

January 19, 1935

To: The Executive Director
The National Emergency Council

From: The Chairman of the Securities
and Exchange Commission

The following is a summary of the major activities of the Securities and Exchange Commission since January 7, 1935.

The Commission has adopted a new form, Form A-2, for the registration, under the Securities Act of 1933, of new security issues of corporations with at least a three year's record of operations. The new form is designed to eliminate those requirements which have proven to be burdensome and expensive to registrants, and which have no material value from an investing standpoint; and because the requirements are of a more specific nature and because the items are specifically defined in the Book of Instructions accompanying the form, risks of liability to officers and directors, as well as to accountants, engineers, and other experts, have been minimized. In this new form, emphasis has been laid on the financial condition and operations of the business of the registrant within the three years preceding the filing of a registration statement. The requirements as to historical information have been limited to the more pertinent transactions occurring since 19(illegible). The use of the new form is limited to those corporations with a record of earnings, precluding its use by promotional enterprises, about which a great deal more information than is called for by Form A-2 must be known in order to be able to appraise the value of its securities. The Commission expects to promulgate shortly, to accompany the form, a set of instructions as to prospectus requirements, leaving as the circulation of greatly condensed and simplified information to the prospective investor which at the same time will be illuminating, comprehensive, and informative as to the financial condition of the issuer.

The two registration forms recently promulgated by the Commission were the subject of addresses given by Commissioner James M. Landis before the New York State Society of Certified Public Accountants in New York City, January 14th, and Commissioner George C. Mathews before the Illinois Society of Certified Public Accountants in Chicago, January 18th. These addresses dealt chiefly with the requirements of the new forms, and sought to answer some of the major questions arising in connection with the use of forms and to illustrate the necessity of requiring the disclosure of the information registration form under the Securities Act, Standard Oil Company (New Jersey) has announced its intention to register with the Commission \$10,000,000 capital stock, as soon as an audit of the Company and its subsidiaries has been completed.

The Commission has set down for hearing the application of one of the largest exchanges which has applied for exemption from registration as a national securities exchange under the Securities Exchange Act, in order to determine whether or not such application should be granted. Other such hearings will follow as soon as the Commission has had an opportunity to study the record of the findings in the investigations of the various exchanges applying for exemption. The Commission's report on its study of the rules and regulations of national securities exchanges with respect to the classification of members, the methods of election of officers and committees to insure a fair representation of the membership, and the suspension, expulsion, and disciplining of members of such exchanges, has been prepared by its staff and is awaiting final approval for submission to Congress.

The General Counsel represented the Commission in an important and instructive conference with members of the Investment Bankers Code Authority, at which a discussion was had on the subject of regulating the over the counter trading in securities. This is a major problem with which the Commission is confronted. There are some sixteen billion dollars of securities traded in this market annually.

In connection with the Commission's study and investigation of reorganization and protective committees, investigations of two large committees have been completed and reports thereon submitted to the Commission for study; and the investigations of four large committees, among others, have been carried forward. It is expected that the results of these investigations will be rich sources of information as a basis upon which the Commission can make its recommendations to Congress. The Commission has continued its investigation into alleged violations of law in connection with the fraudulent promotional schemes used in dumping worthless securities upon innocent investors, and the investigations are being carried forward to prosecution.

During the period December 31 to January 12, inclusive, registration statements filed with the Registration Division under the Securities Act of 1933 were as follows:

Issues of new securities: 5
Securities in reorganization: 2
Conversion (securities offered in exchange): 1
Total: 8

This brings the total number of registration statements filed (exclusive of refilings) since the effective date of the Securities Act, through January 12, to 1256. The aggregate of the offering amount of the new issues and the approximate market value of the reorganization securities and securities to be exchanged was \$3,338,759.

During the same period registration statements becoming effective were as follows, with an aggregate offering amount of the new issues and the approximate market value of the reorganization securities and securities to be exchanged totaling \$3,4099,499.

Issues of new securities: 5
Securities in reorganization: 5
Conversion (securities offered in exchange): 0
Total: 10

Five statements previously declared effective were ordered withdrawn during the period so that the number of registration statements effective (exclusive of withdrawals and step orders) under the Securities Act, as of January 13, thus totals 905.

Other activities of the Commission include the following; (1) Study of problems in connection with the control and regulations of the oil royalty business, and the drafting of forms for the registration of such royalties; (2) Revision of rules and regulations under the Securities Act of 1933, and adoption of rules of practice and procedure before the Commission under both Acts; (3) Promulgation of rules governing the activities of members of exchanges; (4) Promulgation of registration forms, under both Acts, for registration of particular classes of securities; (5) Conferences and study respecting the promulgation of rules governing the issuance of proxies under Section 14 of the Securities Exchange Act of 1934; (6) Preparation of forms for the permanent registration of Banks, Insurance Companies, and Investment Trusts under the Securities Exchange Act; and (7) An analysis of the problems involved in the so called 'private offering' and methods of controlling the same.