# THE SECURITIES ACTS AMENDMENTS OF 1964

Address by

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My interest in securities regulation had its genesis in 1934 immediately upon my graduation from law school. At that time, I entered practice with a Chicago firm representing exclusively a public utility holding company system. My assignment during the fall of 1934 and the year 1935 was the registration of the securities of the 13 operating public utility companies which were subsidiaries of that holding company complex. This, of course, was in pursuance of the then brand new Securities Exchange Act of 1934. The advent of the Public Utility Holding Company Act of 1935 was greeted in our offices, naturally enough, with mixed, and sometimes violent, emotions. But that is another matter about which we are not concerned here. It can be seen from this that I began my legal career with a deep involvement in securities regulation. Almost exactly 30 years later, I stand before you just as deeply involved, albeit in a somewhat different context.

The five years immediately preceding my appointment last March to the Securities and Exchange Commission were spent as Administrator of the Oklahoma Securities Act. In that Act, as in the Federal securities laws, the keystone is disclosure. The scope of the statutes administered by the S.E.C. is, of course, infinitely broader than that of any state enactment, and the policies under which this administration takes place naturally are national rather than local. The basic goals sought to be achieved, however, are the same, and the transition for me has not been overwhelming. In large measure, the ease of the transition may be credited to the counsel of such outstanding colleagues as Manuel Cohen and Byron Woodside, whose names have come to be virtually synonymous with the S.E.C. The wealth of experience and knowledge possessed by these fine gentlemen, which they have so generously imparted to me, has provided an insight into the myriad problems before the Commission which could never have been gleaned from any other source. Chairman Cohen and Commissioner Woodside, by the way, are now in a geographic minority. For the first time in Commission history, a majority of the Commission comes from west of the Mississippi. Hamer Budge, a former Congressman and state judge, hails from Boise, Idaho. Frank Wheat came to us from a noted Los Angeles law firm, and has had broad experience in the field of law pertaining to securities regulation.

The Oklahoma Securities Act came into being as the direct result of the failure of a single publicly-owned company and the disclosure of the fraudulent activities which were basic to its operations. Similarly, but on a much grander scale, the Federal securities laws had for their primary impetus the great depression and disclosures of substantial fraudulent activity throughout the national securities markets. Fortunately, the Securities Acts Amendments of 1964 are not based upon such extensive personal and national tragedy.

The basis for the new Amendments is in the Special Study of Securities Markets, which was conducted pursuant to the 1961 mandate of Congress. After almost two years of exhaustive work in all phases of the securities markets, the scholarly and dedicated Special Study Group issued its report, which was submitted to Congress by the Commission in three segments during the spring and summer of 1963. This report provided by far the most comprehensive examination and analysis of prevalent conditions in the securities markets of this country since the Congressional inquiries of the 1930s. The report is itself ample justification of the time, effort and money spent on its accomplishment. Although the report did not unearth the pervasive fraudulent activity which was so apparent in the earlier inquiries, it does make clear that the phenomenal growth of the securities markets in the 30 intervening years had, as the Commission stated in its letter of transmittal to Congress, "imposed strains on the regulatory system and revealed structural weaknesses."

The Special Study Report made both specific and general recommendations for Commission rule-making action, Congressional amendatory action and action by the self-regulatory entities such as the National Association of Securities Dealers and the national securities exchanges. Many of these recommendations have been carried out in their entirety, while others have been modified in varying degrees and brought to fruition. Examples in the latter category are the floor trading and specialist rules now in effect on the New York and American Stock Exchanges. Many of the recommendations are under continuing study by the Commission and its staff, in recognition of the fact that there can be precious few questions of policy which are wholly black or white. We deal in numberless shades of gray, and all effects of our actions must be carefully weighed. One example is the new statutory requirement that the N.A.S.D. have rules governing form and content of quotations and insuring that they be fair and informative. Implementation of this provision is now being given intensive study both by the N.A.S.D. and the Commission.

A great many of the Special Study recommendations are found in the Amendments which President Johnson signed into law on August 20, 1964. At the signing ceremony, which I was privileged to attend, the President said: "The law signed today should further strengthen the securities markets and public confidence in them. Industry and government have worked together in the writing of these laws. Industry and government will work together in making these measures succeed." I might add that I not only heartily subscribe to this statement but can unhesitatingly say that its theme has been the basic tenet of my regulatory philosophy for the past five years.

