

SECURITIES AND EXCHANGE COMMISSION,
Washington, D.C., October 16, 1967.

HON. HARLEY O. STAGGERS,
Chairman, Committee on Interstate and Foreign Commerce, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your letter of September 11, 1967 requesting our comments on S. 510, as well as your earlier letter requesting our comments on H.R. 12210.

S. 510, as passed by the Senate, reflects many changes made by the Senate Banking and Currency Committee in the bill originally introduced, including a number of changes suggested by this Commission. While the Senate Committee did not adopt all of the suggestions we made, we believe the bill passed by the Senate is a constructive approach to a problem which requires Congressional attention.

On the other hand, we would like to have the opportunity to submit for the consideration of your Committee a statement in support of the recommendations which we made to the Senate Committee which were not embodied in the bill enacted by the Senate. We believe that these further changes would materially improve an already good bill. In addition, we have some further changes to suggest to close a gap in the coverage of the bill which was brought to our attention recently. We are now preparing a statement incorporating these recommendations which we hope to submit to you shortly or at such time as public hearings on the bill are held by your Committee.

In regard to H.R. 12210, we note that it is substantially identical to S. 510 as originally introduced. The statements which we submitted to the Senate Committee set forth in detail our difficulties with that measure in its original form. We therefore believe that S. 510, as passed by the Senate, or any comparable legislation that may be introduced in the House, would be a more useful starting point for your Committee's deliberations.

Sincerely,

MANUEL F. COHEN, *Chairman.*

BOARD OF GOVERNORS,
FEDERAL RESERVE SYSTEM,
Washington, D.C., October 31, 1967.

HON. HARLEY O. STAGGERS,
Chairman, House Interstate and Foreign Commerce Committee, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: S. 510, now pending before your Committee, would provide for disclosure of ownership of corporate equity securities under the Securities Exchange Act of 1934. The Board of Governors is in accord with the purposes of this bill, particularly as it would require disclosures relating to acquisition of substantial interests in banks, and equitable treatment of persons tendering bank stock in response to purchase offers. Bank stock could become less attractive as an investment, with the result that banks might find it more difficult to raise needed capital, if the interests of minority shareholders are not fully protected in connection with negotiations to merge or acquire banks. The proposed bill would take a noteworthy step toward providing minority shareholders with the opportunity for prior notice, and the equal opportunity to dispose of their shares, which the Board believes necessary both for equitable treatment and good business practice.

However, the Board notes that in its present form, the bill virtually exempts financing arrangements from disclosure where funds are provided by means of a loan made in the ordinary course of business by a bank. The Board is not aware of any reason why the same disclosure requirements should not apply to banks as to other lenders. In addition, as explained below, information as to bank financing of tender offers would materially assist the Board in carrying out its duties under the 1934 Act. For this reason, the Board would recommend deletion of the provision permitting non-disclosure of information relating to bank financing of tender offers. However, if your Committee believes, for any reason, that the name of the bank making such a loan should not be disclosed, the Board would urge that a provision be substituted that would accord confidential treatment to the identity of the bank lender.

The sharp recent increase in the number of tender offers has highlighted certain problems under the Board's Regulation U (Loans by Banks for the Purpose