

SPEECH BY JOHN J. BURNS  
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FEDERAL REGULATION AND THE SECURITY DEALER  
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Gentlemen - Much as I would like to make a speech that would be intimate and conversational and gossipy of the things that interest you and our Commission, I am more or less concerned by the title which your President extracted from me almost by duress,

Consequently, I must confine myself to the dealer problems seen through a lawyer's eyes in connection with the jurisdiction of the Commission. These problems are numerous under both Acts, more serious under the '33 Act perhaps. They are, in fact, too numerous and involve too much of the technical jargon of the profession to permit of adequate treatment of only a few of them on an occasion like this.

Before I discuss some of the problems in any detail, I would like to speak more or less generally about the Acts the Securities and Exchange Commission administers, the Commission itself, and some misconceptions past and present.

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The suspicion and hostility with which business generally and the security business in particular viewed the passage of the two Acts which are now administered by the Securities and Exchange Commission have been largely dispelled. I would urge on you today understanding and cooperation in the efforts of the Commission to make these two laws a salutary force for the public good.

I think that we all must recognize that these two Acts, and particularly the Securities Act of 1933, were greeted with ill-concealed suspicion and even open hostility when they were first proposed. Their reception in the business world was most unfortunate. Much of this, of course, must be attributed to the period in which the Acts were drafted. You are only too familiar with the dark days in the spring of 1933 when the Securities Act was born. Banks were failing, or were not reopening after the holiday, stock and bond prices had come tumbling down until they were selling at worse than distress levels, and the financial community as a whole had lost the confidence of the people and had really lost confidence in itself. The disclosures which had been brought out by former Commissioner Pecora, as counsel for the Senate Committee on Banking and Currency, had shown to the whole world just how low were the accepted standards of corporate morality.

In these circumstances the financial community took the short-sighted attitude that it was fighting for its life against an enemy which threatened all legitimate business.

Organized propaganda met every proposal for reform, and the Securities Act in particular was damned as a murderous invention in hundreds of articles by financial leaders.

One would think, from the response of business to these proposals for reform that there had never been any laws against fraud before. No one ever thought to compare the common-law liabilities, both civil and criminal, with the new liabilities imposed by statute. The truth of the matter is that the liabilities at common-law were just as sever as any of the current proposals. We are indebted to District Judge Woolsey of the United States District Court of New York for pointing this out to us in a very striking way in his decision in the recent case of United States vs. Brown, decided in November, 1933. Judge Woolsey reviewed the English cases on fraudulent market practices as far back as 1814, and found that conspiracy to defraud through fraudulent statements and fraudulent pool operations had always been recognized as criminal at common law.

It was in 1814 that a certain man named DeBereenker and his associates thought to make themselves a fortune at the expense of the public by spreading false reports of the death of Napoleon Bonaparte, in order that they might unload their holdings in British Government securities at a handsome profit. Lord Ellenborough stated in no uncertain terms:

"The purpose itself (of this conspiracy) is mischievous; it strikes at the price of a vendible commodity in the market, and as it gives it a fictitious price, by means of false rumors, it is a fraud levelled against all the public, for it is against all such as may possibly have anything to do with the funds on that particular day."

There was another English case decided in 1859, entitled Bedford vs. Bagshaw, in which the defendant made false representations to the listing committee of the London Stock Exchange in order to procure the listing of a certain mining stock. In allowing the plaintiff who had bought stock on the Exchange to recover from the defendant directors of the company, Chief Baron Pollock spoke very strongly of the responsibilities of directors who "put their shares forth into the world, deliberately adopting a scheme of falsehood and fraud, the effect of which is that parties buy the shares in consequence of the falsehood."

Judge Woolsey reviewed other cases of similar import and had no difficulty in deciding that the use of the mails in furtherance of a scheme to defraud by manipulating stock prices through pool operations on the New York Stock Exchange constituted an indictable offense. This case involving the stock of the Manhattan Electric Supply Co., happened in New York in 1933, before we had such a statute as the Securities Exchange Act of 1934.

