

FIRST ANNUAL REPORT
OF THE
SECURITIES AND EXCHANGE COMMISSION

Fiscal Year ended June 30, 1935

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SECURITIES AND EXCHANGE COMMISSION

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Washington, D.C.

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Robert E. Healy
J.D. Ross

Francis P. Brassor, Secretary

Address All Communications
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

LETTER OF TRANSMITTAL

SECURITIES AND EXCHANGE COMMISSION

Washington, January 3, 1936

SIR: I have the honor to transmit to you the First Annual Report of the Securities and Exchange Commission, in compliance with the provisions of section 23(b) of the Securities Exchange Act of 1934, approved June 6, 1934

Respectfully,

James M. Landis, Chairman

The PRESIDENT OF THE SENATE,
The SPEAKER OF THE HOUSE OF REPRESENTATIVES,
Washington, D.C.

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WASHINGTON, D. C.

PART I
ORGANIZATION OF THE COMMISSION

The Securities and Exchange Commission was created pursuant to section 4 of the Securities Exchange Act of 1934, approved by the President on June 6, 1934.

The act provides that the Commission shall be composed of five members, to be appointed by the President, by and with the advice and consent of the Senate. The act further provides that not more than three of such Commissioners shall be members of the same political party.

On June 30, 1934, the President appointed the following named as Commissioners: Joseph P. Kennedy, of New York, for a term of 5 years; George C. Mathews, of Wisconsin, for a term of 4 years; James M. Landis, of Massachusetts, for a term of 3 years; Robert E. Healy, of Vermont, for a term of 2 years; and Ferdinand Pecora, of New York, for a term of 1 year.

The appointments of these five Commissioners were confirmed by the United States Senate on January 16, 1935. Mr. Pecora resigned from the Commission, effective January 21, 1935, and the appointment of a successor has not yet been announced. [Footnote: Mr. J. D. Ross, of the State of Washington, was appointed Commissioner on Oct. 5, 1935, for the term ending June 5, 1940.]

The Commissioners held their first meeting on July 2, 1934, all Commissioners being present, and chose Commissioner Kennedy as chairman. [Footnote: Commissioner Kennedy was reelected chairman of the Commission on July 2, 1935, and resigned as chairman and Commissioner, effective Sept. 23, 1935, and Commissioner James M. Landis was elected chairman.]

The following named are in charge of their respective divisions:

John J. Burns, General Counsel; Baldwin B. Bane, Director of the Registration Division; David Saperstein, Director of the Trading and Exchange Division; Francis P. Brassor, Secretary of the Commission and head of the Administrative Division; Joseph R. Sheehan, Director of Employment Research; Paul P. Gourrich, Technical Adviser; Kemper Simpson, Economic Adviser; William O. Douglas, Supervisor of Study on

Protective and Reorganization Committees; H. Bartlett Benedict, Regional Supervisor; Edwin A. Sheridan, Supervisor of Information Research.

The Securities and Exchange Commission is charged with the administration and enforcement of the Securities Exchange Act of 1931 and the Securities Act of 1933, as amended. [Footnote: On Aug. 26, 1935, the President approved the Public Utility Holding Company Act of 1935 which is also administered and enforced by this Commission.]

Under the provisions of the Securities Act of 1933, as amended, the main objectives of the Commission's activities are to require a fair and full disclosure of the material facts regarding securities offered for sale or sold in interstate commerce or by the use of the mails and to prevent frauds in the sale of securities. This is accomplished by means of registration statements required to be filed with the Commission in respect to all but exempted securities. A prospectus embodying the more important information contained in such registration statements must be given to prospective purchasers of a registered security. The Commission is not empowered to express approval of the merits or value of any security, but is limited to requiring the disclosure of the material facts necessary for the investor to exercise properly his own judgment. However, the act specifically provides that it shall be unlawful for any person in the sale of any securities by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly-

- (1) To employ any device, scheme, or artifice to defraud, or
- (2) To obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or
- (3) To engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

The act further provides that it shall be unlawful for any person, by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails, to publish, give publicity to, or circulate any notice, circular, advertisement, newspaper, article, letter, investment service, or communication which, though not purporting to offer a security for sale, describes such security for a consideration received or to be received, directly or indirectly, from an issuer, underwriter, or dealer, without fully disclosing the receipt, whether past or prospective, of such consideration and the amount thereof.

Under the provisions of the Securities Exchange Act of 1934, the primary functions of the Commission may be briefly classified as follows: To register and regulate national securities exchanges; to register securities traded in on such exchanges; regulate over-the-

counter markets and transactions in registered securities; to regulate members of exchanges and other persons doing a business in securities through the medium of such exchanges; to secure monthly statements of holdings of registered equity securities by directors, officers, and principal stockholders; and to secure an adequate disclosure of the material facts regarding corporations whose securities are registered on national securities exchanges through periodical reports of information necessary to keep reasonably current the information given at the time of first registration, and through rules governing the solicitation of proxies. For the purpose of effectuating these provisions, the Commission is vested with broad administrative powers to promulgate rules and regulations and is empowered to enforce these regulations.

FUNCTIONS OF THE DIVISIONS

For the sake of efficient administration, the Commission has established several divisions and offices and distributed certain functions and activities to each as follows:

The Legal Division, under the supervision of the General Counsel, has charge of legal matters involved in the administration and enforcement of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, which include (1) the rendering of opinions and advice to the Commission on general questions of law arising in connection with the administration and enforcement of the acts (2) the preparation for submission to the Commission of orders, rules, regulations, and forms in collaboration, where appropriate, with other divisions of the Commission; (3) the rendering of opinions in response to inquiries submitted to the Commission involving problems of interpretation of the acts and of rules, regulations, or forms promulgated by the Commission; (4) the conduct of hearings before the Commission, or an officer of the Commission, other than refusal-order or stop-order proceedings under section 8 (b) and (d) of the Securities Act of 1933, which are conducted by the Registration Division; (5) investigation of complaints and alleged violations of the acts; (6) representation of the Commission in all judicial proceedings, including proceedings to enjoin violations of law and proceedings for the review of orders of the Commission; (7) research incident to the formulation of legal opinions, and the representation of the Commission in administrative or judicial proceedings; (8) the preparation of cases for transmission to the Department of Justice for criminal prosecution; and (9) collaboration with other divisions of the Commission in the preparation of reports to Congress under sections 11, 12, 19; and 211 of the Securities Exchange Act.

The Registration Division is responsible for the examination of all registration statements filed pursuant to the Securities Act of 1933 and registration statements covering the listing of securities on national securities exchanges pursuant to section 12 of the Securities Exchange Act of 1934; applications for withdrawal or striking from listing securities listed or registered on national securities exchanges; reports of officers, directors, and owners of equity securities required to be filed under the provisions of section 16 of the Securities Exchange Act of 1934. This includes not only the

examination of applications, but also statements and accompanying reports, amendments, documents, appraisals, financial statements, prospectuses, etc.; the preparation of reports and letters of deficiency with respect thereto; the conduct of investigations and hearings for the development of facts and the verification of data submitted in such registration statements, applications, and reports, and hearings in refusal-order and stop-order proceedings under section 8 (b) and (d) of the Securities Act of 1933; the preparation of recommendations to the Commission on the above matters and, after the Commission has acted, the preparation of the Commission orders.

The Trading and Exchange Division has supervision over (1) registration of exchanges as national securities exchanges and exemption of exchanges from registration; (2) the formulation of rules for the regulation of floor trading and the prevention of excessive trading by exchange members; (3) the detection of unlawful practices on exchanges, including wash sales, matched orders, pool operations and tipping of pool operations, the dissemination of false or misleading information concerning securities and other manipulative or deceptive devices; (4) the formulation of rules for the regulation of pegging, fixing, and stabilizing operations; (5) the formulation of rules for the regulation of puts, calls, straddles, and other options; (6) the formulation of rules for the regulation of short selling and stop-loss orders; (7) the formulation of rules for the regulation of borrowings and hypothecation of customers' securities by exchange members; (8) the registration of securities admitted to unlisted trading privileges; (9) the formulation of rules for the regulation of over-the-counter markets; (10) the detection of fraudulent or manipulative practices in the distribution of securities over the counter; and (11) the registration of brokers and dealers in over-the-counter markets.

The Secretary is the chief administrative officer of the Commission. His duties and responsibilities are threefold, viz, as Secretary, as business manager, and as head of the Administrative Division. As Secretary, he is responsible for the administrative, clerical, and fiscal activities of the Commission. These include actions on all allotments and expenditures of appropriations; liaison activities with other Government establishments; signing of all Commission orders, actions, certifications, etc.; and assisting in the coordination of functional activities. The recording secretary, whose duties involve the preparation, maintenance, and indexing of Commission minutes, is responsible to the Secretary. As business manager, the Secretary is responsible for the business-management functions of the Commission and for the preparation of the budget estimates and justifications in support thereof. As head of the Administrative Division, he is responsible for the activities of that division, which is composed of five sections, viz, Budget and Accounting Section, Docket Mail and Files Section, Service Section, Stenographic Section, and Library Section.

The Director of the Protective Committee Study is charged with the responsibility of conducting investigations and hearings in order to assemble data and facts for use in the preparation of the report to Congress required under section 211 of the Securities Exchange Act of 1934, which section provides that "The Commission is authorized and

directed to make a study and investigation of the work, activities, personnel, and functions of protective and reorganization committees in connection with the reorganization, readjustment, rehabilitation, liquidation, or consolidation of persons and properties, and to report the results of its studies and investigations and its recommendations to the Congress on or before January 3, 1936.”

The Technical Adviser to the Commission is responsible for the assembly of industrial statistics, the conduct of studies of the markets for securities of different industries, the analysis of company reports and company statistics, the statistical analysis of registrations under the Securities Act of 1933, the assembly and maintenance of economic, market, capital, and other statistics, the study of technical phases of marketing and underwriting of securities, the examination and extraction of pertinent information from general and financial publications, and the rendering of technical advice to the Commission and its staff in connection with the above matters and in connection with the conduct of special studies required under the provisions of the Securities Exchange Act of 1934.

The Economic Adviser to the Commission is charged with the responsibility of conducting certain economic studies for use by the Commission in the establishment of general policies and with the rendering of advice regarding the economic aspects of the problems involved in the administration of the Securities Act of 1933 and the Securities Exchange Act of 1934. The Section on Special Studies is also a part of the office of the Economic Adviser. The functions of this section involve the conduct of research and the drafting of reports for certain studies which Congress has directed the Securities and Exchange Commission to make, and others which the Commission will initiate from time to time in order to facilitate the administration of the Securities Act of 1933 and the Securities Exchange Act of 1934. The conduct of the research and the drafting of the reports will require cooperation with officials assigned to other divisions and coordination of data assembled by the various divisions of the Commission.

The Director of Employment Research is charged with the responsibility of making the preliminary selection of personnel (experts and civil service) and with the conduct of necessary investigations regarding prospective appointees; also with the preparation of appointment notices, pay rolls, transfers, reinstatements, service records, and the handling of promotion, demotion, separation, and classification matters. All matters pertaining to personnel, employment, pay, and correspondence regarding same are handled in this office.

The Regional Supervisor is charged with the administration of the field activities of the Commission. The regional administrator in charge of each regional office has supervision over all investigations and matters referred to his office for action. However, the reports of investigations, memoranda, and correspondence from and to the regional offices are routed via the regional supervisor. This is done for record purposes and in order to coordinate the work, avoid duplication and maintain uniformity of action.

The Supervisor of Information Research is responsible for disseminating public information regarding the activities of the Commission by means of correspondence and releases. The legislation under which the Commission operates specifically directs that publicity be given to its rulings, regulations, opinions, and findings, as well as to the filing of registration statements, the effective registrations, hearings held, and reports and statements filed with the Commission by security issuers, officers, directors, and principal stockholders. The information is made available to the public by the supervisor of information research through releases issued to the press and through mailing lists established for the convenience of those who wish to receive releases currently.

ESTABLISHMENT OF ZONES AND REGIONAL OFFICES

In order to administer more effectively the Securities Act of 1933 and the Securities Exchange Act of 1934, regional offices were established throughout the country. For this purpose the United States has been divided into eight zones, exclusive of that area which falls under the direct administration of the main office in Washington, D.C.

The various zones are composed of the States, as follows:

ZONE 1

New York
New Jersey
Pennsylvania

ZONE 2

Massachusetts
Connecticut
Rhode Island
Vermont
New Hampshire
Maine

ZONE 3

Tennessee
North Carolina
South Carolina
Georgia
Alabama
Mississippi
Florida

ZONE 4

Minnesota
Wisconsin
Michigan
Iowa
Ohio
Missouri
Kentucky
Kansas City, Kans.

ZONE 5

Oklahoma
Arkansas
Texas
Louisiana
Kansas (except Kansas City)

ZONE 6

Wyoming
Colorado
New Mexico
Nebraska
North Dakota
South Dakota
Utah

ZONE 7

California
Nevada
Arizona
Philippine Islands
Hawaii

ZONE 8

Washington
Oregon
Idaho
Montana

Alaska

WASHINGTON FIELD OFFICE

Virginia

West Virginia

Maryland

Delaware

District of Columbia

A regional office has been established in each of these zones. Each regional office is supervised by a regional administrator, who is responsible for all administration, investigation, and enforcement activities of the Commission within his respective zone.

The names of the regional administrators and the addresses of the regional offices are indicated below:

Zone 1-Robert G. Page, 120 Broadway, New York City, N. Y.

Zone 2-Edmund J. Brandon, 82 Devonshire Street, Boston, Mass.

Zone 3-William Green, Palmer Building, Atlanta, Ga.

Zone 4-Thomas A. Reynolds, 231 South LaSalle Street, Chicago, Ill.

Zone 5-Oran H. Allred, New Federal Building, Fort Worth, Tex.

Zone 6-Foster Cline, Patterson Building, Denver. Co.

Zone 7-Howard A. Judy, 625 Market Street, San Francisco, Calif.

Zone 8-Day Karr, Room 1407, Exchange Building, 821 Second Avenue, Seattle, Wash.

TRANSFER OF ADMINISTRATION OF SECURITIES ACT

The Securities Act of 1933 was administered by the Federal Trade Commission from May 27, 1933, the date of enactment, until September 1, 1934. On this latter date, under the provisions of section 210 of the Securities Exchange Act of 1934, the administration and enforcement of the Securities Act was transferred to the Securities and Exchange Commission.

AMENDMENT OF SECURITIES ACT OF 1933, AS AMENDED

The Motor Carrier Act of 1935 (approved Aug. 9, 1935), section 214, amended section 3(a)(6) of the Securities Act of 1933 to read as follows:

(6) Any security issued by a common or *contract* carrier, *the issuance of* which is subject to the provisions of section 20a of the Interstate Commerce Act, as amended; [the new law added is in italics].

ACKNOWLEDGMENT

The Commission desires to express its appreciation to the Federal Trade Commission for the cooperation and assistance rendered to it during the first months of its existence.

PART II

ADVISORY ASSISTANCE

Legislation of the character of the Securities Act of 1933 and the Securities Exchange Act of 1934 comprehends within its scope such a variety of complex situations that innumerable questions necessarily arise during the early period of its administration as to the applicability of the text of the law to situations which are not the subject of specific provision but to which it is clear its mandates were intended to apply. The Commission found it necessary to arrive at determinations as to the applicability of the legislation to concrete problems presented and as to the manner of compliance therewith. The many problems presented in connection with the rendering of such assistance covered every aspect of the acts.

Since the scope of the Securities Act of 1933 extends to various unique types of security interests, situations frequently arose, under the act, where the nature of the interest which was offered for sale was such as to make it difficult to determine whether a security was involved within the meaning of the act and, if so, who, under the act, was the issuer of such security. In this connection, problems most frequently arose in the case of interests in oil, gas, and other mineral rights, certificates issued under deposit or trust agreements, and securities issued in reorganizations.

