

CAUTION -- For Release on Delivery

THE SECURITIES AND EXCHANGE COMMISSION -
NEW DIRECTIONS IN FEDERAL REGULATION OF THE
SALE OF SECURITIES

Address of
J. SINCLAIR ARMSTRONG
Commissioner,
Securities and Exchange Commission

before the
COMMONWEALTH CLUB OF CALIFORNIA

San Francisco, California

November 12, 1954

It is a great pleasure for me to be in San Francisco and to have the privilege of addressing the Commonwealth Club. Your reputation for fine civic work extends across the nation. I appreciate the chance also to tell you about the United States Securities and Exchange Commission, of which I am one of the Commissioners appointed by President Eisenhower.

In thinking about my visit with you, I inquired at our office in Washington as to whether any Commissioner in the twenty years of the Securities and Exchange Commission's existence had addressed you before. I found, somewhat to my surprise, that the only former member of the Securities and Exchange Commission to have spoken before the Commonwealth Club here in San Francisco was William O. Douglas, and he addressed you in 1941 - some years after assuming his office as Associate Justice of the United States Supreme Court.

This led me to think that our Commission in Washington, which regulates the securities industry and has great influence on the capital markets of the country, should bring to you here in California an up-to-date message of what we do and why. Your State holds second place in the Union in number of people. Both in San Francisco and Los Angeles you have stock exchanges and important capital markets. Your banks and investment banking houses rank high in the commercial and financial activity of the nation. You have a dynamic industrial plant that is growing all the time. You are an important market for the raising of new capital, and an important area for the spending of capital on facilities of production.

I sometimes think of the many distinguished Californians you have sent to Government service. The former President, Herbert Hoover, is a familiar Washington figure right now, working on his second Commission on reorganization of the executive branch, seeking to simplify and make more efficient the enormously complicated Federal Government. The Vice President, Dick Nixon, is another. The Majority Leader in the past session, Senator Knowland, is another. Also Senator Kuchel, whom you have just returned to Washington. And the great new Chief Justice Warren is surely a magnificent contribution by California to the country's service.

If you will indulge me, there are some personal reasons why I am glad to be here. Your Assemblyman, Caspar Weinberger, and I shared seven years of college and law school together. The honors you have done him and the credit he reflects on your State government is very gratifying to me.

Another thing. My father-in-law was raised in San Francisco. I know from him just how good the Stanford baseball team was in the first decade of the century and what it was like walking in from Palo Alto to see the great fire of 1906. Another thing. My wife and I spent our honeymoon here some years ago. San Francisco is a star in my eye.

As a title for these remarks I chose "The Securities and Exchange Commission - New Directions in Federal Regulation of the Sale of Securities." I will start with a brief description of the Acts of Congress we administer and the organization of the Commission itself.

Several weeks ago, the 29th of October, was the 25th anniversary of the 1929 stock market crash. This signaled the start of the great depression of the 1930's. Investigations of the capital markets and the practices of corporations and financial houses were made by the Congress in 1932 and 1933. They focused attention on three of the many contributing causes of the crash. First, the public wasn't given adequate financial information about companies whose stocks were being sold and traded. Second, the securities markets were manipulated by insiders and other traders so the prices did not represent investment values based on free and open trading. Third, margin requirements were inadequate. Too much trading was done on borrowed money.

In 1933, the Congress passed the Securities Act. This law was designed to make available to investors the business and financial facts they should have in order to make an informed decision as to whether to buy securities that were being offered to them. The primary concern of this law is with new issues of securities, that is securities being sold to the public for the first time. The law requires a company issuing new securities to the public in interstate commerce to register those securities with the Federal Government.

In 1934, the Congress passed the Securities Exchange Act which provided for the registration with the Federal Government of all national securities exchanges - that is the stock exchanges - and of the companies whose securities were listed on such exchanges. This law also did a lot of other things. It provided for the filing by listed companies of periodic financial reports. It imposed restrictions on officers, directors and large stockholders of listed companies from profiteering from "inside information" by short swing trading in the company's securities. It provided for regulation of the solicitation by listed companies of proxies from their stockholders. It gave the Federal Government broad powers to review the rules and regulations of the stock exchanges or to impose rules and procedures upon them. Manipulation of the securities market was prohibited. Both the Securities Act and the Exchange Act contained broad prohibitions, both civil and criminal, against misrepresentations and fraud in the sale of securities.

