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of

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before the

AMERICAN SOCIETY OF CORPORATE SECRETARIES, INC.

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I am glad to be here today to talk with you about the Securities and Exchange Commission. Ths scope of the Commission's effectiveness depends in no small measure on the extent to which people are informed about its authority and its work. Our opportunities are altogether too infrequent for direct contact with people concerned, as you are, with the general operations of corporations, as distinguished from specialists in fiscal aspects of corporate functioning. It is important that you and others, even though you may not be primarily concerned with our day to day operations, should have a correct understanding of what our functions are, the purposes of the laws we administer and the methods we follow in the application of those laws. I think it is generally true that most of the resentments that are expressed about Government regulation stem from vague concerns about the unknown rather than from any dread of actualities that are known and understood. We would like to have you know as much as possible about our job and how we carry it out.

I shall not undertake, however, to give you a formal general description of the Commission within the time available this afternoon. I assume that you are acquainted in a general way with the nature of our work and I hope that informal discussion may provide opportunities for answering questions you may have about particular problems. To supplement the information you already have, I have brought along a number of copies of a pamphlet we have prepared called "The Work of the S. E. C.," which gives a general description of the way we function and the laws that guide our operations.

I think it might be more profitable today to tell you about the program the Commission has recently commenced for gathering comments, criticisms and suggestions about the Securities Act of 1933 and the Securities Exchange Act of 1934. It is the purpose of that program to ascertain through inquiry from all available sources whether there are serious defects in the existing legislation, to accumulate suggestions for changes deemed desirable by various groups of persons directly affected by the operation of those Acts and, after we have studied the information gathered, to determine whether to recommend changes in the Acts and, if so, what changes.

I am going to address my remarks particularly to the study we are now giving to certain aspects of the registration and prospectus requirements of the Securities Act of 1933, especially as those requirements apply to the distribution of new issues of securities.

That is the point at which the 1933 Act probably has its most direct effect upon the process of financing commercial and industrial enterprise. It is the point also at which it is likely to have its most direct effect in affording the means of self-protection to potential investors in such enterprise — the point at which, if it is effective and practicable, the legislation performs one of its most significant functions.

A brief description of these requirements of the Act will be helpful as background.

The Act requires that certain basic disclosures be made to purchasers of securities. Subject to certain exemptions not directly relevant to the questions I propose to discuss, it requires, in connection with public offerings of securities, that a registration statement be filed with the Commission in a prescribed form. It requires that no offers or sales of such

securities shall be made until -- after a so-called "cooling period" -- the registration statement has become effective. It requires also that the mails or facilities of interstate commerce shall not be used to transmit such securities for the purpose of sale or for delivery after sale, unless the securities are accompanied, or have been preceded, by a prospectus which meets the requirements of the Act.

Now the obvious purpose of these requirements (and I shall discuss that purpose in somewhat greater detail later on) would seem to be to provide machinery whereby prospective buyers of securities may have an opportunity to receive accurate information about the securities and the enterprise of the company that issues them before he commits his money to that enterprise by buying the securities offered.

It cannot be repeated too frequently that the purpose of these requirements is limited to providing information and that, in permitting a registration statement to become effective, the Commission does not approve the security and does not represent that the registration statement is complete or accurate. Indeed the Act itself makes it a crime for anyone to represent to any prospective purchaser that the Commission approves the securities or guarantees the completeness or accuracy of the registration statement filed. Moreover, the prospectus is required to contain a legend making clear that the Commission does not approve the security or guarantee the completeness or accuracy of the registration statement.

Despite these provisions, and despite constantly repeated efforts to make these facts clear, it is still true to an amazing extent that people go on believing that registration carries with it some sort of assurance as to the worth of the securities registered. Undoubtedly some of the people engaged in the distribution of securities have fostered that impression. Few have done much, if anything, affirmatively to dispel it. I want to stress particularly this point -- that registration of a security carries no assurance that it is a good security or that it is a good investment for any particular person on the terms on which it is offered. The registration is designed to make the facts available. It's up to the investor to decide for himself whether he wants to buy the security. A general understanding of that fact is essential to even rudimentary effectiveness of the registration process as a protection to investors.

Under the statute a registration statement that does not require amendment becomes effective on the twentieth day after it is filed unless it meets certain requirements which give the Commission a basis for permitting it to become effective sooner. The lag in time between the filing and the effectiveness of registration statements is what I have previously referred to as the "cooling period." The process of shortening the statutory period of twenty days is known as "acceleration."