The Securities Act exempts from its registration requirements not only various types of securities because of their generic character, but also other securities which are issued in certain specific types of transactions. The exemptive provisions of the latter type have presented questions of particular difficulty, the solutions of which have required a

thorough-going understanding of the history of the particular provisions in question, and of the practical results of the application of such provisions. The act also exempts from registration, securities offered in limited amounts where such offerings meet requirements to be imposed by the Commission. Pursuant to the authority conferred by this provision of the act, various requirements were formulated to be satisfied as conditions to the availability of such exemption to offerings of such securities.

Numerous problems also arose under those provisions of the act exempting certain types of transactions, such as private offerings and dealers' and brokers' transactions, from the requirement of prior registration. Other questions on which advice was frequently sought related to the requirements of the act and of the Commission's regulations in regard to prospectuses and the filing and amendment of registration statements.

The administration of the Securities Exchange Act also brought to the Commission many questions of a novel and difficult character. Advice was given to the public on the subjects of national securities exchanges, temporary registration, and subsequent permanent registration of securities on national securities exchanges. The provisions of section 16 of the Securities Exchange Act of 1934, relating to the reporting of transactions by directors, officers, and principal stockholders of issuers of listed securities, were such as to give rise to numerous inquiries relating to the nature of beneficial ownership within the meaning of this section. After careful study of the problems involved in this question, opinions were published which, it is believed, have been of substantial assistance to the public.

In view of the volume and diversity of inquiries received, it was essential to provide for the coordination of this part of the work so as to effect uniformity in the opinions which were rendered. The letters and memoranda of conferences which contained opinions rendered were classified and indexed. In addition, a summary of interpretations of the Securities Act rendered by the Federal Trade Commission and by the Securities and Exchange Commission was prepared for the use of the Commission, in such form as to make practicable its periodic revision. The preparation of a similar summary was commenced of interpretations rendered of the Securities Exchange Act of 1934 and regulations promulgated thereunder.

As a result of the method described above, consistency was obtained in the interpretation of the acts and rules and regulations.

While for the most part advisory opinions rendered, in answer to inquiries received, were not published, a number of these opinions were publicly released in cases where the questions involved had been the subject of wide-spread interest and numerous inquiries.

The advisory assistance rendered by the Commission was of manifest importance to the public because of the newness of the acts and regulations and the resulting lack of precedence by which persons seeking to comply with the law in particular situations

might be guided. Moreover, it is believed that the spirit of cooperation engendered between the public and the Commission through this interpretative service was of definite value. In addition, the Commission benefited greatly from the information obtained through the correspondence and conferences incidental to the rendering of such service. From these sources much valuable information was obtained on the basis of which existing regulations were improved and new regulations promulgated.

REGISTRATION OF EXCHANGES AS NATIONAL SECURITIES EXCHANGES

Pursuant to section 6 of the Securities Exchange Act of 1934, 24 exchanges submitted applications for registration as national securities exchanges.

In considering these applications, the constitution, bylaws, and rules and regulations of each exchange were examined and analyzed. Each exchange was required to execute an agreement to comply with the provisions of the act and any rules and regulations thereunder, and to enforce compliance with such provisions by its members, so far as is within its power. Each exchange was also required to include in its rules provision for the expulsion, suspension, or disciplining of members for conduct or proceeding inconsistent with just and equitable principles of trade, and to declare that willful violation of any provision of such act or any rule or regulation thereunder shall be considered conduct or proceeding inconsistent with just and equitable principles of trade.

Upon investigation into the affairs of the New York Mining Exchange and the New York Produce Exchange, both of which applied for registration, the New York Mining Exchange discontinued operations entirely, and the New York Produce Exchange ceased to afford facilities for trading in securities.

A merger of the Los Angeles Curb Exchange with the Los Angeles Stock Exchange necessitated an examination into the terms and conditions of such merger, and the determination whether the merged exchange was so organized as to be able to comply with the act and the rules and regulations thereunder, and whether its rules were just and adequate to insure fair dealing, and to protect investors. Upon the completion of this examination, such determination was made and the merged exchange was permitted to continue in operation as a national securities exchange.

The cessation of trading in securities by the 2 New York exchanges above named and the merger of the Los Angeles exchanges, reduced to 21 the number of securities exchanges registered with the Commission.

From time to time during the year, such registered exchanges filed amendments to their registration statements. These amendments covered changes in membership, in exchange trading rules, in securities admitted to listed or unlisted trading privileges, and in the rules for the government of exchanges. Such amendments were subjected to thorough analysis

to ascertain whether the exchanges were being maintained in compliance with the provisions of the Securities Exchange Act of 1934, and the rules and regulations thereunder. The following named constitute the national securities exchanges as of June 30, 1935:

Baltimore Stock Exchange
Boston Stock Exchange
Buffalo Stock Exchange
Chicago Board of Trade
Chicago Stock Exchange
Cincinnati Stock Exchange
Cleveland Stock Exchange
Denver Stock Exchange
Detroit Stock Exchange
Los Angeles Stock Exchange
New Orleans Stock Exchange
New York Curb Exchange
New York Real Estate Securities Exchange
New York Stock Exchange
Philadelphia Stock Exchange
Pittsburgh Stock Exchange
St. Louis Stock Exchange
Salt Lake Stock Exchange
San Francisco Curb Exchange
San Francisco Stock Exchange
Washington Stock Exchange (D. C.)

EXEMPTION OF EXCHANGES FROM REGISTRATION AS NATIONAL SECURITIES EXCHANGES

Pursuant to section 5 of the Securities Exchange Act of 1934, 19 exchanges filed applications for exemption from registration as national securities exchanges. The applicants were granted temporary exemption from registration pending investigations with respect to their constitution, bylaws, trading rules and practices, members, volume of security transactions, and the financial standing of companies having securities traded on these exchanges. Investigators were sent to the far West to examine 7 exchanges, to the Middle West to examine 4 exchanges, to the South to examine 3 exchanges, and to New England to examine 2 exchanges.

The reports filed by the trial examiners before whom hearings were held on the applications for exemption, were analyzed preliminary to determining which applications should, in the public interest, be granted.

After investigation of the California Stock Exchange, the Boston Curb Exchange, and the Hartford Stock Exchange, operations on those exchanges were altogether discontinued.

The Philippine Stock Exchange of Manila discontinued operations as of March 1, 1935, and thereupon its temporary exemption was canceled by the Commission.

The cancellation of this application, together with the dissolution of the three exchanges above mentioned, reduced the number of exchanges granted temporary exemption as of June 30, 1935, to 15.

The Standard Stock Exchange of Spokane, which had previously been granted temporary exemption from registration, submitted an application for registration as a national securities exchange.

The Chicago Curb Exchange, which also had been granted temporary exemption from registration, asked leave to withdraw its application for exemption and to substitute therefor an application for registration as a national securities exchange.

After a thorough examination of these two exchanges, it was determined that such exchanges were so organized as to be able to comply with the provisions of the Securities Exchange Act of 1934 and the rules and regulations thereunder. Accordingly, the Commission granted the Standard Stock Exchange of Spokane registration as a national securities exchange, effective October 1, 1935, and extended its temporary exemption from registration to that date, and granted the Chicago Curb Exchange registration, effective November 1, 1935, and extended its temporary exemption from registration to that date.

During the year a new exchange was organized in Manila under the designation of Associated Stock Exchange (Manila, P. I.). The Acting Governor General of the Philippine Islands was requested to furnish information concerning such exchange, and on May 16, 1935, the exchange applied for exemption from registration. Upon request, the Governor General authorized the insular auditor in Manila to make an investigation of the exchange, in accordance with a questionnaire setting forth the scope of such investigation prepared by the Commission. Subsequently, this exchange dissolved.

The following named constitute the exchanges granted temporary exemption from registration as national securities exchanges as of June 30, 1935:

Associated Stock Exchange (Manila, P. I.)
Chicago Curb Exchange
Colorado Springs Stock Exchange
Honolulu Stock Exchange
Louisville Stock Exchange
Manila Stock Exchange

Milwaukee Grain and Stock Exchange
Minneapolis-St. Paul Stock Exchange
Reno Stock Exchange
Richmond Stock Exchange
San Francisco Mining Exchange
Seattle Mining Exchange
Seattle Stock Exchange
Standard Stock Exchange of Spokane, Wash.
Wheeling Stock Exchange

FORMULATION OF RULES FOR THE REGULATION OF TRADING ON EXCHANGES

A comprehensive survey was made of the activities of specialists, floor traders, and odd-lot dealers on the New York Stock Exchange and on the New York Curb Exchange, as well as an analysis of trading on other exchanges. On the basis of this study, suggested rules for the regulation of trading on exchanges were formulated. These rules were sent to all national securities exchanges, with the Commission's request or recommendation that they be adopted. As of the close of the year, 16 exchanges had adopted such rules, either as recommended or in modified form. It is not considered that these suggested rules shall represent the final regulations to be promulgated regarding this matter. They are experimental in character and may be changed if further study indicates a necessity therefor.

Various phases of trading on exchanges were covered by these rules, including limitations on a member's trading while on or off the floor of an exchange; participation by members in joint accounts; reports of substantial joint accounts; handling of customers' discretionary accounts and discretionary orders; the use of puts, calls, and straddles by members; members acting in the dual capacity of brokers and dealers; the preservation of records or orders by members; successive transactions by members; registration of specialists and odd-lot dealers; limitation upon the dealings of specialists and odd-lot dealers; and short selling.

To assist in the detection of violations of these trading rules, to study the effect of such rules on market activities and operations, and to assist the Commission in the formulation of further rules in connection with these subjects and correlated matters, various detailed report forms were devised to be filed by exchanges and members of exchanges. These reports disclosed, among other things, the extent of trading by members and partners for their own account as compared with the total volume of transactions on exchanges, and the effect of trading by specialists on quotations and the market action of the securities in which they specialize.

Approximately 380 such reports are filed each week and a system has been devised for the expeditious analysis in order to detect manipulative practices or trading by members

and to determine whether further rules are necessary to make exchanges free, open, and orderly market places for securities.

These reports are also useful in accumulating material in connection with a study of the feasibility and advisability of the complete segregation or limitation of the functions of the dealer and broker, the results of which will be reported to the Congress pursuant to the mandate of section 11(e) of the Securities Exchange Act of 1934.

DETECTION OF EXCESSIVE TRADING AND MANIPULATIVE AND DECEPTIVE PRACTICES ON EXCHANGES

Pursuant to sections 9 and 10(b) of the Securities Exchange Act of 1934, trading activities on the major exchanges were under surveillance, and all transactions which appeared to be manipulative in character were promptly referred to the regional offices for investigation. The tape quotations of the New York Stock Exchange and the New York Curb Exchange were under continuous observation, and complete lists of daily transactions were required to be furnished by all exchanges.

Transactions on the various exchanges were constantly scrutinized to detect trading in securities by members, which trading might be excessive in view of the financial resources of such members or in view of the market for such securities. Trading activities were also observed for the purpose of detecting trading by specialists in the securities in which they specialize, which was not reasonably necessary to permit such specialists to maintain a fair and orderly market in their securities, and for the purpose of uncovering violations of the other recommended rules for the trading on the exchanges above mentioned.

In connection with the detection of manipulative practices, such as wash sales, matched orders, pool operations, the "tipping" of pool operations; the dissemination of false or misleading information concerning securities, and other manipulative and deceptive devices, investigations into transactions in 67 securities were made during the year.

A system was devised for the accumulation of important information published or circulated concerning securities and their price movements. As it was important that such information be immediately available to aid in investigations and for other purposes, files were established on 838 individual companies, the securities of which were listed on registered or exempted exchanges, or traded in over-the-counter markets. There were also established 116 files on various industries.

As an aid in uncovering manipulative operations by corporate "insiders", examinations were made of the reports of officers, directors, and beneficial owners of registered securities filed under section 16 of the Securities Exchange Act of 1934. Up to the close

of the year, analyses were made of transactions of such officers, directors, and beneficial owners, in 61 securities. Ten field investigations were made as a result of such analyses.

FORMULATION OF RULES FOR THE REGULATION OF PEGGING, FIXING, OR STABILIZING OPERATIONS BOTH ON EXCHANGES AND IN THE OVER-THE-COUNTER MARKETS

Pursuant to sections 9(a)(6), 10(b) and 15 of the Securities Exchange Act of 1934, a careful survey was inaugurated by the Commission to determine the extent to which pegging, fixing, or stabilizing the prices of securities should, in the public interest, be permitted. Data concerning various types of pegging, fixing, or stabilizing operations employed in the past were compiled and analyzed as a preliminary to drafting rules and regulations on this subject.

Statistics were assembled on the average price range of stabilizing operations and a comprehensive report was prepared describing the advantages and disadvantages and the uses and abuses of such operations.

During the last week of June invitations were sent to representative banks, investment bankers, underwriters, stock exchange members and stock exchanges, as well as the Investment Bankers Association of America, Investment Bankers Code Committee, New York Securities Dealers Association, and Associated Stock Exchanges, informing them of conferences to be held with regard to pegging, fixing, or stabilizing operations. As an aid in facilitating discussions at these conferences, agenda of matters to be considered were prepared.

FORMULATION OF RULES FOR THE REGULATION OF PUTS, CALLS, STRADDLES, AND OTHER OPTIONS

Under authority of section 9(b) and (c) of the Securities Exchange Act of 1934, a study was made of transactions involving puts, calls, straddles, and other options. Conferences were held with put and call brokers, commission houses, and others interested in such options, to determine the extent to which such transactions should be permitted. The proposed program encompasses trading practices in connection with such options, the registration of put and call brokers and dealers, reports in connection with the granting or acquiring of options, the duration of options and the endorsement of options by exchange members.

FORMULATION OF RULES FOR THE REGULATION OF SHORT SELLING AND STOP-LOSS ORDERS

A detailed analysis of the subject of short selling was made for the purpose of determining the extent to which such selling is economically justified and the extent to which it should be curbed. A rule was formulated which all exchanges were requested to adopt and which, it is anticipated, will preserve those features of short selling which are in the public interest.

The subject of stop-loss orders was also studied with a view to determining the extent to which the preservation of such orders is in the public interest. No rules have yet been formulated on this subject.

COOPERATION WITH THE FEDERAL RESERVE BOARD IN THE SUPERVISION OF ITS MARGIN REGULATIONS

The Commission cooperated closely with the Federal Reserve Board in the formulation of its rules under section 7 of the Securities Exchange Act of 1934 governing the extension and maintenance of credit on registered securities. Many suggestions were made to the Federal Reserve Board for its consideration in the drafting of regulation T.

For the purpose of Supplementing the work of the Federal Reserve Board, a unit was organized to check up on margin accounts to ascertain whether they were being maintained in compliance with regulation T and also to study the effect of such regulation on the extension of credits on registered securities. During the year since the effective date of such regulation, 197 firms were examined. The results of these examinations were made available to the Federal Reserve Board for the purpose of indicating the practicability and effectiveness of regulation T, as well as to reveal violations thereof.

FORMULATION OF RULES RELATING TO BORROWINGS AND SOLVENCY OF, AND HYPOTHECATION OF CUSTOMERS' SECURITIES BY, EXCHANGE MEMBERS, BROKERS, AND DEALERS

Considerable research was done preparatory to the formulation of rules under section 8(b) of the Securities Exchange Act of 1934, defining brokers' aggregate indebtedness and net capital, and determining the proper ratio between the two. This work entailed a study of brokerage accounting, consideration, of an appropriate form of report of financial condition to be filed periodically by brokers, either with the exchange or the Commission, and involved several conferences with experts on accounting matters.

Study was also devoted to the matter of hypothecation of customers securities and safeguards to be erected in connection with such hypothecation. The subject included "earmarking" of customers' securities, escrowing of customers' surplus funds,

commingling of customers' securities, and the extent to which customers' securities may be hypothecated by brokers. No rules have yet been promulgated on the subject.

