# THE NEW PROGRAM OF THE SEC

Address by

RALPH H. DEMMLER

Chairman

Securities and Exchange Commission

before the

SOUTHWESTERN LEGAL FOUNDATION

INSTITUTE ON FINANCING THROUGH ISSUANCE OF SECURITIES

Dallas, Texas

April 20, 1954

The subject of my remarks was set out in the literature preceding this conference as "The New Program of the SEC." I don't want you to think that the words "new program" connote any revolutionary overturn of what has gone before. The Commission as presently constituted intends to administer and enforce the various securities laws with vigor. There may be some change in emphasis, but there has always been change in emphasis from time to time.

It is difficult to express in general terms a philosophy with respect to the administration of statutes which are so complex and so detailed. Your conclusions as to the philosophy of the Commission can best be drawn by inductive reasoning from the specific actions of the Commission in a number of particular situations. Let me outline a few of the Commission's approaches:

While it recognizes the need for flexibility and lack of rigidity in the administrative process, the Commission hopes to narrow the areas in which it operates as a government of men rather than a government of laws. For example, the subject of stabilization of prices in connection with new offerings of securities has been largely a matter of telephoned clearances and traditional principles rather than officially adopted rules and regulations. The Commission, however, is about ready to circulate for comment, definite rules and regulations on that subject. Another example is the matter of indenture provisions and preferred stock provisions required in the case of securities the issuance of which is subject to the Public Utility Holding Company Act. There has been considerable variation from time to time and from staff group to staff group in the requirements which were imposed upon issuers of such securities. About a year ago the Commission, under Don Cook's chairmanship, formulated a guide for staff use which at long last produced uniformity within our Division of Corporate Regulation. We are now working on the formulation of a public statement of policy with respect to indenture provisions and preferred stock provisions so that issuers will not be in position to plead surprise to suggestions for modifications in the protective provisions for bonds and preferred stock.

While the interstate nature of the process of capital formation has made necessary the enactment of Federal statutes on the subject, the Commission proposes to give greater recognition of the role of the states. Last September there was sent to each Regional Administrator an authorization to make available to the appropriate state authorities material dealing with a pending investigation where (a) the investigation discloses a clear violation of state law, (b) it appears that there will be substantial difficulty in proving the suspected violation of Federal law, and (c) the Regional Administrator has reason to believe that the

state authorities will proceed promptly to complete the investigation and enforce the state law. Other cooperative arrangements are being worked out with state administrators, as, for example, some synchronization of inspection of brokers and dealers.

Bankruptcy is a field constitutionally allocated to the Federal government and the Commission has certain duties and certain discretionary powers of intervention under Chapter X of the Bankruptcy Act. The Commission's intervention in many cases has resulted in substantial savings to creditors and security holders and has earned commendation of the courts. Budgetary considerations, however, make it necessary for the Commission to limit its activities in this field. In determining the extent to which it will allocate manpower to activity under Chapter X, the Commission will be guided in large measure by the wishes of the Federal judiciary. The Commission should make available to the courts the benefit of the experience and special competence of its staff in matters relating to reorganization. It must, on the other hand, strive to avoid duplication of work done by the independent trustee and his counsel.

The Commission has maintained a tradition for prompt processing of the statements and reports required by the several Acts administered by it. Maintaining such a tradition involves constant vigilance and high standards of administrative efficiency. This is not always easy in Government. In order that the Commission's role in capital formation may be constructive rather than obstructive, the Commission must engage in a process of constant examination of the significance of its paper procedures. It is as a result of such examination that the Commission has worked out a number of simplifications. For example, the annual report on Form 10-K, required of listed companies and companies which have filed registration statements under the Securities Act of 1933, contains, in addition to financial statements, certain textual material which is duplicative of the information required in a proxy statement. As you may know, revised requirements have recently been adopted for Form 10-K which permit in effect the material in the proxy statement to serve as compliance with the informational requirements of Form 10-K other than financial statements. We have also adopted rules which simplify materially the requirements under the Securities Exchange Act of 1934 for listing additional amounts of outstanding securities. There are many other such form simplifications.

The Commission is anxious to improve its enforcement procedures. As you know, under the Securities Exchange Act of 1934 the Commission has power to make examinations of the affairs of brokers and dealers. Many members of the public think that brokers and dealers are examined with the same regularity as banks. This is not true and unless

the Commission had a vastly increased budget it could not be true. Nevertheless tuning up of our administrative machinery should make possible a stepped-up broker-dealer inspection program, and we are in the process of doing just that.