The Exchange Act created the Securities and Exchange Commission to administer the two statutes. The law provided that the Commission should be a bi-partisan independent agency consisting of five Commissioners appointed by the President with staggered five year terms. No more than three Commissioners may be of the same political party. Under the present Administration for the first time three Commissioners are Republicans, but all five of us work together harmoniously.

In 1938, Congress amended the Exchange Act so as to give the Commission regulatory authority over securities dealers' associations and a limited supervision over the market for securities not listed on exchanges. Under this amendment, the National Association of Securities Dealers was organized. This is a voluntary association to which 3,165 of the total of 4,167 brokers and securities dealers in the United States belong. There are 201 members of this association with principal offices in California and many more with branches or doing business here. The "NASD," as it is called, exercises disciplinary authority over its members. It has adopted standards for fair and ethical business conduct and actively inspects and supervises its members' business activities to assure conformity with its "Rules of Fair Practice." The NASD is an outstanding example of voluntary industry self-discipline.

Several other laws added to the Commission's regulatory power over specific types of business, such as public utility holding company systems and investment companies. The Commission has continuing jurisdiction over 17 public utility holding company systems operating in 33 States of the Union. They have aggregate public utility assets of \$6.5 billion, or about 20% of the privately owned public utility properties in the nation. None of these is in California. The assets of registered investment companies today aggregate \$8.5 billion, and the shares of many of these are offered for sale in California and a number of these head up here.

Let me emphasize that the Congressional purpose of these Federal laws, appearing many times in the statutes, was and is "the public interest and the protection of investors." The job of the SEC under these laws is to carry out this broad Congressional intent.

As I mentioned at the beginning, I would like to stress the new directions which this Federal regulatory power is taking, particularly under the present Administration.

First, let me compare the impact of the Securities Act on the formation of new capital today with what it was in 1934. Capitalism in America was undergoing an extreme crisis in the middle thirties. I hardly need to remind you of the discouraging economic, political and moral climate that then existed for the investment of capital. Yet on that capital investment depends the development of prosperous and productive enterprise in America, both owned by the people and providing jobs for the people.

I am sure you remember the shipping crisis here in San Francisco in the thirties. It is interesting to think of the ports of Great Britain just emerging from a month's strangulation by a strike reported as Communist inspired. That's not a good atmosphere for investment.

Let me give you a few figures. In 1934, new issues of corporate securities offered for sale were only \$400 million. In 1939, the figure was \$2.2 billion. For the six years 1934 through 1939 only \$13.9 billion were raised by corporations. Contrast this with the situation today. In the single year 1953, \$8.9 billion of corporate securities were sold to the investors of America. For the six years 1946 through 1951, \$40.7 billion were sold.

The impact of the Federal securities laws in the thirties, directed at reform, was on an economy in which the formation of capital was almost dormant. The Commission was engaged in carrying out a reform of the capital markets whose financial practices had hurt the public.

The money raised by companies in the capital markets is, of course, put to productive use. A company naturally would not sell stock or bonds if it did not expect to be able to use the proceeds profitably. This means building plants, making equipment, carrying inventory, engaging in research and development, and doing all the many and varied things that make production possible. The importance of an economic climate in which people feel that money invested by the public can be used productively and profitably is vital if a dynamic, expanding, growing economy is to exist.

But the figures I stated above, showing the dollar amounts of corporate securities sold to the public, give only a part of the story of capital investment. In an economic climate in which funds can be invested productively and profitably, very much larger amounts of money are generated within companies and spent and reinvested in the enterprises. In the six years 1934 through 1939, the comparatively stagnant period, the increase in net working capital of corporations was only \$12 billion, and the amount of money devoted by corporations to plant and equipment expenditures was \$25 billion. In the six years 1946 through 1951, on the other hand, the increase in corporate net working capital was \$34 billion and the expenditures on plant and equipment \$100 billion. Of this total of \$134 billion of capital expansion, \$100 billion was generated internally by increases in depreciation reserves and earnings retained in the business. Obviously, this tremendous investment would never be made if the people responsible for managing companies' money felt that the money could not be profitably and productively used in the businesses. In this context, it is obvious that the successful operation of the securities markets is enormously important to the economic growth of America and the welfare of our people.

