

ROOSEVELT SIGNS TRUST MEASURE

Announces Approval of Bill
Curbing Investment Companies
and Investment Advisers

REVIEWS SERIES OF LAWS

SEC Issues a Statement of Policy on Changes in the Securities Act

Special to THE NEW YORK TIMES.
WASHINGTON, Aug. 23—President Roosevelt signed today the new Investment Company Act and Investment Advisers Act, and announced his approval of this legislation in a statement emphasizing the importance of New Deal legislation dealing with investments.

Reviewing the series of laws that began in 1933 with enactment of legislation to regulate security exchanges and establishing the Securities and Exchange Commission, Mr. Roosevelt said:

"In every direction a conscientious and successful effort has been made to require the investment banker, the broker and the dealer, the security salesman, the issuer and the great financial institutions themselves to recognize the high responsibilities they owe to the public."

At the same time he commended private business for a new attitude that he said was manifested in this new legislation by the fact that the investment industry asked for, and received, a grant of wider discretion to the SEC than was contemplated when the legislation was originated.

"I have great hopes," the President added, "that the act which I have signed today will enable the investment trust industry to fulfill its basic purpose as a vehicle to diversify the small investors' risk and to provide a valuable source of equity capital for deserving small and new business enterprises which the investment bankers have been unable to finance."

Shortly after Mr. Roosevelt made public his statement the SEC published a technical résumé of new regulations necessitated to make its operations conform with the laws under which investment trusts hereafter will operate.

The President's Statement

The President's statement follows: "I have just signed the Investment Company Act of 1940 and the Investment Advisers Act of 1940, legislation which both houses of Congress passed unanimously. These acts give the Securities and Exchange Commission power to regulate investment trusts and investment counselors. They mark another milestone in this Administration's vigorous program—began in 1933 and supplemented in 1934, 1935, 1938 and again in 1939—to protect the investor. As the pressure of international affairs increases, we are ready for the emergency because of our vigorous fight to put our domestic affairs on a true democratic basis. We are cleaning house, putting our financial machinery in good order. This program is essential, not only because it results in necessary reforms, but for the much more important reason that it will enable us to absorb the shock of any crisis.

"There is no necessity of reviewing in detail the many unhealthy practices which this legislation is designed to eliminate. It is enough to point out that the investment trusts have themselves actively urged that an agency of the Federal Government assume immediate supervision of their activities. This attitude on the part of the investment trust industry and investment advisers is most commendable.

Aid to Honest Business Men

"It is a source of satisfaction that business men have at last come to recognize that it is this Administration's purpose to aid the honest business man and to assist him in bringing higher standards to his particular corner of the business community. In the case of this legislation it deserves notice that the investment trust industry insisted that the Congress grant to the Securities and Exchange Commission broader discretionary powers than those contemplated in the original regulatory proposals. Not only is this a tribute to the personnel of the SEC and an endorsement of its wisdom and essential fairness in handling financial problems, but it serves well to indicate that many business men now realize that efficient regulation in technical fields such as this requires an administering agency which has been given flexible powers to meet whatever problems may arise.

"This in itself is enough to demonstrate that we have come a long way since the bleak days of 1929, when the market crash swept away the veil which up to then had hidden the 'behind-the-scenes' activity of our high financiers and showed all too clearly the sham and deceit which characterized so many of their actions.

Protection for Investor

"The Securities and Exchange Commission has been established to protect the investor. Looking back at the various acts which have been passed and placed under the jurisdiction of that commission, the breadth of this Administration's program is apparent. In 1933 the Securities Act was passed, preventing misrepresentation and fraud and requiring full disclosure by those who wished to sell securities. In 1934 the Securities Exchange Act was passed, regulating stock exchanges, preventing market manipulations, and placing curbs on excessive speculation. In 1935 the Public Utility Holding Company Act was passed. In 1938 the Bankruptcy Act was amended to enable the SEC to participate in corporate reorganizations in order to act as technical adviser to the court and advocate for the best interests of the small and inarticulate security holders. Finally, only last year, additional legislation was passed requiring corporate trustees under indentures to assume true fiduciary obligations.