The Commission is formulating rules of practice to accelerate the hearing and disposition of its quasi-judicial proceedings. Unfortunately, pretrial conferences have not been sufficiently employed; negotiations for stipulation have been too much on an all or nothing basis. The President's Conference on Administrative Procedure has recommended the use of compulsory pretrial procedures to bring about stipulations, agreements on issues, identification of documents and the like. The Commission proposes to put into force practices which will substantially conform to these recommendations. This will be a significant accomplishment because under present conditions the records in our litigated proceedings are entirely too voluminous.

The Commission is keenly conscious of its obligations with respect to offerings of securities which are entitled to exemption under Section 3(b) of the Securities Act of 1933. As you know, that section provides that the Commission by rule and regulation and subject to such terms and conditions as may be prescribed may exempt from registration securities where the aggregate amount at which an issue of such securities is offered to the public does not exceed $300,000. When the statute was enacted in 1933 the figure was $100,000. It was raised to $300,000 in 1945. In a currently pending bill, which I will discuss in more detail in a few moments, the amount might be increased to $500,000. The Commission has adopted regulations, the most generally applicable of which is the so-called Regulation A. As the amount of the exemption goes up the importance of the efficacy of the Commission's administration of the Regulation rises.

In brief, Regulation A prescribes the conditions under which the exemption is available and requires the use of an offering circular containing prescribed minimum disclosures. The regulation further provides that the Commission may suspend the exemption by order, after a hearing, upon the showing of a violation of the regulation. The requirements of the regulation can be met by filing with a Regional Office of the Commission, a simple notification and copies of the offering literature. The entire procedure provides a method, less expensive and time-consuming than registration, by which issuers seeking relatively small amounts of money may sell their securities in interstate commerce without complying with the registration requirements of the Act. The regulation, within the

practical limitations of the amount involved, provides for disclosure and disciplinary checks and suspension power so as to assure that issues offered under the regulation are offered under conditions which furnish practical protections against fraud.

The Commission has had a number of years of experience under Regulation A, although less than a year under the Regulation in its present form. On the basis of its experience under this Regulation, and of the practical safeguards which it provides, the Commission believes on balance that the increase to $500,000 in the permissible amount of the exemption as proposed in the bill as passed by the Senate is reasonable.

And now that I've gotten into the subject of legislation, let me go into more detail on the bill which would make some amendments to the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939 and the Investment Company Act of 1940.

I want to make one thing perfectly clear. The laws we administer are enacted by the Congress and not by the Commission. The Commission's role in the formulation of the bill was to assit, and make recommendations to, the Committees of Congress but to do no more than that.

All of us who have done legal work in securities realize that these basic laws, particularly the Securities Act and the Securities Exchange Act, have done a great deal to re-establish and maintain investor confidence. Look abroad and see what has happened in other countries, once capitalistic and now socialistic or worse, which succumbed as the United States did to the great depression of 1930-1932, and you can see the direction which might have been followed in this country had investor confidence not been restored.

With this general background, I am sure you can understand that neither the Congress nor the Commission would be interested in any amendments of these laws which would diminish the protection afforded by them to the American public.

Legislative programs, however, are not new in the Commission or in Congress. As a matter of fact, the Commission participated in amendment programs in 1941 - this was a very comprehensive program but was abandoned after the attack on Pearl Harbor - and in 1946, 1947, 1950 and 1951. None of these resulted in the enactment of legislation; however, a great deal of work and study was done in connection with them. A Subcommittee of the House Committee on Interstate and Foreign Commerce, in a report dated December 30, 1952, concluded as follows:

"The subcommittee, accordingly, is of the opinion that at this time the Commission should reactivate its conferences, and the industry and the Commission earnestly and energetically attempt to resolve their differences, at least in those areas where concurrence already seems possible, and propose a program on these at the earliest opportunity." 1/

With this background the members of the Commission conferred with Senator Capehart of Indiana, Chairman of the Senate Banking and Currency Committee, to determine what position the Commission should take in reference to various industry groups which wished to submit proposals for amendment of the statutes administered by the Commission. Senator Capehart referred to the continuing responsibility of the committees of the Congress under Section 136 of the Legislative Reorganization Act of 1946 2/ to appraise the Commission's administration of the laws subject to its jurisdiction and in the development of amendments or related legislation, and he suggested that a program be worked out under the guidance of Senator Bush of Connecticut, Chairman of the Subcommittee on Securities, Insurance and Banking.