Many of you undoubtedly have been through these Amendments with the proverbial "fine-tooth comb." You will appreciate, I am sure, that my treatment of them here must be of a less detailed nature. I shall, therefore, proceed upon the assumption that many of you are primarily interested in basics rather than details at this juncture. I believe that virtually every practicing attorney with corporate clients will, at some point, find it necessary to determine whether or not a client is subject to one or more of the securities laws.

The broad purpose of the 1964 Amendments is stated, in a masterpiece of over-simplification, in the title to the Act itself: "To extend disclosure requirements to the issuers of additional publicly traded securities, to provide for improved qualification and disciplinary procedures for registered brokers and dealers, and for other purposes." It will be seen from this that we have, on the one hand, the application of a proven regulatory tool to a virtually unregulated area of securities markets and, on the other hand, the application of new and improved regulatory tools to an area which, since 1934, has been subject to some degree of regulation. The two approaches complement each other admirably in achieving the ends primarily sought; namely, consistency in disclosures to investors and prospective investors, and quality in securities firms and their personnel.

On the theory that those persons and firms who have had little or no previous contact with Federal securities laws will be in greater need of advice and counsel, I shall concentrate upon the first of these objectives while treating of the latter in less detail.

Chapter IX of the Special Study Report points out that there is no logical basis for the distinction made by the Exchange Act between listed and unlisted securities. Issuers of securities listed

on national securities exchanges must register these securities with the S.E.C. and keep the registration statement current by periodic financial reports and by current reports upon the happening of significant events. They must employ proxy material which is truthful and which does not distort the issues to be voted upon. Further, shareholders must be given the opportunity to vote either aye or nay on any proper proposal, rather than simply allowing the solicitor to vote their shares as he sees fit.

Insiders, who are defined as officers, directors and holders of more than 10% of an equity security, are required to report their holdings of, and transactions in, all equity securities of the issuer. Here, as is true to a limited degree in the proxy requirements, the Exchange Act goes beyond the traditional disclosure requirements. Any profits made by insiders on purchases and sales within a six-month period inure to the issuer, and may be recovered in a civil action either by, or derivatively for, the issuer.

It is clear to everyone who has observed the progress and growth of the securities markets that the quality of disclosure in the over-the-counter markets has shown a marked improvement over the past 20 to 30 years. This is especially true of the issues which are widely held and, therefore, more actively traded. I believe that this improvement is a reflection of, and a tribute to, the effectiveness of the Exchange Act requirements. By providing a standard of disclosure which must be adhered to by all companies whose securities are listed on national securities exchanges, the Act served to develop in the public investor an awareness of the inadequacies of the disclosures in the other national markets. Issuers in the over-the-counter markets have become cognizant of the necessity and desirability of seeing to it that their investors, and prospective investors, are kept completely informed. Despite this noteworthy progress, however, the Special Study found that the disclosures voluntarily made by unlisted companies left a great deal to be desired. It found that, while there are many, many instances where full and complete information is disseminated to shareholders, nevertheless, the public investor in unlisted securities was being given, on the whole, substantially less information than the person who invested in listed securities. Not only did the volume of information delivered to shareholders vary considerably, but the candor with which it was presented was highly variable.

The Securities Acts Amendments of 1964 effectively remove the artificial distinction which has existed as to a large number of the companies whose securities are traded over-the-counter.

The 1964 Amendments extend, by the addition of a new Section 12(g), the registration, reporting, proxy and insider provisions of the Exchange Act to issuers with total assets of more than $1,000,000 and a class of equity securities held of record by 750 or more persons. After July 1, 1966, the shareholder requirement will be reduced to 500. Exemptions are provided for listed securities, investment company securities, securities of savings and loan associations and similar institutions (other than stock generally representing non-withdrawable capital), and certain cooperative associations.

In the case of insurance companies and banks, the Congress recognized the need for safeguards such as those provided by the reporting, proxy and insider provisions of the Exchange Act. It was felt, however, that the substantive requirements should be administered by the agencies now exercising regulatory functions over these two classes of companies. Insurance companies are traditionally subject to supervision by the Insurance Commissioners of their respective domiciliary states. This supervision is greatly aided by the National Association of Insurance Commissioners, which has prescribed numerous standardized forms and procedures universally employed by the state commissioners. It is provided, therefore, that an insurance company will be exempt from the requirements of Section 12(g) and, consequently, from the reporting, proxy and insider provisions, if it is subject to state regulation of its reporting and proxy solicitation activities in accordance with N.A.I.C. standards. A further proviso is that, after July 1966, regulations of the domiciliary state must be in effect and substantially similar to Section 16 of the Exchange Act, which comprises the insider reporting and recoupment provisions. The two-year delay is applicable to the insider provisions only and is allowed so that the various state legislatures may enact the requisite provisions for subsequent implementation by the state authorities concerned. At this time, less than 40% of the states have statutes or administrative procedures which will permit immediate implementation of the currently operative requirements for insurance companies. With most state legislatures meeting early in 1965, it is assumed that such legislation as is required will be put into effect before the filing requirement becomes operative.