SUPERVISION AND STUDY OF MATTERS RELATING TO UNLISTED TRADING PRIVILEGES IN SECURITIES ON EXCHANGES

During the year 2,808 applications for continuance or extension of unlisted trading privileges in securities were submitted to the Commission pursuant to section 12(f) of the act. Each application was examined for the purpose of determining whether the subject security was eligible for unlisted trading privileges on the applicant exchange. Before any application could be granted, it was necessary to determine that the subject security either had been admitted to unlisted trading privileges on the applicant exchange prior to March 1, 1934, or had been registered on another national securities exchange and had been listed thereon on March 1, 1934. Of the applications filed with the Commission, 2,776 were granted and 32 were denied.

In the public interest, the Commission announced that it would consider objections to unlisted trading privileges in securities on registered exchanges. Corporations and others filed about 100 such objections.

Section 12(f) of the Securities Exchange Act of 1934 requires the Commission to make a study of trading in unlisted securities on exchanges, and to report the results of its study to Congress on or before January 3, 1936. As a preliminary to the writing of such report, statistics were assembled with respect to the number of securities admitted to unlisted trading privileges on the various registered and temporarily exempted exchanges, and the information published by issuers of such securities. A through study was also made of the listing requirements of the various exchanges for admission of securities to unlisted trading privileges with a view to determining the recommendations which should be made with respect to the listing requirements for admission of securities to such trading privileges.

FORMULATION OF RULES RELATING TO THE REGISTRATION OF UNISSUED WARRANTS AND UNISSUED SECURITIES FOR "WHEN, AS, AND IF ISSUED" TRADING ON EXCHANGES

A comprehensive study was inaugurated concerning the registration of unlisted warrants and securities for "when, as, and if issued" trading, pursuant to section 12(d) of the Securities Exchange Act of 1934. This study embraced an analysis of the economic function of, and the abuses formerly prevalent in, this type of trading, and the scope of the regulations to be formulated.

The tentative plan outlined included, among other things, the registration of unissued warrants or securities, restrictions on margin trading therein, and the availability of information in respect of such unissued securities.

In order to expedite a continuous exchange market in such warrants and securities, both on a “when, as, and if issued” and “issued” basis, consideration was given to the formulation of rules exempting from registration the class of issued warrants which would be eligible for registration on a “when, as, and if issued” basis. [Footnote: These rules were promulgated by the Commission Oct. 15, 1935.]

REGULATION OF THE OVER-THE-COUNTER MARKETS

Section 15 of the Securities Exchange Act of 1934 authorizes the Commission to take such steps as will insure to investors in the over-the-counter markets, protection comparable to that afforded to investors in securities traded on exchanges.

As a first step in affording such protection to investors in the over-the-counter markets, the entire subject of the registration of brokers and dealers received intensive study. A comprehensive survey was made of the “blue sky laws” of the various States with special reference to the provisions concerning the licensing or registration of brokers and dealers. On the basis of the conclusions reached from this study, and the experience with such “blue sky laws”, rules and regulations for the registration of such brokers and dealers with the Commission, were promulgated. Such rules prescribed in detail the mechanics for registration, the effective date thereof, grounds for denial or revocation of registration, cancellation of registration by brokers or dealers, amendments to registration statements, a form for registration and for amendments thereto, and included a prohibition against misrepresentations by brokers and dealers with respect to the registration of any broker or dealer and, where a broker is acting as agent for both the buyer and the seller, a requirement that such fact be disclosed.

Such registration will become effective on January 1, 1936.

During the time which elapsed between the promulgation of these rules on May 6 and the end of the fiscal year, 3,488 applications for registration had been filed with the Commission. [Footnote: As of Nov. 1, 1935. 5,080 applications had been filed with the Commission.] These applications were examined for deficiencies and inaccuracies in the information submitted. All available records of public and voluntary law enforcement agencies throughout the country were utilized for the purpose of ascertaining whether partners, proprietors, directors, or branch office managers of firms applying for registration had been convicted of a crime or enjoined from any practice in connection with the purchase or sale of securities or arising out of the conduct of the business of brokers or dealers. As a result of the evidence furnished by these examinations, many

hearings will be required to determine whether any applications for registration should be denied.

As a second step in complying with the mandate of the act to afford protection to investors in the over-the-counter markets, a comprehensive study was initiated with a view to the eventual formulation of rules with respect to wash sales, fictitious quotations, matched orders, misleading activities, false rumors, pegging, fixing, or stabilizing the prices of securities, extension of credit on securities, and other activities in such markets which affect the prices of securities traded on exchanges.

REGULATION OF MISCELLANEOUS EXCHANGE AND OTHER PRACTICES

The Commission has received many complaints with respect to exchange practices such as commissions charged by brokers, methods of settlement, interest charges, and other matters. These complaints have been analyzed for possible use in the formulation of rules on these subjects.

Several complaints were received with regard to the reporting of transactions in securities of issuers which were in receivership, bankruptcy, or in the process of reorganization. A careful study was made of this matter for the purpose of drafting a rule requiring such transactions to be clearly designated so that investors will be informed as to the financial status of issuers.

Section 19(c) of the Securities Exchange Act of 1934 authorized the Commission to make a study of the rules of national securities exchanges with respect to the classification of members, the methods of election of officers and committees to insure fair representation of the membership, and the suspension, expulsion, and disciplining of members of such exchanges. An exhaustive study of these matters was made and a report was prepared and submitted to the Congress, together with 11 recommendations. The subject matter of this report related to the classification of members of exchanges, the methods of election of officers and committees, the machinery of discipline, and a summary of recommendations. These recommendations dealt with representation of commission brokers on the governing committee, eligibility of office partners for membership on the governing committee, nomination of the governing committee by petition rather than by a nominating committee, election of one-third of the governing committee annually, nomination of the president by petition, eligibility of nonmembers for the office of president and other executive offices, membership of standing committees, expenses of arbitration, composition of the arbitral tribunal in cases in which a nonmember is a party, appeals from the business conduct committee to the governing committee, and handling of customers' complaints against members.

The New York Stock Exchange and the New York Curb Exchange, as well as some other exchanges throughout the country, incorporated these recommendations, in whole or in part, in their constitutions and bylaws.

The report of the Commission to the Congress on the Government of Securities Exchanges was transmitted on January 25, 1935, and will be found in Document No. 85, Seventy-fourth Congress, First session, House of Representatives.

REGISTRATION OF SECURITIES ON EXCHANGES TEMPORARY AND PROVISIONAL REGISTRATION OF SECURITIES ON EXCHANGES

In August 1934, after holding a series of hearings at which representatives of exchanges had an opportunity to make suggestions, the Commission promulgated rules and forms providing for the temporary registration of securities on national securities exchanges under section 12(e) of the Securities Exchange Act of 1934.

Applications for temporary registration were filed for 2,910 stock issues, covering over 2,000,000,000 shares of stock, and 1,968 bond issues, involving nearly \$29,000,000,000 in face value. These temporary registrations became effective on October 1934.

Securities not temporarily registered on October 1, 1934, and sought to be registered prior to the adoption of permanent registration forms of the Commission, were provisionally registered. These provisional registrations expired 90 days after the promulgation of the forms for permanent registration. Approximately 100 of such provisional registration statements were filed and examined.

Temporary registration, under the terms of the act, expired on June 30, 1935. A temporary exemption from permanent registration was granted all issuers until July 16, 1935, as of which date all listed securities were required to be permanently registered, except in cases of securities of certain types of issuers for which registration forms were still to be promulgated or had been promulgated so recently as to make further temporary exemption necessary to allow time for filing.

PERMANENT REGISTRATION OF SECURITIES ON EXCHANGES

Having provided for temporary registration of listed securities, the Commission was faced with the problem of promulgating forms for the filing of applications for permanent registration.

The Securities Exchange Act of 1934 specifies broadly the nature and scope of information to be furnished by an issuer in an application for permanent registration. The problem, in general, was to adapt these requirements to the circumstances of the various

classes of issuers through the adoption of a form of application for each class. Temporary registration was permitted to continue under the act only until July 1, 1935. It was desirable to allow issuers ample time before that date to prepare and file applications for permanent registration. Consequently, the task of preparing these forms was necessarily conducted under heavy pressure of time.

The Commission gave a great deal of time and thought to the requirements of permanent registration. Numerous conferences were held with representatives of exchanges, corporate officials, accountants, and others, in the course of which the Commission received valuable assistance in its efforts to formulate requirements that would afford protection to the investor through the dissemination of adequate information, without unduly burdening private industry.

As the first product of these efforts, a form for permanent registration of securities issued by corporations was approved by the Commission on December 20, 1934. Revised rules governing permanent registration were promulgated early in February 1935.

This general form for corporations, known as form 10, was applicable to a large majority of securities listed on the various exchanges, and formed the groundwork and model for other forms appropriate to special types of issues. Prior to July 1, 1935, eight additional forms were published, designed for use by (1) unincorporated issuers; (2) railroads, including those in receivership or bankruptcy; (3) insurance companies; (4) protective committees; (5) voting trustees; (6) investment trusts, incorporated; (7) investment trusts, unincorporated; and (8) foreign governments. [Footnote: Three additional forms were published during the first part of the fiscal year 1936, namely, form 19, for American certificates against foreign issues and for the underlying securities; form 20, for securities other than bonds of foreign private issuers; and form 21, for bonds of foreign private issuers.]

As stated above, temporary registration of securities on exchanges expired by the terms of the act on July 1, 1935. It then became unlawful to trade in nonexempt securities unless permanent registration had become effective. In order to avoid any confusion on the exchanges immediately after July 1, 1935, due to uncertainty as to the registered or exempt status of any security, it was deemed advisable to allow an interval for the compilation and publication of complete lists of securities registered or exempt on that date. Accordingly, shortly before July 1, under authority conferred by the act, the Commission adopted a rule granting to all listed but unregistered securities an exemption from registration requirements during the first 15 days of July 1935.

Furthermore, the Commission considered that all issuers should be allowed at least 90 days in which to secure effective registration of their securities after publication of the form appropriate for such securities. To provide this time the Commission granted exemptions for certain types of securities for various periods after July 1, 1935. The basic set of 12 forms was designed to meet the primary problem of securing original

registration of the several thousand issues of securities already listed on national securities exchanges when the act became effective. These forms represented only the beginning of the Commission's work in formulating the requirements and methods of registration. On July 1, 1935, there remained the problem of filling out this framework with additional forms to meet certain complex and peculiar situations. To mention a few of these, it is contemplated that special forms will be prepared for corporations emerging from bankruptcy or receivership, corporations involved in mergers and consolidations, corporations modifying their existing securities or issuing, in a variety of transactions, additional securities of a class already registered.

Requirements must be formulated for annual and other periodic reports from issuers, designed to keep reasonably current the information already filed with the Commission.

A guide to forms adopted by the Commission will be found in the appendix.

Having devised and promulgated forms for the registration of securities on exchanges, the Commission was next faced with the problem of examining the registration statements and compiling the report of securities registered or exempt from registration on exchanges. Due to the voluminous material filed with most of the statements and the large number of statements filed, and the limited time available for the examination prior to July 15, the Commission was compelled in the first instance to confine this examination to a cursory study of the statements for obvious errors and deficiencies. A detailed examination and analysis of the statements and all exhibits filed in connection therewith was subsequently undertaken.

Upon completion of the preliminary examination, a study and compilation was made of the certifications by exchanges indicating their approval of the registration, following which the lengthy report of securities registered or exempt from registration was prepared. This report contains a list of all securities which have been permanently registered for trading on national securities exchanges as of July 16, 1935, and those securities which are provisionally registered or reported by the exchanges to be temporarily exempted from registration pending the time when registration forms promulgated by the Commission for such securities became applicable.

The Commission intends to publish, at frequent intervals, supplements to keep this list up to date. Copies of the report of securities registered or exempt from registration on exchanges and the supplements thereto may be secured at the offices of the Commission In Washington, D. C.

Under the provisions of a rule promulgated by the Commission relating to objections to the public disclosure of material filed with the Commission, several hundred requests for confidential treatment of material in connection with applications for permanent registration of securities on national securities exchanges were received. [Footnote: As of Nov. 1, 1935, 529 applications for confidential treatment had been received.] This rule

provides that if any person filing an application, report or document with the Commission under any provision of the Securities Exchange Act of 1934 wishes to object to the public disclosure of any such material, he shall file that portion of the application, report, or document which contains such information separately from the remainder and plainly mark it "confidential." The rule further provides that there shall also be filed with such information written objection to its public disclosure stating therein the reasons why public disclosure is not in the public interest and also stating whether or not a hearing is desired. Until and unless the Commission determines that the disclosure of such information is in the public interest., it shall not be made available to the public.

When requested by the applicants, hearings are scheduled and the applicants afforded opportunity to appear in support of their application. [Footnote: As of Sept. 4, 1935, 266 requests for hearings were received.] The Commission considers all the facts, including the reasons stated in the written objections and the information developed in the course of hearings, if any, and makes its determination on the merits of each individual case. [Footnote: As of Nov. 9, 1935, 124 such hearings have been held.] Orders of the Commission are then issued indicating the action taken. [Footnote: As of Nov. 9, 1935, 220 orders have been issued.]

STATISTICS OF SECURITIES REGISTERED OR EXEMPT FROM REGISTRATION ON EXCHANGES

As of the opening of trading on July 16, 1935, permanent registrations were in effect covering 3,345 securities of 1,841 issuers. These statements registered nearly 2,000,000,000 shares of stock and over \$16,000,000,000 face amount in bonds. In addition there were 1,048 securities of 601 issuers, representing more than 400,000,000 shares of stock and over \$10,000,000,000 face amount in bonds temporarily exempt (or, in a few cases, provisionally registered) pending filing on or promulgation of the required forms.

REPORTS OF OFFICERS, DIRECTORS, AND PRINCIPAL STOCKHOLDERS

Section 16(a) of the Securities Exchange Act provides in part that every person who is directly or indirectly the beneficial owner of more than 10 per centum of any class of any equity security (other than an exempted security) which is registered on a national securities exchange or who is a director or an officer of the issuer of such security, shall file a statement of the amount of all equity securities of such issues of which he is the beneficial owner, and within 10 days after the close of each calendar month thereafter, if there has been any change in such ownership during such month, shall file a statement indicating his ownership at the close of the month and such changes in his ownership as have occurred during such calendar month.

The Commission has devised and promulgated three forms for use in submitting these reports of ownership, viz, form 4, for reporting changes in ownership of equity securities; form 5, for reporting ownership of an equity security which was registered during the last calendar month; and form 6, for reporting ownership by persons who have just become officers, directors, or principal stockholders of a company having equity securities registered.

During the period September 1, 1934, to June 30, 1935, inclusive, 10,114 original and 2,524 amended reports were filed and examined.

The Commission compiles and publishes a monthly summary of stock transactions and holdings of officers, directors, and principal stockholders as reported on these forms 4, 5, and 6. Copies of these summaries may be procured at the offices of the Commission in Washington, D. C.

WITHDRAWAL OR STRIKING FROM LISTING AND REGISTRATION OF SECURITIES ON A NATIONAL SECURITIES EXCHANGE

Section 12(d) of the Securities Exchange Act of 1934 provides that securities registered on national securities exchanges maybe withdrawn or stricken from listing and registration in accordance with the rules of the. exchange and, upon such terms as the Commission may deem necessary to impose for the protection of investors, upon application by the issuer or the exchange to the Commission. Rules and regulations governing applications for the withdrawal and striking from listing and registration of securities on national securities exchanges have been promulgated. During the period September 1, 1934, to June 30, 1935, 95 such applications were received and acted upon by the Commission.