Business men, however, had come to forget there were any such penalties attached to the use of fraudulent devices. They showed this by the reception which they gave to the two remedial statutes, and they showed it even more forcefully by the accepted practices which were used in the securities business. These practices were in no sense confined to the fringe of the business, the disreputable few who were enemies of business and government alike. We must recognize that the practices involved in the distribution of securities during the late nineteen twenties were perfected by houses enjoying good reputations, who seemingly never adverted to the fact that prices quoted on the tape were regarded by the public generally as prices which had been determined by the attrition of supply and demand, rather than by the manipulation of the distributor.

In the Senate investigation, a giant of finance was asked what steps were taken in the distribution of a security issue sponsored by his firm. He replied that activity was created. Mr. Pecora then stated "You mean the appearance of activity" and the witness smiled and said: "Yes, the appearance of activity". Here was an instance of honest belief in the propriety of the very thing Judge Woolsey had condemned as a common law fraud. The lure of the tape was regarded as a legitimate method of distribution, so that even reputable houses used it in distributing the best types of securities.

This technique in turn was borrowed by the racketeer of the securities business. Prices were manipulated on smaller

exchanges whose officials were subject to no responsibilities to the public in the way of supervising trading. In many cases the members of these exchanges were no more than birds of prey and too often the ignorant members of the public were on their preferred list of victims.

These are the practices and the people that these two statutes have been designed to reach. The Commission is realistic, and realizes that the practices cannot be stamped out in a day. Human nature changes slowly, but the Acts are a starting point. That starting point is difficult to condense into a phrase, but fundamentally the principle of the new order is merely a requirement of candor and fair dealing with prospective stockholders and with the public generally and fairness, i.e. no selfish abuse of power, in the trading of securities.

Business has come to realize that the Commission is filling a long-felt need. Its creation has not been the result of a great calamity, although the unfortunate collapse of 1929 furnished the occasion for legislative action. The statutes are the culmination of years of effort on the part of sound-thinking students of government who felt the enormous problems of the stock exchanges and the abuses of the security business were not capable of effective regulation through the agencies of the states alone but demanded the intervention of the power of the national government. The fear and hostility with which this legislation was first greeted are now disappearing. There are

many signs that the business men affected by the legislation are recognizing that much of the regulations is here to stay and that most of it in the long run will be of great assistance in the rehabilitation of public confidence.

The new corporate financing which has commenced in such large volume in the past few months shows this in a most effective manner. The wholesale prosecutions and persecutions with which the Commission was charged in advance have failed to materialize. Unconscionable racketeers have been prosecuted. Honest business has been encouraged. Public confidence returns with the enforcement of high standards, and the maintenance of high standards is assured when it becomes unnecessary to depart from them in order to meet the competition of lower standards.

The wise man will recognize that these Acts are not part of a passing movement for reform, but that they spring from the firm conviction of many people that State regulation of the securities business did not afford adequate protection for the public. The business has an interstate problem which can be met only by federal action to supplement the state supervision. This is the real strength of the Commission - that it is administering permanent legislation. For this reason it is idle for critics to assail the statutes, as a whole. Effective criticism should confine itself to a considered appraisal of the action being taken by the Commission, and should raise its voice only when that action tends to be arbitrary or capricious.

Where experience tends to show the desirability of changes, a loud blast at the legislation, its sponsors and its administrators would not be a sensible method of achieving change. The art of government is not an easy one, particularly when it seeks to put reasonable limits to the relationship between large corporate enterprise and the unknowing public. Reason in action and in criticism is not only desirable, but necessary. Criticism in the spirit of fairness is a public service, for it adds to the wisdom of the Commission and in the long run will be more advantageous to the security business itself.

