

I have been asked to talk to you about the “mission” of this Agency in direct relation to current events, and the relation of the work of the various divisions and offices. But Shakespeare said “What is Past is Prologue”, and so I would like first to give you a little background.

Before some of you were born and others were in the bloom of youth, the reason for the Securities and Exchange Commission happened. It was the stock market crash in 1929 and the following great economic depression. Millions of people, what we call “big” people and “little” people lost all the money they had. People committed suicide, great scandals came out in public, and a great hue and clamor arose. As a result Congress held investigations and hearings and in 1933 enacted the Securities Act, which, by the way, was administered at that time by the Federal Trade Commission.

The basic objectives of the Securities Act are, as you may hear the men around here say, “full disclosure” of material financial and other information concerning securities offered for public sale; and to prohibit misrepresentation, deceit, and fraud in the sale of securities generally.

The reason everybody decided the investor had to have such protections is because without them he(or she) is buying a “pig in a poke.” When you buy a dress, you can see what you are getting; you can decide whether the material is good or bad; whether the style is up-to-date or last year’s model and whether you think it is worth the price that is asked for it. When you buy a share of stock from a firm in Squeedunk, you may not know what it manufactures, whether it is a going concern, or has been operating in the red and various and sundry other information that would let you make a decision as to whether or not you think you should buy it. You might, of course, go out to Squeedunk and look the factory over; but you might not be able to do that. Or if you did, you might not be in a position to get to see the books and records and know whether or not you would be tossing your money down the drain. Because of the requirements of the Securities Act you, after reading the prospectus of a registration statement, are supposed (and I say supposed because some of that stuff is extremely complicated and too much for my brain) to be in a position to say: “This looks like a sound investment, I’ll buy it”; or “I wouldn’t touch this with a ten foot pole”; or “It’s true that it is not in such a hot position now but with new capital this seems like a good thing to me, I’ll take a chance.” In any event, you see, you have the facts and you are now in the same position as you are in deciding about the dress. You are fully informed. I should point out that the Act does not insure investors against loss in their purchase, nor does the Commission have the power to approve or disapprove the sale of securities; it only determines whether the registration statement meets the requirements of the Act.

Now that the experiment had been begun it was only natural that some bugs should develop or that it would appear that everything was not taken care of by the Securities Act of 1933. So in 1934 Congress enacted the Securities Exchange Act, and also established the Securities and Exchange Commission as a new agency to administer both the 1933 and 1934 Acts. To use the jargon of the office we say “By this Act Congress extended the ‘disclosure’ doctrine of investor protection in securities listed on national (registered) securities exchanges.” These exchanges, such as the New York Stock Exchange, The American Stock Exchange, etc., list and trade the stocks of the various companies. The Act also applies to brokers and dealers who conduct an over-the-counter (stocks not listed on exchanges) securities business in interstate commerce. It regulates such things as periodic reports by listed companies, registration of brokers and dealers, it provides for investigation and enforcement, and what lawyers call “statutory sanctions”, or, in my layman’s language, the course of action which the Commission can take against a violator. This Act also provides for administrative rulemaking and interpretation.

Now we move along and in 1935 Congress again felt that where the investor’s protection was concerned something was still missing. This element was protection for the investor against abuses by holding companies of public utilities, that is gas and electric, such as (1) inadequate disclosure to investors of information necessary to appraise the financial position and earning power of the companies whose securities they purchase; (2) issuance of securities against fictitious and unsound values; (3) overloading of the operating companies with debt and fixed charges, thus tending to prevent voluntary rate reductions and various and sundry other things that worked to the disadvantage of the consumer and the investor. The Act requires the filing of registrations and periodic reports containing detailed data with respect to the organization, financial structure and operations of system companies. A great many of the problems for which this statute was enacted have been resolved.

The Trust Indenture Act of 1939 applies in general to bonds, debentures, notes and similar debt securities offered for public sale which are issued pursuant to trust indentures under which more than \$1 million of securities may be outstanding at any one time. Even though such securities may be registered under the Securities Act (and really the 1939 Act is a part of the 1933 Act, known as Title III) they may not be offered for sale to the public unless the trust indenture conforms to the specified standards in the Act designed to safeguard the rights and interests of the purchaser. There are certain exemptions provided in this as well as in all the other acts administered by the Commission if the registrant meets the requirements of the provisions specified for exemption. These are really fancy, high-sounding words, all of which you become accustomed to because of the dictation given to you. And if you happen to be an investor you can be glad that there are provisions for taking care of you.

