

April 6, 1954

Mr. Philip E. Kendrick  
Regional Administrator  
Securities and Exchange Commission  
79 Milk Street  
Boston 9, Massachusetts

Dear Mr. Kendrick:

Enclosed herewith is a draft of a proposed procedure for administering Regulation "A". The procedure may be put in force in all regional offices at the same time, or, depending on circumstances, it may be made effective on an office-by-office basis.

We would appreciate receiving on or before April 16 your comments and suggestions in detail with respect to the proposed procedure and also an expression of your opinion as to your office's readiness to assume this responsibility at this time.

Yours truly,

Ralph H. Demmler  
Chairman

April 5, 1954

PROPOSED REVISED PROCEDURE FOR ADMINISTRATION OF REGULATION A

The Commission has determined to revise its procedures with respect to the administration of Regulation A and has adopted a program which will assign to the regional offices the responsibility for the processing and disposition of material filed pursuant to the regulation.

It is the purpose of this memorandum to define the respective duties and responsibilities of the Regional Administrators and the central office and to prescribe the procedures to be followed by each for the purpose of achieving an effective and uniform administration of the regulation by the regional offices in accordance with Commission policy.

(A) Regional Administrators

(1) Each Regional Administrator will establish such procedures as may be necessary to carry out the policies and procedures of the Commission as outlined in this memorandum and any supplements hereafter issued.

(2) Each Regional Administrator will assign such personnel as may be necessary to conduct the work under Regulation A and will designate one person to be responsible therefor. The name of such person, and any change in such designation, will be reported promptly to the Director of the Division of Corporation Finance.

(3) The Regional Administrator will be responsible for securing compliance with the provisions of the regulation and the policies of the Commission thereunder. Accordingly, subject to the provisions of paragraph (B)(2) below, all notifications, offering circulars and sales literature and other material filed under Regulation A with a regional office will be processed by that office. In no case will the Regional Administrator clear a Regulation A filing prior to the receipt from the Division of Corporation Finance of its comments as to eligibility and market aspects of the filing referred to in paragraph (B)(3) below.

(4) All requests for "acceleration" under Rule 218(a) and Rule 219(a) will be acted upon by the Regional Administrator (or by a deputy specifically authorized by him to act in such matters in his absence) who will evidence his action by a signed memorandum\*, unless he wishes to refer any such request, with his recommendation, to the Director of the Division of Corporation Finance for decision by the Director.

\* This memorandum should be a short record of action not in excess of one page, in most instances, and in the interest of uniformity should follow a form to be provided.

(5) The Regional Administrator will be responsible for making recommendations and the preparation of all necessary notices and pleadings in respect of proceedings under Rule 223, such recommendations and documents to be submitted to the Commission through the Director of the Division of Corporation Finance with an adequate statement by the regional office in support thereof.

(6) Any proceeding authorized by the Commission under Rule 223 will be conducted by the regional office responsible for the case unless the Commission directs some other procedure.

(7) Requests for modification of the time period specified in Rule 219(c)(6) and Rule 219(e) will be acted upon by the Regional Administrator unless he wishes to refer any such request to the Director of the Division of Corporation Finance for decision by the Director, accompanied by a recommendation and an adequate statement in support thereof.

(8) Immediately upon its receipt the regional office will transmit one legible copy of the entire initial filing to the Division of Corporation Finance by air mail (regular mail in the case of New York).

(9) Immediately after clearance of an original filing by the regional office, a copy of the action memorandum referred to in paragraph (4) above, and one copy of the offering circular or other sales literature in the final form in which it is to be used will be mailed to the Division of Corporation Finance. Copies of supplemental sales literature and amended offering circulars filed thereafter likewise will be forwarded to the Division of Corporation Finance promptly after clearance by the regional office.

(10) The regional office may request the assistance of the Division of Corporation Finance in any case with respect to any aspect of a filing or the entire filing. The regional office is encouraged to request such assistance in every instance where (a) it is in doubt as to Commission policy, or (b) where because of the absence of personnel or because of the technical or complex nature of the problem the regional office is not in a position to discharge its responsibilities in conformity with Commission policy without assistance.

(11) The Regional Administrator should feel free at any time to request assistance with respect to the interpretation or application of the provisions of the regulation and to make suggestions for amendment or amplification if his experience with the cases suggests the desirability of such action.

(12) The Regional Administrator will be responsible for the decision to request or not request assistance pursuant to paragraphs (10) and (11) above, having in mind, however, that it is the Commission's purpose that each regional office should handle its own cases unless it deems assistance or guidance to be necessary.

(13) In order to achieve a uniform and coordinated administration of the regulation, the Regional Administrators are directed to regard the manual or staff guides and any supplements thereto referred to in (B)(5) issued by the central office as expressions of Commission policy.

(14) The Regional Administrators are directed to comply promptly with any request by the Division of Corporation Finance for the transmittal of the file pertaining to any case in connection with its post-clearance review referred to in (B)(6).

(15) All communications from the regional offices to the central office with respect to the regulation should be addressed to the Division of Corporation Finance.

(B) Division of Corporation Finance.

(1) The Division of Corporation Finance will not examine material filed pursuant to the regulation for compliance with the requirements of the regulation except as specified in (2) below. The Division will, however, as promptly as possible respond to any request for assistance or guidance by a Regional Administrator.

(2) Upon receipt of the copy of a filing pursuant to (A)(8) above, the Division will -

(a) review the home office files to determine whether those files disclose any facts not available to the regional office which might bear on the eligibility of the offeror for an exemption under the regulation;

(b) advise the Division of Trading and Exchanges of the pertinent facts necessary for an appropriate market check by that Division;

(c) compile the data necessary for the publication of the list which is distributed weekly to the Regional Administrators and the Securities Administrators of the states.

(3) The Division will transmit to the Regional Administrator no later than 7 calendar days from the date of the initial filing in the regional office the Division's comments as to eligibility and the market aspects of the filing as set forth in paragraph (2) above.

(4) If the review as to eligibility or the market check should reveal cases or activities in other regions of which the Regional Administrator should be advised, the Division will promptly communicate such information to the Regional Administrator.

(5) The Division will prepare a manual or staff guide which will be supplemented from time to time to provide assistance and guidance to the regional offices as to the policies to be followed and to facilitate the achievement of a uniform and coordinated administration of the regulation.

(6) The Division will conduct a continuous post-clearance review, on a sample basis, of the work of the regional offices under the regulation. The purpose of this review will be (a) to observe the adequacy and effectiveness of the regulation in the light of the Commission's responsibilities under the statute; (b) to observe the adequacy and effectiveness of the work of the regional offices in securing compliance with Commission policy as expressed in the regulation, decisions in the cases and the staff guides issued from time to time; and (c) to provide a basis for the preparation of instructions for the assistance, guidance and coordination of the regional offices.

(7) The Division will report to the Commission periodically with reference to the volume of work under the regulation in each region; the effectiveness of the administration of the regulation in each region as revealed by the post-clearance review; and the ability of the regional offices to maintain the standards and policies of the Commission.

(8) The Division will make personnel and facilities available to train members of the staffs of the regional offices in the procedures and principles to be followed in securing compliance with the disclosure and other requirements of the regulation.