Now let's consider in more detail what is the purpose of this registration process. Perhaps any summary that fits the time available today must be too brief to be complete. I think, however, that it may be possible to summarize the essential substance of that purpose.

Congress passed the Securities Act of 1933 to overcome certain evils growing mainly out of high pressure securities distribution that had come to be common practice through the twenties. Under the methods of distribution that had grown up dealers were frequently impelled to make blind commitments to buy securities from underwriters, for fear of being cut out of future issues. Once subject to those commitments the dealers were often under drastic economic pressure to unload their commitments onto the public by whatever arts of salesmanship they could devise. The Congress recognized that the pressure of underwriters for rapid distribution of an issue arose in large part at least from a readily understandable desire to hit the market they anticipated when they priced the issue. Nevertheless, Congress said that high pressure techniques result in "injury to an underinformed public" and "demonstrably hurts the nation." (H. R. Rep. No. 85,73d Cong. 1st Sess. May 4, 1933, 7-8.) With full awareness of what it intended to do when it passed the Act the Congress said:

> "It is furthermore the considered judgment of this committee that any issue which cannot stand the test of a waiting inspection over a month's average of economic conditions, but must be floated within a few days upon the crest of a possibly manipulated market fluctuation, is not a security which deserves protection at the cost of the public as compared with other issues which can meet this test. There is no more appropriate function of government than that it should encourage reasonable saving by protecting the fruits of that saving." /Ibid./

The legislative history shows that the requirement of a twenty day cooling period was a deliberate, informed legislative act, imposed to curtail evil consequences of pell-mell distribution practices.

The power to shorten the twenty day waiting period was given to the Commission in an amendment to the Act passed in 1940. The amendment included very definite directions to the Commission with respect to its exercise of the power to accelerate. Before it permits the cooling period to be shortened the Commission is directed to consider the amount of information about the issuer previously available to the public. It must consider whether the essential facts about the new issue and the rights of those who buy it can easily be understood. The Commission is directed also to take into account the public interest and the protection of investors in exercising its power to accelerate the effectiveness of a statement.

There can be no serious question that the object of the law was to make accurate information available to buyers of new securities, and to provide them an adequate opportunity to understand that information before they invested their money. But the Act has encountered certain difficulties in operation. While the cooling period was plainly intended as a brake to recklessly speedy distribution, the intention was not merely to provide a dead area of time. The cooling period was intended to enable dealers and investors to study the information made public through the filed registration statement. The mechanics for carrying out that intention were far from perfect.

Although the registration statement is publicly available at the Commission offices as soon as filed, it is obvious that no great number of investors can feasibly examine it. Statistical services abstract some information from the filed statements and for a fee distribute that information to subscribers. The Commission provides photostats at the request of anyone at the approximate cost of producing them. But, except for large institutional purchasers and others who are in a position to spend a substantial amount of time and money in caring for their portfolios, it doesn't make sense to expect widespread dissemination of the full information available in the filed registration statement, merely from the filing of that statement with the Commission. In fact, our present duplicating services would not be equal to the tremendous task of making copies generally available if they were called upon to do so.

As an alternative, the underwriters might themselves provide information during the waiting period. In recognition of the statutory policy it has been the Commission's interpretation from a very early stage of the law's administration that underwriters could distribute, in advance of effectiveness of registration, documents reflecting the information in the filed registration statement provided such documents were clearly earmarked so as to be used for information purposes only.

But while the dissemination of information before effectiveness is desirable and consistent with one of the objectives of the law, the law is, at the same time, very clear in its purpose that dissemination of information shall not be used as a guise for actually offering the security for sale during the cooling period. In an effort to cope with this dilemma the document distributed by underwriters in advance of effectiveness of the registration statement, although it looks almost exactly like a prospectus, differs from a final statutory prospectus in two respects. First, it contains a legend in red ink which states that the document is not a prospectus, is not for the purpose of offering the security and is used for information purposes only. (From that red ink legend, incidentally, is said to come the name of the document. It is commonly called a "red herring prospectus.") Second, the red herring prospectus lacks final information relating to the price of the security or underwriting spread and -- in cases of preferred stocks -- frequently lacks information about redemption and similar values.