At about the same time, preliminary correspondence was had with Congressman Wolverton of New Jersey, Chairman of the House Committee on Interstate and Foreign Commerce. Congressman Wolverton has served in the House of Representatives continuously since November 1926 and was a member of the House Committee at the time the Securities Act of 1933 and the Securities Exchange Act of 1934 were passed. He wrote the Commission on August 21, 1953 in the following words:

"It seems to me that no harm, and, indeed, much good might arise from a continuation of the discussions which you have had with industry and affected persons over the years in the development of technical changes which might be made to the Acts and which you would propose to bring to our attention for consideration.

"On the other hand, you will appreciate, I am sure, that I am most zealous in preserving for the investing public the protection which was envisaged in the statutes when they were passed, both as they apply to investors in new securities and as they apply to purchasers on the Exchanges and over-the-counter markets. I certainly would feel that it was unincumbent upon any agency charged with administering these Acts on behalf of the Congress for the

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1/ House Report No. 2508, 82nd Cong., 2d Sess., pages 4-5.

2/ 60 Stat. 832.

> protection of the general public, to initiate or sponsor any program which would weaken such protection, though conversely, it might well give thought to areas in which it could be strengthened."

The present Commission is entirely in accord with the thoughts thus expressed.

So armed, on August 26, the Commission issued a press release stating that "if proposals are presented for amendment of the laws which it administers, the Commission will hold itself in readiness to render such assistance as the appropriate Committee of the Congress may request of it." During September, October and November, we received numerous legislative proposals from various organizations and individuals.

Legislative proposals of earlier years had been handled on staff level at the Commission. We decided that detailed consideration of these proposals should be given by the Commission itself, but with advice from the staff.

Between October 19, 1953 and January 5, 1954, the Commission met with the Senate Subcommittee and its staff and with industry representatives reviewed proposals of our own and of industry and eventually reached agreement on the limited program embodied in the bill.

On January 25, the Commission submitted a draft bill to the Chairmen of the respective Committees and on January 27 identical bills were introduced in both houses.

On January 28, 1954, President Eisenhower in his Economic Report to the Congress pointed out the reason and desirability of the modifications provided for in the bill when he stated:

> "The Federal securities laws were enacted nearly 20 years ago and have remained largely unchanged over that period. Some modifications in these laws are needed which, while fully protecting the interests of investors, will make the capital market more accessible to businesses of moderate size. It would also be desirable to simplify the rules and thus reduce the costs of registration of new issues and their subsequent distribution." 3/

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3/ Economic Report of the President, January 28, 1954, 83rd Cong., 2d Sess., House Doc. No. 289, page 88.

On February 26 the Senate Committee on Banking and Currency reported the bill out favorably and recommended its passage. The Committee Report contains an excellent summary and analysis of the bill, both by subject matter and by sections, together with a Cordon Rule print of the bill which shows the changes it would effect in the existing statutes. 4/ I commend this report to anyone wanting to make a detailed study of the bill. Subsequently on March 2, the bill passed the Senate unanimously.

Thereafter, on March 19, 1953, a public hearing was held before the House Committee on Interstate and Foreign Commerce at which its Chairman, Congressman Wolverton, presided and the bill was reported favorably by that Committee on April 15, amended, however, to delete the provision increasing the permissible exemption to $500,000.

Now let me tell you about the bill itself. Let me start with a general comment. The Commission believes that the proposed amendments will not change the existing responsibilities of the sellers of securities to the public.

The good result produced by the Securities Act has come in great measure from the fact that the issuer and the underwriter must come forward and make a public statement concerning the issuer's business, its finances, its securities and the proposed offering - and all of this under stern statutory liabilities, both penal and civil. This requirement of disclosure is itself a substantial deterrent to transactions which would not stand the light of day. The imposition of liability for inaccurate and incomplete information and the administrative processing by the Commission of material filed with it have improved corporate morality, accounting standards and standards relating to business information generally.

These amendments in no way curtail the duty to disclose or the liability for non-conformity to the disclosure requirements, nor is there any decrease in the administrative powers of the Commission.

The most important change involves Section 5 of the Securities Act of 1933. Many of the other amendments are necessary to accommodate other sections of the Securities Act to the amendment of Section 5.

