

STATEMENT OF THE PURPOSES OF THE
SECURITIES AND EXCHANGE COMMISSION, ACCOMPLISHMENTS
UP TO AUGUST 13, 1934, AND FUTURE PROGRAM.

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PURPOSES.

It should be understood that the purpose of the legislation which the Securities and Exchange Commission is organized to administer may be considered only remotely as that of promoting economic recovery. The Commission administers the Securities Exchange Act of 1934, and after September 1st it will administer the Securities Act of 1933.

The purposes of the Securities Exchange Act may be divided into two general groups. The first is directed toward the elimination of abuses in the security market, such as those which tend to create a fictitious market or to effect sudden and unreasonable fluctuations in the prices of securities. The second is directed toward making available currently to the investing public, sufficient information concerning the management and financial condition of corporations on which the investor can intelligently act in making investments. The latter purpose, that of keeping such information currently available, supplements to a certain extent the provisions of the Securities Act

which, generally speaking, are directed toward securing information for investors at the time distributions of new issues are made. The accomplishment of these purposes may have indirectly a beneficial effect on the program of recovery, in restoring the confidence of the investing public and in discouraging the devotion of funds to speculation or fraudulent securities, thereby releasing such funds for more productive purposes. While carrying out the purpose of the two statutes the Commission must avoid steps which would have unjustifiably deflationary effects. Especially in administering the Securities Exchange Act of 1934 the interest of the present, as well as of the prospective, investor must be considered.

ACCOMPLISHMENTS UP TO AUGUST 13, 1934.

The Securities Exchange Act was approved by the President on June 6, 1934, and the Commission, consisting of Messrs. Kennedy (Chairman), Mathews, Landis, Healy and Pecora, met for the first time on July 2nd in the offices of the Federal Trade Commission.

A large part of the month of July was spent on questions of organization and personnel. Mr.

Baldwin B. Bane, Chief of the Securities Division of the Federal Trade Commission, was appointed Executive Administrator; Judge John J. Burns, of Boston, Chief Counsel; Mr. David Saperstein, of Newark, Chief of the Trading and Exchange Division; Mr. Donald H. Montgomery, Assistant Chief of the Securities Division of the Federal Trade Commission, Chief of the Examining Division; and Mr. Joseph R. Sheehan, of New York, Director of Personnel.

The Commission, in the latter part of July, began the preparation of regulations and forms for the registration of exchanges under Section 6 of the Act, and for the temporary registration of listed securities under Section 12 (e). This material was completed and published August 13th, and copies were distributed to all presently known exchanges, forty-three in number.

The Commission published also on the same day rules and regulations implementing Section 16, which require officers, directors and beneficial holders of more than ten per cent of the stock of a corporation to report monthly any changes in their holdings. The Commission also hopes to announce in the near future basic regulations affecting the over-the-counter market.

In the preparation of the rules and regulations the Commission has had frequent conferences with the representatives of the various exchanges. Their cooperation and assistance have been encouraging, and they have, in general, expressed satisfaction with the Commission's action.

FUTURE PROGRAM.

The Securities Exchange Act goes fully into effect on October 1, 1934. By that time the Commission hopes to have all the securities exchanges (with the possible exception of some which will apply for exemption) and the securities listed thereon registered under Section 6 and Section 12 (e), respectively. As soon as possible, rules and regulations will be promulgated, bringing listed securities under the full requirements of Section 12 for permanent regulation.

As provided in the Securities Exchange Act of 1934, the administration of the Securities Act of 1933 is to be transferred from the Federal Trade Commission to the Securities and Exchange Commission two months after the organization of the latter, or September 1st. It is contemplated that the personnel of the Securities Division of the Federal Trade

Commission will be transferred, practically intact to the new Commission, thus insuring a continuity of practice.

The Commission at present is using the few vacant offices in the temporary structure occupied by the Federal Trade Commission, at 20th and Constitution Avenue. It will be impossible for it to get into its new quarters until the Interstate Commerce Commission has moved into its new building, which has not as yet been completed. The work of the Commission is greatly handicapped by its lack of adequate space, and it is impossible for it to take on sufficient personnel to handle the ever-increasing work. At present it is contemplated that it will not be able to move into the new quarters until the middle of September.