

February 2, 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 21, 1935.

The Commission submitted to Congress its report on the study and investigation made of the rules 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 the members of such exchanges. The Commission did not suggest new legislation in order to put its recommendations into effect, believing that the exchanges themselves could effect the proposed changes without resort to legislation. The Commission's report contained the following recommendations: (1) A better numerical representation of the commission broker who possesses direct contacts with the public should be had on the governing committee; (2) Office partners of registered firms should be eligible for membership on the governing committee; (3) Nomination to the governing committee should be by petition and not by the device of a nominating committee; (4) One-third of the membership of the governing committee should be elected annually; (5) Nomination of the President should be by petition and he should be elected by the full membership; (6) Non-members of the exchange should be allowed to be candidates for the office of President and the other executive offices; (7) Membership on the standing committees should not be restricted to members of the governing committee; (8) The expenses of arbitration should be reduced; (9) The Arbitral tribunal in cases to which a non-member is a party should not be a mere committee of the exchange, but should either be composed of non-members, or, if members serve upon it, representation between members and non-members should be equalized; (10) Adequate and effective appeals should lie from the Business Conduct Committee to the governing committee; (11) Customers preferring complaints against members should be furnished with the answer made by the member to the customer's complaint, and should be entitled to appear before the committee. Both parties in these cases should have the right to appeal to the governing committee.

The Commission has adopted a list of instructions as to the Prospectus requirements accompanying Form A-2, the registration form for seasoned companies under the Securities Act. These instructions are for the purpose of not only reducing the amount of information in a prospectus, thereby lessening the burden on the issuer, but also calling for condensed and simplified statements about the company, its business, financial condition, etc., which will be truly informative to the prospective purchaser. The Commission believes that these requirements, although calling for much less information, will nevertheless give the information which should properly be set forth in a prospectus. The new registration forms and rules of the Commission were the subject of an address by Commissioner Robert E. Healy at a dinner given by the Controllers Institute of America at the Roosevelt Hotel, New York City, on January 31, at which Commissioner Healy entered into a discussion and answered various questions concerning the new requirements.

The Commission has continued its study of proposed new registration forms, under both Acts, for registration of particular classes of securities, such as those of Investment Trusts, Banks, Insurance Companies, Foreign Governments, Foreign Corporations, Voting Trusts, Companies in Reorganization etc. The Commission has also adopted revised forms for the reporting of holdings and changes in ownership of equity securities by officers, directors, and ten per cent security holders.

A hearing before the Commission was had on the application of the Chicago Curb Exchange for exemption from registration as a national securities exchange, under the Securities Exchange Act of 1934. No decision has as yet been made in the matter. A study of the reports on the findings in the investigations of the various exchanges applying for exemption from registration has been made; and the reports will shortly be submitted to such exchanges, allowing an opportunity to file exceptions, preliminary to a determination by the Commission as to whether said applications should be granted. Pending these decisions, the temporary exemptions previously granted to the several exchanges have been extended until April 1, 1935.

Following a study of a report made of the findings in the investigation of the reorganization or readjustment of Celotex Company and the activities and personnel of protective and reorganization committees and others connected therewith, the Commission has directed that a public hearing be held in the matter on February 5. A hearing on the findings in an investigation of another large reorganization committee will

follow shortly thereafter. A study and investigation of another large protective and reorganization committee has been undertaken, and investigations of other committees carried forward.

Since September 1, 1934, up to and including February 1, 1935, numerous complaints have come to the Commission from various sources alleging a total number of 1129 violations of the Securities Act and/or the Securities Exchange Act. Of this number, 274 alleged violations have been reported since January 1, 1935. The Commission has carried forth its investigations into these alleged violations as rapidly as it can do so, violations of law being uncovered in numerous instances. Injunction proceedings in two major cases have been instituted during the past two weeks.

During the period January 14 to January 26, inclusive, registration statements filed with the Registration Division under the Securities Act of 1933 were as follows:

Issues of new securities	9
Securities called in re- organization	1
Conversion (Securities offered in exchange)	<u>3</u>
Total	13

This brings the total number of registration statements filed (exclusive of refilings) since the effective date of the Securities Act, through January 26, to 1269. For the two-week period, the aggregate of the offering amount of the filings of new issues and the approximate market value of the reorganization securities and securities to be exchanged was \$35,916,145.

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 \$6,877,500:

Issues of new securities	7
Securities called in re- organization	2
Conversion (securities offered in exchange)	<u>0</u>
Total	9

The number of registration statements declared effective (exclusive of withdrawals and stop orders) under the Securities Act as of January 26, thus totals 911.

Other activities of the Commission include the following: (1) Study of problems relating to the control and regulation of the oil royalty business; (2) Promulgation of rules governing the activities of members of exchanges; (3) Promulgation of rules governing the issuance of proxies under Section 14 of the Securities Exchange Act; (4) Study and analysis of the problem involved in the so-called "private offering" of securities, and methods of controlling the same; (5) Study of the problems relating to the regulation of the over-the-counter trading in securities; (6) Revision of rules and regulations under the Securities Act, and adoption of rules of practice and procedure before the Commission under both Acts; (7) Adoption of amendments to the rules governing the use of Form 10 under the Securities Exchange Act.