REGISTRATION OF SECURITIES UNDER THE SECURITIES ACT OF 1933

SECURITIES ACT FORMS

In order to encourage financing and remove the hesitancy on the part of reputable companies to undertake new issues under the Securities Act, immediately upon its creation, the Commission devoted intensive study to the classification and simplification of the registration forms. Existing forms were revised and new forms promulgated.

The outstanding accomplishment in this field was the promulgation of form A-2 for the registration of new security issues of seasoned corporations. This form was designed to provide a more suitable method of protecting the investor but at the same time calculated to eliminate, as far as possible, needless burdens to new capital financing. The burden to

officers and directors of registered companies has been materially reduced and at the same time the value of the statement from the investor's viewpoint has been increased.

This new form is used for the registration of security issues of seasoned corporations with a record of operations. It cannot be used for ventures of a promotional nature.

In addition, new forms have been promulgated for the registration of oil and gas securities, the form for the registration of securities sold or modified in the course of reorganization has been revised, and a new form has been adopted for the registration of certificates of deposit.

EXAMINATION OF SECURITIES ACT REGISTRATION STATEMENTS

The examination of registration statements filed pursuant to the Securities Act of 1933, as amended, is one of the primary functions of the Commission. These statements are filed by issuers who propose to publicly offer for sale or sell securities, except exempt securities in interstate commerce or through the mails.

Registration statements are filed on various forms promulgated by the Commission, each of which provides for the submission of data called for in the act and other information needed in determining whether the investing public is being apprized regarding material facts relative to the issuer and the issue to be sold.

The examination of these registration statements requires the services of expert financial examiners, attorneys, accountants, mining engineers, petroleum engineers, and other persons expert in the fields relating to the issuance of securities. When such examination discloses deficiencies in registration statements, registrants are so advised by correspondence and in conference, and amendments are requested or proceedings instituted under section 8 of the act, depending upon the circumstances of the particular case. Amendments filed pursuant to the suggestions contained in the deficiency letter, or otherwise, are examined in a similar manner. Under the provisions of the act, a registration statement becomes effective 20 days after filing, but the filing of an amendment before the effective date starts a new 20-day period, unless such amendments are filed with the consent of the Commission. An amendment filed after the effective date of the registration statement, if such amendment, upon its face, appears to the Commission not to be incomplete or inaccurate in any material respect, becomes effective on such date as the Commission may determine, having due regard to the public interest and the protection of investors.

The examination of registration statements does not involve an appraisal of and is not concerned with the merits of the security as an investment. The Commission does not pass judgment upon the soundness of any security. The basic policy is that of informing the investor of the facts concerning securities to be offered for sale in interstate and

foreign commerce, and the aim is to place adequate and true information before the investor and to prevent the sale of securities through misrepresentation—perhaps the only way in which fraudulent securities can be sold to the public. The Commission's further aim is to accomplish this with the least possible interference to honest business.

TYPICAL DISCLOSURES MADE AS A RESULT OF EXAMINATIONS OF SECURITIES ACT REGISTRATIONS

For the purpose of giving some indication of the nature of disclosures made as a result of examinations, a few typical cases are briefly summarized below.

A large public utilities system filed a registration statement containing a balance sheet which showed that the company had a capital surplus of approximately \$111,000,000 and an earned surplus of approximately \$12,000,000. Appended to this balance sheet were a great many pages of footnotes relating to the balance sheet, which disclosed that many improper accounting and financial practices had been followed. The footnotes were so long and complicated, however, and contained so many technical terms, that it would be virtually impossible for an average investor to understand them. Furthermore, even a trained investment analyst would have great difficulty in adjusting the balance sheet in accordance with the footnotes in order to obtain a true picture of the company's financial condition. The company was required to compute the effect in dollars and cents, as far as possible, of the improper accounting and financial practices and to set up a balance sheet in a form permitting comparison with the balance sheet as originally filed. The adjusted balance sheet indicated that if proper accounting and financial practices had been followed, the company's assets would have been \$153,000,000 less than those shown in the original balance sheet, and that in place of the capital surplus of \$111,000,000 and the earned surplus of \$12,000,000, the company would have a corporate deficit of \$30,000,000.

A mining company seeking to register an issue of its common stock, was required to amend its prospectus to disclose that it had been selling stock to the public, for more than 20 years and that only a small percentage of receipts from such sales had been used in actual development of the properties, the balance having been used principally to pay salesmen's commissions, office expenses, and salaries. The company recently requested permission to withdraw its registration statement after a year's unsuccessful attempt to sell its securities by means of its amended prospectus.

The sponsor of an investment trust sought to register \$250,000 face value of investment contracts providing for monthly payment of installments which were to be invested in securities to be held in trust for the benefit of the investors. The first 20 payments, however, were to accrue to the sponsor for its services and expenses. Investigation by the Commission revealed that the registrant, before the passage of the Securities Act of 1933, had sponsored a similar plan under which there had been received from the public

\$80,000 of which only \$2,400 had been invested in securities. The balance had accrued to the sponsor because of forfeitures for nonpayment of installments. The ratio of maintenance charges to income of the trust had been over 2,300 percent. The registrant was required to amend its prospectus to disclose the fact that its previous experience had been disastrous to investors. In the year that has elapsed since the statement, thus amended, became effective, the registrant has sold no contracts whatsoever to the public.

Another company filed a registration statement covering an issue of so-called "endowment bonds" having a maturity value of \$1,000,000. The issuer had been selling these bonds for several years, principally to school teachers resident in the State where it was incorporated, and wished to extend its selling campaign to other States. Stop-order proceedings were instituted by the Commission and it was discovered that the issuer was actually insolvent, that it had created a reserve of only \$5,000 to meet a liability of \$53,000 to its securityholders, and that there was every likelihood that persons who had already invested in its bonds would lose practically their entire investment. The entry of the stop order will prevent the further victimizing of the public, at least in States other than that where the issuer is incorporated.

EXEMPTIONS FROM REGISTRATION REQUIREMENTS

The Commission has promulgated rules, under section 3 b) of the Securities Act of 1933, exempting certain issues not exceeding \$100,000 from the registration requirement. of the act. In order to secure certain of these exemptions, it is necessary to file prospectuses which are examined for the purpose of determining whether the requirements of the rules have been met. From September 1, 1934, through June 30, 1935, 193 such prospectuses covering issues of securities amounting to \$15,734,812 were filed and examined.

Special regulations have also been adopted, under section 3(b) of the Securities Act of 1933, providing for the exemption of fractional undivided interests in oil, gas, or other mineral rights, not exceeding \$100,000. In order to secure such exemptions, the regulations require the filing of offering sheets. From September 1, 1934, to June 30, 1935, approximately 2,500 original and corrected offering sheets were filed and examined.

STATISTICS OF SECURITIES REGISTERED UNDER THE SECURITIES ACT

When the Securities and Exchange Commission took over the administration of the Securities Act of 1933, there were 1,093 registration statements on file. [Footnote: Although figures for Sept. 1, 1934, were included in the Federal Trade Commission report for June 30, 1934, that day is here included for completeness.] Of these, 794 were effective, 49 were under stop or refusal order, 153 had been withdrawn, and 97 were

under examination or pending the receipt of amendments. [Footnote: Including registrations effective under notice of deficiencies and effective under notice of hearing.]

During the period from September 1, 1934, to June 30, 1935, inclusive, 440 additional registration statements were filed. There were 315 registration statements which became effective during the period and 1,094 were effective at the end of the period, 15 of those effective at the beginning either having been withdrawn or placed under stop order. [Footnote: Including 32 statements effective under notice of deficiencies or hearings.]

The number of registrations withdrawn increased by 72 to 225 on June 30, 1935. Stop or refusal orders increased during the period by 42, there being 91 of such orders in effect on June 30, 1935. As of June 30, 1935, there were 123 registration statements in the process of examination or awaiting amendment.

During the 10-month period ended on June 30, 1935, securities with estimated gross proceeds of \$909,387,000 have become effectively registered. Of this amount, \$805,698,000 represented new securities, while \$103,689,000 were for securities in reorganization, for voting trust certificates, for certificates of deposit, and for securities to be exchanged for registrants' or predecessors' securities or certificates of deposit.

Detailed statistical tables, showing gross proceeds, net proceeds, costs of distribution and selling, and proposed use of funds for these securities are contained in the appendix. In interpreting the tables, it should be kept in mind that these statistics are based solely on the registration statements as filed by the registrants with the Securities and Exchange Commission. All data, therefore, refer to registrants' intentions as of the date of filing or of later amendments. They thus represent, in reality, statistics of intentions to sell securities rather than statistics of actual sales of securities.

REGISTRATION FEES

Section 31 of the Securities Exchange Act of 1934 provides that every national securities exchange shall pay to the Commission on or before March 15 of each calendar year a registration fee for the privilege of doing business as a national securities exchange during the preceding calendar year or any part thereof. Such fee shall be in an amount equal to one five-hundredths of 1 percentum of the aggregate dollar amount of the sales of securities transacted on such national securities exchanges during the preceding calendar year and subsequent to its registration as a national securities exchange.

Pursuant to the provisions of this section, and as of June 30, 1935, the Commission had collected \$61,659.86 as fees from national securities exchanges.

Each national securities exchange submits monthly reports to the Commission indicating the volume and the dollar value of trading in stocks and in bonds during the preceding

month. In addition to using these reports as an aid in determining the accuracy of the fees paid by the exchanges, the figures are compiled for distribution to the general public in monthly releases and are reprinted in detail in the appendix. It will be seen that from October 1, 1931, to June 30, 1935, the total volume of trading on national securities exchanges (including some transactions which are not contained in the usual reports of volume of trading, particularly odd-lot transactions on the New York Stock Exchange) amounts to \$10,076,637,186, of which \$7,283,039,072 represents the value of trading in stocks and \$2,793,343,008 that of trading in bonds. The New York Stock Exchange accounts for 83.7 percent of the value of trading on all registered exchanges and the New York Curb Exchange is responsible for another 12.2 percent.

Section 6(b) of the Securities Act of 1933 provides that at the time of filing a registration statement the applicant shall pay to the Commission a fee of one one-hundredth of 1 percentum of the maximum aggregate price at which such securities are proposed to be offered, but in no case shall the fee be less than \$25.

Pursuant to this section, during the fiscal year ended June 30, 1935, \$160,299.25 were collected.

COMPLAINTS, INVESTIGATIONS, HEARINGS, AND LITIGATION

Under the Securities Act of 1933 and the Securities Exchange Act of 1934 the Commission has broad powers to enforce the acts and the rules and regulations thereunder through investigations, hearings, and injunctions.

During the year fraudulent and illegal activities violating the Securities Act or the Securities Exchange Act came to the attention of the Commission through complaints or inquiries received from the public, State securities commissions, State and Federal prosecuting officials, and others, from the Commission's surveillance of trading activities and examination of registration statements, and otherwise. Supposed violations were investigated and during the year approximately 2,300 cases were under investigation. Whenever necessary, the investigative powers of the Commission under sections 19 and 20 of the Securities Act and section 21 of the Securities Exchange Act were invoked by a Commission order for formal investigation and hearing, designating an officer of the Commission to conduct the hearings, with power to take evidence, subpoena witnesses, and compel the production of records. In these hearings, the Commission was represented by members of the General Counsel's staff, who prepared the cases and presented the evidence.

If apparent violations of the acts were disclosed, suits for injunction were brought by the Commission in the Federal courts. During the fiscal year the Commission brought 22 suits for injunction and carried on 3 suits already brought by the Federal Trade Commission. As of June 30, 1935, permanent injunctions had been obtained against 32

defendants, temporary injunctions against 28 defendants, and temporary restraining orders against 19 defendants. Suits involving 72 defendants were awaiting hearing.

Evidence of willful violations discovered in 30 of the cases investigated by the Commission was transmitted to the Attorney General for criminal prosecution. In certain cases, in time interest of speedy justice, evidence of criminal violation was referred forthwith for prosecution without bringing suit for injunction.

Among the more important matters investigated or litigated by the Commission were the following:

On September 24, 1934, the United States District Court for the District of New Jersey granted a permanent injunction against fraudulent violations of the Securities Act by National Investment Transcript, Inc., Clement H. Congdon, and Marshall Ward, doing business as Marshall Ward & Co. The Commission's bill charged a gigantic swindle in stock of Rayon Industries Corporation, effected through a tipster sheet, a manipulated market, and fraudulent misrepresentations through wholesale long-distance telephone solicitation. The evidence obtained in the Commission's investigation was referred to the Attorney General for criminal prosecution.

On January 7, 1935, a permanent injunction was obtained by the Commission in the United States District Court for the District of Louisiana against fraudulent violations of the Securities Act by Turivas & Co., and others. The evidence was referred to the Attorney General.

On January 15, 1935, the Commission filed a suit for injunction against Robert Collier & Co. and others in the United States District Court for the Southern District of New York, alleging fraudulent activities in violation of the Securities Act. The United States district court dismissed the Commission's suit on the ground that the Commission was not entitled to appear except by the United States attorney or the Attorney General. On appeal, the United States Circuit Court of Appeals for the Second Circuit held that in proceedings brought under section 20(b) of the Securities Act the Commission was entitled to appear by its own counsel. The case was remanded to the district court and on June 30, 1935, had been sent to a referee to take testimony. [Footnote: After taking testimony before the master for approximately 8 weeks, during which time the Commission presented its case and the principal witness for the defendants were examined and cross-examined, the defendants consented to the entry of a permanent injunction and an order requiring the return of \$50,000 to subscribers. This order was signed by Federal Judge Murray Hulburt on Oct. 16, 1935. The amount returned to subscribers amounted to about 80 percent of the total subscriptions.]

On February 4, 1935, the Commission filed in the United States District Court for the Southern District of New York a suit against J. Edward Jones and others to enjoin alleged fraudulent and illegal activities in violation of the Securities Act. On February 8, 1935,

the respondents consented to and the court granted a temporary injunction. On May 4, 1935, Jones filed a registration statement under the Securities Act relating to securities proposed to be issued by Jones. Because of alleged material misstatements and omissions in this registration statement, proceedings under section 8 of the Securities Act were ordered by the Commission. A subpoena was issued for the appearance of Jones at a hearing on June 27, 1935. Jones failed to appear at the hearing, and, through his counsel appearing specially, refused to obey the subpoena. On June 28, 1935, Jones filed in the United States Circuit Court of Appeals for the Second Circuit a petition purporting to be a petition under section 9 of the Securities Act for review of the proceedings before the Commission. [Footnote: On July 3, 1935, the Commission applied to the United States District Court for the Southern District of New York for an order compelling the attendance of Jones as a witness in the proceedings before the Commission. After considering argument and extensive briefs, the district court granted the order on Aug. 13, 1935. Jones thereupon appealed to the United States Circuit Court of Appeals for the Second Circuit. The argument on this appeal was consolidated with the argument on the Commission's motion to dismiss the petition for review of the proceedings before the Commission, filed by Jones on June 28, 1935. Extensive briefs were again submitted, and on Nov. 5, 1935, the circuit court of appeals sustained the Commission on all points, dismissing Jones' petition for review and affirming the order of the district court compelling Jones to appear and to testify before the Commission. The opinion by Circuit Judge Manton expressly upheld the constitutionality of the Securities Act.]

On February 28, 1935, the Commission obtained in the United States District Court for the Northern District of Illinois, with the defendants consent, a temporary injunction against violations of the Securities Act by Waterman W. Porter, Wall Street Security Corporation, and affiliated companies. The evidence was referred to the Attorney General for criminal prosecution.

On May 17, 1935, a permanent injunction against fraudulent violations of the Securities Act was obtained by the Commission in the United States District Court for the District of Maryland against Harrison Knight & Co., Inc., and others. The defendants consented to this injunction.

