THE SEC AND PROXY CONTESTS

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I am happy to be here tonight to discuss with you the role of the Securities and Exchange Commission in proxy contests. It is necessary, however, to advise you that the Commission, as a matter of policy, disclaims responsibility for any private publication of any of its employees. The remarks I shall make here reflect my own thoughts. They do not necessarily represent the views of the Commission or of my colleagues on the staff of the Commission.

It is tempting before an audience such as this to use the topic assigned as a means of engaging you in the great debate now being waged as to the role and responsibility of the corporation in our society. On the one side are those who urge that the idea of corporate democracy--that is, participation, if not control, by shareholders--is the vestigial remains of a now obsolete notion of the relationships among the corporate manager, the shareholder, and the state. They argue that the modern corporation is run by an oligarchy and that it is high time the Government stepped in to assure that the responsibilities of the corporation and of its management to the consumer, to the employee, to the general welfare, to the state, as well as to those who provide the capital of the corporation, are identified and some means devised to assure that they will be met. To this end, it is urged that existing regulatory agencies represent but the first step and that control of a more pervasive nature is required.

On the other side of the debate are ranged those who urge that the continued vigor of the corporation, and of the capital and securities markets which make possible its growth and assumption of ever larger responsibilities, lies in greater knowledge of, and participation by, the shareholder in at least the major policy decisions. This group is many sided. However, whether "peoples capitalism" is or is not synonomous with "corporate democracy" is really unimportant. The larger question is whether, in fact, there is a basic disagreement between the debaters.

Those who feel that corporate suffrage is illusory, except possibly to the very largest institutional investors, agree with their adversaries that accountability is necessary. They say that the corporation has grown so powerful and its effects upon our economy so widespread that only intervention by the Government can assure appropriate controls and necessary long-range planning in the general public interest. Many of their opponents do not challenge the view that the modern corporation has responsibilities which transcend the original aim--the making of profit. They feel, however, that responsibility may best be fulfilled by direction of the shareholder assisted in a modest way by existing governmental and private agencies. Even those who have a narrower view of corporate responsibility--that it is <u>solely</u> the making of profit--will agree that pension plans and community services of one kind or another are necessary to promote best the making of profits. It is perhaps not inappropriate to suggest that the general aims of all the debaters coincide and that the disagreement lies mainly in the area of methods and timing.

Now, having drawn the lines, I must respectfully decline to enter the fray. I have, however, directed attention to these stimulating discussions to provide a backdrop for our discussion tonight. The Securities and Exchange Commission is ranged on neither side of the argument. But all the contending parties draw sustenance from it. The Commission is not a planning agency. However, in carrying out its responsibilities, it does compel an accounting by the corporation and its management--an accounting which is open to view by the shareholder, the consumer, the employee, and the community. Finally, it does make possible a greater understanding of, and participation in, the affairs of corporations by the shareholders. I leave to others the discussion whether this participation is effective or important.

It will help to place our subject tonight in proper context if I take a few minutes to brush in a brief sketch of the over-all responsibilities and authority of the Commission. As you know, the Commission has the duty to administer six statutes and has important responsibilities under others. It came into being as a result of extensive studies and investigations by Committees of the Congress, and by others, into the conditions which contributed to the low state of the capital markets in the early 1930's. I do not believe it necessary or helpful to catalogue the excesses which led to and fed upon the speculative character of the financial markets in the Twenties. Suffice it to say that the inadequacy of corporation and blue-sky law, and of the common law, to provide adequate safeguards deemed necessary to the restoration of investor confidence and the re-establishment of sound capital markets, led to the enactment of Federal statutes designed to achieve these purposes.

The Federal Reserve System and other agencies of the Government received important assignments in the over-all plan to revive a tottering economy. To the Securities and Exchange Commission was given the role of administering statutes which have for their general aim the protection of the investor directly, by arming him with facts and by preventing fraud, and indirectly, by subjecting to a measure of control those who assist in the process of channeling his savings into business and industry. These statutes were also developed to emphasize the view that those who seek, and those who handle, the funds of public investors are impressed with fiduciary responsibilities. Finally, the Federal securities laws were intended to provide the legislative base for the development of standards of fair conduct among all those who play important roles in the organization, the financing, and the operation of corporations having a public investor interest or otherwise impressed with a public interest.