From purely a practical point of view it is just as ill-advised for business to be hyper-cautious as it is to be unjustly critical. We must recognize that if this is permanent legislation, the practice which is being developed today by lawyers, accountants and directors will become the standard of practice in the future. Thus business is doing itself a grave disservice when through an excess of caution it insists upon filling registration statements with the minutia of detail.

Some of the early registration statements and prospectuses were ridiculous in size due to the voluminous data they contained. Where a brief answer was required for the description of property pages and pages of description by metes and bounds were given. At first we suspected a deliberate attempt to sabotage the Act by making the documents look ridiculous. Later we found that lawyers suffering from the "jitters of 1933" had decided that it was safer and cheaper to typewrite than to think. This excess of cautiousness, apart from the unfairness to the prospective purchaser who have have to plough through reams of irrelevancies



to get the essentials, might have defeated its own purpose in establishing a difficult standard of detailed disclosure. If a standard such as this becomes fixed, because it is generally followed, any departure from the established standard in the future may well be regarded as negligent. It is easier to realize the danger of such a practice by analogy to other fields of the law. Suppose, for instance, motorists generally, when motor cars first appeared in numbers on the streets, adopted the practice of stopping at every street corner before entering an intersection. Not many years would be necessary to establish this as a standard of due care binding upon all motorists, so that it would be negligent to depart from it in any circumstances.

The Commission in addition to its desire to furnish information that is readily accessible, not buried in a mass of trivial data, is also aware of the danger of establishing such a standard of practice. Consequently, all the newer forms contain definite instructions, I might almost say warnings, that the items be answered briefly. Business is no longer loathe to cooperate with us in this regard. The attitude of the registrant, is coming to be one of common sense, recognizing always that candor and fair dealings are the standards to which he must subscribe.

In the President's message to Congress on the Securities Act of 1933 and in most of the articles and speeches favorable to the Act one finds that the protection of the investor is constantly stressed. I don't recall much that has been written praising the legislation because it is helpful to the dealer. No doubt the liabilities of the Act explain the fact that usually the dealer looks at this whole business with jaundiced eye. I shall not stress the point that dealers should welcome a law and an agency which seeks to restore in the minds of the investing public a business the prestige of which had been shattered. But I would like to stress a fact that many of you realize only too well, namely that you would have been helped considerably in the old days if you had known facts about issues sold by you to your sorrow, which facts must now be disclosed before

your commitment can be secured. Just a few days ago Chairman Kennedy received a communication from a small dealer who spoke in praise of the Act and the administration. Let me quote one pertinent paragraph: "For once the small dealer feels that he is now in a position to know what he is selling and what the load is. Everyone states that if he knew a few years ago that the insiders were taking stock down at say \$1.00 per share and handing it to them at \$10.00 less 25 or 50%, they certainly never would have sold any. The average dealer is just as much interested in giving his customer a break as you are in seeing that he gets it."

Where the Commission has power to regulate, regulations have done everything possible to reduce the requirements to these essential standards of candor and fair dealing. The new forms have been limited to the minimum requirement of the Act, and the accounting details have been simplified in every way possible. Yet the analysts and experts who are best qualified to judge the worth of these forms assure us that all really essential information is furnished.

Similarly the prospectus requirements on the new Form A-2 have been reduced, and the prospectus greatly simplified. New and simpler prospectus requirements to accompany our other forms are to be released shortly. Much of the thoughtless criticism of the Securities Act has concerned the prospectus requirements, and the argument has been made that the prospectus was a useless expense, since

it was so complicated that no purchaser ever read it.