As to banks, a new Section 12(i) was added which, rather than conditionally exempting banks from Section 12(g) registration, vests the powers, functions and duties of the S.E.C. under the registration, reporting, proxy and insider provisions in the applicable Federal banking authority.

The Commission felt that the controls needed to insure compliance with the Exchange Act requirements could best be provided by the S.E.C., due to its experience in the same fields with listed securities. Our primary concern, however, was that shareholders in these large industries be provided with information sufficient to allow them to reach informed investment judgments. It is apparent that the Congress shared this concern, as it refused to provide an unqualified exemption for either industry. Whether the administrative paths chosen by the Congress to achieve the goal will prove the most efficacious and the least burdensome remains, of course, to be seen.

Prior to the enactment of the 1964 Amendments, the only successful, albeit limited, effort to extend the reporting requirements of the Exchange Act into the over-the-counter markets was Section 15(d), which has been in effect since 1936. This provision brought companies filing registration statements pursuant to the Securities Act of 1933 under the reporting requirements of Section 13 of the Exchange Act. Section 13 requires periodic financial reports and reports of significant corporate events. The requirement was operative only when the securities offered, plus the outstanding securities of the same class, valued at the public offering price, amounted to $2,000,000 or more. The Amendments remove the $2,000,000 test, and the reporting requirements, therefore, will be applicable to all issuers with effective 1933 Act registration statements, regardless of the valuation of the securities offered. This provision is limited to classes of securities for which a registration statement has been filed, and imposes only the reporting requirements of Section 13. By contrast, the new Section 12(g) imposes the registration, reporting, proxy and insider requirements of the Exchange Act, and may be applicable whether or not a 1933 Act registration statement has ever been filed by the issuer. The statutory obligations imposed by both these sections may be suspended upon a showing that the class of securities registered has come to be held of record by less than 300 persons.

The first responsibility of a corporate counsel in connection with Section 12(g) will be to advise his client whether or not it is subject to the registration requirement. In the great majority of cases there will be substantially no question. Either the client has total assets in excess of $1,000,000 and 750 or more shareholders of record or it does not. It is anticipated, however, that there will be borderline cases. This is pointed up by the fact that our preliminary estimates indicate that approximately 900 issuers will be brought under Section 12(g) when the shareholder requirement is reduced to 500 in July 1966. In order to assist issuers and their

counsel in determining the applicability of these requirements, we have published for comment proposed Rules 12g5-1 and 12g5-2, which will define the terms "held of record" and "total assets," respectively. Since the effective date of Section 12(g) was July 1, 1964 and the Act was not signed into law until August 20, we have adopted Rule 12g-1, which grants an extension of time for issuers subject to registration. Under this rule, no registration statement need be filed until April 30, 1965. The rule does not exempt issuers whose fiscal years close after July 1, 1964, but merely allows them additional time in which to prepare. The rule also suspends applicability of the proxy rules until two months after the last date on which a registration statement is due, or December 31, 1965, whichever is earlier.

The registration statements do not become effective until 60 days after filing, or such shorter time as the Commission may direct. It should be noted here that the legislative history of this provision makes it clear that acceleration of the effective date should occur only at the request of the applicant. The reason for this unwritten limitation is seen in the fact that the reporting, proxy and insider provisions are applicable when the securities become registered.

In order to clarify the terms employed here, and at certain other points in the Exchange Act, we have published for comment proposed Rule 12b-6 which provides, in effect, that securities are "registered" when the application or registration statement filed pursuant to Section 12 becomes effective. This proposed interpretive rule would preclude any reading of the word "registered" as synonymous with the original filing of the application or statement.

In view of the language of the Amendments and the proposed rules promulgated thereunder, it is clear that the Exchange Act requirements outlined here will have no direct application to issuers subject to Section 12(g) until well into the year 1965.