Specifically, the Securities Act was enacted in 1933 upon the concept that the role of the Government should be limited to preventing fraud and to providing for the investor in new offerings of securities information needed to intelligent investment decision. The Securities Exchange Act, adopted a year later, carried over this disclosure concept, and limitation of the role of the Government, to securities registered and listed for trading on our national securities exchanges.

While the Exchange Act also provides for the licensing and regulation of the principal securities exchanges and of those who play important roles in our securities markets, and contains a number of antifraud provisions designed to free these markets of manipulation and other abuses, these provisions are designed to complement and make effective the basic aim to provide the investor with such information regarding the securities traded in free securities markets as will permit informed and independent decision. To this end, the statute requires that an issuer of registered and listed securities must file with the Commission, and with the exchange, annual and other reports to keep current the information furnished in the initial application for registration. In addition, officers and directors and certain substantial security holders are subjected to the duty of reporting their ownership of and trading in the equity securities of such issuers. Finally, the statute vests in the Commission a broad charter of authority to adopt a wide range of rules and regulations for the protection of investors and of the public interest and makes it unlawful for any person, by the use of the mails, the facilities of commerce or of a national securities exchange, or otherwise, to solicit a proxy, consent, or authorization, in respect of securities listed on a national securities exchange, in contravention of certain of these rules. It is by virtue of this authority that the Commission has promulgated its proxy regulations regarding which I shall have more to say in a moment or two.

The Public Utility Holding Company Act, which is concerned with holding-company systems, was adopted in 1935. It vests in the Commission additional authority in connection with the solicitation of proxies in relation to the securities of companies subject to this statute. The Trust Indenture Act of 1939, which is really Title III of the Securities Act, is designed to assure a measure of independence in and responsibility on the part of trustees in connection with the public issuance of debt securities. It introduced special provisions for communication among the holders of such securities. The Investment Company Act and its companion statute, the Investment Advisers Act, were adopted in 1940 and assigned to the Commission its last major duties in the protection of investors. The latter statute is concerned with certain activities of investment advisers. The Investment Company Act is directed to the special problems of the rapidly growing investment companies. It provides for additional disclosures of relevant facts; introduces a measure of regulatory control; and it confers special authority upon the Commission with respect to the solicitation of proxies when the issuer is a registered investment company.

These are the statutes for which the Commission has primary responsibility. They provide an over-all pattern of provisions, albeit somewhat incomplete, for the accomplishment of their major purpose--to inform investors fairly and effectively in reaching investment decisions and in their efforts to exercise intelligently their corporate suffrage. The proxy rules to which we now turn represent an important aspect of this legislative plan.

Section 14(a) of the Exchange Act provides:

> It shall be unlawful for any person, by the use of the mails or by any means or instrumentality of interstate commerce or of any facility of any national securities exchange or otherwise to solicit or to permit the use of his name to solicit any proxy or consent or authorization in respect of any security (other than an exempted security) registered on any national securities exchange in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

This is a broad grant of legislative authority. It is not limited to matters of disclosure and applies to the acts of any person. It reflects the Congressional conclusion that it would be unwise to legislate a fixed code governing proxy solicitations and that the Commission should have full freedom and flexibility to develop rules based on demonstrated need and accumulated experience. It is also important to note that the statute vests in the Commission no independent authority to prevent or to suspend a solicitation or the use of proxies so obtained. The Commission is authorized, however, to seek an injunction in a Federal court whenever a person is engaged or is about to engage in a violation of the Act or rules thereunder. And there is a growing body of law which suggests that a private party aggrieved may sue to redress a violation of the proxy rules.

In developing rules--and I should point out that since 1935 the rules have undergone six major revisions--the Commission has drawn upon statutory suggestions as to relevant disclosures, the vast reservoir of its experience in reviewing approximately 40,000 proxy statements covering the entire range of corporate affairs, as well as the suggestions of those affected by the rules. The primary underlying concept of the proxy rules--consistent with the philosophy of the statute--is that of disclosure. While the proxy regulation contains procedural rules of one kind or another, these are designed in the main to make effective the basic disclosure requirements.

The rules require in all solicitations, whether by management or by others, a disclosure of such relevant facts as is within the power of the respective groups to provide. In developing the specific informational requirements, the Commission has relied heavily upon the suggestions contained in Schedule A of the Securities Act, the standard for registration statements and prospectuses under that statute, and on Section 12 of the Exchange Act which relates to registration of securities for trading on an exchange. These requirements are now fairly well-refined and, in many important areas, are precisely the same whether the document is a registration statement under the Securities Act, an application for registration, a

report, or a proxy statement under the Exchange Act. At any rate, the proxy rules require that the security holder be provided with a proxy statement containing a broad spectrum of financial and other information about his company and specific information about those serving as, or seeking to be, directors and about each separate matter which is presented for his consideration and action. Perhaps more important is the requirement that there be no misleading statements or omission of material facts necessary to make the statements made not misleading.