In March 1935, the Commission conducted an investigation of American Bond & Share Corporation and affiliated companies in Atlanta, Ga., Wilmington, Del., New York City, and Washington, D. C. The Commission met with refusal to answer subpoenas issued by officers of the Commission and petitions to enforce these subpoenas were filed in the Federal courts at Atlanta, Ga., and Wilmington, Del. The evidence obtained in the Commission's investigation was immediately referred to the Attorney General and indictments were returned by a Federal grand jury in Atlanta against B. R. Bradley, Robert E. Lee, and J. C. Ingram, officials of the American Bond & Share Corporation, for violations of the Securities Act.

On April 11, 1935, the Commission filed in the United States District Court for the District of Nevada a suit against Colonial Trading Co., and 36 affiliated persons alleging fraudulent activities in violation of the Securities Act. A preliminary injunction was obtained on April 19, 1935, against such defendants as had been served with process. The evidence was immediately referred to the Attorney General and an indictment for violations of the Securities Act was returned on July 16, 1935, against 11 defendants.

On June 28, 1935, the Commission filed in the United States District Court for the Northern District of Texas a suit for injunction alleging illegal activities in violation of the Securities Act of 1933 by El Presidio Hotel Guaranteed Syndicate and others, and obtained from that court a temporary restraining order.

Following an extensive investigation by the Commission in Boston, Mass., and elsewhere, evidence of fraudulent activities in violation of the Securities Act by William L. Jarvis, Samuel L. Gaines, A. E. Gibbs, Joseph V. Barger, and others in stock of Polymet Manufacturing Co. was referred to the Attorney General for criminal prosecution.

The principal defendants in other suits for injunction, and the districts in which suit was brought, were as follows: Carleton Saunders & Co., district of New Jersey; Stock Market Finance, Inc., southern district of New York; Popular Finance, Inc., district of Massachusetts; Aldrich Blake, Inc., District of Columbia; George Gallop, eastern district of Louisiana; Plymouth Consolidated Gold Mines, Ltd., district of Delaware; M. B. Wilcox, Inc., northern district of Indiana; Dill & Co., district of Massachusetts; Jack Zimmerman, northern district of Georgia; Howard M. Roberts, District of Columbia; J. J. Donegan, District of Columbia; Frank J. Hill, District of Columbia; K. W. Todd Co., Inc., western district of Pennsylvania; Sterling Investment Corporation, western district of Pennsylvania; Secord, Vanderpoel & Co., Inc., southern district of New York; A. A. Durante & Co., southern district of New York; H. J. Kattleman & Co., eastern district of Missouri.

In addition, the Commission conducted hearings on applications for registration or exemption of exchanges, and applications to strike securities from listing and registration. Among the more important matters so heard were the following: Applications for registration of New York Mining Exchange and Pacific Stock Exchange; investigation following application for exemption by Boston Curb Exchange; applications for exemption by Chicago Curb Exchange, California Stock Exchange, San Francisco Mining Exchange; applications for temporary registration under the Securities Exchange Act of 1934 of bonds of Brooklyn-Manhattan Transit Corporation and common stock of Knabb Barrel Co., Inc.; application to strike from listing and registration common stock of Hupp Motor Car Corporation.

Hearings were also conducted in connection within registrations of securities under the Securities Act of 1933, involving stop-order and refusal-order proceedings. These are

cases in which untrue statements, misleading statements, inaccurate statements, and omissions of statements of material facts appear.

FORMAL OPINIONS

During the period September 1, 1934, to June 30, 1935, the Commission issued 12 formal opinions involving matters under the Securities Act of 1933 and the Securities Exchange Act of 1934. These opinions were issued in the following cases:

In the matter of:

Haddam Distillers Corporation, Docket number 2-880; promulgated Oct. 24, 1934
2-993

Haddam Distillers Corporation, Docket number 2-993; promulgated Dec. 19, 1934
Continental Distillers & Importers Corporation, Docket number 2-561; promulgated Jan.
26, 1935

American Gyro Co, Docket number 2-102; promulgated Mar. 26, 1935

Big Wedge Gold Mining Co, Docket number 2-1003; promulgated Apr. 4, 1935

General Income Shares, Inc, Docket number 2-823; promulgated Apr. 8, 1935

Callahan Zinc-Lead Co, Docket number 2-1039; promulgated Apr. 11, 1935

Strong Leasing & Mining Co, Docket number 2-935; promulgated Apr. 13, 1935

Brandy-Wine Brewing Co, Docket number 2-1148; promulgated Apr. 22, 1935

Plymouth Consolidated Gold Mines, Ltd, Docket number 2-1187; promulgated June 1,
1935

Brooklyn Manhattan Transit Corporation; promulgated June 4, 1935

Hupp Motor Car Corporation, ; promulgated June 29, 1935

SECURITIES VIOLATION RECORDS

The Commission continued negotiations begun by the Federal Trade Commission with the United States Post Office Department, State securities commissions, State and Federal prosecuting officials, and other official and voluntary agencies, with a view to cooperation in the enforcement of State and Federal laws against the fraudulent sale of securities. On May 1, 1935, the securities violation records were established to provide a central index and clearing house for information relating to securities frauds in the United States and Canada, both past and current. As a result of data furnished by the above-mentioned official and unofficial agencies, the records of 15,351 persons against whom State or Federal action had been taken during the past 10 years in connection within the sale of securities were compiled and indexed. The files so established contain with

respect to each such person the source of the information, and a brief statement of the violation. Current information is published in a monthly confidential bulletin distributed to official and unofficial agencies engaged in the prevention and punishment of security frauds.

PROTECTIVE COMMITTEE STUDY

Section 211 of the Securities Exchange Act of 1934 authorized and directed the Commission to make a study and investigation of the work, activities, personnel, and functions of protective and reorganization committees in connection within the reorganization, readjustment, rehabilitation, liquidation, or consolidation of persons or properties and to report the result of its studies and investigations and its recommendations to the Congress on or before January 3, 1936.

At the close of the fiscal year, investigations had been completed and public hearings held on the following organizations:

The Celotex Co.
R. Hoe & Co., Inc.
St. Louis-San Francisco Railway Co.
Paramount-Publix Corporation.

The following reorganizations have been investigated and prepared for public hearings:

Kreuger- & Toll Co.
McLellan Stores Co.
Cuban Cane Products Co., Inc.
Cuba Cane Sugar Corporation.

The following studies and investigations of reorganizations are under way and nearing completion:

1. Real estate issues, which include:
 - (a) S. W. Straus & Co. issues in New York, Illinois, and California.
 - (b) American Bond & Mortgage Co. issues.
 - (c) Issues with which the Chicago Title & Trust Co. was associated.

These real-estate issues involve many protective committees and have entailed examination of files of numerous committees in New York, Detroit, Chicago, San Francisco, and Los Angeles.

2. Foreign bonds.

- (a) Foreign bondholders protective counsel.
- (b) American council of foreign bondholders.
- (c) Latin-American Bondholders Association.
- (d) Protective committee for Cuba public works bonds.
- (e) El Salvador protective committee.
- (f) Brazilian debt readjustment.
- (g) Peruvian protective committees.
- (h) Chilean protective committees.
- (i) Chase National Bank, re Cuban Public works bonds.

The investigations of most of these foreign bonds have been completed.

3. Municipal issues.

A study of municipal issues is in progress, with particular reference to Coral Gables, Fla., and Asbury Park, N. J. Additional aspects of municipal bond reorganization, will be completed in time for inclusion in the report to the Congress.

A series of other studies and investigations have been started and are in various stages of completion. The results of the foregoing studies will be included, together with recommendations in the Commission's report to Congress.

PUBLIC REFERENCE ROOM

A public reference room was established for the purpose of furnishing registered public information to the general public who visit the offices of the Commission seeking public information. For those members of the public who desire copies of public information, estimates of the cost of photostatic copies are given and orders accepted.

During the year ended June 30, 1935, more than 2,000 members of the public visited the public reference room and many hundreds of letters and telephone calls relating to the furnishing of public information were received.

PUBLICATIONS

The Securities Act of 1933 and the Securities Exchange Act of 1934 specifically direct the Commission to give publicity to its rules, regulations, opinions, and findings, as well as to the filings of registration statements, to effective registrations, to public hearings,

and to reports and statements filed with the Commission by security issuers, officers, directors, and principal stockholders.

This information is made available to the public through releases issued to the press and through the medium of a mailing list established for the convenience of those who wish to receive releases currently. Releases of the Commission are divided into eight classifications according to subject. Members of the public may have their names placed upon the mailing list, without cost, to receive any or all classes of releases. To aid the general public in following the legal rulings of the Commission, there is published with each ruling an announcement describing the ruling in nontechnical terms. These descriptive releases may be obtained separately from the legal rulings.

During the year ending June 30, 1935, the Commission published 301 releases under the Securities Exchange Act of 1934 and 230 releases under the Securities Act of 1933. There has also been prepared for publication 5 issues of the Official Summary of Stock Transactions and Holdings, as well as a compilation of securities which, as of July 16, 1935, had been registered on national securities exchanges under the Securities Exchange Act of 1934. Of the 531 releases published under both acts, 278 dealt with the filing of registration statements by security 97 were announcements of rules and regulations, and the balance was divided among stop orders, public hearings, findings, legal opinions, effective registrations, statistical analyses, and announcements on a few miscellaneous subjects.

REPORT ON THE SEGREGATION OF FUNCTIONS OF DEALERS AND BROKERS

Section 11(e) of the Securities Exchange Act directs the Commission to make a study of the feasibility and advisability of the complete segregation of the functions of dealer and .broker and to report the results of its study and its recommendations to the Congress on or before January 3, 1936.

Questionnaires were prepared and sent to representative firms and individuals in the securities business, These questionnaires are now being analyzed and tabulated.

SEAL OF THE COMMISSION

During the year, the Commission adopted a seal for its official use, a facsimile of which will be found on the cover page.

PERSONNEL

The Commission and its staff, at the close of the fiscal year, consisted of 696 persons. This total comprised 4 Commissioners and 692 employees, 450 of whom were men and 246 were women.

Statistics

Commissioners -- 4

Departmental:

Permanent -- 488

Temporary -- 85

Regional offices:

Permanent -- 116

Temporary -- 3

Subject to retirement act -- 346

The Commission reports with appreciation the very effective service of personnel of all ranks. More than 72,000 hours of overtime were given by the personnel and the morale has been such that the additional work was given freely by the employees in the interest of the work.

FISCAL AFFAIRS

FUNDS TRANSFERRED AND APPROPRIATED

There was available to the Commission, during the fiscal year 1935, \$1,545,337 for personal services and other obligations. This amount was derived from the following sources:

Transferred from Federal Trade Commission: \$264,337

Appropriations:

Deficiency Appropriation Act, fiscal year 1934: \$300,000

Deficiency Act of 1935:

Salaries and expenses: \$900,000

Printing and binding: \$21,000

Subtotal: \$921,000

Sec. 21 (e), act of Mar. 28, 1934 (48 Stat. 522) and sec. 2 (d), act of Feb. 13, 1935, to cover the cost of pay restoration: \$60,000

Total \$1,545,337

EXPENDITURES AND OBLIGATIONS

The expenditures and obligations for the fiscal year ended June 30, 1935, are as follows:

Salaries:

Departmental:

Permanent \$955,068

Temporary \$27,520

Field \$98,917

Mileage and witness fees \$4,713

Supplies and materials \$99,445

Communication service \$21,011

Travel expense \$51,970

Transportation of things \$1,566

Printing and binding (paid from regular appropriation) \$12,071

Reporting hearings \$6,706

Heat, light, and power \$540

Rents \$86,178

Repairs and alterations \$10,850

Special and miscellaneous expenses \$232

Purchase of equipment \$145,000

Subtotal \$1,515,447

Printing and binding \$20,496

Grand total obligations \$1,535,943

Transferred to reserve for impounded balance under sec. 34, act of Mar. 28,1934 \$5,000

Transferred to Division of Disbursements, Treasury Department \$2,200

Total \$1,543,143

Unobligated balance \$2,194

Available funds \$1,545,337

ESTIMATED AND ACTUAL MISCELLANEOUS RECEIPTS

The receipts for the fiscal year ended June 30, 1935, are as follows:

Revenue receipts:

Interest, exchange, and dividends: Gain by exchange \$0.47

Fees:

Registration of securities \$89,032.87 (covered into Treasury) \$71,266.38 (held in special deposit with Treasury)

Registration of exchanges \$61,659.86 (held in special deposit with Treasury)

Copying fees \$4,701.25 (covered into Treasury) \$1,037.50 (held in special deposit with Treasury)

Gifts and donations \$.48 (covered into Treasury)

Total \$93,735.07 (covered into Treasury) \$133,963.74 (held in special deposit with Treasury)

Grand total of estimated and actual miscellaneous receipts, \$227,698.81.

None of these receipts are available for expenditure by the Commission. They are deposited in the Treasury as "Miscellaneous receipts."

PART III. – APPENDICES

Copies of the rules and regulations not included in these appendixes may be secured from the Commission's offices in Washington, D.C.

APPENDIX I

RULES FOR THE REGULATION OF TRADING ON EXCHANGES AS RECOMMENDED BY THE SECURITIES AND EXCHANGE COMMISSION TO NATIONAL SECURITIES EXCHANGES FOR ADOPTION

FIRST RULE. *Excessive trading by members.*-No member, and no firm of which he is a partner and no partner of such firm shall effect on the exchange purchases or sales for any account in which such member, firm, or partner is directly or indirectly interested, which purchases or sales are excessive in view of the financial resources of such member, firm, or partner, or in view of the market for such security.

SECOND RULE. *Trading for joint account.*- (a) No member, while on the floor, shall, without the prior approval of the exchange, initiate the purchase or sale on the exchange of any security, classified for trading as a stock by the exchange for any account in which he, or the firm of which he is a partner or any partner of such firm, is directly or indirectly interested with any person other than such firm or partner.

(b) The provisions of this rule shall not apply to any purchase or sale (1) by any member for any joint account maintained solely for effecting bona fide domestic or foreign arbitrage transactions, or (2) by an odd-lot dealer or a specialist for any joint account in which he is expressly permitted to have an interest or participation by the eleventh or fourteenth rules, respectively.

THIRD RULE. *Report of joint accounts.*- (a) No member, and no firm of which he is a partner and no partner of such firm, shall, directly or indirectly, hold any interest or participation in any joint account for buying or selling my security on the exchange, unless such joint account is reported to and not disapproved by the exchange.

(b) Such report shall be filed with the exchange by any member, firm, or partner participating in such joint account before any transactions are effected on the exchange for such joint account and shall include in substance the following:

- (1) Names of persons participating in such account and their respective interests therein.
- (2) Purpose of such account.
- (3) Amount of commitments in such account.
- (4) A copy of any written agreement or instrument in writing relating to such account.

(c) Every member, the firm of which he is a partner and every partner of such firm, shall file with the exchange not later than Saturday of each week with respect to every joint account existing at the close of business on the preceding Wednesday in which such member, firm, or partner is directly or indirectly interested, a report containing in substance the following information, unless such information is reported to the exchange by some other member, firm, or partner.

(1) Name and amount of each security purchased or sold during the week ending on such Wednesday.

(2) Amount of commitments in such account at the close of business on such Wednesday.

(3) Any change which renders no longer accurate any portion of the original statement filed.

(d) Every member, the firm of which he is a partner and every partner of such firm, shall file with the exchange not later than Saturday of each week with respect to every joint account existing at the close of business on time preceding Wednesday of which such member, firm, or partner has knowledge by reason of transactions executed by or through such member, firm, or partner for such account, a report containing in substance the following information, unless such information has previously been reported to the exchange:

(1) Names of persons participating in such account and their respective interests therein.

(2) Purpose of such account.

(3) Name and amount of each security purchased or sold during the week ending on such Wednesday.

(4) Amount of commitments in such account at the close of business on such Wednesday.

FOURTH RULE. *Discretionary transactions.*- (a) No member, while on the floor, shall execute or cause to be executed on the exchange any transaction for the purchase or sale of any security classified for trading as a stock by the exchange with respect to which transaction such member is vested with discretion as to (1) the choice of security to be bought or sold, (2) the total amount of any security to be bought or sold, or (3) whether any such transaction shall be one of purchase or sale.

