

during the last week of five-day trading on the New York Stock Exchange, the volume of our shares traded was just over fifteen thousand shares. Thus, any large purchases of shares by us on a single purchase basis could have an effect on the market price. Must we then abandon the practice of purchasing shares on the Exchange for our treasury for uses such as our employee benefit and stock option plans? Nor is it likely that we could find relief through private purchase of our securities. Any shareholders interested in selling could not be expected to maintain interest throughout the period required to prepare and publish information complying with the terms of this legislation.

As to our third concern—the extension of coverage to persons other than the corporate issuer. The scope of this extension is so broad that it would include purchases by the independent trustee under our issuer's pension plan, over whose investment decisions the issuer has no control, as well as purchases no matter how small by any person deemed for purposes of the Securities Exchange Act to be a controlling person. With regard to the independent trustee, the severe restrictions on the exercise of its discretion imposed by this legislation could well result in its decision not to purchase any of the issuer's shares, a situation which we do not believe would be either in the interests of the pension plan or of the corporate employees. With regard to the application of the legislation to a controlling person, the time and money required to comply with the legislative mandates would, we suggest, in effect prevent any future purchases of issuer's shares by such person.

I wish to thank you for the opportunity to submit our views and, in closing, let me strongly urge that your Subcommittee adopt an amendment to this legislation which would exempt annual purchases by an issuer, however defined, of an amount of shares not in excess of two per cent of the outstanding securities.

Very truly yours,

ARTHUR S. LANE.

Mr. COHEN. I am not familiar with that letter, Mr. Chairman, but I had heard that there was a telegram which had been received by the committee from another company and if the Chair wishes I can sort of respond to that off the top of my head.

Mr. WATKINS. Mr. Chairman, I would like to know who the other company is.

Mr. COHEN. American Home Products, I think. That telegram, as I recall it, suggested that it would be unwise to require the management of a company to be subject to the bill and in this regard they mean the reporting of information to the Commission with respect to repurchase by the company of its own shares; that is, at least up to the extent of 2 percent a year.

First of all, I think there may be some misconception unless I have not been properly informed as to the nature of the telegram. The provision of the statute which deals with that point as I understand it contains no prescription. It allows to the Commission authority to develop appropriate rules and in developing any rules as I indicated earlier, we do this by noticing a proposed rule so that we can get the comments from all persons concerned before we adopt a rule. It would be pretty much the same practice that we have engaged in under the proxy rules and, therefore, I do not see any problem that is raised by the American Home Products Co. that can't be adequately dealt with administratively.

Mr. WATKINS. Mr. Chairman.

Mr. MOSS. Mr. Watkins.

Mr. WATKINS. Mr. Cohen, if you have any information why don't you file that with the committee here and make it part of the record.

Mr. COHEN. I don't have the information. I just heard about this, Mr. Watkins.