The stockholder must also be provided with means for expressing his agreement or disagreement with each matter to be acted upon. In view of the difficulty of obtaining stock lists under local law, provisions are also made for procedures which enable security holders not allied with the management to obtain such lists or to communicate with other security holders when the management is soliciting proxies. They may also submit, for inclusion in the material which the management sends out at the expense of the company, proposals which are proper subjects for action by security holders, in order to permit fellow security holders to express their approval or disapproval of the proposal. If, in such cases management opposes the proposal, the stockholder may also include in the management's material a brief statement in support of his proposal. By virtue of these requirements, it is no longer possible for the management to vote proxies in opposition to a proper proposal by a security holder, without first affording all stockholders an opportunity to consider and to express their approval or disapproval of the proposal. In view of the wide range of proposals submitted, the Commission is frequently faced with a difficult question whether a particular proposal is a "proper" one for submission to stockholders. For the statistically minded, I might mention that in the fiscal year ended June 30, 1959, the managements of 99 issuers included in their proxy statements a total of 156 stockholder proposals submitted by 48 different persons. There were also considered a fair number of proposals which were excluded for one reason or another.

This, in the briefest compass, is the nature of the proxy rules as they relate to noncontest situations. The rules are not complex and have proved to be effective. In fact, the Commission has said that the proxy rules "are probably the most useful of all disclosure devices established by our various Acts and represent an effective contribution to corporate democracy." There are, however, certain limitations.

The rules do not provide express authority in the Commission to compel a solicitation. Although the policy of the New York Stock Exchange, to encourage and ultimately to compel all issuers of equity securities listed on that exchange to solicit proxies each year, bridges the gap somewhat, this will affect a relatively small number of companies. Other exchanges have not adopted similar policies. In consequence, there is a substantial number of companies which do not solicit each year. Thus, in the fiscal year ended June 30, 1959, 419 companies (21 per cent of all companies having voting securities registered and listed on exchanges) did not solicit proxies.

It should also be noted that the authority in Section 14(a) extends only to registered securities. This sometimes produces a situation in which only the solicitation from one class of security holders, in a solicitation from several classes, is subject to the proxy rules. I have already noted that under other statutes the Commission has additional authority with respect to other limited solicitations. The proxy rules apply also to these situations. It is important to note, however, that the proxy rules do not apply to securities traded in the over-the-counter markets. Efforts to correct this situation over a considerable period have not been successful.

Before reaching the special rules which apply to proxy contests, I think it will be profitable to refer briefly to certain procedural aspects of the rules, and to the manner in which proxy statements are processed at the Commission. The rules require that the proxy statement be filed with the Commission in preliminary form ten days before its intended use. Follow-up material is required to be filed two days before proposed use. These periods may be, and often are, shortened by the Commission. This provides a reasonable opportunity for review of the material by the Commission's staff and for appropriate correction when necessary before publication or other use. It is thus possible to avoid unnecessary expense or embarrassment which might otherwise arise if supplemental material to correct deficiencies in the proxy statement were required to be communicated to security holders. For similar reasons, and to permit a candid and free exchange between the staff of the Commission and the management or other persons soliciting proxies, the advance filing is not available for public inspection.

Since proxy material filed with the Commission may be mailed or otherwise employed by the solicitors within ten days after such filing and, in respect of follow-up materials, within two business days, the need for expeditious handling of such material is apparent. This situation is made more difficult by the fact that proxy solicitations have a marked seasonal peak which occurs during two or three months of the year. During the fiscal year ended June 30, 1959, material was filed with the Commission with respect to 1,975 solicitations, 1,959 by management and 16 by others. This does not include the very substantial number of filings of follow-up material. The bulk of this material was filed during the months of February and March.

As I have already noted, the main emphasis of the rules is upon disclosure of pertinent and relevant information. It should be emphasized, moreover, that the Commission is not authorized to shape the nature of, or to pass upon, the merits of matters which are presented for action at meetings of security holders. Most proxy statements filed with the Commission relate to unopposed solicitation by the management seeking proxies for its re-election or authorization for various types of corporate action such as charter or bylaw amendment, merger, or assent to the

issuance of debt securities. Expeditious scrutiny of those proxy statements is facilitated by referral of the material to staff members who are already familiar with the affairs of the particular issuer by reason of work on registration statements and reports filed under the various Acts. The problems encountered in the review of proxy statements are not unlike those found in the examination of registration statements, prospectuses and reports concerning which the staff has an accumulated experience.