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4/ Senate Report No. 1036, 83d Cong., 2d Sess.

The change in Section 5 and the related changes have to do principally with the mechanics of the distribution of securities. These changes must be considered against the background of the present Act and practices thereunder.

The Securities Act presently makes unlawful the offer or sale of a security to the public by mail or instrumentality of interstate commerce, such as the interstate telephone, until a registration statement with respect to the security has been filed with the Commission and becomes effective. Oral offers prior to effectiveness are not made unlawful by the Securities Act of 1933, that is, oral offers within the state. The period between the filing date of a registration statement and the effective date averages about 20 days. The seller of a security must deliver to the purchaser a prospectus containing a summary of the information in the registration statement.

It is clear from the legislative history of the Act that the Congress intended that by dissemination of information during the waiting period the public would become informed of the essential facts relating to a proposed issue before the effective date of the registration statement.

The securities industry has contended for many years and in my observation it is a fact, that, in practice, the free flow of information concerning a new issue during the waiting period has been restricted because of the fear of underwriters and dealers, not to mention their lawyers, that communications to prospective customers might be construed to be illegal "offers" of a security before the effective date of the registration statement. This fear springs from the criminal penalties provided for violation of the statute and also from the fact that a violation of Section 5, based on a strict construction of the term "offer," might give the purchaser a right of rescission for one year under Section 12(1) of the Act.

The Commission has recognized that the distinction between "dissemination of information" and an "offer" is difficult to draw and still more difficult for a customer to appreciate, and has been concerned through the years because the objective of a widespread dissemination of information during the waiting period has not been more effectively achieved.

Accordingly, the Commission has taken administrative actions designed to encourage issuers and underwriters to make it possible for dealers and prospective investors to become familiar during the waiting period with the information which the statute intended they should have.

From the earliest days of the Commission's administration of the Securities Act, preeffective summaries of information as filed have been permitted.

In 1946, the Commission adopted a rule (Rule 131) which provides that distribution of a preliminary prospectus before the effective date of a registration statement shall not in itself constitute an "offer." This preliminary prospectus, usually filed as part of the registration statement, is popularly called the "red herring" prospectus, because a legend is printed in red on each page stating that it is not an offer to sell or the solicitation of an offer to buy and that it is preliminary, not final.

Since adoption of Rule 131 the Commission's action in accelerating the effective date of a registration statement has been conditioned upon a showing that there had been an adequate and timely distribution of the red herring to dealers who were expected to participate in the sale of the security.

This rule and administrative policy have achieved in part the original statutory objective. Since that time, as a matter of practice, underwriters and dealers who expect to participate in the distribution of a new security receive information concerning the new issue by means of a red herring prospectus, in advance of the effective date.

The red herring prospectus, however, does not lend itself to distribution to the public generally for the purpose of preliminary screening of prospective customers. It frequently cannot be secured in sufficient quantity in various parts of the country in time to permit its general use as a means to disseminate information or as a means by which underwriters and dealers may determine public interest in a forthcoming issue.

In 1952, the Commission took another administrative step designed to assist dealers to communicate with customers for the purpose of determining who might be interested in receiving the prospectus concerning a new issue. A rule (Rule 132) was adopted which provides for a short notice of proposed public offering called an "identifying statement" containing some general information concerning a new issue. This rule likewise provides that the use of the identifying statement shall not constitute an "offer" of a security for purposes of Section 5. An issuer is required to file the identifying statement with its registration statement and the Commission conditions its action in making the statement effective upon a showing that copies of the identifying statement have been made available to dealers and underwriters.

Underwriters and dealers have objected that Rule 132 does not permit the inclusion in the identifying statement of sufficient information to stimulate inquiries by investors for copies of the prospectus. They contend that the identifying statement fails in its purpose unless it contains more of a summary of the registration statement, including a summary of certain financial information.

These rules and policies - that is, the rule concerning the use of the "red herring" prospectus and the use of the identifying statement, and the policy requiring the use of these documents - are consistent with the Act. However, in view of the precise and sweeping prohibitions of Section 5, in view of the difficulty in distinguishing between the dissemination of information and the making of an offer, and in view of the difficulty of explaining that the red herring prospectus is not an offer of the securities, even though the text of the red herring contains words which offer the securities, the bill contains amendments of the Act which expressly support the practices which the Commission permits and indeed requires the industry to follow.