In 1940 the last of the statutes administered by the Commission were enacted, The Investment Company Act and the Investment Advisers Act. The Investment Company Act provides for the registration and regulation of companies engaged primarily in the business of investing, reinvesting, holding and trading of securities. In other words, you

go to an investment company and you give them so much of your money to buy stock in various companies, to reinvest it in other companies, to trade this stock for that, etc. The general objectives of this Act are to secure honest and unbiased management of the investor's funds; to give security holders a voice in the affairs of the investment company, particularly in the selection of management; to assure adequate and feasible capital structure; to obtain fairness in all transactions involving affiliated persons and the investment company; and to provide shareholders with informative periodic financial reports. It is important, however, to remember that the Commission does not supervise the activities of these companies and that regulation by the Commission does not imply safety of investment in such companies. You still "pays your money and takes your choice." However, because of the requirements of the Act you have certain legal recourse if there are violations of the requirements. I think I should note here that you and I are not permitted to buy securities of registered investment companies.

As for the Investment Advisers Act it was made unlawful for registered investment advisers to engage in practices which constitute fraud or deceit. The Act requires that they disclose the nature of their interest in transactions executed for their clients, prohibits profit-sharing arrangements, and in effect prevents the assignment of investment advisory contracts without the client's consent. In other words if you go to an investment adviser and say "what shall I buy?" he can't tell you to invest in something and split the profit of such investment with you, etc.

In addition to these acts which Congress enacted expressly to be administered by the SEC, the Commission, in certain circumstances, has a duty to serve as adviser to the U.S. District Courts in connection with proceedings for reorganization of debtor corporations, in which there is a substantial public interest. This is called Chapter X of the Bankruptcy Act.

Now that you have the background, and maybe you are snowed under, let's take a look at a few of the present problems at the SEC.

It won't take you long, if you are in the Division of Corporation Finance, to hear about the big backlog and about the large number of "issues of new and unseasoned companies." What does this mean and what does it matter? Well there are old companies with what is called "blue chip" stock. You may have heard about them-- American Telephone and Telegraph is a good example. If such a company files a registration statement they know all the rules and you can be almost certain it will contain all the required information. But along comes the Supertronics Corporation, hardly in business a few years, and it needs lots of capital to get off the ground so it goes "public", as they say around here. This means it offers for sale to the public shares of its stock. However, because it is a new company, it may not know what is required of it and its registration statement may fail in many respects to meet the requirements. We send them a deficiency letter and tell them what needs to be done. All this, as you well know, takes time, lots of time, to review and process. Financial analysts look it over, accountants go over it, lawyers examine it, you type and type and type. That's just one phase. Supertronics might be a very speculative stock and what we call boiler-room operators

may get hold of it and by telephone solicitation entice you into buying it without even knowing whether the statements these operators are making are false and misleading, whether they have purposefully omitted to give you information, which if you had would prevent you from buying the stock, etc. You in investigation in T & E (as we call the Division of Trading and Exchanges) or in the Securities Market Study Division may have already heard about that. These all add to the workload but they also caused Congress to request the SEC to make a full study of the securities markets and report back to it. This is what the Securities Study is doing now and their report, findings and recommendations may result in new legislation or in amendments to the Acts we already administer.

If you read the newspapers, listen to the radio and look at TV, you will often see the names of people and the facts, or at least the newspaper, radio or TV version of the facts, you have been typing in what may have seemed dull memoranda, reports. etc. They will come alive, vivid and exciting and you will realize what an important role this agency, of which you are a working part, plays in current events. The next reports and memoranda may not seem so dull after all.

These are some of the wheels turning within wheels. By investing in new or in old businesses we uphold the American capitalistic system upon which the whole economy of our country is based. By regulating the industry that takes care of investments we are protecting the investor from the unscrupulous practices of a small number of people whose greed would operate to the detriment of the many. We perform a public service to the people, to our country, its economy, and, because of this, to all the free people of the world. Don't you feel important belonging and working in such an agency?

Now for a brief sketch of some of the "whos", and "whats" and "wheres" that make up the agency. This organization chart will help us and here too we shall see that no one is an entity unto himself or herself but is a wheel within a wheel turning to make this operate as a whole.

We are, by the way, known as an independent regulatory agency. (There are others, for example, Federal Trade Commission, Federal Communications Commission, Interstate Commerce Commission.) This puts us in the category of being neither "fish nor fowl." we are not really in the executive, legislative or congressional arms of the government. Other departments of the government such as Commerce, State, Post Office, handle government business. We supervise a sector of the private economy and to this end act in a regulatory capacity in that we make rules and regulations with which they must comply to do their business; and we act in a judicial capacity, hear cases and apply penalties for violations of our rules, etc. This is why you will also hear the phrase "quasi judicial". Of course, there are also appeals to the Courts.

The Commission consists of five members. A Chairman and four members. The Commission is usually made up of three members of the political party in power and two members of the minority party. They are appointed by the President and confirmed by the Senate. The term is for a period of five years, except if it is to fill out the remainder

of an unexpired term of a former member. The present members are: Chairman Cary, Commissioners Woodside, Frear, Cohen (my boss) and Whitney. The Commission acts as a sort of judge and jury in all matters before it. It also acts for the agency in legislative matters, budget matters, personnel matters, etc.