This does not mean, however, that these issuers may simply sit back and wait for their time to come. In many cases, accounting procedures will require adjustment to conform to our Regulation S-X. This is a task to be undertaken in conjunction with the company accounting department, or its auditors, or both. Corporate counsel should, at a minimum, oversee to make certain that this job is being done, and done properly, in preparation for the compilation of financial statements as required by our registration forms.

While it is true that the proxy requirements will not be applicable in many, if not most, cases until the "proxy season" in the spring of 1966, nevertheless, preparations will need to be made for this occurrence as well. Our Schedule 14 outlines what is expected of proxy statements. Many over-the-counter companies have found it unnecessary to solicit proxies due to the fact that voting securities may be held in substantial measure by a relatively small control group. Others solicit proxies without providing any definitive description of the subject matter to be voted upon, and without giving the shareholder an opportunity to express a preference as to the manner in which his shares are voted. As I have noted, the proxy rules require, among other things, that disclosure of the subject matter be complete and clear, and that the shareholder be provided an opportunity to have his shares voted either way on each proper proposal. The 1964 Amendments added a new Section 14(c), which authorized the Commission to promulgate rules requiring an issuer to provide shareholders with information substantially equivalent to the information which would be required in a proxy solicitation, even if proxies are not solicited. This will allow us to fill many of the gaps outlined heretofore.

An amendment to Section 14(b) allows the Commission to promulgate rules governing the conduct of registered broker-dealers concerning the giving, or refraining from giving, proxies with respect to any security registered under Section 12, and carried for the account of a customer. Section 14(b) will now apply to all registered broker-dealers rather than merely to those who are members of a national securities exchange. We now have implementing rules relating to these provisions under study.

The insider provisions will open a new field under the statute for corporate counsel, and for the insiders themselves. Section 16(a) and the rules thereunder require that a report be filed for every officer and director and holder of more than 10% of an equity security of an issuer registered under Section 12. This report must reveal the amount of all equity securities of the issuer of which he is the beneficial owner. He must also report changes in such ownership within 10 days following the close of each month in which such changes occur. Our Form 3 is provided for the initial report, and Form 4 for the statements of change.

Section 16(b), of course, provides that any profits made by an insider, in a purchase and sale (or a sale and purchase) of an equity security of the issuer within six months, inure to the issuer,

and can be recovered by the issuer or on its behalf by any shareholder. It has recently been said by a knowledgeable Washington attorney that in view of the applicability of this provision to persons and firms who may be completely unaware of its consequences, the best advice he could give a client would be as follows: No insider should buy or sell a share, exercise an option or a conversion privilege, or so much as consider any such action, or any other action remotely related to securities of the issuer, without consulting counsel before the fact. With the short swing profits provision now of universal application, it would seem that any lawyer would be well advised to give such advice to his clients.

Counsel should also study the specific exemptions from the operation of Section 16(b) which have been granted by Commission rules to certain types of transactions. It may well be that individual situations thought to pose problems in this area have been heretofore resolved by the Commission pursuant to its exemptive authority.

Most certainly it shall not be my intention of arguing here the merits and demerits of the Section 16 philosophy, as I have conceived no possible discussion of this subject which would not elicit strong views on both sides of the question. Suffice it to say that Section 16 is a reality of life in the Exchange Act and that it will probably remain there.

One change in the "system" was made by the 1964 Amendments, however, and it should be at least briefly discussed here. This change pertains to market-makers in over-the-counter issues. It is not at all uncommon for such a person to be represented on the board of directors of the issuer in whose securities he is making a market. Of course, the application of Section 16(b) to the over-the-counter markets would severely inhibit such functions in these circumstances, since any profits made by the director in his market-making capacity would be recoverable by or for the issuer. The Special Study recommended no exemption for this situation. Following the Special Study, further consideration was given to this subject. The Commission concluded not to disrupt the established institution of sponsorship, since the 16(a) reports, when employed in conjunction with the disciplinary powers of the Commission, would provide a surveillance tool sufficient to prevent abuses in this area. The Commission therefore submitted, and the 1964 Amendments provide, an exemption for "market-makers" from the provisions of Section 16(b). This exemption is limited to securities not then or theretofore held in an investment account, and to securities held in the ordinary course of business and incident to the establishment or maintenance of a primary or secondary market for the security. The Commission may define the terms used in this exemption.