The red herring prospectus is not a wholly satisfactory device for the dissemination of information. Bear in mind that it is based on the statements made in a registration statement as filed, and may be circulated before the Commission's staff has completed the examination of the registration statement which is a customary preliminary to effectiveness of registration. Thus there is always a possibility that the red herring prospectus will reflect errors in the original filing arising from hasty preparation, negligence, thoughtless oversight, or bad faith. While, under the statute, a purchaser will sooner or later have an opportunity to read a final prospectus reflecting any amendments made in the registration statement to make it adequate and accurate, there is always strong likelihood that the investor's first misimpressions will not be erased even by his careful scrutiny of the corrected final document.

To meet these problems has been one of the main concerns of the Commission in its efforts to make the statute in operation achieve the full purpose of its enactment. A precise description of what we have done in that regard is not particularly pertinent to my remarks today. I have taken you through part of the background of the registration procedure in order to lay the ground-work for an understanding of the problems we face in considering the workability of various proposals for revision of that part of the statute.

Before I go on to a discussion of those problems, however, I want to retrace for a moment and point out the origin of some of the other difficulties encountered under established procedures, in making the Act effective to carry out its purposes.

The prime intention behind the registration provisions of the Securities Act is to procure accurate and adequate public disclosure of the important things an investor needs to know in order to appraise a prospective security purchase. Under the statute the prospectus is apparently intended to be the primary vehicle for getting that information to the investor. It would seem elementary, therefore, that under the statutory system, the investor should have available to him, before he is committed to buy the security, a full but clear and concise document telling him what he needs to know about it. That almost never happens. Why? Because neither the terms of the statute nor the practice of securities distributors live up to the intention behind the law.

Under the statute a prospectus is defined as a written document offering the security for sale. In order to be used in compliance with the Act, it must contain certain carefully prescribed information. If follows from the scheme of the statute that an oral offer is not a prospectus and need not contain the required information. Furthermore, it is sufficient under the terms of the present law if a prospectus is delivered to the buyer at the time the securities are delivered; and the usual practice is to deliver the prospectus along with the confirmation of a purchase already made. The security itself may be delivered either simultaneously with the confirmation or afterwards. Thus it is apparently thoroughly legal (and it is the usual practice) to call an investor on the telephone, make the offering on the basis of no information, or at best the most summary information, and withhold delivery of the prospectus until after the investor has committed himself to the purchase. In this way, because of a loophole in the Act, its basic intention is frustrated.

Congress made it quite clear that it wanted to bring about a change in the existing system of high pressure, speed-dominated underwriting. It made its statement with a full understanding of the factors which promote high pressure and speed; and it passed the law because it believed that affirmative public benefit would result from changing the distribution techniques. In operation the law has not had those intended consequences.

Although it would probably be difficult to prove in particular cases, it is not uncommon for underwriters to make their commitments to issuers, to invite orders or indications of interest from dealers, and for dealers to solicit orders for their allotments and make allocations to ultimate investors before registration becomes effective. In one case, it happened even before the

issuing corporation was formed. It may or may not happen that the complete chain from commitments to the issuer all the way down to sale to ultimate purchasers is completed before the registration is effective. But the law is nevertheless violated even if the process stops where the underwriters have gotten commitments from the dealers who form the so-called "selling group" in a typical underwriting.

Many underwriters who line up their selling group before the registration statement is effective know precisely what they are doing and know its legal effect. Many dealers in the selling group who stimulate interest in securities before the effectiveness of registration know precisely what they are doing and know its legal effect. Nevertheless, these violations are blinked at within the securities trade because they almost invariably take place in oral or telephoned transactions and are difficult to discover and difficult to prove; and because there is terrific pressure to jump the gun in order to minimize risks by rapid placement of the issue and to reach purchasers before competitors can reach them.

Not infrequently, too, in recent years, with large amounts of money seeking investment, a lot of pressure for premature sales activity has come from investors avid for new issues. At times even a rumor to the effect that a registration statement was going to be filed would cause a flood of phone calls by investors to their dealers asking to be cut in for a share of the issue. A refusal "merely" because the law prevents sales before a given period was frequently not received kindly by the hungry customer. A dealer who refused a commitment sought by a customer would run the risk of losing the customer's business to others having less precise regard for the requirements of laws designed for the customer's protection. At times even if the dealer were to insist that it would be better for the purchasers to wait until more adequate information was available, the warning would have had little or no effect. It is one of the fundamental dilemmas of a disclosure statute that you can bring information to an investor but that you cannot make him either read or use the knowledge he might gain from reading.

