

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

A brief summary of financial proposals filed with and actions by the S.E.C.



Washington 25, D.C.

CAUTION! FOR YEAR-END FINANCIAL AND
BUSINESS REVIEWS, ON AND AFTER
JANUARY 2, 1957.

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YEAR END STATEMENT

The work of the Securities and Exchange Commission during 1956 was done against a background of expansion and activity in the capital markets and the national economy which is unprecedented in the Commission's experience. The Commission's primary concern is to afford to American investors, under these conditions and in these markets, the protection intended by the Federal securities laws. In so doing the Commission not only aids the investor but contributes to the maintenance of public confidence in the integrity of the capital markets and thus to the capital formation which is so important to continued progress and prosperity.

During 1956 930 registration statements were filed under the Securities Acts covering offerings of about \$13 billion dollars. The volume of trading on the registered exchanges was approximately \$36.8 billion and the value of all stocks listed on all exchanges reached a peak of approximately \$260 billions at the end of July and was about \$238 billion at the end of the year. The number of broker-dealers registered with the Commission also reached a new peak of approximately 4,670. These figures reflect a prosperous and expanding economy with an annual gross product of 400 billion - the highest in history. At the same time they are accompanied by conditions calling for increased vigilance on the part of the Commission and a constant re-examination of procedures and policies to make certain that they are in tune with the demands of the times.

Perhaps most important is the increasing emphasis which the Commission has placed upon the effective enforcement of the Federal securities laws. The Commission has moved in many ways to implement this program. Since many new broker-dealers have been attracted into the business, the Commission's broker-dealer inspection program has been stepped up. During the 11 months ended November 30, a total of 949 inspections were performed as compared with 767 in the corresponding period in 1955. The number of enforcement proceedings taken has also increased, more injunctions having been obtained in the Federal courts in the last 6 months of 1956 than in the preceding 12-month period.

With many new securities coming to market, it has also been necessary to give more careful scrutiny to issues of securities being offered in order to obtain disclosure of material facts for the investing public. Registration statements and filings under the exemptive provisions for small issues are carefully examined and the Commission has not hesitated to take action by stop order or suspension where the required disclosure is not made, or where the law is not otherwise complied with. The number of such proceedings reached a new high in 1956. Increased attention has also been given to offerings made without registration upon some claim of exemption, to ascertain whether the claim is in fact well founded, as well as to prevent fraud in these offerings.

The Commission's continuing interest in assisting small business resulted in a study of the exemptive regulation under which small issues of \$300,000 or less are conditionally exempted from the registration requirements. After thorough consideration, a revised exemptive regulation was issued in July, 1956, which both clarifies the applicable requirements and includes increased protection for the investing public against misuse of the exemption. A Branch of Small Issues was established in the Commission to insure more effective administration of the regulation. The exemptive regulations will receive continuing study in the year ahead to further effective investor protection without burdening the financing of small business, all within the framework of the statutory purpose.

During recent years, proxy contests for the control of American corporations have assumed increasing importance and have received the careful attention of the Commission. A revision of the Commission's proxy rules, providing specifically for problems arising in proxy contests, became effective January 30, 1956. The new rules have worked well and have made a marked contribution to an informed exercise of the stockholders' voting franchise in the context of bitterly fought contests for control.

Basically, the Federal securities laws seek to obtain for investors fair disclosure and honest markets, and the Commission does not pass upon the merits of securities or approve or disapprove offerings. It is for the investor, and not the Government, to make investment decisions. The Commission has repeatedly urged investors to avail themselves of the protection afforded by the Federal securities laws and also to beware of the unknown but persuasive salesman who offers his equally unknown securities over the long distance telephone.

The lure of quick profits in a rising market has made many investors increasingly vulnerable to this approach. Much progress has been made during the year, and more is expected in the year ahead, in stamping out the fraudulent sale of securities, but it remains true that an investor can best protect himself by declining to purchase any security offered by a total stranger over the telephone.

As the Commission sees it, the outlook for 1957 will call for increasing vigilance in the administration of the Federal securities laws in the public interest and for the protection of investors.

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