How does the Securities and Exchange Commission affect this economic climate? Surviving a major war in the early forties and a minor war in the fifties, the country today is both prosperous and at peace for the first time in 20 years. Obviously, the economic activity we are now enjoying is aided and sustained by the large flow of

investment capital into industry. If the impact of Federal regulation of securities markets were destructive, punitive, bureaucratic, or even slow, the sensitive mechanism of capital formation and investment could be thrown off balance. Our whole economy could be injured in the process. Investors, consumers, workers alike would be injured. In great measure, the success of our economic and free political society in America, in which the wealth of the country belongs to the people themselves, depends upon the successful formation of aggregates of capital and their investment in productive enterprise. The securities markets provide the medium for this formation and investment of capital by the people.

Let me highlight the importance of this to our people. I was struck by some comments recently made by an officer of one of the country's largest steel producing companies. In a talk before the Chamber of Commerce of Charleston, West Virginia, two weeks ago, Benjamin Fairless, president of the United States Steel Corporation, called attention to the fact that last year American industry poured about \$28 billion into new plants and facilities. This \$28 billion investment maintained or provided employment for 2.3 million people. If private enterprise had not done this job and the Government had had to do it, where would the Government get the \$28 billion? Here's the answer Mr. Fairless gave:

"If the Federal Government were to take from every taxpayer in this country every penny of his taxable income above \$2,000 a year, it still wouldn't get the \$28 billion."

Assuming this is correct, that certainly highlights the importance to America of an economic system in which the process of capital formation and investment is encouraged and not smothered. How else could there be in our country an economy without war with over 62 million people gainfully employed and with our present national production rate at \$356 billion a year?

Now, let me describe in more detail just what the Commission does to protect the public and investor in this process of capital formation and investment. First, let me talk about capital formation. This involves the Commission's jurisdiction under the Securities Act when new issues are sold to the public. The law attempts two things. It requires the filing with the Commission of a registration statement setting forth the basic business and financial facts pertaining to the enterprise. In effect, the law provides that the registration statement remain on file with the Commission for 20 days before the securities can be sold to the public. Then, the law provides that a copy of the prospectus, which is a circular containing the same business and financial information included in the registration statement, be delivered to the purchaser of the new securities not later than the time of purchase.

The intent of the Congress here was to give the public a 20-day period during which information would be disseminated before the time the securities could be sold, and the Act contained strict prohibition against the making of an offer to sell the securities before the 20-day period expired.

What was the effect on the capital markets of this 20-day "cooling off period"? The prohibition against the making of an offer had the hampering result during the waiting period that companies issuing new securities and their underwriters, fearful of the strict civil and criminal penalties for violation of the law, made little effort to get the information out to the public who might be solicited to buy the securities. Thus, after the 20-day waiting period was over investors were asked to purchase securities without very much chance of examining the prospectus or becoming familiar with the affairs of the company.

In recent years, the Commission took administrative action requiring dissemination of the information contained in the prospectus among the underwriters and dealers who might participate in the offering, but still it was felt that under the law as it existed these preliminary prospectuses could not be distributed to the investing public without some risk of legal liability.

At the past session of the Congress, the Securities Act was amended to meet this problem. The amendment passed unanimously in Congress and became effective just a month ago. The amendment permits the distribution of prospectuses and the making of offers of securities to the public prior to the end of the 20-day waiting period. The new law provides that sales cannot be consummated or purchase orders taken before the end of this period, and the preliminary prospectus used during the 20-day waiting period must be examined by the Commission's staff before it is distributed to the public. We at the Commission think that this is a great step forward in the Federal regulation of the sale of new securities to the public.

Also, the new legislation will permit newspaper notices about new issues to appear before the 20-day waiting period has expired, so that prospective buyers may write in to the company and the underwriter for a copy of the preliminary prospectus and study it before deciding whether to buy or not.

Before leaving the subject of prospectuses, let me say one thing to you people as you may be investors. When you are told by your dealer or broker about a new issue of securities, or when you see an ad in the paper or hear a blurb on the radio about a stock or a company, why not take advantage of the information which the law requires must be made available to you in the form of the prospectus? Ask the person offering you securities for the prospectus before you make up your mind. In this way, you will be getting the full benefit of the Commission's work under the Federal Securities Act.