It is true that the statute contains provisions affording civil liability on the part of anyone who sells a security in violation of the registration requirements. Technically, these insistent purchasers could, if they should choose to do so, take the security which they clamored to have sold to them before effectiveness and sue the seller. That technical possibility, so far, has not matured into an actual restraint. This may be accounted for in part by what may perhaps be described as a code of ethics prevalent within the securities business. It is not unlikely that an investor who resorted to his technical rights in such a situation would be regarded as a welsher to be excluded from participation in future issues, and would face the possibility of a general blackball. At any rate the right to sue has not been used and has not served as a restraint on jumping the gun.

Another fundamental dilemma should also be described. Recall that one of the statutory objectives is that the cooling period shall be a time in which general information about the securities is circulated among members of the trade and investors so that there may be some opportunity to study the facts before the final purchase. The statute assumes the feasibility of drawing a clear line between information and solicitation. That assumption

is not always warranted. The crucial point at which a sale is effected may be a highly subjective matter. A statement that may, on its face, purport to be intended for information alone may nevertheless be the effective stimulus of a desire to buy. It is the stimulation of that desire before accurate, adequate information is available which the statute is designed to prevent. When information distributed before the effectiveness of registration is in the form of a written document filed with the Commission it is fairly easy to check the document to see whether it contains obvious inaccuracies or shaves too close to the line of unlawful solicitation. But checking or preventing inaccuracies is not so easy when preeffective solicitation is made orally, or by means of a writing that is not filed with the Commission. These practical difficulties should be borne in mind in the discussion to follow.

I have summarily sketched for you some of the basic difficulties encountered in administration of the present law. In outline, they are as follows:

1. The cooling period is seldom adequately used for the general dissemination of information.

2. There is a danger, in permitting the dissemination of information during the cooling period through red herring prospectuses that the information disseminated will be inaccurate.

3. There is a danger in permitting dissemination of information before the registration is effective that the practice will be used as a blind to make solicitations unlawfully.

4. Because of the wording of the present law and current distribution practices, purchasers usually are committed to buy before they have a chance to see a statutory prospectus.

5. In order to beat competition and minimize the risks of the market, the law is frequently violated by making and accepting commitments before the registration statement is effective.

These are the basic problems - they are among the major difficulties that have encumbered and obstructed full achievement of the present laws purpose to provide prospective investors with accurate information about new securities before they put their money into them. They are useful as a check list against which the proposals for modification we receive may be measured. If it be assumed that the original purpose of the Act is sound and desirable - (and there have been almost universal professions of concurrence in the desirability of the purpose as a general objective) - then the merits of the proposals suggested as methods for achieving that purpose can be appraised in terms of how adequately they would meet these problems.

There are at least two other points against which any new proposal ought to be tested.

(6) Whether it would provide adequate essential information about the new security in such concise, readable form that it would be likely to be read and understood by prospective investors.

(7) Whether it would place such burdens of cost and time upon the underwriting process as to impair unduly its function of channelling investment funds into enterprise.

These two additional items perhaps deserve a footnote comment at this point.

As to the first; one of the difficulties in making the present Act effective has been the fact that the prospectus prepared on behalf of those seeking to offer securities has frequently been cluttered with relatively immaterial comment that has made it much longer and more cumbersome than necessary to meet any reasonable requirement of full disclosure. Indeed, the bulk and length and dullness of the prospectus in some cases has substantially reduced its effectiveness as a means of conveying information about the new security. People just wouldn't read it, and those who would, found themselves confronted by a confusing plethora of words and figures. The Commission has frequently been blamed for this condition. To my mind, the fault lies not with the Commission but in the excessive caution of the advisers to registrants who insist that they throw in the kitchen sink, in order to be sure that nothing is left out which might leave any hint of possibility that complete disclosure had not been made. There is no reason why the prospectus should not be a concise, readable document that conveys plainly an understandable picture of the enterprise offering the investment and of the terms on which the investment is available. The Commission does not prepare the prospectus under the present law but merely examines it in order to be as certain as reasonably practicable that it contains no material misstatements or omissions. The Commission has not undertaken any formal measures to insist that the bulk of these cumbersome prospectuses be cut down. Speaking solely for myself, I think that any revisions in the law should include a clear authority, if not a positive direction, to the Commission to see to it that the prospectus used is free from the confusing bulk and relative irrelevancies that have limited the usefulness of the prospectus as an information document in many cases in the past.

