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No. 3

"New U. S. Securities Law"



Speech

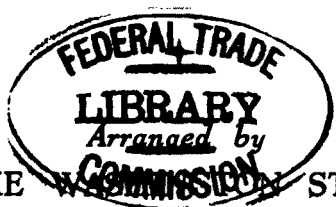
of

Hon. Garland S. Ferguson, Jr.

Federal Trade Commissioner



Hon. Garland S. Ferguson, Jr.



THE ~~WASHINGTON~~ STAR

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Compliments of

Some part of the general public may be under the impression that the "securities act of 1933" is a sudden and hasty creature of Congress passed only

to meet an emergency and intended as temporary legislation. If so, this

structures under the stress of the depression of the last few years that brought home to the people the necessity for such legislation, that necessity had existed for a long time.

Since the days of John Law and the "Mississippi Bubble," since the days of the "South Sea island speculation," the people of France, England, the United States and other countries have had their savings swept away by invest-

build more soundly in the future: that

standards of the past gives way reluctantly before the more candid and more forthright standards of the present.

To accomplish this purpose the act provides that an issuer of securities shall, before offering them for sale to the public, make disclosure of all the material and significant facts concerning it. Twenty days before the issue is to be offered for sale, the issuer must

sion a registration statement contain-

the issue, such as are necessary to even an elementary judgment upon the value of the security, and a copy of the prospectus by which the issuer proposes to lay those facts before the public. During those 20 days the commission examines the documents for omissions, inaccuracies or untruths. Such of these as it finds the issuer must correct. Until correction is made the commission may delay, by a stop order, the date when the security may be offered for sale.

Should the issuer proceed to sell the security without having filed the required statement, the Federal Trade Commission may apply to the courts for an injunction restraining such selling, and the Attorney General may seek

upon is directors, principal officers and underwriters, and upon such experts as are quoted, with their consent, in the statements made by the issuer. They are held responsible, however, only for the use of reasonable diligence, such as is required of any fiduciary who un-

sion had received for filing 191 registration statements involving securities

amounting to \$211,900,000. The task of examining these statements as they come in will provide us with what I might call a running comment on the response of corporate and other issuers to the public demands which are made upon them by the requirements of this act. Will there be frank acceptance of the principle that a business which solicits investment by the public is bound to render fair account of itself and of what it proposes to do with the money? Or will there be an effort to defeat those requirements and

brief experience with these statements has shown on the whole a very definite intention on the part of issuing

corporations to meet the requirements of registration, not merely in a technical sense, but fully and generally in compliance with its intent and purposes.

Of particular interest to us in this connection is the co-operation of those professional groups that are, and necessarily will be, called upon to render services in the preparation of registration statements. The public accounting profession, for example, is called upon by the terms of the act to audit the financial statements which must be furnished by the issuer. The accountant who does this work is required to be independent. He renders his services on behalf of the issuer, but in doing so he has a very definite obligation to the investing public.

ware of the other.

The securities act is not predicated, as I view it, upon the theory that the interests of investors are in conflict with the interests of the issuers. On the contrary, it embodies the most

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