Another provision of this 1954 amendment which, under intelligent leadership at the Commission can be valuable to the American public, is a clarification and re-emphasis of the Commission's power to classify companies and registration statements. Over past years there had been comparatively little recognition by the Commission of the fact that the registration statements of some companies require comparatively little administrative examination. This might be because the company files registration statements at frequent intervals. Or it might be a listed company which must file annual reports under the Exchange Act. Other companies would require more administrative processing. Also, there are many companies for which, because of the broad public notoriety given their periodic financial reports, short-form registration statements and prospectuses are appropriate.

The Commission has come a long way from the very bulky and detailed descriptions of plants, properties, contracts and the like which were required in registration statements in the early days of the Act. But not until the last several years has the Commission effectively brought to bear its power to classify issuers so as to require different types of registration statements for different companies and different types of financings. For example, in 1953 the Commission prescribed a short-form of registration for stock offerings by companies to their employees. More recently, the Commission has adopted a new short form of registration statement for debt securities of certain companies meeting certain earnings tests prescribed in the form. It was felt that securities of institutional grade could safely be sold to the public on a short-form registration statement and prospectus.

Let me say a word about the problems small businesses have in raising capital. Companies of small and moderate size have more difficulty in raising capital than large companies with established earnings records and long financial experience.

In a report to the Congress in August, the Small Business Administration had this to say:

"Virtually every study of the financing of small business has demonstrated the difficulties encountered by both new and established small-business firms in acquiring capital through the securities market. Many concerns have sold stock to secure permanent capital, but the securities were purchased in most instances by the owners or their friends or relatives rather than through wide public distribution. Many small-business owners are reluctant to use equity capital, since they do not want to dilute the control or earnings of the business."

The need of small businesses for equity capital poses important questions that must be dealt with. In the first place, small business - so-called - is not small when considered in terms of its total economic impact on the country. For example, the aggregate dollar volume of corporate securities offerings of \$300,000 or less in the typical recent year is about \$200 million. Much of this is to raise equity capital. That is, it is the type of financing that cannot appropriately be done by borrowing money from a bank or even from the Small Business Administration. Sometimes the expenses of raising this kind of capital in the financial market are comparatively high.

At the present time, the Commission is intensely studying the problem of the cost of flotation of issues of companies of small and moderate size. We are working hand in hand with the Small Business Administration. Arrangements are being made for distributing through 200 offices of the Department of Commerce and the Small Business Administration all over the country information about the Commission's procedures for exempting from the registration requirements of the Act issues of \$300,000 or less. We are studying application of the classifying powers I mentioned a moment ago, looking toward different and fewer requirements for established going concerns than for new companies with no earnings records, or for promotional enterprises that have never been in business, drilled a well or dug a mine.

Before I leave the subject of new issues, I want to stress one thing. The Commission's administrative examination of material filed with it is to determine if it appears on its face not materially misleading. But the material is, after all, that of the companies filing it, who are legally responsible for it. The Commission does not approve or disapprove the securities or pass upon their merits or investment quality. A statement to that effect must appear on the cover page of the prospectus and it is a criminal offense to represent that the SEC has approved or passed on the merits of a security. All we do, or try to do, is see to it that the company has told its full story.

So much for the Commission's work under the Securities Act. Now, I want to turn to the Exchange Act. Our responsibilities under this law are broad. The Commission is empowered to make rules designed to protect the public by maintaining free, open, fair and honest securities markets. We attempt to prevent manipulation and rigging of prices, and to stamp out, so far as any law enforcement agency can, deception and fraud in the sale of securities. The Commission has regulatory authority over the national securities exchanges, all brokers and dealers, investment advisers, and the National Association of Securities Dealers. All of these must register with the Commission, adhere to various rules and file periodic reports. We are responsible for enforcing the margin requirements prescribed by the Federal Reserve Board for trading in securities on credit. Stock exchange rules are subject to our scrutiny. Brokers and dealers must file annual reports of their

financial condition and are subject to periodic inspections made by our staff to insure compliance with the statutes and the rules of the Commission.

In the summer of 1953, the Commission inaugurated a very broad program of revision, simplification and streamlining of its reporting requirements under the Exchange Act. A number of reporting forms that had been required of listed companies were eliminated or consolidated.