Thru the Secretary's Office (and by that I do not mean we girls but the Secretary of the Commission) pass all matters for Commission attention. For example, clearance of registration statements, memoranda of recommendations for new rules, forms, regulations, releases, investigations, orders, findings and opinions, etc. Matters requiring the official of the Commission must be taken to the Secretary's office. To put this a little more officially, the Secretary of the Commission has the ultimate responsibility to the Commission for the preparation and maintenance of official records of Commission action, the custody of the official seal and certification and authentication of documents reflecting official Commission action, and for the furnishing of information concerning Commission actions and functions to the press and the public. Orval DuBois is the Secretary and Nellye Thorsen Assistant Secretary.

Office of Opinion Writing assists the Commission in preparation of findings and opinions and orders. Leonard Helfenstein is the Director and Estelle Martin is his secretary.

The Office of the General Counsel - The duties of this office include representing the Commission in judicial proceedings (you in that office know about briefs, etc. by now), handling of legal matters which cut across the lines of work of several operating divisions (again our interlocking wheels) and providing advice and assistance to the Commission, its operating Divisions and Regional Offices, with respect to statutory interpretations, rule making, public and private investigations, Congressional hearings and investigations, litigation, to mention a few of the things done in this office. Mr. Peter A. Dammann is our General Counsel and Annabel Miley is his secretary.

The Office of the Chief Accountant is almost self explanatory. Much of the information filed with the Commission is in the form of financial statements; therefore, the office of the Chief Accountant is an extremely important one. He is the chief consulting officer on accounting matters and advises the Commission with respect to accounting problems which arise in the administration of the various Acts, particularly in matters involving new accounting policy determinations. He has responsibility with respect to drafting of rules and regulations, establishing the requirements as to form and content of financial statements to be filed with the Commission. Andrew Barr is our Chief Accountant and Margaret M. Glorius his Administrative Assistant and girl Friday.

Now we have the three operating divisions of the Commission:

The Division of Trading and Exchanges which has charge of certain provisions of the Securities Exchange Act of 1934 including investigation and enforcement and regulatory provisions and of the National Securities Exchanges. They also administer the

provisions of the Investment Advisers Act of 1940. Mr. Philip A. Loomis, Jr. is the Director and Jean Eckert his Administrative Assistant and secretary.

The Division of Corporate Regulation handles the administration of the Public Utility Holding Company Act of 1935, Chapter X of the Bankruptcy Act, certain provisions of the Investment Company Act of 1940. Allan F. Conwill is Director and Sylvia Kruger is his secretary.

The Division of Corporation Finance (the largest operating division of the Commission) has jurisdiction over the registration provisions of the 1933 Act; that portion of the 1934 Act which pertains to the examination of applications for registration of securities on exchanges, periodic reports filed by listed companies, proxy soliciting statements and insider reports (you will recall that the Division of T & E also has jurisdiction over part of the functions under the 1934 Act and enforcement under the 1933 Act. Once again we cross and recross to make the agency parts become a whole.) ; the 1939 Act and the disclosure provisions of the 1940 Investment Company Act, (the regulatory provisions of which are, as noted before, administered by Corp. Reg., also a term we use here). Edmund H. Worthy is Acting Director and Helen Self his secretary.

Now we come to the three remaining offices of the Commission without which, although they do not administer the laws, we have talked about, we could not function.

The Office of Personnel - your first contact in this agency and which certainly needs no explanation. (Just take all your troubles to them. I'm just kidding.) Harry Pollack is the Director

Office of the Comptroller – that's where our money comes from. They take care of travel, payroll, budget, bonds, withholding deductions, etc.-where there is money involved there is the Comptroller's office. Frank J. Donaty and all the girls in the office are his girls Friday.

And last but certainly not least we have the Records and Services Office, and I do mean service, supplies, publication, duplicating, furniture moving, library, dockets, files, you name it they have got it. The hub, the heart of the wheel. Mr. Dessecker, or Ernie Dessecker as he is usually called, is the Director and Jim Rankin his assistant.

There is one more thing you should at least hear about and that is our Regional and Branch Offices which are responsible for the various acts administered by the Commission subject to the supervision and direction of the various Directors of Divisions and Offices within whose jurisdiction these matters fall.

Well that's a little something of the SEC, what it does, who does it, why, etc., not, I am sure, as my boss would tell it, but as seen from the eyes of a secretary who, in view of the fact that she has to earn her living (as most of us here do) feels that it can be made as interesting, exciting, and having a feeling of belonging as possible For it to be

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interesting you have to have at least a smattering of knowledge, and knowing will also make you feel you belong. I hope you will enjoy working here.

Mollie B. Zion

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