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THE SECRETARY OF COMMERCE  
WASHINGTON, D.C. 20230

June 17, 1976

Honorable Roderick M. Hills  
Chairman  
Securities and Exchange Commission  
Washington, D.C. 20549

Dear Rod:

Thank you for your letter of June 16, 1976 regarding my letter of June 11 to Senator Proxmire. I sincerely regret that certain language in my letter has been construed as potentially undercutting the legitimate ongoing enforcement activities of the SEC. That, as I am sure you appreciate, was certainly not my intent.

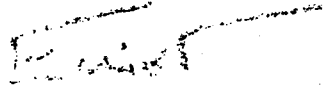
The purpose of the analysis set forth in my letter was to demonstrate that debate has existed and may continue regarding the proper scope of SEC enforcement under the doctrine of "materiality." I personally did not and do not wish to take a particular side in such a debate nor to affect in any way the seventeen enforcement actions already undertaken and successfully concluded by the SEC. For reasons stated in my letter to Senator Proxmire--above and beyond those pertaining to the "materiality" debate--I do believe that new legislation as proposed by President Ford is required to supplement and complement SEC activities if we are to deter fully, in the future, questionable or improper payments.

You know I feel that you and your fellow Commissioners, and the staff of the SEC, deserve great credit for taking a forceful position at the vanguard of those seeking to assure that the business standards of all American corporations comport with our national ethic. Further, I am particularly pleased that the President has decided to endorse the legislation which you proposed on May 12 to assure greater corporate accountability.

I would not want any misunderstanding my letter may have caused to interfere with our continued cooperation in the pursuit of adequate measures to restore and maintain confidence in American business conduct.

With warm regard,

Sincerely,



Elliot L. Richardson

RDARMAN/JTSMITH/6/17/76

cc: Sec. (2)

Ex. Sec. (2)

JTS

RGD

M. SPRAGUE

H. WEBB