One form which the Commission recently abolished required each listed company to furnish quarterly a statement of its gross sales or operating revenues. Many times the trend of a corporation's quarterly gross sales is contrary to its net earnings trend. Recently, this has been under study at the Commission because of objections by the financial analysts' societies to abolition of the quarterly report requirement. Consideration is being given by our staff to the problems which would arise if a new interim reporting requirement should be adopted. I think I should say to you, in line with the over-all policy of the present national Administration, unless a very strong case can be made out that the American investor is not being adequately protected by the present annual and interim reporting requirements of the Commission, certainly a real question is presented whether the Commission should require listed companies to file an additional report.

So far as the accounting profession is concerned, there appears to be serious and substantial objection to quarterly reports of earnings. The accountants say, in substance, that you simply can't properly reflect the operations of a company on a quarterly basis - too many things are estimates. Tax accruals, inventories, depreciation, unusual non-recurring expenditures, and the like in some cases might distort a quarterly picture so that a quarterly report could conceivably misinform and mislead, rather than inform, the investor.

Speaking of accounting, under the Exchange Act the Commission requires the filing of annual financial statements by all listed companies and of all companies which have previously registered securities for sale to the public. These reports must be certified by independent public accountants. Over a 20-year period, the availability of this financial information to the public and its publication through the financial services and statistical reports has been one of the great and lasting contributions of the Securities and Exchange Commission to an informed investing public.

The Commission has avoided the rigid formulation of accounting rules which have characterized other regulatory agencies. We have prescribed no uniform system of accounts. Companies under other regulatory agencies, like the Interstate Commerce Commission, the Federal Power Commission, or state utility commissions in filing reports with us may

adhere to the systems of accounting prescribed for them. But for companies generally, their financial statements filed with our Commission must be certified by the independent public accountants as being in conformity with "generally accepted accounting principles."

There has been an enormous advantage in thus permitting the accounting profession itself to develop new ideas and new trends for new situations that have arisen in our dynamic economy.

Accounting is the real basis of all financial information. The influence of the SEC towards bringing about a great body of sound, uniform accounting for the listed companies and the companies which have registered securities for sale to the public is probably the most important single contribution of the Commission over the past twenty years. This influence for good accounting has been a great factor in the restoration of public confidence in the free enterprise system.

Let me read you a few remarks made five years ago by a man who this year has become the president of the American Institute of Accountants, Maurice Stans:

"The failure of free enterprise to explain and sell itself is . . . its greatest weakness. In the face of the known dissatisfactions, and the internal and external pressures for change to inferior and unproved substitutes, the continuing inability of free enterprise to communicate its facts to the people may prove to be fatal. Free enterprise, in this sense, faces its own suicide.

"This is the point at which the place of accounting becomes evident. Accounting has been called the language of business. It is more than that. It is the only known medium of expression of economic fact; it is the foundation of all stewardship; in a civilized world it can become the means of measurement of the contributions and rewards of classes and of individuals; it is the only common denominator available to solve the conflicting interests of capital, labor, management, and the public, within an economy.

"The principal means of communication which business employs to tell the story of its part in society is its annual report. The financial statements in it are the summarized facts of investment and operation. Business financial statements are no longer simple accountabilities of one person to another, or of managers to owners. Corporate reports are social documents which, individually and collectively, report the division of the productive

result. If the corporate system is justifiable, its justification will best be established through the development of public understanding of the meaning and significance of these financial statements. Any weakness in methods of financial reporting which prevents or distracts from an intelligent understanding by a non-technical reader not only results in failure in communication but in distrust of the whole procedure. It is human nature to distrust that which we do not understand, to be suspicious of that which is only partially revealed.

"Therefore if anything is to be done about the elimination of this economic illiteracy, it must be in the first instance directed toward examining into the efficacy of this means of communication. Corporate financial statements, it seems, are the first place to start in the job of selling free enterprise."

Many corporations occasionally attempt to depart from generally accepted accounting principles in presenting their financial picture to the public. This is usually for a particular reason that seems important to management at the time, such as a desire to over-accrue taxes, or reserves, or the like. If permitted, comparisons by the investor with prior periods or other companies would be distorted. Mr. Stans concludes:

". . . it is a sad but true commentary that only the enforcement powers of the Securities and Exchange Commission and New York Stock Exchange over listed companies have brought about as much compliance as does exist."