As to the second of these points, any proposal requiring disclosure of information about any securities must be a workable proposal if it is to afford the means of genuine protection to investors and at the same time not unduly restrict the process of distribution. It is conceivable, of course, that the requirements of disclosure and the mechanics of disseminating information might be made so cumbersome, so expensive, and so risky to those engaged in offering the securities, that the amounts added to the price of the securities to cover the enhanced costs of distribution and to provide a hedge against the risks involved would be out of proportion to the added protection afforded by such machinery. There is undoubtedly a point of diminishing returns in the form of protection beyond which it is neither feasible nor desirable to go. These factors must be taken into account when appraising the workability of any proposed amendments.

Now for a brief survey of the suggestions received for revision of the present law. I am not going to describe all of them. I shall limit myself to certain suggestions without naming their source. At this stage all of the suggestions made to us have been completely tentative and subject to further study and conference. I describe them merely to show the types of approach that have been recommended to us from various sources in an effort to devise methods of making information available that will accomplish the purpose of the present legislation better than that legislation itself has done thus far and at the same time avoid creating new difficulties that might frustrate the achievement of that purpose.

One of these proposals (which I shall call Proposal A) goes about as far as possible toward removing present restrictions while preserving the atmosphere of regulation.

Proposal A would make it possible to offer securities for sale and to stimulate interest in investments orally, or by written material, at any time before, during or after the registration process. Offers could be made in any form chosen by the individual person or company engaged in the distribution. They could be made before or after filing or effectiveness of the registration statement. There would be no restriction (short of possible liability for downright fraud) on the content of offering statements.

However, under Proposal A the making of an actual sale before the effective date of the registration statement would be prohibited.

With respect to the prospectus requirements Proposal A would make it possible to continue the present system of making oral offers and sending a prospectus only upon confirmation of a purchase or upon delivery of the security, whichever happens first.

A second proposal I shall call Proposal B. It would prohibit the offering of securities covered by a registration statement before filing of the registration statement. They could, however, be offered after filing, but before the registration statement is effective, under certain conditions. This preeffective offering might be in the form of either a full or a so-called "limited" prospectus or might be in the form of a short document which does little more than identify the security and the issuer.

The prospectus contemplated in Proposal B is either a general one more or less like those now used, or a limited prospectus which would, we presume, contain a short description of the issuer, set forth certain basic data about the securities and about present capitalization, and perhaps contain a summary income statement. It would, I imagine, resemble what we now call a "newspaper prospectus."

Proposal B would permit oral offerings before or after effectiveness provided, in the case of offerings made before the registration statement is effective, that a limited or general prospectus is sent or given to the investor in time so that it would normally be received not later than the oral offer. After the registration statement as effective oral offers could be made as they are now, with a prospectus sent so as to be received not later than the security.

Under Proposals A and B (as under the present Act) no actual sales could be made before the effective date of the registration statement. Under the present Act and under both of these proposals there is no requirement that the full statutory prospectus be the exclusive vehicle for offering and selling securities.

Tested against the objectives of the present legislation, Proposal B does provide some means for getting information to the purchasers in advance of commitment with respect to pre-effective offers. It would permit pre-effective oral offerings only if made in connection with a written document containing a certain amount of specified information. In that respect it is a sort of a compromise between the present Act which permits no pre-effective offering whatever and Proposal A which permits practically complete freedom in pre-effective offering, subject only to the restraint of liability for misrepresentations.

It might appear, offhand, that the use of a limited prospectus permitted in Proposal B is an unmixed benefit. But it may not be. We have had some experience with this problem. Under our present system we permit the publication of what are called "newspaper prospectuses", which describe a forthcoming issue in more or less summary form. While these newspaper prospectuses do serve the function of getting some information about a forthcoming issue generally circulated, they may be useless when employed in distributing complicated securities in enterprises that are not well known. Where the security involves special, obscure problems they can be worse than useless. A summary of a prospectus may be an excellent thing, if delivered with the prospectus so that it may aid an investor in culling through the prospectus. However, when used alone, it presents certain difficulties which must be carefully studied so as to avoid misleading of investors.

Another difficulty inherent in the use of any form of unchecked information in advance of the examination made by our staff in processing the filings is the possibility of error: unintentional or otherwise. I am not conjuring up chimeras. Time does not permit me to give you detailed examples of the kinds of basic and vital inaccuracies found by our staff in registration filings. But, let me assure you that if accuracy of information is a valid ideal in the process of securities selling there is no substitute for an independent, expert review of selling material.