The Commission, of course, is alive to the fact that it is impossible to teach every Liberty Bond buyer to understand the intricacies of a corporate structure and the mysteries of reserves and bond discount, but it is hardly fair to criticize the Act or the prospectus requirements because the widows and orphans to be protected cannot understand the information furnished them in a prospectus. The banker to whom the widow turns for advice, the analyst who advises the banker, and the services consulted by the analysts, these all can understand a prospectus, and they are finding it of inestimable value. The price of a security, and proper evaluation of its investment merit, are not determined by the appraisal of the unintelligent, but by shrewd and experienced experts who regard every jot and tittle of information, and to whom the disclosures of the Securities Act are proving a blessing. Through these men who set the price of a security and who rate its merit the ultimate purchasers receive the benefit of the information disclosed in the prospectus.

Furthermore, the very fact that business has complained of the burden of public disclosure is evidence in itself that officers and directors are regarding their new responsibilities to the public very seriously. The mere fact of public disclosure is having a salutary psychological effect, and those who would approach the public for financing are putting their houses in order before doing so.

The Commission does recognize, however, that some simplification of the prospectus is desirable to assist the actual purchasers to decide upon their investments. To this end it has been suggested that a summary prospectus be authorized, to accompany the full prospectus and to be cross-referenced to it. We are now working on a plan to make such a summary feasible. I have brought with me a copy of a recent prospectus which has an admirable index indicative of the desires of corporate officials to quit the days of hide and seek and rest their cause in frankness.

As a supplement to the prospectus simplification for Form A-2 which is applicable to established companies, the Commission have revised and simplified the requirements for newspaper advertising for securities which are being offered to the public. It is hoped that as a result more informative data will be made available to newspaper readers without, however, permitting the use of the ad as a reprint substitute for the normal prospectus.

This spirit of reasonableness in administration springs from an earnest desire on the part of the Commission to consider the practical difficulties of the security business in the light of the social aims of the legislation.

Die-hards time and again raise the fearsome bugbear of civil liabilities. But why raise this present clamor about liabilities which have been established at common law for a century or more? The law of fraud and deceit

is not new; vendors of commodities have always been liable for fraudulent devices and statements used in making sales; directors and officers were always responsible to their shareholders for the proper conduct of the business.

The outcry against the civil liability provisions of the Securities Act is a confession that the common law was not being observed. If the securities business cannot be conducted successfully by men who will assume civil liability for their fraudulent acts, it is high time the public knew of it.

The real fact of the matter is that the public was beginning to learn something of this sort, and that it was the loss of public confidence, and not the passage of these two Acts, which has caused the decline in the securities business. The world-wide depression complicated the situation, but I firmly believe that the greatest single factor in the falling off of public participation in the security business was the fact that a large part of the financial community adopted for itself the law of the jungle. Frankness compels me to state that the recent amendments to the 1933 Act have been helpful in reassuring the business man and in allaying his fears about liability.

Respectable business should welcome the help of the Commission in reestablishing the good-will and confidence of the public so necessary to prosperity. There is no thought on the part of the Commission nor of anyone else that the profits shall be taken out of the securities business. The

whole philosophy of both Acts premises that business shall be continued on profitable lines, but that anti-social practices shall be outlawed.

Business will have every opportunity to share in any praise that may attach to the successful administration of these Acts, for the program of administration will provide opportunities for self-regulation by brokers and dealers generally. The Exchange Act, as you know, expressly provides for the self-regulation of exchanges by their own officials. The Investment Bankers Code, if it is taken over by the Commission, will of course be administered in the spirit in which it was drafted: as an effective means of supervising self-government. It is too obvious for words that the Federal government even if it had constitutional power could not supervise every transaction in securities throughout the country. It is rather by mutual understanding and cooperation than by penalties that there can be effective self-government by brokers and dealers and intelligent supervision by the Commission, maintaining standards on a high plane and justifying public confidence in your own business.

So much has been written and said about the liabilities of officers, directors and underwriters that dealers may readily overlook the fact that they are charged with certain responsibilities under the Securities Act of 1933 even though they do not participate directly or indirectly in the initial distribution of the security.