When a proxy contest develops, however, the problems, the pressures, and the very atmosphere change. While our staff is scrupulously neutral, I would be less than candid if I did not tell you that we watch with great care and interest every move made by the parties. For the most part these contests are vigorously, if not viciously, fought. They are frequently conducted on each side by a board of strategists which may include attorneys, accountants, advertising experts, public relations advisers as well as members of the opposing groups. Every legitimate, and occasionally not so legitimate, advantage is sought by each side. The role of the Commission approaches more nearly that of an umpire applying the rules, detecting the infraction, and applying the remedy whether it be correction by retraction or explanation, or by process of the court. In most cases, the Commission seeks to obviate questionable statements by persuasion. It must be admitted that time and the risk of more drastic action lend great weight to the suggestions of the staff. It is important to emphasize, however, that the staff is sensitive to the burden and responsibility this casts upon it. Moreover, where a genuine issue arises, counsel may ask for prompt consideration of the matter by the Commission.

This internal appeal procedure is made available by the Commission liberally and expeditiously because of the special problems and exigencies of proxy contests. It is an informal procedure not required by statute or Commission rule. And it works very well. It has recently been suggested that such "action" by the Commission and its staff be made subject to appeal to the courts. It is submitted that such a result would defeat the best interests of all concerned. The great success of the Commission in this area, and most knowledgeable persons will agree that the Commission has had great success, lies in the easy access to, and the expeditious disposition of business by, the staff and the Commission without the formalities which would be required if all such "action" were subject to appeal. It must be emphasized that the Commission does not make a finding as to the accuracy of the statements made; nor does it pass upon private rights. It cannot compel compliance with its suggestions except by resort to the courts. If the processing of proxy statements were required to be effected by some formal administrative machinery, or became subject to appeal to the courts, it would not only be virtually impossible to process the papers in most proxy contests, even with a substantially augmented bureaucracy, but it would also serve to defeat the best interests of the shareholders. It is not unusual for each side in a proxy contest to file more than one communication to security holders each week over an extended period of time.

Despite the lack of time to develop fully all the facts relating to the numerous assertions, charges and countercharges, decisions by the staff and the Commission must be made quickly, especially as increasing heat is induced by the approach of the critical voting date. However, I think it fair to tell you that in many contests the staff is required to conduct a formal investigation and take extensive testimony. In recognition of the special time problems, these investigations not infrequently run late into the night. In further recognition of the need for speed by the contending groups, the waiting period for follow-up material is two days. In practice, acceleration to permit mailing on the same day the material is filed is sought and granted. Rapid decision is also required where persuasion has not been successful and it is necessary to seek to enjoin an improper communication, or to enjoin the use of proxies obtained by such a communication.

While the Commission has had considerable experience with proxy contests, prior to the 1950's these contests were not attended by the great interest we have witnessed in recent years; nor did they employ as fully and effectively all of the arts and skills of the accountant, the attorney and the advertising and public relations experts. It became clear after the Commission's experience in the 1953, 1954 and 1955 proxy seasons, when contests were increasing in number and intensity, that the contending parties and the Commission would be best served by a codification of the administrative interpretations and applications of the proxy rules which had been developed in the context of the special problems of proxy contests. It was also felt that some elaboration of the requirements would be helpful. In January, 1956, the Commission announced a revision of the proxy regulation with particular reference to proxy contests.

The new and revised rules have as their primary aim the protection of the public investor by providing him with detailed factual information about the participants in a contest; that is, not only with respect to the nominees but also with respect to all those responsible for or actively participating in the campaign for their election. Identification of all of these persons, and the charges and countercharges which grew out of unclear pictures as to the actual or assumed parties in interest, and as to their motivations, had been a particular source of difficulty in applying the proxy rules. Another major problem dealt with in the revised proxy rules arises from the fact that the proxy contest is frequently begun many months before the meeting date and usually assumes more subtle forms than an outright request for a proxy, at a time when no public revelation has been made as to the identity and interest of the contending parties.