(b) The provisions of paragraph (a) of this rule shall not apply (1) to any discretionary transaction executed by such member for any bona fide cash investment account or for the account of any person, who, due to illness, absence, or similar circumstances, is actually unable to effect transactions for his own account; provided that such member shall keep available for inspection a detailed record of any such transaction and the grounds for exercising such discretion and shall file with the exchange on August 1, 1935, and quarter annually thereafter a report covering the preceding quarterly period

showing the name of each account for which any such transaction was executed, the amount of such discretionary purchases or sales, and the grounds for exercising such discretion with respect to each account, or (2) to any transaction permitted under the second rule for any account in which the member executing such transaction is directly or indirectly interested.

(c) No member, and no firm of which he is a partner and no partner of such firm shall execute or cause to be executed on the exchange purchases or sales of any security classified for trading as a stock by the exchange for any account with respect to which such member, firm, or partner is vested with any discretionary power, which purchases or sales are excessive in size or frequency in view of the financial resources in such account.

FIFTH RULE. *Trading by member while acting as broker.*-(a) No member shall (1) personally buy or initiate the purchase of any security on the exchange for his own account or for any account in which he, or the firm of which he is a partner or any partner of such firm, is directly or indirectly interested, while such member personally holds or has knowledge that his firm or any partner thereof holds an unexecuted market order to buy such security in the unit of trading for a customer, or (2) personally sell or initiate the sale of any security on the exchange for any such account, while he personally holds or has knowledge that his firm or any partner thereof holds an unexecuted market order to sell such security in the unit of trading for a customer.

(b) No member shall (1) personally buy or initiate the purchase of any security on the exchange for any such account, at or below the price at which he personally holds or has knowledge that his firm or any partner thereof holds an unexecuted limited price order to buy such security in the unit of trading for a customer, or (2) personally sell or initiate the sale of any security on the exchange for any such account at or above the price at which he personally holds or has knowledge that his firm or any partner thereof holds an unexecuted limited price order to sell such security in the unit of trading for a customer.

(c) The provisions of this rule shall not apply (1) to any purchase or sale of any security in an amount of less than the unit of trading made by an odd-lot dealer to offset odd-lot orders of customers, or (2) to any purchase or sale of any security, delivery of which to be upon a day other than the day of delivery provided in such unexecuted market or limited price order.

SIXTH RULE. *Successive transactions by members.*-No member, and no firm of which he is a partner and no partner of such firm shall execute or cause to be executed on the exchange the purchase of any security at successively higher prices or the sale of any security at successively lower prices for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security, or for the purpose of unduly or improperly influencing the market price of such security, or for the purpose of making a price which does not reflect the true state of the market in such security.

SEVENTH RULE. *Trading by members holding options.*- No member, while on the floor, shall initiate the purchase or sale on the exchange for his own account or for any account in which he, or the firm of which he is a partner or any partner of such firm, is directly or indirectly interested, of any security classified for trading as a stock by time exchange, in which he holds or has granted any put, call, straddle, or option, or in which he has knowledge that time firm of which he is a partner or any partner of such firm holds or has granted any put, call, straddle, or option.

EIGHTH RULE. *Record of orders.*-(a) Every member or the firm of which he is a partner or any partner of such firm shall preserve for at least 12 months a record of every order transmitted by such member, firm, or partner to the floor of the exchange, which record shall include time name, amount, and price of the security and the time when such order was so transmitted.

(b) Every member shall preserve for at least 12 months a record of every order originating on the floor of time exchange given to such member for execution, and of every order originating off the floor, transmitted by any person other than a member, firm, or partner, to such member on the floor, which record shall include the name, amount, and price of time security, and the time when such order was so given or transmitted.

NINTH RULE. *Registration of specialists.*-No member shall act as a specialist in any security unless such member is registered as a specialist in such security by the exchange.

TENTH RULE. *Trading by specialists.*-No specialist shall effect on the exchange purchases or sales of any security in which such specialist is registered, for any account in which he, or the firm of which he is a partner, or any partner of such firm, is directly or indirectly interested, unless such dealings are reasonably necessary to permit such specialist to maintain a fair and orderly market, or to act as an odd-lot dealer in such security.

ELEVENTH RULE. *Joint accounts of specialists.*-No specialist, and no firm of which he is a partner, and no partner of such firm, shall, directly or indirectly, acquire or hold any interest or participation in any joint account for buying or selling on the exchange any security classified for trading by the exchange as a stock in which such specialist is registered, except a joint account with a partner of such specialist, a member of the exchange, or a firm of which a member is a partner.

TWELFTH RULE. *Records of specialist.*-Every specialist shall keep a legible record of all orders placed with him in time securities in which he is registered as a specialist and of all executions, modifications and cancellations of such orders, and shall preserve such record and all memoranda relating thereto for a period of at least 12 months.

THIRTEENTH RULE. *Registration of odd-lot dealers.*-No member of the exchange shall act as an odd-lot dealer in a security unless such member is registered as an odd-lot dealer in such security by the exchange.

FOURTEENTH RULE. *Joint accounts of odd-lot dealers.*-No odd-lot dealer, and no firm of which he is a partner, and no partner of such firm, shall, directly or indirectly, acquire or hold any interest or participation in any joint account for buying or selling on the exchange any security in which such odd-lot dealer is registered, except a joint account with a partner of such odd-lot dealer, a member of the exchange, or a firm of which a member is a partner.

FIFTEENTH RULE. *Options of specialists and odd-lot dealers.*-No specialist or odd-lot dealer, and no firm of which such specialist or odd-lot dealer is a partner and no partner of such firm, shall acquire, hold, or grant, directly or indirectly, any interest in any put, call, straddle, or option in any security classified for trading as a stock by the exchange in which such specialist or odd-lot dealer is registered.

SIXTEENTH RULE. *Short selling.*-(a) No member shall use any facility of time exchange to effect on the exchange a short sale of any security in the unit of trading at a price below the last sale price of such security on the exchange.

(b) The provisions of this rule shall not apply to any short sale (1) by an odd-lot dealer to offset odd-lot orders of customers, (2) by an odd-lot dealer to liquidate a long position which is less than the unit of trading, provided the net change in the position of such odd-lot dealer after any such short sale is not more than the unit of trading in such security, or (3) by any member, with the approval of the exchange, for the purpose of equalizing the price of a security on the exchange with the price of the same security on another national securities exchange which is the principal market for such security.

APPENDIX II

RULES OF PRACTICE, SECURITIES AND EXCHANGE COMMISSION, EFFECTIVE SEPTEMBER 13, 1935

RULE I BUSINESS HOURS -- REGIONAL OFFICES

The principal office of the Commission at Washington, D. C., is open on each business day, excepting Saturdays, from 9 a. m. to 4:30 p. m., and on Saturdays from 9 a. m. to 1

p. m. Regional offices are maintained at New York, Boston, Atlanta, Chicago, Fort Worth, Denver. San Francisco, and Seattle.

RULE II

APPEARANCE AND PRACTICE BEFORE THE COMMISSION UNDER THE SECURITIES ACT OF 1933 AND THE SECURITIES EXCHANGE ACT OF 1934

(a) This rule does not relate to the statements required by section 12(i) of the Public Utility Act of 1935.

(b) Any individual or member of a partnership which is a party to any proceeding before the Commission may represent himself or such partnership in such proceeding, and a corporation, trust, or association may be represented by a bona fide officer thereof.

(c) A party may be represented in any proceeding by an attorney at law duly admitted to practice before the Commission.

(d) A party shall not be represented at any hearing before the Commission or a trial examiner except as stated in paragraphs (b) and (c) of this rule.

(e) In all matters other than hearings before the Commission or a trial examiner, a party may be represented by an agent who is duly admitted to practice before the Commission.

(f) All persons appearing before or transacting business with the Commission in a representative capacity may be required to file powers of attorney with the Commission showing their authority to act in such capacity.

(g) Commencing November 1, 1935, a register will be maintained by the Commission in which will be entered the names and addresses of all persons admitted to practice before the Commission. Only individual members of firms will be admitted.

(h) Subject to the provisions of paragraphs (d) and (e) of this rule, the following classes of persons whom the Commission finds, on consideration of their application, to be of good moral character and to possess the requisite qualification to represent others, may be admitted to practice before the Commission:

(1) Attorneys at law who are admitted to practice before any court of the United States, the District of Columbia, or the highest court of any State or Territory.

(2) Any person, not an attorney, to be designated as agent, who shall be a citizen of the United States and who shall, in the opinion of the Commission, possess the necessary

education, training, experience, and technical qualifications which would enable him properly to represent others before the Commission.

(i) An application for admission to practice shall be addressed to the Commission, Washington, D. C., stating under oath the name, residence address, and business address of the applicant. In the case of an attorney, the time and place of admission to the bar and whether the applicant has ever been suspended or disbarred as an attorney in any court or jurisdiction shall be stated. In the case of an agent, the application shall state briefly his education, training, experience, and other legal or technical qualifications.

(j) In the discretion of the Commission or trial examiner, an attorney at law may be permitted to appear for the purpose of any proceeding, though not theretofore admitted to practice in the way prescribed.

(k) All persons appearing in any proceeding shall conform to the standards of conduct generally required of practitioners at law.

(l) The Commission may, in its discretion, deny admission to, suspend, or disbar, any person who does not possess the requisite qualifications to represent others, or who is lacking in character, integrity, or proper professional conduct. Except as provided in paragraph (m) of this rule, a person who has been admitted to practice may be suspended or disbarred only after he has been afforded an opportunity to be heard.

(m) Contemptuous conduct at any hearing before the Commission or a trial examiner shall be ground for exclusion from said hearing and for summary suspension without a hearing for the duration of the proceeding.

RULE III

NOTICE OF HEARINGS IN CERTAIN PROCEEDINGS

(a) Whenever a hearing is ordered by the Commission in any proceeding under section 8 of the Securities Act of 1933, notice of such hearing shall be given by the secretary of the Commission to the person designated in the registration statement as being authorized to receive service and notice of orders and notices issued by the Commission relating to such registration statement. Such notice shall state the time and place of hearing and shall include a statement of the items in the registration statement by number or name which appear to be incomplete or inaccurate in any material respect or to include any untrue statements of a material fact or to omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. Such notice shall be given either by personal service or by confirmed telegraphic notice and shall be given a reasonable time before the hearing. The personal notice or the confirmation of the

telegraphic notice shall be accompanied by a short and simple statement of the matters to be considered and determined at the hearing.

(b) Whenever a hearing is ordered by the Commission in any proceeding under sections 6(e), 11(c), 12, 15, 19(a)(1), 19(a)(3), or 19(b) of the Securities Exchange Act of 1934, notice of such hearing shall be given to the registrant, applicant, or other person or persons entitled to receive such notice by the Secretary of the Commission or any other duly designated officer. Such notice shall state the time and place of hearing and shall include a short and simple statement of the matters to be considered and determined at the hearing. Such notice shall be given by personal service, registered mail, or confirmed telegraphic notice, and shall be given a reasonable time before the hearing.

RULE IV HEARINGS; EVIDENCE

(a) Hearings shall be held as ordered by the Commission.

(b) All hearings, except hearings, if ordered, on objections to public disclosure of information pursuant to the provisions of clause 30 of schedule A of the Securities Act of 1933 or section 24 (b) of the Securities Exchange Act of 1934, shall be public, unless otherwise ordered by the Commission, and shall be held before the Commission, one or more of its members, or a duly designated officer herein referred to as the trial examiner. References herein to hearings before the Commission shall include hearings before one or more members of the Commission.

(c) Hearings shall be stenographically reported and a transcript thereof shall be made which shall be a part of the record of the proceeding. Transcripts will be supplied to the parties by the official reporter at such rates as may be fixed by contract between the Commission and the reporter.

(d) Objections to evidence before the Commission or trial examiner shall be in short form, stating the grounds of objections relied upon and the transcript shall not include argument or debate thereon except as ordered by the Commission or the trial examiner. Rulings by the Commission or trial examiner on such objections shall be a part of the transcript.

(e) In any proceeding the Commission or the trial examiner may call for the production of further evidence upon any issue.

RULE V

MOTIONS

(a) Motions before the Commission or the trial examiner shall state briefly the purpose thereof and all supporting affidavits, records, and other papers, except such as have been previously filed, shall be filed with such motions and clearly referred to therein.

(b) Motions in any proceeding before a trial examiner which relate to the introduction or striking of evidence may be ruled on by the trial examiner. Exception to any such ruling must be noted before the trial examiner, in order to be urged before the Commission. All other motions, including motions to dismiss, in any proceeding before a trial examiner shall be reserved and shall be ruled upon by the Commission.

RULE VI

EXTENSIONS OF TIME; CONTINUANCES AND ADJOURNMENTS

Except as otherwise expressly provided by law, the Commission for cause shown may extend any time limits prescribed by these rules for filing any papers, and may continue or adjourn any hearing. A hearing before a trial examiner shall begin at the time and place ordered by the Commission, but thereafter may be adjourned from time to time by the Commission or trial examiner.

RULE VII

DEPOSITIONS

(a) The Commission may, for cause shown, order testimony to be taken by deposition.

(b) Any party desiring to take a deposition shall make application in writing, setting forth time reasons why such deposition should be taken, the name and residence of the witness, and the matters concerning which it is expected the witness will testify. Thereupon the Commission may, in its discretion, issue an order which will name the witness whose deposition is to be taken and specify the time when, the place where, and the designated officer before whom the witness is to testify. Such order shall be served by the Secretary of the Commission upon all parties a reasonable time before the time fixed for taking testimony.

(c) Witnesses whose testimony is taken by deposition shall be sworn or shall affirm before any questions are put to such witnesses. Each question propounded shall be recorded and the answers shall be taken down in the words of the witness.

- (d) Objections to the form of questions or answers must be made before the officer taking the deposition and if not so made, shall be deemed waived.
- (e) The testimony shall be reduced to writing by the officer, or under his direction, after which the deposition shall be subscribed by the witness and certified in usual form by the officer. The original deposition and exhibits shall be forwarded under seal to the Secretary of the Commission with such number of copies as may be requested by the Secretary of the Commission. Upon receipt thereof the Secretary shall file the original in the proceedings and shall forward a copy to each party or his attorney of record.
- (f) Such depositions shall conform to the specifications of rule XIV.
- (g) No deposition shall constitute a part of the record in any proceeding until received in evidence at a hearing before the Commission or the trial examiner unless otherwise ordered or agreed upon by the parties.
- (h) Depositions may also be taken and submitted on written interrogatories in substantially the same manner as depositions taken by oral examination. The interrogatories shall be filed with the application in triplicate, and copies thereof shall be served on all other parties by the Secretary. Within 5 days any other party may file with the Secretary his objections, if any, to such interrogatories, and may file such cross-interrogatories as he desires to submit. Cross-interrogatories shall be filed in triplicate, and copies shall be served on all other parties, who shall have 3 days thereafter to file their objections, if any, to such cross-interrogatories. Objections to interrogatories or cross-interrogatories shall be settled by the Commission or trial examiner. Objections to interrogatories shall be made before the order for taking the deposition issues and if not so made, shall be deemed waived. When a deposition is taken upon written interrogatories and cross-interrogatories, neither party shall be present or represented, and no person other than the witness, a stenographic reporter, and the officer, shall be present at the examination of the witness, which fact shall be certified by the officer, who shall propound the interrogatories and cross-interrogatories to the witness in their order and reduce the testimony to writing in the witness' own words.

RULE VIII TRIAL EXAMINER S REPORT

- (a) Following any hearing before a trial examiner, the latter shall, within 10 days after receipt of the transcript of the testimony, file with the Secretary of the Commission his report containing his findings of fact.
- (b) Such report shall be advisory only, and the findings of fact therein contained shall not be binding upon the Commission.