"No better example of the true meaning of this program can be found than in the legislation regu-

Continued on Page Nineteen

ROOSEVELT SIGNS TRUST MEASURE

Continued From Page Seventeen

lating public utility holding companies. During the Nineteen Twenties these corporate monstrosities had been permitted to pyramid stock holdings on top of stock holdings until a few men at the top, with only a microscopic investment of their own, could control the smallest action of those who ran the far-flung operating companies at the base of the pyramid. Watered stock and high rates to consumers signified holding company management. Those at the top juggled corporations for selfish purposes. This situation was contrary to the American way of life and, had the holding companies not been checked, they would have threatened the very existence of our democratic processes.

Refers to Utility Act

"The Public Utility Holding Company Act of 1935 is designed to break down these top-heavy structures to the end that local operating managements will come back into their own and be given an opportunity to serve the immediate community without being subjected to the direction of an absentee and dictatorial holding company management.

"In every direction a conscientious and successful effort has been made to require the investment banker, the broker and the dealer, the security salesman, the issuer and the great financial institutions themselves to recognize the high responsibilities they owe to the public.

"We will continue to push our

program for the protection of the investor on all fronts because we are convinced of its essential soundness. I have great hopes that the act which I have signed today will enable the investment trust industry to fulfill its basic purpose as a vehicle to diversify the small investor's risk and to provide a valuable source of equity capital for deserving small and new business enterprises which the investment bankers have been unable to finance."

SEC ISSUES STATEMENT

Notes Change of Policy Regarding Registration Statements

Special to THE NEW YORK TIMES.
WASHINGTON, Aug. 23—The Securities and Exchange Commission made public today a statement of policy with reference to the changes made in the Securities Act of 1933.

"The Congress having amended Section 8 (a) of the Securities Act of 1933 to confer upon the commission discretion to accelerate the effective date of registration statements filed under the Securities Act of 1933, the commission declares that, pursuant to such discretionary authority, it will be the general policy of the commission to accelerate the effective date of registration statements filed under the Securities Act of 1933 in accordance with the following procedure:

"In determining the date on which a registration statement shall become effective, the commission will consider, having due regard to the public interest and the protection

of investors: (a) The adequacy of the disclosure and compliance with the requirements of the Act, and (b) The advisability of permitting the acceleration of material amendments filed after the initial filing date; and (c) The character and date of information previously or concurrently filed under any act administered by the Securities and Exchange Commission or by any other Federal agency or which is generally available to the public.

"It is expected that examination by the commission of registration statements and amendments (if any) which have been prepared with due regard to the matters set forth in (a) above, will ordinarily be completed within a few days after the filing date, so that as soon as an appropriate amendment correcting the deficiencies, if any, and an amendment setting forth the price, if the price and terms of offering were not set forth in the statement as initially filed (or matters relating to price such as redemption or sinking fund, conversion prices or such other matters relative to price terms of offering as the commission may by rules and regulations determine) are filed, the commission will, subject to the above statement of policy and the requirements of the act, consent to the filing of the amendment and declare the statement effective as soon as practicable.

"The requirements of the Trust Indenture Act of 1939 have materially increased the examination work of the Registration Division of the commission with respect to registration statements of securities to be issued under indentures which must be qualified under that act. It will further the effectuation of the above policy if drafts of such indentures are submitted in reasonably final form for consideration and discussion with the staff as far as possible in advance of the actual filing of the registration statement. "The registration division of the commission has, in the past, made its services available to proposed issuers of securities and their counsel and accountants in order to give them advice with respect to questions which might arise in connection with the preparation of registration statements. The commission will continue this service insofar as possible and will endeavor to assist proposed registrants, in the advance of filing, in the solution of specific technical questions which may arise.

"It will be the commission's policy to cooperate with registrants in order that the effectiveness of registration statements filed under the Securities Act may be expedited as much as possible consistent with the public interest and the protection of investors.

"For additional guidance, consultation with the commission at or before the time of filing may enable the commission, whenever possible, to indicate the approximate date on which registration may become effective."