Where any prospectus is used or oral communication has been made in connection with a sale of a security, regardless of whether the security has been registered or not, which contains a false or misleading statement, the purchaser may call upon the dealer to take back the security and return the price with interest, less the amount of any income received. The dealer may escape liability for any untrue or misleading statement by showing that he did not know and in the exercise of reasonable care could not have known of such untruth or misleading statement.

When first read this section almost seems to put the dealer in the role of insuring his purchaser against loss. But such is not the case. In the first place, unless the security is one for which registration is required no duty is imposed on the dealer to give to his purchaser any specific form of written prospectus. In the second place, the dealer is required to exercise only such care as is reasonable under the circumstances.

This means that if a dealer sells to a customer a security (I am speaking now of securities which need not be registered) upon the order of that customer or sells such security to the customer without furnishing to that customer literature or sales representation, he does not need to be concerned about future responsibility under this Section of the Act. On the other hand, if, in order to persuade the purchaser to buy such security or if as



a part of the service rendered by the dealer to the customer, information is furnished in regard to a security which the customer purchases, the statute clearly requires that the dealer shall exercise reasonable care to determine that the information which is furnished is correct and that there is omitted from such information no material fact without which the information which is furnished is misleading. This, of course, does not mean that the dealer is required by the statute to exercise care which is disproportionate to the amount involved and to his interest in the transaction. In Section 11 of the Act relating to liabilities of officers, directors and underwriters, where there is a somewhat similar requirement, it is provided that in determining what constitutes reasonable investigation and reasonable grounds for belief the standard of reasonableness will be that required of a prudent man in the management of his own property. So that in such a case if there is no untruth or if no representation at all is made there is no liability, and even if the sales literature is false, upon a showing of reasonable diligence, the dealer may escape liability.

Up to this point, I have assumed that the security in question is one the registration of which under the Act was not required either because it was outstanding at the time when the Act was passed or because it falls within some one of the specific exemptive provisions of the Act.

Assume, however, that the security in question is one which was offered to the public by the issuer on September 1, 1934 and that in accordance with the Act the issuer has filed a registration statement. What are the duties of a dealer who did not participate in the original distribution and who now buys a block of these securities from an investor and wishes to make re-sales of this security?

Section 4 of the Act provides that those portions of the Act requiring the delivery of a prospectus meeting the requirements of the Act shall not apply to certain specified transactions which include transactions by dealers. However, this provision is qualified so that certain transactions by dealers are not exempt, namely transactions as to securities constituting the whole or part of an unsold allotment of a dealer's participation in the distribution of the securities in question and transactions by dealers within one year after the first date upon which the security was bona fide offered to the public by the issuer or by or through an underwriter. Accordingly, in the case which I have put a dealer could not lawfully sell any of the block of securities, which I am assuming he has recently purchased, unless he were to give to the purchaser a prospectus meeting the requirements of the Act, which

means that the prospectus would be the kind of a prospectus filed with the Commission as a part of the registration statement prepared by the issuer and the original underwriter.

We are frequently asked by dealers how they may obtain copies of such prospectuses. As you are aware prospectuses in a substantial quantity are usually printed by the issuer and will have been made available to the original underwriters, so that in normal circumstances the dealer would be able to obtain copies of the prospectus from the issuer or from the original underwriters of the issuer, at least upon payment of a nominal fee representing the cost of the prospectuses. The alternative, which is hardly practical, is for the dealer to obtain from the Commission a photostatic copy of the prospectus, from which his own prospectuses may be typed or printed.