As I mentioned before, Section 5 of the present Act in effect prohibits the offer or sale of securities before the effective date of a registration statement. Basically, the amendment would permit written offers to sell and solicitations of offers to buy during the waiting period by means of a preliminary prospectus filed with the Commission prior to its use. As already noted, the use of the telephone for the making of oral offers intrastate is not prohibited by present law. Under the amendment there would be no prohibition against such offers either interstate or intrastate. The present prohibition against the making of an actual sale or contract of sale of a security prior to the effective date of a registration statement is not affected by the amendment.

We believe that issuers, underwriters and dealers should find no difficulty in regulating their conduct during the waiting period so as not to make contracts of sale before the registration statement becomes effective. This might be done by conditioning offers, limiting activity to solicitation of offers to buy or by other means which keep the transaction short of a sale or contract of sale.

I think it must be apparent from what I have just said that the amendment does not work any fundamental change; in fact, it may fairly be said to give more specific authority for the continuance

of practices which have developed over the years under the present law, and to make those practices specifically subject to the sanctions provided by the Act.

A conforming change in Section 10 is made so as to authorize the Commission to permit the use of a summary prospectus in addition to the conventional prospectus. This short-form summary prospectus will be filed with the Commission, as part of the registration statement, and must conform to the Commission's rules and regulations. In order to prevent the use of a summary prospectus which fails to meet the Commission's requirements, the Commission will be authorized to suspend the use of a defective summary prospectus. This administrative remedy, which is intended to supplement the stop-order powers of the Commission under Section 8, is essential because of the necessity for speedy action to prevent the use of a defective summary prospectus during the relatively short waiting period.

Since, however, the summary prospectus will involve condensation or summarization of the full prospectus and since that process necessarily involves omission, the Commission believes, and the bill provides, that preliminary and summary prospectuses authorized by this Section should not be subject to Section 11 which imposes liabilities upon the issuer, its officers, directors and underwriters for misstatements and omissions. This will not lighten the existing burden of liability because the red herring prospectuses now permitted are not subject, as such, to Section 11 liabilities. We believe that the administrative sanctions of Section 8 and the suspension power, coupled with the liabilities of Sections 12 and 17 (which provide for civil liabilities and criminal penalties against sellers), can be relied upon to guard against the use of defective summary prospectuses.

Under the bill the civil and penal liabilities imposed by the statute would remain unchanged. Section 12 of the present statute provides that a purchaser of a security may recover from the seller who violates Section 5 or who sells a security by means of misrepresentations or concealment in a prospectus or oral communication. Since the terms "sell" and "sale" have been redefined, the amendment to Section 12 (Section 10 of the bill) inserts the words "offers or" before the word "sells" in clauses 1 and 2 of the section so as to preserve the effect of the present law by not excluding the newly permissible pre-effective offers from liabilities under Section 12. For similar reasons, and to preserve existing sanctions, corresponding changes are made in Sections 17 and 22 (Sections 11 and 12 of the bill).

I might add that, to the extent the media of information which are permitted by the bill are more widely disseminated, it is our view that a larger segment of the investing public generally, and the smaller dealers, will have a greater opportunity to participate in the processes of capital formation.

I have spent a good deal of time on the Section 5 problem. Section 5 is often called "the heart of the Act." I will run through the balance of the bill more quickly.

The next amendment relates to the use of prospectuses after the effective date of a registration statement. Existing law requires underwriters and dealers to deliver prospectuses to investors as long as they are engaged in the initial distribution of a security. Moreover, any dealer, even though not a participant in the distribution, must deliver prospectuses to his customers in trading transactions for at least one year after commencement of an offering. The proposed amendment (Section 7 of the bill amending Section 4(1) of the Act) provides for delivery of prospectuses in trading transactions during the actual offering period but in no case less than 40 days after the effective date of the registration statement or 40 days after the commencement of public offering, whichever expires last. It does not change the requirement that prospectuses be delivered by underwriters and dealers so long as they are engaged in the initial distribution of the security.

The one year provision with respect to trading transactions has long been recognized as unrealistic. Moreover, dealers trading in a security publicly offered within one year find themselves unable to obtain prospectuses. This fact has rendered difficult both compliance by dealers and enforcement by the Commission.

In view of the continuous offering of securities by certain types of investment companies, particularly those commonly referred to as "mutual funds," a special provision for mandatory use of prospectuses by dealers over a longer period is provided by a proposed amendment to the Investment Company Act (Section 402 of the bill, amending Section 24(d) of the Investment Company Act of 1940).