Proposal C is a synthesis of recommendations made by various individuals and groups who seem to agree on certain basic outlines of their recommendations. Proposal C would contemplate a two-step registration process. It would require that the prospectus be the primary offering vehicle and the means for disseminating information. The procedure might work somewhat as follows: Suppose a registration statement is filed on January 1. By January 10 the staff of the Commission finishes a preliminary review of the statement and, if necessary, sends out a letter commenting on the deficiencies. After the letter is received the underwriters may distribute a preliminary prospectus reflecting the vital information in the registration statement as corrected, if they wish, without setting forth the price terms. On some later date, say January 15th to 18th, the price terms (and any other supplementary information) could be supplied by supplement and the statement declared effective for the purpose of offering the security. Between that date and perhaps January 20th - from two to five days later - commitments for purchase of the security could not be accepted, and if accepted would not be binding. During that period investors would have a chance themselves to study a final prospectus, or to have available the advice of investment counsellors based on a final prospectus. On January 20th the statement would be declared finally effective, deals could be closed and commitments accepted.

The suggestions received with regard to this sort of proposal are not unanimous as to the details either with respect to the length of the waiting period, or the precise mechanics of delivering or correcting prospectuses, or as to when and how price information would be supplied. It would, of course, be essential to any such proposal that the prospectus be a precise, concise document that tells its story clearly.

There have been other variations of the two-step recommendation. One form of variation would be to permit effectiveness of registration for the purpose of sale based on a full prospectus, but fixing a short period within which the investor, having received his full prospectus, would have an opportunity to rescind his purchase if information contained in the prospectus leads him to change his mind.

My description of these two-step proposals by no means constitutes an endorsement of them or of any variation of them. They present obvious problems of administration. They would require rather drastic changes in present distribution practices. To what extent they are feasible in terms of enforceability or workability is not clear. The risks they might add to the underwriting process -- with consequent increase in the cost of securities to the purchaser or diminution of the amount realized by the issuer out of the selling price to the public -- are difficult to appraise without the benefit of further study of the details.

The two-step proposals like all others, raise the questions whether the law will be observed, or can be effectively enforced, even as amended. There is probably no complete answer to this question regarding any proposal except one which opens the door wide to unregulated solicitations. However, there may be a practical anser which would minimize violations. There are certain forces of competition which may generate the impulse to violation of any securities law that fixes a deadline. That impulse may be activated and intensified by the fact that no one believes that everybody else is going to respect the deadline. That situation would be cured if a law fixing deadlines were rigorously and strictly enforced so that all the competitors were satisfied that their colleagues are not jumping the gun or that if they do they will be subject to drastic penalties.

The administration of the Act in its initial years has been necessarily a process of working out practical methods for dealing with a host of new problems. There is much in the experience under the Act to indicate that not all of the improvisations have been successful and that perhaps a better job might be done than has been done with the facilities provided by the Act in its present form. It is one of the objects of our study to determine the extent to which that may be true.

I don't know whether I've given you a sketch sufficiently clear to indicate with any precision more than the general outline of the problem with which this legislative study is concerned. I feel certain however, that I have told you enough to indicate that there is good reason for the statement at the present time that the problem is a difficult one and that we at the Commission have not as yet made up our minds as to what recommendations we should make. We think it is extremely important that whatever is suggested should represent an objective distillation of the best opinion that can be gathered and should be based upon the most accurate possible appraisal of the facts with which we are dealing.

In closing I want to make my own position quite clear. I believe that the purpose of the present legislation is a sound and desirable purpose and that it should not be abandoned or modified in whatever new legislation is proposed. I am confident that suitable mechanisms can be worked out for achieving that purpose. I am not satisfied, on the basis of the information thus far available, that any of the suggestions yet made affords a perfect answer. Nor do I anticipate that machinery can be devised that will achieve the objectives of this legislation automatically and without difficulty. Any proposal likely to do the job of adapting genuine practical necessities of the distribution process to providing prospective investors with full, accurate information about new securities, in form that they can understand and that they will use in deciding whether to invest in particular securities, is likely to require some adjustments in existing practices both on the part of the industry and of the Commission. I should hope that we can work out fairly soon a pattern for machinery that will minimize the difficulties that have bedeviled the Act thus far and then see to it that that machinery is used and the rules adherred to.

Those who have participated in our study by making their suggestions available and giving us facts about the way the present Act is working have been extremely helpful. The collaboration that we have enjoyed in the effort to get at the roots of this problem has been highly gratifying. I cannot help but feel that it will produce results that will be greatly beneficial, once they have settled down into operation, not only to the investors but to the securities industry and to the industrial and commerical enterprise of the country for which the sellers of securities gather essential capital.