(c) A copy of such report shall be forthwith served by the Secretary of the Commission on each party.

(d) The trial examiner in his discretion may request from each party or his attorney a statement in writing in terse outline setting forth proposed findings of fact. Such statements shall not be exchanged between counsel and shall not be argued before the trial examiner. Any such statement shall be submitted within 5 days after the transcript has been filed with the Secretary of time Commission.

(e) The provisions of this rule and of rules IX, X, and XI shall not be applicable to investigations pursuant to section 19(b) of the Securities Act of 1933, or section 21(a) of the Securities Exchange Act of 1934, or hearings pursuant to clause 30 of schedule A of the Securities Act of 1933, or hearings pursuant to section 24(b) of the Securities Exchange Act of 1934.

RULE IX EXCEPTIONS

Any party may, within 5 days after receipt of a copy of the trial examiner's report, file exceptions to the findings of the trial examiner or his failure to make findings, or to the admission or exclusion of evidence. A copy of such exceptions shall be forthwith served by the Secretary of the Commission on each party. Exceptions shall be argued only at the final hearing on the merits.

RULE X BRIEFS

(a) Any party to a proceeding may file a brief in support of his contentions within 15 days from the date of service on such party of a copy of the trial examiner's report, or in the case of hearings before the Commission within 15 days from the time the transcript is filed with the Secretary of the Commission.

(b) All briefs shall be confined to the particular matters in issue. Reply briefs shall be confined to matters in original briefs of opposing parties. Any scandalous or impertinent matter contained in any brief may be stricken on order of the Commission.

(c) All briefs containing more than 10 pages shall include an index and table of cases. The date of each brief must appear on its front cover or title page. If briefs are typewritten

or mimeographed, 10 copies shall be filed; if printed, 20 copies. No briefs shall exceed 60 pages in length, except with the permission of the Commission.

(d) Copies of briefs shall be served by the Secretary of the Commission on the opposing party or parties and reply briefs may be filed within 5 days thereafter. Briefs not filed on or before the time fixed in these rules will be received only by special permission of the Commission.

RULE XI

HEARINGS ON REVIEW BEFORE THE COMMISSION

(a) Upon written request of any party, which must be made within the time provided for filing the original briefs, the matter will be set down for oral argument before the Commission.

(b) If oral argument before the Commission is not requested, the matter will be considered without argument by the Commission on the record of the hearing before the Commission or trial examiner, the trial examiner's report, exceptions thereto, and the respective briefs submitted.

(c) No exception to a trial examiner's report need be considered by the Commission, unless such exception shall have been filed with the Commission within the time prescribed in these rules. Exceptions not briefed may be treated as waived. In the absence of exceptions that are sustained or of ascertained error, the findings of fact in the report of the trial examiner, if supported by the evidence, may be taken by the Commission as the basis of the findings of the Commission.

(d) If any party shall apply to the Commission for leave to adduce additional evidence, and shall show to the satisfaction of the Commission that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence at the hearing before the Commission or the trial examiner, the Commission may hear such additional evidence or may refer the proceeding to the trial examiner for the taking of such additional evidence.

RULE XII

FILING PAPERS; DOCKET; COMPUTATION OF TIME

(a) All reports, exceptions, briefs, and other papers required to be filed with the Commission in any proceeding shall be filed with the Secretary, except papers filed in connection with a hearing under section 24(b) of the Securities Exchange Act of 1934. Any such papers may be sent by mail or express to the Secretary, but must be received by the Secretary at the office of the Commission in Washington, D. C., within the time limit,

if any, for such filing, except that in any case when the hearing has been held in a district within which a regional office has been established, papers filed under rules VIII(d), IX, X, and XI(a) may be filed with the regional administrator for the District, within the times prescribed. The regional administrator shall immediately transmit such papers to the Secretary of the Commission.

(b) The Secretary shall maintain a docket of all proceedings and each proceeding shall be assigned a number.

(c) When the time prescribed by these rules or by the Commission for doing any act expires on a Sunday or legal holiday, such time shall be extended to include the next succeeding day that is not a Sunday or a legal holiday, but Sundays and legal holidays shall be included in computing the time allowed for doing any act.

(d) Unless otherwise specifically provided in these rules, an original and 5 copies of all papers shall be filed, unless the same be printed, in which case 20 copies shall be filed.

RULE XIII

SERVICE OF REPORTS, EXCEPTIONS, BRIEFS, AND OTHER PAPERS

Except as otherwise specifically provided by law or by these rules, all reports, exceptions, briefs, or other documents or papers required by these rules to be served on any party to a proceeding, shall be served by the Secretary of the Commission as follows:

(1) Service, except on counsel for the Commission, shall be made by personal service on the party or his attorney of record or by registered mail addressed to the party or his attorney of record.

(2) Service on counsel for the Commission shall be made by delivery to the head of the division to which such counsel is assigned.

RULE XIV

FORMAL REQUIREMENTS AS TO PAPERS FILED IN PROCEEDINGS

(a) All papers filed under these rules shall be typewritten, mimeographed, or printed, shall be plainly legible, shall be on one grade of good unglazed white paper approximately 8 inches wide and 10 1/2 inches long, with left-hand margin 1 1/2 inches wide, and shall be bound at the upper left-hand corner. They shall be double spaced, except that quotations shall be single spaced and indented. If printed, they shall be in either 10- or 12-point type with double-leaded text and single-leaded quotations.

(b) All papers must be signed by the party filing the same, or his duly authorized attorney or agent, and must show the address of the signer.

(c) All papers filed must include at the head thereof, or on a title page, the name of the Commission, the names of the parties, and the subject of the particular paper or pleading, and time docket number assigned to the proceeding.

APPENDIX III

GUIDE TO FORMS ADOPTED BY THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE SECURITIES EXCHANGE ACT OF 1934 COMPILED TO NOVEMBER 5, 1935

GUIDE TO FORMS ADOPTED UNDER THE SECURITIES ACT OF 1933

[Footnote: This guide is designed to aid in the selections of appropriate forms and is revised from time to time as circumstances require. Copies of the forms herein referred to will be furnished without charge upon request.]

Form A-1. *General form.*-To be used in all cases for which no other form is specifically provided.

SPECIAL RULE AS TO THE USE OF FORM A-1

Notwithstanding the rules for the use of form A-2 for corporations, form A-1 may be used by any incorporated investment trust for registration under the Securities Act of 1933, as amended, of securities comprising an additional block of securities of a class part of which has previously been registered on form A-1.

Form A-2. *For corporations.*-This form is to be used for registration statements, except such statements as to which a special form is specifically prescribed, under the Securities Act of 1933, as amended, by any corporation which files profit and loss statements for 3 years and which meets either one of the following conditions:

(a) Such corporation has made annually available to its security-holders, for at least 10 years, financial reports (which may be reports consolidating the reports of the corporation and its subsidiaries) including at least a balance sheet and a profit and loss or income statement, or

(b) such corporation had a net income for any 2 fiscal years of the 5 fiscal years preceding the date of the latest balance sheet filed with the registration statement. If such corporation has subsidiaries, such income shall be determined on the basis of consolidated reports for such corporation and its subsidiaries. Notwithstanding what is hereinabove prescribed in this paragraph, however, this form shall not be used by any corporation organized within 10 years, if the majority of the capital stock thereof was issued to promoters of the corporation in consideration of property or services, or if more than one-half of the proceeds of the sale of securities of such corporation has been used to purchase property acquired by the corporation from the promoters of the corporation.

This form may also be used for registration statements (except such statements as to which a special form is specifically prescribed) by a corporation organized for the purpose of distributing to its stockholders only, water, electricity, or gas, and prohibited from paying any dividends to its stockholders except upon its dissolution or liquidation, provided that-

1. The corporation has been in existence at least 15 years prior to the date of the filing of the registration statement;
2. There has been no default by time corporation upon any of its funded indebtedness within the period of 15 years prior to the date of time filing of time registration statement;
3. The registrant will have a total indebtedness, upon the issuance of the securities registered, not exceeding 50 percent of the amount, less valuation reserves, at which the total assets of the registrant are carried on the latest balance sheet of the registrant filed with the registration statement, giving effect to the proceeds of the securities registered; arid
4. Within the period of 10 years preceding the date of the filing of the registration statement, the corporation shall not have failed to levy and collect assessments in amounts sufficient to meet all current charges.

SPECIAL RULES AS TO THE USE OF FORM A-2 FOR CORPORATIONS

1. Notwithstanding that form E-1 is specifically prescribed for use in cases involving an exchange of securities by the issuer thereof for others of its securities or a modification of the terms of securities by agreement between the issuer and its security holders, a registrant otherwise entitled to use form A-2 may, at its option, use form A-2 in any such case if the registrant is not in reorganization pursuant to section 77B of the Bankruptcy Act or in bankruptcy or receivership and if no default exists on any outstanding funded debt (other than a default in sinking fund payments which has been waived by the holders of at least 80 percent in principal amount of the issue outstanding). If form A-2 is used pursuant to this rule the fee payable for registration shall be calculated in accordance with

instructions in form E-1, and the table setting forth the calculation shall be prepared as prescribed in such form. The following requirements shall also be complied with:

- (a) There shall be furnished in answer to item 24 information as to the basis upon which the outstanding securities of the registrant are to be modified or exchanged.
- (b) A copy of the plan or agreement, if any, pursuant to which the outstanding securities are to be modified or exchanged shall be filed as an exhibit to the registration statement.

2. In case all the following conditions exist:

- (a) Within the past 10 years the registrant was organized as the successor to a single predecessor, all of the assets of which were transferred by such predecessor to the registrant and all of the liabilities of such predecessor are assumed by the registrant; and
- (b) The capital structure of the registrant, at the time of such successor, was substantially the same as that of the predecessor, other than for such change as may have resulted from changing the capital stock liability per share;

the registrant and such a predecessor shall be deemed one person for the purpose of determining whether time conditions of the general rule as to the use of form A-2 for corporations, as set forth under the first paragraph of the "rule as to the use of form A-2 for corporations" exist. In such case, however, wherever the word "registrant" occurs in the registration statement, it shall be deemed to include such predecessor unless the context clearly shows otherwise.

3. Notwithstanding the provisions of the last sentence of the rule for the use of form A-2 for corporations, that form may be used by a corporation otherwise entitled to use the form, if the property acquired from promoters under the circumstances stated in such last sentence consisted principally of one or more going businesses, or of securities representing directly or indirectly more than 50 percent of the voting power controlling such businesses.

Any corporation filing on form A-2 by virtue of this special rule 3 shall set forth in its registration statement the following additional item, designated as item 45A, and shall furnish the information required thereby:

Item 45a: As to each business acquired by the registrant directly or through the acquisition of securities in circumstances which would have prevented the use of form A-2 except for time operation of special rule 3 as to the use of form A-2:

- (a) Describe briefly the transaction by which such business or such securities were acquired, including a statement as to any write-up or write-down in investments, in

property, plant, and equipment, or in intangible assets, effected in connection with or in the course of the transaction.

(b) If the business or the securities representative thereof were acquired by the promoter looking to their transfer to the registrant, or within 6 months prior to their transfer to the registrant, state the cost of such business or securities to the promoter and the total amount of securities and other consideration given to the promoter therefor.

Notwithstanding the rules as to the use of form B-1, or the rule as to the use of form A-2 for corporations, form A-2 may be used in the situation described below for registration statements, except those for which a special form (other than form B-1) is specifically prescribed, by corporations which file profit and loss statements of their own or of their predecessors for 3 years and which, or the predecessors of which, have in the past 15 years paid dividends upon any class of common stock for at least 2 consecutive years. The situation in which form A-2 may thus be used is that of registration of securities issued or sold in the course of a "reorganization", as defined in rule 5(1) as to the use of form E-1, where the only operation which brings the transaction within the definition is the acquisition of assets of a subsidiary by the registrant in consideration of securities of the registrant, or the exchange of securities of the registrant for outstanding securities of a subsidiary.

Where form A-2 for corporations is used in accordance with the above rule, certain additional information is required. This is specified in Release 309 (Class C), dated March 7, 1935.

Form C-1. *For securities of unincorporated investment trusts.*-This form is to be used for the registration of securities of unincorporated investment trusts not having a board of directors (or persons performing similar functions) of the fixed or restricted management type having a depositor or sponsor.

Form C-2. *For certain types of certificates of interest in securities.*-This form is to be used for registration under the Securities Act of 1933 of certificates of interest in securities of a single class of a single issuer, if the following conditions exist:

- (1) The major part of the certificates are to be sold to the public for cash;
- (2) Under the terms of the deposit agreement the depositor (as defined below) has no rights or duties as depositor, subsequent to the deposit of the securities with the depository;
- (3) Under the terms of the deposit agreement the power to vote or give a consent with respect to the deposited securities may be exercised only by, or pursuant to the instructions of, the holders of the certificates of interest, except a power, if any, to vote to

effect a split-up of deposited stock in such manner as to cause no change in the aggregate capital stock liability of the issuer of the deposited securities;

(4) The securities deposited by the depositor are registered under the Securities Act of 1933 in connection with the sale of the certificates of interest.

Form D-1. *For certificates of deposit (except those for which form D-1A is specified) .-* The registering certificates of deposit issued in anticipation of or in connection with a plan of reorganization or readjustment, form D-1 shall be used. If a plan of reorganization or readjustment is proposed at the time call for deposits is to be made, parts I and II of form D-1 should be filed at the same time. If no such plan is proposed at the time the call for deposits is to be made, part I may be filed alone, and part II must then be filed before the plan is submitted to the security holders or deposits are solicited under the plan. Part II is an amendment of part I, and as such shall become effective on such date as the Commission may determine, having due regard to the public interest, and the protection of investors.

In the event that a registrant is exempted from the necessity for filing part I, he may nevertheless file part II.

Before the issuance of the securities provided in the plan of readjustment or reorganization, form B-1 is to be filed by the issuer of such securities, unless exempted from the necessity of such filing by the act.

Form D-1A. *For certificates of deposit.-*This form is to be used only where the issuer of the certificates of deposit is the original issuer of the securities called for deposit, and only if the certificates of deposit are issued in connection with a plan of reorganization or readjustment which involves the issue of new securities to the holders of certificates of deposit.

Form F-1. *For securities in reorganization.-*This form is to be used to register securities (including contracts of guaranty but excepting voting trust certificates, certificates of deposit, and certificates of interest or shares in unincorporated investment trusts of the fixed or restricted management type not having a board of directors or a board of persons performing similar functions, but having a depositor or sponsor) sold or modified in the course of reorganization.

Reference should be had to form E-1 itself for a full statement of the rules governing its use.

In the case of any guaranty of, or assumption of liability on, heretofore registered on form D-2 registration of such guaranty or assumption of liability may, at the option of the issuer, be effected on form D-2 or form B-1.

NOTE. Attention is called to the rules as to the use of form A-2 which permit the use of that form in certain instances for securities in reorganization.

Form F-1. *For voting trust certificates.*-This form is to be used to register voting trust certificates issued in the course of reorganization or otherwise.

Form G-1. *For fractional undivided gas and oil royalty interests.*-Form G-1 is to be used to register fractional undivided producing oil and gas royalty interests.

The term “producing royalty interest” means any royalty interest in a tract of land from which oil and gas was being produced in commercial quantities within 7 days prior to the filing of the registration statement and from which the production of oil or gas had not permanently ceased, to the knowledge of the issuer, on the date on which the statement became effective.

Form G-2. *For fractional undivided nonproducing gas and oil royalty interests.*-Form G-2 is to be used to register fractional undivided nonproducing oil and gas royalty interests.

The term “nonproducing royalty interest” means any royalty interest not included in the definition of “producing royalty interest” above.

NOTE. Form A-1 should be used for overriding royalties and working interests, as distinct from landowners’ royalties for which forms G-1 and G-2 are appropriate. In the care of overriding royalties or working interests, however, the information specified by form G-1 or G-2 should be added to the statement on form A-1 by way of supplemental material.

