



SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

September 10, 1976

William Batten  
New York Stock Exchange, Inc.  
11 Wall Street  
New York, New York 10005

Dear Mil:

I was extremely pleased to receive a copy of your memorandum of September 3, 1976, to the Chief Executive Officers of domestic corporations listed on the Exchange, in which you solicit comment on a proposal to require listed companies to maintain an audit committee composed independent directors.

It is, at this juncture, not appropriate for the Commission to offer any observations on the substance of the particular requirement which your Exchange is presently considering. I would, however, like to express my great personal satisfaction with the Exchange's action in proposing a requirement relating to independent audit committees. As I stressed in my letter to you last May, the Commission has long advocated the creation of such audit committees for publicly held corporations, and believes that they are a critical instrument for enhancing the integrity of corporate accountability upon which this nation's free enterprise system is predicated. Accordingly, I am gratified that, under your leadership, the New York Stock Exchange has initiated affirmative steps in this important area.

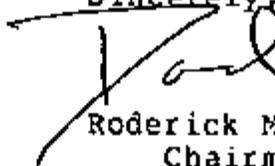
In a broader perspective, I also believe that the type of action you have proposed could prove to be an excellent example of the efficacy of the concept of industry self-regulation which underlies the Securities Exchange Act. To the extent that the self-regulatory bodies take the initiative to assure that those persons and entities subject to their jurisdiction conform to the high ethical standards which the public expects of American business, the need for direct government regulation of business is correspondingly reduced. In the context of the Commission's responsibilities, this is, I believe, the essence of the type of regulatory reform which this nation's leaders are advocating.

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Mr. William Batten  
Page 2

The Board of Governors of the Exchange have our great respect for this first step on the issue of independent audit committees. I am confident that your efforts will provide a significant impetus for a better public view of the American business community.

Sincerely,

A handwritten signature in dark ink, appearing to read "R. Hills", written over a horizontal line.

Roderick M. Hills  
Chairman

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