally were in my judgment 75% caused by the combination of bad business and the type of thing I had just cited.

Mr. Frank made no further comment on the last paragraph.

The balance of the discussion centered around means of getting over the counter business on the Exchanges and the necessity for equalization.

From there on we had a friendly discussion about the best methods of attaining this objective, in the midst of which Mr. Frank raised the question of service charges and commissions. I told him that I had a Committee which was going into the question and that it was now and always had been and in my judgment always would continue to be the biggest single political issue in the Street and that in my judgment if he listened to someone who gave him a concrete proposal of how the matter could be worked out, before he committed himself he ought to listen to a great many other people - that there was no simple solution to this matter in a democratic organization. Under a Hitler regime it would be easy. He made no comment.

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The possibility of my making an address advocating some changes both in the Securities Act and the Securities and Exchange Act along with coming out for equalization, followed by an address by him advocating essentially the same thing, was discussed and I said I would try my hand at writing such an address which I would let him see when I had finished. He offered ~~fully~~ cooperation and help in this matter and seemed to be quite pleased with the general idea, which was advanced by him, not me.

He told me the Commission had not had a chance to study the report of the Public Examining Board as yet, because they have been too busy to read it carefully and that he could only speak for himself in the matter, but on the whole ~~he~~ thought it was a good report and the Commission would go along with it. He stressed the reserve fund and the separation of brokerage and underwriting accounts. I told him these matters would take time to work out, but that the general program which had been approved by the Board would be the one on which we would work.

He was very friendly and agreeable about the whole matter and left in my mind the definite inference that the Commission would be satisfied on the matter of solvency, with the report.

Mr. Purcell said he would like to have a copy of the questionnaire the Committee on Service Charges had sent out and said he was making a statistical study of commissions at the present time. He wanted to know if it would be interfering with things, if he continued this study at the present time. I told him I thought it was a ~~duplication~~ duplication and that I was sure the Committee working on the matter would be glad to talk with him about it.

There was the usual mention of S*B and S-C rules and I told Mr. Frank that I hoped he and Mr. Purcell understood S-B rules thoroughly because I didn't and I hoped they would have some appreciation of the overall matters of the business and the difficulties of writing the rules. We were always pleased to consult with them on the matter but that if he had any rules of this sort which he desires to put in, the Commission would have to take the initiative and put them in. The Exchange has no intention of adopting any new rules or regulations at the present time other than those involved in the Examining Board Report.

It was agreed that neither one of us would make any comment to the press and the meeting broke up in a spirit of good fellowship all around.

WMcC.M. Jr.

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