Form 1-G. *For confidential statement of sale of oil or gas interest.*-This form is to be used for confidential statements of sales of oil or gas interests.

INFORMATION AND DOCUMENTS REQUIRED IN THE CASE OF CERTAIN SECURITIES EXEMPTED UNDER SECTION 3(B) OF THE SECURITIES ACT

Certain issues of securities having an aggregate offering price to the public not exceeding \$100,000 are exempted from the registration provisions of the act by regulations of the Commission, pursuant to section 3(b) of the act upon compliance with certain conditions provided in the regulations. The pertinent regulations are as follows:

Release No. 182.-Exemption of certain types of issues other than those specified below.

Release No. 218.-Exemption of issues of securities issued to depositors, creditors, or stockholders pursuant to a plan of reorganization under the Bank Conservation Act of 1933.

Note.--The particular conditions to be complied with for exemption under releases Nos. 182 and 218 are set out in Compilation of Regulations, under the Securities Act of 1933, as amended, available on request without charge.

Release No. 855 (Class C), as amended by Release No. 373 (Class C).-Exemption of issues of fractional undivided oil and gas interests.

Release No. 350 (Class C).-Exemption of fractional undivided mineral rights other than oil or gas interests.

GUIDE TO FORMS ADOPTED UNDER THE SECURITIES EXCHANGE ACT OF 1934 [Footnote: This guide is designed to aid in the selections of appropriate forms and is revised from time to time as circumstances require. Copies of the forms herein referred to will be furnished without charge upon request.]

A. FOR REGISTRATION OF SECURITIES

Form 2. For temporary registration of securities by the issuer.- This form is to be used by the issuer to apply for temporary registration of securities which were listed on an exchange at the time the registration of the exchange as a national securities exchange became effective.

Form 7.-Where the form for permanent registration of any other particular class of security has not yet been authorized, and for a period of 90 days after the filing of applications on such form is authorized, a provisional application for registration of a security of such class may be filed on form 7 pursuant to rule JB2. (Rule JB2 sets forth the requirements of an application filed on form 7.)

Form 8. For amendments to applications for registration.-This form shall be used for amendments to applications for registration of securities pursuant to section 12(b) or (c) of the Securities Exchange Act of 1934.

Form 8A. For securities issued in exchange for registered securities.-This form may be used for applications filed on and after October 24, 1935, for the registration of securities, for which the filing of applications for registration of forms 10, 11, 13, 15, or 17 is authorized, issued exclusively in exchange for securities of the registrant registered, pursuant to an application on one of said forms, on the exchange on which registration is

applied for on this form. Securities resulting from a modification of other securities shall be deemed to have been issued in exchange for such other securities.

Form 10. For corporations.-This form shall be used for applications for the permanent registration of securities of corporations, filed on and after February 13, 1935, except the following: Securities of companies making annual reports under section 20 of the Interstate Commerce Act, as amended, or under section 219 of the Communications Act of 1934; certificates of deposit; American certificates against foreign issues, either government or corporate; securities of insurance companies, other than companies engaged primarily in the title insurance business; securities of banks and bank holding companies; securities of investment trusts; securities issued by any corporation organized under the laws of any foreign country other than a North American country or Cuba.; bonds issued by any corporation organized under the laws of a North American country or Cuba, which are guaranteed by any foreign government; securities issued by any corporation, foreign or domestic, which is directly or indirectly owned or controlled by any foreign government; securities of corporations in process of reorganization pursuant to section 77 or 77B of the Bankruptcy Act; securities of corporations in bankruptcy or receivership; securities of a corporation which, at or immediately prior to the revesting of title hereinafter mentioned, shall have been in bankruptcy or in the process of reorganization pursuant to section 77 or 77B of the Bankruptcy Act, if a trustee or trustees shall have been appointed in such proceedings, and if, within 6 months prior to the filing of the application, title to all or substantially all of the assets of such corporation shall have been revested in such corporation; securities of a corporation which, at the date of entry of the order hereinafter mentioned, shall have been in the process of reorganization pursuant to said section 77 or 77B, if no trustee shall have been appointed in such proceedings, and if, within 6 months prior to the filing of the application, a plan pursuant to which such corporation is to retain all or substantially all of its assets has been confirmed by order pursuant to said section 77 or finally confirmed by order pursuant to said section 77B; securities of a corporation which, at or immediately prior to revesting of possession hereinafter mentioned, shall have been in receivership, if, within 6 months prior to the filing of the application, possession of all or substantially all of the assets of such corporation shall have been revested in such corporation; and securities of a corporation organized for the purpose of acquiring all or substantially all of the assets of another issuer, and which, within 6 months prior to the filing of the application, acquired such assets. Any foreign issuer whom by this paragraph is to file on form 10 as to any class (it securities other than bonds may also file on such form for such bonds and any issuer of bonds which is organized under the laws of any foreign country may at its option file on form 10 until 90 days after the proper form applicable to such foreign issuer shall have been published.

Form 11. For unincorporated issuers.-This form shall be used for applications filed on or after March 30, 1934, for the permanent registration of securities of unincorporated issuers, except the following: Securities of companies making annual reports under section 20 of the Interstate Commerce Act, as amended, or under section 219 of the

Communications Act of 1934: certificates of deposit, voting trusts certificates ; American certificates against foreign issuers, either government or private ; securities of insurance companies; securities of banks and bank holding companies; securities of investment trusts; securities issued by a national of a foreign country other than a North American country or Cuba; bonds issued by a national of a North American country or Cuba, which are guaranteed by any foreign government; securities of any issuer, foreign or domestic, which is directly or indirectly owned or controlled by any foreign government; securities of an issuer in process of reorganization pursuant to section 77 or 77B of the Bankruptcy Act; securities of an issuer in bankruptcy or receivership; securities of an issuer which, at or immediately prior to the revesting of title hereinafter mentioned, shall have been in bankruptcy or in the process of reorganization pursuant to section 77 or 77B of the Bankruptcy Act, if a trustee or trustees shall have been appointed in such proceedings, and if, within 6 months prior to the filing of the application, title to all or substantially all of the assets of such issuer shall have been revested in such issuer; securities of an issuer which, at the date of entry of the order hereinafter mentioned, shall have been in the process of reorganization pursuant to said section 77 or 77B, if no trustee shall have been appointed in such proceedings, and if, within 6 months prior to the filing of the application, a plan pursuant to which such issuer is to retain all or substantially all of its assets has been confirmed by order pursuant to said section 77 or finally confirmed by order pursuant to said section 77B; securities of an issuer which, at or immediately prior to the revesting of possession hereinafter mentioned, shall have been in receivership, if, within 6 months prior to the filing of the application, possession of all or substantially all of the assets of such issuer shall have been revested in such issuer; and securities of an issuer organized for the purpose of acquiring all or substantially all of the assets of another issuer, and which, within 6 months prior to the filing of the application, acquired such assets.

Form 12. For companies making annual reports under section 20 of the Interstate Commerce Act, as amended, or under section 219 of the Communications Act of 1934, except such companies in receivership or in process of reorganization pursuant to section 77 of the Bankruptcy Act.-This form shall be used for applications filed on or after April 10, 1935, for the permanent registration of securities of companies making annual reports under section 20 of the Interstate Commerce Act, as amended, or under section 219 of the Communications Act of 1934, except such companies in receivership or in process of reorganization pursuant to section 77 of the Bankruptcy Act.

Form 12-A. For companies in receivership or bankruptcy and making annual reports under section 20 of the Interstate Commerce Act, as amended, or under section 219 of the Communications Act of 1934. This form shall be used for applications filed on or after June 17, 1935, for the permanent registration of securities of companies making annual reports under section 20 of the Interstate Commerce Act, as amended, or under section 219 of the Communications Act of 1934, and in receivership or in bankruptcy (including proceedings under sec. 77 or 77B of the Bankruptcy Act).

Form 13. For insurance companies other than life- and title-insurance companies.-This form shall be used for applications filed on or after May 7, 1935, for permanent registration of securities of corporations engaged, directly or through subsidiaries, primarily in the insurance business, except corporations engaged primarily in the life- or title-insurance business. This form shall not be used by corporations engaged primarily in the business of guaranteeing mortgages or mortgage participation certificates.

Pending the authorization of a form for registration of securities of corporations engaged primarily in the life-insurance business, and for a period of 30 days after the filing of applications on such form is authorized, such corporations may file application on form 13 for insurance companies other than life- and title-insurance companies.

Insofar as form 13 may be inappropriate to the life-insurance business, a corporation engaged in the life-insurance business filing on form 13, pursuant to this rule, shall furnish information comparable to that required by form 13; and, in lieu of financial statements required under the instructions as to financial statements in the instructional book for form 13, such corporation may file a copy of its last annual statement filed with its State regulatory authority.

Form 14. For certificates, of deposit issued by a committee.-This form shall be used for applications on or after May 10, 1935, for the permanent registration of certificates of deposit issued by a committee.

Form 15. For incorporated investment companies.-This form shall be used for applications filed on or after May 15, 1935, for the permanent registration of securities of any corporation which is engaged, either directly or through subsidiaries, primarily in the business of investing and reinvesting, or trading, in securities, for the purpose of revenue and for profit, and not in general for the purpose, or with the effect, of exercising control; except securities of such corporations in process of reorganization pursuant to section 77B of the Bankruptcy Act or securities of such corporations in bankruptcy or receivership.

Form 16. For voting trust certificates and underlying securities.- This form shall be used for applications filed on or after May 18, 1935, for the permanent registration of voting trust certificates and underlying securities.

Form 17. For unincorporated issuers engaged primarily in the business of investing or trading in securities.-This form shall be used for applications filed on or after May 31, 1935, for the permanent registration of securities of any unincorporated issuer which is engaged, either directly or through subsidiaries, primarily in the business of investing and reinvesting, or trading, in securities, for the purpose of revenue and for profit, and not in general for the purpose, or with the effect, of exercising control; except securities of such issuers in process of reorganization pursuant. to section 77B of the Bankruptcy Act or securities of such issuers in bankruptcy or receivership.

Form 18. For foreign governments and political subdivisions thereof.-This form shall be used for applications for the permanent registration of securities of foreign governments and political subdivisions thereof, filed on or after July 1, 1935; provided, however, that any public corporation or other autonomous entity in the nature of a political subdivision, except a State, province, county, or municipality or similar body politic, may, at its option, use form 21 in lieu of this form.

Form 19. For American certificates against foreign issues and for the underlying securities.-This form shall be used for applications filed on or after July 15, 1935, for the permanent registration of American certificates (for example, so-called American depositary receipts for foreign shares or American participation certificates in foreign bonds or notes) issued against securities of foreign issuers deposited with an American depositary (whether physically held by such depositary in America or abroad) and of the foreign securities so deposited.

Form 20. For securities other than bonds of foreign private issuers.-This form shall be used for applications filed on or after July 15, 1935, for the permanent registration of securities other than bonds or other evidences of indebtedness (1) issued by a national of a foreign country other than a North American country or Cuba, or (2) issued by any corporation or unincorporated association, foreign or domestic, which is directly or indirectly owned or controlled by any foreign government.

Form 21. For bonds of foreign private issuers.-This form shall be used for applications filed on or after July 15, 1935, for the permanent registration of bonds or other evidences of indebtedness (1) issued by a national of a foreign country other than a North American country or Cuba, (2) issued by a national of a North American country or Cuba which are guaranteed by any foreign government, (3) issued by any corporation or unincorporated association, foreign or domestic, which is directly or indirectly owned or controlled by any foreign government, or (4) issued by any public corporation or other autonomous entity in the nature of a political subdivision which shall at its option elect to use this form in lieu of form 18, except that this form is not to be used by a State, Province, county, or municipality or similar body politic.

Form 1-J.-This form is to be used for applications for registration of unissued warrants or certificates pursuant to section 12(d) of the Securities Exchange Act of 1934 for “when issued” on a national securities exchange.

Form 2-J.-This form is to be used for applications for registration of unissued securities, other than unissued warrants or certificates, pursuant to section 12(d) of the Securities Exchange Act of 1934 for “when issued” dealing on a national securities exchange.

Form 3-J.-Form 3-J must be used to report any inaccuracy, omission, or other deficiency in the information contained in the application for registration on form 1-J or form. 2-J,

or in any supplemental statement filed by an issuer or an exchange, and to report changes which have occurred since the filing of the application for registration or the last supplemental statement, and which render no longer accurate the information contained therein.

Form 4-J.-This form is to be used for statements in respect of exemption of issued warrants or certificates pursuant to section 3(a)(12) of the Securities Exchange Act of 1934.

Form 5-J.-Form 5-J must be used to report any inaccuracy, omission, or other deficiency in the information contained in the statement filed on form 4-J or in any supplemental statement filed by an issuer or an exchange and to report changes which have occurred since the filing of form 4-J or the last supplemental statement and which render no longer accurate the information contained therein.

B. FOR REPORTS TO BE FILED BY OFFICERS, DIRECTORS, AND SECURITY HOLDERS

Form 4. For reporting changes in ownership of equity securities.-Every person who at any time during any month has been directly or indirectly the beneficial owner of more than 10 percent of any class of any equity security (other than an exempted security) which is listed on a national securities exchange, or a director or an officer of the issuer of such security, shall, if there has been any change during such month in his ownership of any equity security of such issuer, whether registered or not, file with each exchange on which any equity security of time issuer is listed and registered a statement on form 4 (and a single duplicate original thereof with the Commission) indicating his ownership at the close of the calendar month and such changes in his ownership as have occurred during such calendar month. Such statements must be received by the Commission and the exchange on or before the 10th day of the month following that which they cover.

Form 5. For reporting ownership of equity securities.-In the case of an equity security (other than an exempted security) which is listed subsequent to February 15, on a national securities exchange, every person who at the time such registration becomes effective is directly or indirectly the beneficial owner of more than 10 percent of any class of such security or a director or an officer of the issuer of such security, shall file with each exchange on which any equity security of the issuer is listed and registered a statement on form 5 (and a single duplicate original thereof with the Commission) of the amount of all equity securities of such issuer, whether registered or not, so beneficially owned by him at the time such registration became effective. Such statement must be received by the Commission and the exchange on or before the tenth day of the following calendar month, if such person files a statement pursuant to paragraph (b) of this rule for the same

calendar month in respect of the same securities, he need not file an additional statement pursuant to this paragraph.

Form 6. For reports by persons who have just become officers or directors or security holders of more than 10 percent of any class of equity security.-Every person who becomes directly or indirectly the beneficial owner of more than 10 percent of any class of any equity security (other than an exempted security), which is listed on a national securities exchange, or becomes a director or an officer of the issuer of such security, shall file with each exchange on which any equity security of the issuer is listed and registered a statement on form 6 (and a single duplicate original thereof with the Commission) of the amount of all equity securities of such issuer, whether registered or not, so beneficially owned by him immediately after becoming such beneficial owner, director, or officer. Such statement must be received by the Commission and the exchange on or before the tenth day following the day on which such person became such beneficial owner, director, or officer. Such person need not file the statement required by this paragraph, if prior to such tenth day and during the calendar month in which he has become such beneficial owner, director, or officer, there has been a change in his beneficial ownership which will require him to file a statement pursuant to paragraph (b) of this rule with respect to the same securities.

C. FOR REGISTRATION OF BROKERS AND DEALERS

Form 1-M. For brokers and dealers transacting business on over-the-counter markets.-This form is to be used for the registration statements of brokers and dealers transacting business on over-the-counter markets.

Form 2-M. For supplementary statements of brokers and dealers.-Form 2-M must be used to report inaccuracies in the information contained in the registration statement filed on form 1-M or in any supplemental statement filed by a broker or dealer and to report changes which have occurred since the filing of the registration statement or the last supplemental statement and which render no longer accurate the information contained therein.