The real answer to the dealer's problem would seem to be found in the establishment of a practice under which dealers, within the year following the first date of public offering of a security, would not purchase any such security unless they were furnished with copies of a prospectus in sufficient amount so as to take care of their re-sales. I see no reason why, as one of the conditions of sale of the security by the issuer or underwriters to initial purchasers, the issuer or underwriters should not agree to provide the

purchaser, or anyone whom he designates, with copies of the prospectus in reasonable quantity to take care of the requirements for the furnishing of a prospectus on all sales made within one year. The reason for setting this period of one year is not hard to discover. In the report of the House Committee of May 4, 1933, the following statement is made in regard to this provision:

"Recognizing that a dealer is often concerned not only with the distribution of securities but also in trading in securities, the dealer is exempted as to trading when such trading occurs a year after the public offering of the securities. Since before that year the dealer might easily evade the provisions of the Act by a claim that the securities he was offering for sale were not acquired by him in the process of distribution but were acquired after such process had ended, transactions during that year are not exempted. The period of a year is arbitrarily taken because, generally speaking, the average public offering has been distributed within a year, and the imposition of requirements upon the dealer so far as that year is concerned is not burdensome."

The Commission has authority under the Act to classify prospectuses according to their use and to prescribe as to each class, the form and contents which it may find appropriate. It has not up to now been deemed advisable for the Commission to take any action under this provision looking toward requirements for prospectuses used by dealers differing from the requirements for prospectuses used by the issuer or underwriters. However, if any of you have suggestions or arguments in support of such action, I shall be very glad to have them, together with any

suggestions as to the nature of such requirements, and I assure you that they will be given the most careful consideration by the Commission.

We are also receiving numerous inquiries from dealers as to how they may lawfully, and with a minimum amount of expense, interest prospective purchasers in securities and meet the requirements of the Securities Act.

I have already pointed out that in the case of securities which were first offered to the public more than a year ago the dealer is not required to furnish any specified form of prospectus and is governed only by that provision contained in Section 12 of the Act which subjects the dealer to the duty of taking back the security if there have been material misrepresentations in connection with its sale. The Commission makes available every week a statement of securities in respect of which registration statements have been filed or have become effective since the last report. This information is reproduced in various services and is, of course, available to any dealer who desires to receive it. In the case of securities which are listed in such reports as having been offered within the preceding year, the dealer is still free to communicate personally with his customers for the purpose of interesting them in any such security provided that in doing so he does not use any means or instruments of transportation in interstate commerce or of the mails. In any such case the dealer must, of course, accompany the security, when it is finally delivered through the use of the mails or interstate commerce, by a prospectus <sup>which is a copy of</sup>

the official prospectus filed with the Commission.

If the dealer desires to solicit or interest his customers by correspondence or interstate telephone communications or by telegraph, he must keep in mind the broad definition of the term "prospectus" which is stated by the Act to mean any prospectus, notice, circular advertisement, letter, or communication, written or by radio, which offers any security for sale. Since the term "sale" is itself defined by the Act very broadly so as to include any attempt to dispose of a security, it is obvious that in the case of a non-exempt security sold within one year any communication which seeks to interest the purchaser in a particular security, and is sent through the mails, is a prospectus for the purpose of the Act, even though it would not have been so regarded prior to the passage of the Act. The Act itself contemplates that despite this requirement two methods of interesting customers may properly be open to dealers. A communication is not a prospectus, if prior to or at the time when it is sent to a customer, he receives a copy of the official prospectus. Nor is a notice, advertisement, letter or communication a prospectus if it states merely from whom a written prospectus meeting the requirements of the Act may be obtained, and, in addition, does no more than identify the security, state the price thereof, and state by whom orders will be executed. The dealer may thus advise his customer that he has a particular security for sale. But the information contained

in his advice must be limited in the manner in which I have just described. The dealer may also send to his customer a brief summary of a security stating what seems to the dealer to be its investment features, if such communication is accompanied by the official prospectus.

There is one type of transaction to which the registration and prospectus requirements of the Act do not apply, even though the security in question is one that has been offered within the past year. That class includes: "brokers' transactions, executed upon customers' orders on any exchange or in the open or counter market, but not the solicitation of such orders". You will notice that this class of exempted transactions includes brokers' transactions executed either upon the open or counter market, and, consequently, so far as the broker in the transaction is concerned, leaves him free to execute such orders in any case in which he receives a buying order or selling order from a customer who has not in any way been solicited by the broker. This exemption, however, has been interpreted by the Commission as extending only to the brokers themselves, and, consequently, it does not afford a method for distribution of securities by issuers, underwriters or persons in control of issuers.