The original draft of the Amendments contained an exemption from the provisions of Section 12(g) for foreign securities, with power in the Commission to withdraw the exemption for any security upon a finding that a "substantial" United States market existed for the security. As finally enacted, however, the Amendments contain no such exemption. Instead, partially in recognition of the problems presented especially in the foreign securities area, the Commission was given broad exemptive and classification powers to be exercised "in the public interest."

Pursuant to this authority, we have adopted a rule granting a temporary exemption, until November 30, 1965, for foreign securities and certificates of deposit representing them. This will provide an opportunity for industry and the Commission to study the problems and to develop workable solutions to them. We have no desire to injure existing markets for foreign securities in the United States, nor to close the gates unqualifiedly to the establishment of future markets for them. Our additional studies over the coming 12 months will, I trust, enable us to avoid both of these pitfalls.

As pointed out in the definition of the scope of the 1964 Amendments, there are numerous provisions which affect broker-dealers and their employees. This facet of securities regulation is more specialized and presumably of direct interest to a smaller number of you. I shall, therefore, discuss these provisions in a more or less skeletal fashion, concentrating upon the more fundamental changes in the Act.

The Amendments give the Commission authority, for the first time, to proceed administratively against individuals who have violated the Federal securities laws without being required to join their employers or associates. The N.A.S.D. is also given this express authority for the first time. The Commission is also authorized to impose sanctions other than suspension or expulsion from a national securities association or revocation of registration. The newly authorized sanctions include formal censure, bar or suspension from association with a broker-dealer and suspension of registration, in addition to the "all-or-nothing" alternatives in the prior provisions of the law. These two changes make it possible to cull out the individual "bad apples" without injuring innocent co-workers or supervisors, and to impose, upon individuals as well as upon firms and their principals, sanctions which more nearly fit the offense charged. The Amendments make it clear that supervisors may not be found to be responsible for violations committed in spite of reasonable efforts on their part to prevent them. This will in no way limit the power which the Commission has always had, and has frequently exercised; namely, to proceed in a proper case against a broker-dealer for inadequate supervision of its personnel.

The Commission originally proposed, in furtherance of the Special Study recommendation and in the interests of uniform self-regulation, that membership in a national securities association (the N.A.S.D. is the only such organization) be compulsory for all brokers and dealers registered under the Act. This proposal was greeted with mixed reactions, upon which I shall not dwell at this point. Suffice it to say that the Congress determined that this was not the proper approach. Enacted instead were the new Sections 15(b)(8), (9) and (10), which grant the Commission power to regulate those registered broker-dealers who choose not to join the N.A.S.D. These provisions themselves, and the House Committee Report, make it clear that the Congress felt that non-members should not be free from regulation to which other brokers and dealers were subject. On the other hand, while the language of these provisions is similar to that found in Section 15A, which prescribes the authority and responsibility of the N.A.S.D., it is equally clear that Congress did not intend that the Commission precisely mirror every action taken and interpretation made by the N.A.S.D. The regulation, therefore, will be comparable, but should not be expected to be identical. We have created a special group from our staff to develop implementing regulations under these very important provisions. A questionnaire has been sent to each registered, non-NASD broker-dealer so that we will have complete information upon which to base our actions in this area.

The Amendments have also substantially strengthened the power of both the Commission and the N.A.S.D. in denying registration or membership to persons who are not qualified. The standards for such denial, and for removal of the privilege once granted, have been broadened considerably. It has been said that the Amendments, once and for all, scuttle the philosophy that there should be "free entry" into the over-the-counter market. If such philosophy was extant, it undoubtedly has been scuttled! The Special Study made it clear that the distinction between the exchange markets and the over-the-counter markets in this area, as in the disclosure area previously discussed, simply has no justification. In fact, it demonstrated that the public interest requires that standards for entry into the over-the-counter markets should be at least as exacting as those applied to the exchange markets. After all, the marketplace itself, being the entire nation, is not as susceptible to constant oversight by regulatory authority, whether it be the Commission or a self-regulatory body.

All in all, the Amendments make it crystal clear that Congress wants the standards for entry into the securities business raised, and the authority conferred upon the Commission and upon the N.A.S.D. is far

more mandatory than it is precatory. The best illustration of this is that Sections 15 and 15A require both the Commission and the N.A.S.D. to establish as to all broker-dealers, and all persons associated with them, "specified and appropriate standards with respect to training, experience and such other qualifications" as may be necessary or desirable.