The next point concerns requirements for prospectuses used more than 13 months after the effective date of a registration statement. Occasionally the offer and distribution of a security may extend beyond 13 months after the effective date of a registration statement. Under the present Act a prospectus which is part of the

effective registration statement may be used for 13 months after the effective date. If a prospectus is used thereafter, however, it must contain information as of a date within one year of its use. Since a registration statement at the time of its filing may contain financial statements as of a date in some cases up to six months prior to the filing date, it is apparent that the original prospectus may continue to be used until a time when the information therein is as of a date as much as 19 months prior to its use. Thus, under the present statute, the requirements for prospectuses used more than 13 months after the effective date of the registration statement are more restrictive than those applicable to prospectuses during the first 13 months after the effective date of the registration statement.

The bill proposes amendments which will permit the Commission to prescribe equivalent standards of disclosure for both classes of prospectuses by providing that where a prospectus is used more than nine months after the effective date of the registration statement, the information contained therein shall be as of a date within 16 months of such use. The chronology of the amendment is such that its application will in most cases eliminate the necessity of an interim audit.

The next amendment, which I have already referred to, is proposed for the purpose of facilitating the financing of small business. Section 5 of the bill as passed by the Senate, but not as reported to the House, would amend Section 3(b) of the Securities Act to raise from $300,000 to $500,000 the amount within which the Commission, subject to appropriate terms and conditions, may exempt public offerings of securities from the registration requirements of the Act. The proposal will afford the Commission greater flexibility to adjust requirements to the financial needs of small issuers. The present statutory sanctions (as implemented by rules and regulations providing for offering circulars and for Commission action by order to prevent violation of such regulations) relating to small offerings will be maintained.

Turning to the Securities Exchange Act of 1934, the first amendment relates to the provision covering the extension of credit by dealers on new issues. Section 11(d)(1) of the Securities Exchange Act prohibits a person who is both a broker and a dealer from "taking into margin accounts new securities in the distribution of which he participated during the preceding six months." This was intended in part to restrain distributors from selling new issues of securities to their brokerage customers on credit. The apparent purpose was to

provide that new issues would be initially placed with investors rather than with speculators. It is generally agreed, however, that the prohibition against extending credit for six months after the end of the offering period is unnecessarily long.

The bill reduces the 6-month period to 30 days, but the amendment will not permit extension of credit by a member of the selling syndicate or group while the selling or distributing process is in progress or for 30 days thereafter. It is believed that Section 11(d) as so amended will be sufficient to assure that new issues will be sold on a cash basis.

The next amendment, relating to "when-issued" trading, is designed as essentially a technical amendment to remove a patent ambiguity in the law. It simply confirms the power of the Commission to regulate the listing of securities for "when-issued" trading.

We now come to the offering of debt securities. The Commission, in connection with proposed rule changes to provide for more simple prospectuses for use in the public distribution of high-grade so-called institutional type debt securities, is confronted with Section 305(c) of the Trust Indenture Act of 1939 which requires inclusion in the prospectus of the analysis of particular indenture provisions singled out by Section 305(a)(2) of the Trust Indenture Act. This requirement seems unnecessary in the light of the Commission's rule-making authority under the Securities Act to deal with disclosure problems and the proposal leaves the matter to such authority.

The proposal does not affect the substantive provisions of the Trust Indenture Act which will continue to require that trust indentures contains the statutory provisions for protection of investors, for example, that there be independent indenture trustees with adequate resources and free of conflicting interests, who must report to security holders, and take other affirmative action to preserve investors' rights under indentures and to protect their interests in the event of default.

Finally, the bill provides for mechanics by which investment companies engaging in continuous offerings of their shares may amend their registration statements from time to time rather than file new registration statements. This is mechanical and creates no departure from existing disclosure standards or liability provisions.

You can see from the discussion that neither the Commission as presently constituted nor the legislation currently under consideration suggests the possibility of fundamental change in the philosophy of Federal securities regulation. The basic purposes of the laws and the regulations made thereunder is to insure the investor access to the facts about the enterprise in which he is investing or has invested. The laws do not insure against risk of loss. That kind of insurance can be provided only by the economic soundness of the enterprise in which the investment is made and by the character of its management. Laws however well written and however well administered cannot provide either of those.

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