I should like to call the attention of security dealers to one other important matter. I have suggested that in any case in which a dealer is proposing to handle a security he should first

ascertain whether the security is one as to which a registration statement has become effective during the preceding year. If it has not, he should then ascertain whether the security was originally offered to the public prior to that date or whether it is a security that has been disposed of by the issuer during the past year without registration. If he discovers the absence of registration, he should further inquire from the issuer as to the reasons for the failure to register the security, and should then ascertain from his attorney or from the Commission whether these facts are such that the security is an exempted security and may lawfully be dealt in by him even though it is not registered. There are certain types of securities which are clearly exempt from registration, and furthermore, there are certain securities which if issued or sold in particular types of transactions are also exempt. I do not propose to go into the details of these provisions, although I shall be glad to discuss any particular provision with those who may be interested. I should, however, call attention to the fact that numerous issuers, by making offerings which have been regarded as non-public offerings, have sought to avoid the necessity of registration. The Act exempts as a transaction those transactions by an issuer not involving any public offering, and the result is that if an issuer approaches a very limited number of offerees, particularly



where those offerees are members of a particular group, the transaction may be lawful even though there is no registration statement in effect. However, if the number of offerees has been substantial, or if those to whom the security has been sold in the first instance have in fact purchased the security with a view to distribution rather than with a view to investment (and a resale shortly thereafter is strong evidence of an original intention to sell), the dealer is violating the Act in making sales of such security. Accordingly, the dealer who handles securities which the issuer has failed to register on the ground that the original offering of the securities by the issuer did not involve a public offering, must take the risk that the original offering may be found to have been non-public. If the original transaction did in fact involve a public offering the dealer's transaction, even though in good faith, would appear to be in violation of the Act with the result that the purchaser of the security from him would, under Section 12 of the Act, have an absolute right to require the dealer to take back the security and return the purchase price.

The obvious moral is that in all but the clearest of cases registration should be required. The refusal of dealers to participate in subsequent distribution of securities so issued would be decisive with the issuer regarding the practical need for registration. In fact two

recent developments have tended to curb this wholly undesirable practice of private offering. In the first place the registration requirements have been made so reasonable that no fairminded issuer who had nothing to hide could object to registration. In the second place the inherent risk involved in these private offerings "so-called" is more apparent to corporate officials than has been the case heretofore. In addition, I suspect that there is a growing conviction that registration like confession is good for the corporate soul; develops a more harmonious relationship with security holders, and is an effective bar to the striker.

I might go and talk about the current evils of beating the gun about dealers participation in novel schemes to bring back the old days of market distribution, of the Commission's plans for distinguishing between Section 9(a)(2) of the Exchange Act outlawing certain manipulative practices and 9(a)(6) which seems to permit pegging, fixing and stabilizing subject to regulation by the Commission and a host of other things. But the clock and your growing restlessness warns me that I must respect your hospitality.

I shall conclude with one thought,- a plea for intelligent selfishness. The Government you must live by has seen fit to put important sanctions to a limited regulation of your business. The administrative agency to whose care the enforcement is committed is anxious

that the law be in action a realization of the Congressional intent, namely, the protection of investors, not from their own folly, but from the unfairness which characterized our yesterdays. Not one among you of honor and intelligence can belittle the desirability of this legislation. With you as a group and as individuals, rests in large measure the problem of achieving for these laws the kind of practical success which will make observance the norm of decent conduct and non-observance a sufficient reason for outlawry. To the extent that you gentlemen accomplish this great change you will have eradicated the most insidious evil of the securities business to the advantage of yourselves and to the advantage of the public as a whole.