Under the Exchange Act, also, let me speak for a minute of our market surveillance and enforcement activities. In addition to our headquarters office in Washington, we have 13 regional or branch offices in principal cities. One of the stars in this crown of field offices is our regional office here in San Francisco, of which Andrew Downey Orrick is the Administrator. We have a branch office in Los Angeles, also under Mr. Orrick's direction. In Washington, our Trading and Exchanges Division exercises a general supervision over enforcement problems developed in these regional offices. For example, when complaints are brought to our doors, or when our inspectors learn of violations of the Federal laws, our regional offices step in to force corrective steps. If the violation is acute, the Commission can bring injunctive action in the Federal courts or even recommend criminal proceedings.

Also, in our New York Regional Office we maintain a market surveillance section which checks the market movement of many thousands of securities. If a rapid change in the price of a particular stock occurs, our inspectors can move in to find out whether any manipulation or rigging has occurred. All our offices, both in Washington and in the field, are constantly watching for market manipulation. However, the location of this market surveillance section in our New York office, in the center of the great trading market of the country, is dictated by efficiency. Also, it follows the policy of the Administration of decentralization from Washington, so far as possible, of the great Federal establishment.

Let me say a bit about decentralization and efficiency. In the enforcement of a regulatory statute involving the issue and trading of securities all over the country, we consider our regional offices vital. So in tightening our operations and adjusting to a reduced budget, we have cut our total personnel 10% in the last twelve months, and mostly at the expense of our Washington office. The regional offices have actually been strengthened. Our budget is presently \$4.75 million and provides for 700 employees. In 1950, to show you the contrast, it was \$6 million for 1,100 employees. We think the public is getting value for its SEC tax dollar - and we intend to keep it that way.

You may wonder why a Federal agency is needed when so many states, like yours of California, have effective state regulation. The reason, of course, is the interstate character of the capital formation process, and hence the securities business. But the Acts of Congress we administer specifically provide that the Federal law is not intended to supersede or derogate from the state "blue sky" laws. Our Commission has established a policy of close coordination with the state securities administrators. For example, in cases where there appears to have been some fraud in the sale of a security, if the establishment of a violation of the state law is clear but the establishment of a violation of the Federal law is doubtful or might be more difficult to prove, our policy, worked out with the National Association of Securities Administrators, is to refer the case to the local authority. In line with the policy of the present Administration, the Federal Government and the State governments in this as in many other activities are in a working partnership.

Let me close on this note. The American economic and political system has been on trial. As I stated at the beginning, our philosophy is that the means of production should be owned by the people and not by the Government or State. Not until recently have stocks been an investment medium for the people of America. Today, because of the continuing influence of the Securities and Exchange Commission to make information about companies available to the public, the securities of companies are in a very different position investment-wise than they were 20 years ago.

Three weeks ago at the annual convention of the American Bankers Association, Benjamin Strong, president of the United States Trust Company of New York, referred to the changed character of the equity markets which are considerably more suitable for the investor today than in the past.

"The self-regulation of our stock exchanges, and the supervisory measures taken by the Federal Reserve System and the Securities and Exchange Commission have sharply reduced the excessive speculative influences that prevailed for so many years."

Notwithstanding this, it does not appear that direct public ownership of securities in America is as broad as it might be. It has been estimated that the total number of individuals owning stocks over the last 25 years is only about 7.5 million. Of course, this isn't the full story because of the investments of individuals in life insurance, savings accounts and the like. It is estimated that 90 million individuals hold life insurance policies and 53 million hold savings accounts. Also, 14.5 million hold some form of annuities or pension plans - all of which are, to a considerable extent, invested in corporate securities.

Some responsible leadership in our great labor organizations now recognizes the importance to our freedom of stock ownership. Listen to what David J. McDonald, president of the United Steelworkers of America, said at the Steelworkers annual convention in September:

"We are engaged in the operation of an economy which is sort of a mutual trusteeship . . . The United States Steel Corporation has almost as many stockholders as it has employees. These stockholders employ a group of managers . . . Certainly the managers must give full consideration to the just claims of the workers. Certainly the working force must see to it that the steel properties are operated successfully because if they are not . . . they will have no jobs. Both . . . have an obligation to the stockholders . . ."

Labor's confidence is further attested by the growing investment by union welfare and pension funds in corporate securities.

I submit to you that the fact that securities in America today are sold in a free and open securities market, where prospective investors are assured reasonable information about the securities they are asked to buy, is to no small extent due to the work of the Securities and Exchange Commission. This, in turn, represents a great and affirmative contribution to a dynamic, expanding and sound system of free enterprise in America.