

November 9, 1934

To: The Executive Director
The National Emergency Council

From: The Chairman of the Securities
And Exchange Commission

Agreeable to your request of November 7 requesting a report indicating the development of policies and action taken in respect to the general work of this Commission the following report is submitted.

The Securities and Exchange Commission was created by Public Act No. 291, seventy-third Congress, approved June 6, 1934, known as the "Securities Exchange Act of 1934", for the purpose of providing for the regulation of securities exchanges and of over-the-counter markets operating in interstate and foreign commerce and through the mails, to prevent inequitable and unfair practices on such exchanges and markets.

The Commission is authorized by the act to take over the powers, duties, and functions of the Federal Trade Commission under the Securities Act of 1933, and to continue proceedings instituted by the Federal Trade Commission which it did not bring to conclusion.

Organization of the Commission was carried out July 2, 1934, the following members having been appointed: Joseph P. Kennedy, chairman; George C. Mathews, James K. Landis, Robert R. Healy, and Ferdinand Pecora.

The Commission as above organized established three chief divisions – Legal Division, Examination Division, and Trading and Exchange Division.

The Legal Division, in charge of the General Counsel, prepares in consultation with the Examination Division and the Trading and Exchange Division, the legal forms required in all registration of exchanges and securities thereon, the rules regulating the conduct of said exchanges and of the trading of securities on and off the exchange, rules interpreting the Act as it applies to countless inquiries constantly being received by the Commission from investors and others, and takes such actions as are necessary in injunctive or criminal proceedings (in cooperation with the Department of Justice) in carrying out the remedies and penalties provided by the Act.

The Examination Division, in charge of the Director, has, in conjunction with the Commission, provided for the registration of the various exchanges throughout the country and the securities listed thereon, and has received and filed applications for temporary registration permitted under the rules of the Commission of such exchanges and securities together with securities not traded

in on any of the exchanges but in the over-the-counter markets throughout the country.

The Trading and Exchange Division, in charge of the Director, in conjunction with the Commission and the Legal Division, has prepared rules and regulations providing for the registration or exemption of exchanges and of securities, and is preparing rules interpreting various sections of the Securities and Exchange Act for the governing of all transactions in securities on and off the exchanges by members, and others, while supervising all such transactions as they are now conducted pending the application of such rules as will ultimately govern all transactions in securities wherever they occur in interstate commerce, and all activities connected with offerings and distribution of securities by security dealers outside the various exchanges.

Thus far some 23 exchanges located throughout the country have been granted registration, together with all the securities that enjoy trading privileges at the time of registration. The Commission is conducting hearings, as provided in the Act, on the application of such exchanges as have sought exemption from registration.

The transition from the administration of the Securities Act of 1933 from the Federal Trade Commission to the Securities and Exchange Commission has been accompanied by a minimum disturbance to general business and an attempt to preserve the maximum of protection to investors as original provided in the 1933 Act.

In this connection the Legal Division in consultation with the Commission and the Examination Division is studying ways and means for removing such obstacles as may exist in the provisions of the Securities Act to recovery of general business, as it may be affected by the public financing of corporation requirements. In the transition from the control of the activities and operations of stock exchanges and their members, the Securities Exchange Division has likewise enforced only such provisions of the Act itself, as specifically provided for these activities, but has been engaged in careful consideration of all the possibilities affecting security markets, the investing public, and the members of the exchanges so that there will be no unnecessary dislocation of the security business, and on the other hand, no neglect of the "congressional mandate" to regulate such activities in the public interest.

The daily correspondence of the Commission shows a sustained and increasing public interest and concern over the matters committed by Congress to the Commission's regulation and the Commission's general policy will continue to be set up a machinery for adequate supervision and regulation of every phase of the security business to give effect to the intention of Congress shaping its policy to meet the dominant public demand as evidenced by this daily contact which the

Commission has with public opinion through its representatives and correspondents.