The new rules, therefore, provide that no solicitation of proxies by an opposition group may be begun prior to the filing with the Commission, and with each national securities exchange on which securities are registered and listed, a statement containing detailed information with respect to each participant. If management is soliciting in opposition to a

nonmanagement group, or in anticipation of such a solicitation, a similar statement with respect to each management participant must be filed promptly.

The term "participant" is carefully defined in the rules and includes, in addition to the issuer, its directors and nominees, all persons primarily engaged in financing or otherwise responsible for the conduct of a solicitation. The term includes anyone who is instrumental in organizing a committee or who has contributed more than $500, or has otherwise advanced funds or furnished credit, to such a committee for the purpose of the contest. In this way, relevant information concerning the persons and interests involved is made available at the outset of the contest. This serves the further purpose of narrowing the area of charges as to alleged undisclosed principals.

The required schedule of information, denominated Schedule 14B, elicits information with respect to the background, personal history, security ownership, and transactions with the issuer, of the participant as well as a statement with regard to the circumstances under which he became a participant and any arrangement or understanding respecting future employment or other transactions with the corporation. A summary of this information must be included in the proxy statement of each contending group. The proxy rules were also modified in 1956 to make more explicit the requirements as to information concerning the methods of solicitation by each party, the anticipated costs thereof, and whether reimbursement would be sought from the issuer.

In recent years, the release to the newspapers, the press interview, radio and television broadcasts have become standard practice for reaching security holders. These techniques have created difficult problems. The Commission considers that these activities, whether written or oral, whether prepared in advance or spontaneous, whether stimulated or not, constitute part of the plan to influence security holders and are, therefore, subject to the standards of fair disclosure, and particularly the rule prohibiting false and misleading statements, which are found in the Commission's proxy rules. I shall have more to say about this latter point in a moment.

The rules require that all advertisements used as soliciting material be filed with the Commission prior to publication. Any reprints of previously published material intended to be used must also be filed prior to use together with an appropriate identification of the author and any person quoted. Any such reprint must also indicate whether the consent of the author and of the publisher to the use of the material has been obtained and whether any consideration has been or will be given for republication. The Commission determined, however, not to attempt to scrutinize, in advance, all oral statements made to the general public by participants. Speeches, press releases and radio and television scripts must be filed with the Commission promptly after their use.

Another variation of the rules, applicable to uncontested situations, relates to the annual report of the corporation forwarded by management to security holders. Such a report must be sent by management to its security holders prior to or concurrently with the transmission of the proxy statement. The rule provides that, while a copy of such report must be furnished to the Commission, it is not deemed to be "filed" within the meaning of the civil liability provisions of the Act. Attempts have been made to misuse this provision in certain proxy contests. We found, in one or two situations, that representations, to which exception had been taken when they appeared in the preliminary proxy statement, were later found in the annual report sent to security holders. In consequence, the rules now provide that if any portion of the report discusses the solicitation of an opposition group, it must be "filed" with the Commission prior to distribution, subject to the sanctions of the Act.

As I have already indicated, a basic provision in the rules reflecting a cardinal statutory standard is that no solicitation shall be made containing any statement which at the time, and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact or which omits to state a material fact necessary to make the statements made not false and misleading or necessary to correct any statement in any earlier communication which has become false and misleading. In a proxy contest, this provision is probably the most important of all the rules and the one which creates the most difficulty in administration and enforcement. The techniques of advertising and public relations experts have been employed to their fullest. I do not wish to be understood as suggesting that they have a special competence in the art of the half-truth. I know we will agree, however, that they do have a special skill in subtlety of expression, the use of the indirect reference, and related devices which, when coupled with the not unnatural conviction of each of the contending groups that the opposition is not being wholly candid, makes the life of an SEC staffer a difficult and sometimes frustrating one in the early months of each year. One of my colleagues was doing some research for a speech to a group of public relations people. He found that years ago a famous member of that business described it as follows:

> "Ordinarily, the business of a press agent is not the decimation of the truth, but the avoidance of its inopportune discovery."

In an attempt to identify areas of argumentation and contention which tend to confuse and mislead security holders, the Commission has published some more common examples of what, depending upon the particular facts and circumstances, may be misleading. The cited examples are:

> "(a) Predictions as to specific future market values, earnings or dividends.

"(b) Materials which directly or indirectly impugn character, integrity or personal reputation, or directly or indirectly make charges concerning improper, illegal or immoral conduct or associations, without factual foundation.

"(c) Failure to so identify a proxy statement, form of proxy and other soliciting material as to clearly distinguish it from the soliciting material of any other person or persons soliciting for the same meeting or subject matter.