In the same vein, the Special Study stated: "A minimum net capital requirement is of high importance as one of the several different approaches to assuring a broker-dealer community of principals and firms reasonably qualified in terms of responsibility <u>and commitment</u>."

Possibly in deference to the aforementioned "free entry" philosophy, our present net capital rule (15c3-1) has no minimum feature. It simply provides that no registered broker-dealer shall engage in business while its aggregate indebtedness amounts to more than 20 times its net capital, as those terms are defined in the rule. It may readily be seen from this that broker-dealers may have little or no net capital "committed" to the operation of their business so long as they maintain a relatively low level of aggregate indebtedness. The Special Study points out that the incidence of violations of the net capital rule has been quite high among those registrants whose net capital, at the time of registration, amounted to $5,000 or less. In addition to the rather precarious position, vis-a-vis the rule, of those with a minimal net capital, there has been a general feeling that a broker or dealer with little or nothing at risk could, and sometimes did, exhibit less than the requisite degree of responsibility not only toward customers and other brokers and dealers, but toward the requirements of the Federal statutes and rules as well.

The Special Study recommended a minimum net capital rule, with exceptions or refinements for special situations, such as small proprietorships engaged solely in the sale of shares of open-end investment companies, and with an appropriate "grandfather" clause or adjustment period. It also recommended that an additional amount of net capital be required for each branch office and for each salesman employed by the registrant.

These recommendations have been given intensive study at the staff and Commission levels, and are now being discussed with interested members of the securities industry. It is anticipated that a formal proposal for amendment of the present rule will be published generally for comment in the very near future. While specific details of the proposal have not been finally determined, it seems likely that the

published rule will not include a requirement of additional net capital for branch offices and salesmen. It is also probable that the proposed rule will include a lesser requirement for firms exclusively selling investment company shares than those engaged in a general broker-dealer securities business.

The logic of the Special Study's general recommendation appears virtually unassailable. While I shall re-enter the discussion on this matter with an open mind, it seems at this time that such a rule would raise industry standards in line with the Congressional mandate, while not unreasonably restricting entry by qualified persons and firms. Whether this rule becomes a fête accompli, and if it does, whether it would have the aforementioned results, remains to be seen. It is enough to say here that this is an area in which the Commission has been urged to move, not only by the Special Study but by many responsible industry representatives as well.

A somewhat oblique view of the Congressional feeling in this area is found in the recently enacted District of Columbia Blue Sky Law, passed by the Congress this summer. There, a minimum capital is required in the amount of $25,000, with a $5,000 figure for firms selling mutual funds exclusively.

I hasten to add that these figures are much higher than the tentative recommendations of the Special Study. The District is 100% a metropolitan area, and considerations must necessarily differ when looking at the broker-dealer industry of the entire nation. It should be made clear, however, that the Commission, if it determines that a minimum net capital rule is in the public interest, does not intend the figure initially established to be binding for time immemorial. Such a rule, if adopted, would be studied in depth, as to its efficacy and impact upon the brokerage community. These studies could possibly lead the Commission to the belief that the standards should be raised further in the public interest, without unduly disturbing the capital markets of our country.

We at the S.E.C. do not consider these Amendments a panacea for all the problems which face the securities industry. As in any other vital industry, there will always be problems. No statute or rule could be written which would wholly preclude abuses. Even if such could be done, it would necessarily be so restrictive that the industry would smother by the weight of its own safeguards.

Our function, and that of the industry and its spokesmen, including members of the bar such as yourselves, is to operate within the framework of the Federal securities laws. This framework, as I have noted, has as its keystone the principle of disclosure. It also has as a large portion of its basis the philosophy that self-regulation and cooperation are not only workable in the national scheme of things, but are superior to any other alternatives which may present themselves. The N.A.S.D. and the national securities exchanges have proven that this philosophy is correct, and I am certain that they will continue to do so.

Thus, government and industry, under well conceived laws and regulations, working in concert, can help America propel itself onward and upward to even greater heights during the next 30 years than it has attained since 1934. This might be epitomized in an incident I heard about shortly after arriving in Washington. It seems a taxi cab came to a halt in heavy traffic on Constitution Avenue. The passenger, a foreigner, looked out of the window to the imposing edifice of the Archives Building and noted carved in the masonry the words: "The Past is Prologue." He asked the driver the meaning of the words and the cabbie, wiser than his colloquial reply would seem to indicate, said: "Why, Mister, that applies to America and it simply means 'you ain't seen nothing yet!'"