"(d) Claims made prior to a meeting regarding the results of a solicitation."

I might mention that misrepresentation is frequently sought to be effected by unfair use of statistics to produce distortion, by imputing guilt by association, and by the rhetorical question of the when did you stop beating your wife variety.

I must re-emphasize that the Commission does not seek to shape the issues or in any way to impede free and fair contentious advocacy by all persons interested. The Commission is of the view that full discussion is in the best interest of all, provided it is fair and not misleading. However, this has been and continues to be an area in which the work of the Commission has been the subject of discussion. Many people liken the proxy contest to a political campaign and feel that the fullest play should be allowed to the contenders. Apart from the fact that the legislative reports indicate quite clearly a Congressional intention that the Commission should deal vigorously with the problems arising in proxy contests, the Court of Appeals for this Circuit has unequivocally rejected this contention. I am sure that upon reflection you will agree a proxy contest may not fairly be likened to a political contest in which the newspapers and other media of mass communication and interested groups of citizens undertake to explore the issues fully and to discuss the candidates carefully and constantly. While certain of the larger financial newspapers do take an interest in the more glamorous proxy contests, this is not by any stretch of the imagination the same thing. Not only is there not the same discussion but it is not published and disseminated in form useful to the security holders, particularly those who live far from the few financial newspapers interested. In any event, without the rules and the Commission, the security holders might be subject only to a race of invective between groups sometimes more interested in winning than in presenting the facts fairly.

We have had three proxy seasons under the revised rules and they seem to be working well. Of course, interpretative problems arise and will continue to arise. Possibly at the conclusion of the next proxy season, the Commission may undertake to review and revise its rules to take care of some of these questions.

Some of you may be interested in other aspects of the proxy contests. You may be wondering how important they are on the American corporate scene. In the fiscal year ended June 30, 1958, there were 34 proxy contests involving companies subject to the proxy rules. This was the high point in Commission history. In that year there were 1,991 companies having voting securities registered and listed on an exchange. In the fiscal year ended June 30, 1959, there were 19 proxy contests, approximately the same number as in the fiscal years 1955, 1956 and 1957. Eleven of the 19 were for control of the board. Opposition won two of these and gained representation in five others. Eight were for representation on the board and in three of these the opposition won some representation. During fiscal 1959, there were approximately 1,963 companies with voting securities registered under the Exchange Act.

It is clear that, from the point of view of numbers, the proxy contest does not seem significant. I think it fair to say, however, that the importance and effect of the proxy contest is not reflected by statistics. The great concern expressed with respect to the problem in and out of the councils of management is perhaps a better index. It is probably true that proxy contests have caused many a mangement to reassess its position, its relationship to the investors and its policies in providing them with information. It may also have affected policies in regard to the distribution of earnings.

Far more important in the management-security holder relationship, is the application of the proxy rules to the routine yearly solicitations. The disclosures required by these rules and by the registration and reporting provisions of the Securities Acts have, in my view, substantially reduced the possible number and incidence of proxy contests on the American scene. Corporate management today lives in something of a fishbowl. Disclosure requirements, which result in a form of accounting of stewardship, have not only put management on its mettle, but have also contributed to the building of a professional corps of analysts who are continually probing, exploring and comparing. These arts of the analysts have been developed in the United States to a point not realized elsewhere in the world. It is perhaps not inappropriate to suggest that the current problem of the "take-over" bid in the United Kingdom is a reflection of the fact that the provisions of British company law do not require the same type, frequency and quality of reporting as are necessary and now accepted in the United States. It is understood that responsible persons in and out of the Government in the United Kingdom are now reviewing this situation and are looking at American requirements for possible guidance.

Before closing, I wish to make one final point which may be of interest to students of administrative law. As we have seen, the Commission was granted an almost unlimited charter of authority to develop rules and procedures to deal effectively with the continually changing and subtle problems involved in management accounting to security holders

and in contests for control. The Commission has moved carefully in this area and has built a network of provisions and procedures which permits effective and expeditious consideration and disposition of the manifold problems which arise and has produced what has been described as the Commission's most effective disclosure tool. In my opinion, the Commission's rules and its informal procedures at staff and Commission levels, together with relatively infrequent but judicious resort to the courts, have produced an administrative technique perhaps unequalled elsewhere. I commend a careful examination of it to any of you who wish to study the administrative process on a live and everchanging scene peopled by actors with the sharpest pencils available.

Thank you.

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