The original documents are located in Box 25, folder "6/4/75 S249 Securities Act Amendments of 1975 (2)" of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.

Exact duplicates within this folder were not digitized.

Revised draft incorporating language re technical error in bill is not in this file.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

To: J. Cavanaugh
6-3-75
10:31 a.m.

June 3, 1975

MEMORANDUM TO: ROBERT D. LINDER

FROM: James M. Frey Frey

SUBJECT: Signing Statement on S. 249, Securities Act Amendments of 1975

After I sent the enrolled bill file to you on May 29, the City of New York and Treasury, belatedly discovered that the conference committee had inadvertently added language to the provision amending section 28(d) of the Securities and Exchange Act of 1934 that apparently would prohibit imposition of taxes by State and local governments on a change in beneficial ownership or record ownership of securities by a transfer agent.

As the June 2 letters from Chairman Staggers to the President and Senator Williams to Secretary Simon (copies attached) indicate, the House and Senate intend promptly to act on corrective legislation.

Treasury and Mayor Beame of New York City recommend a recognition of this situation in the President's signing statement. Under Secretary Schmults has proposed the attached language for insertion in Treasury's draft signing statement. The appropriate location for that language in the OMB draft signing statement would be as a paragraph following the first full paragraph on page 2.

Attachments

THE UNDER SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

June 2, 1975

MEMORANDUM FOR: The Honorable Paul H. O'Neill
Deputy Director, Office of
Management and Budget

FROM: Edward C. Schmults

SUBJECT: Securities Reform Legislation

Attached is proposed language for the Presidential Signing Message to cover the problem we discussed earlier today.

I expect to receive shortly a letter from Senator Williams confirming the understanding that Congress will promptly consider corrective legislation. I will send you a copy of the letter.

Please do not take any action until we have Senator Williams' letter in hand.

Attachment

Insert to Recommended Signing Message.

To be added at end of paragraph 3 on first page:

In this regard, I understand that the legislation contains an inadvertent technical error concerning the presence of a transfer agent as a jurisdictional basis for state or local taxation of securities transactions. I also understand that legislation to correct this error retroactively is being prepared and that such legislation will receive prompt consideration in Congress. When such corrective legislation is presented to me, I intend to sign it.

RECOMMENDED PRESIDENTIAL SIGNING MESSAGE

It is with great pleasure that I sign into law the Securities Acts Amendments of 1975. In view of the impressively large future capital needs of the nation, it is extremely important that we have healthy and vital capital markets that will be able to fulfill these needs in the most efficient manner. I believe that enactment of this important securities reform legislation will make a positive and significant contribution towards strengthening our capital markets so that they can meet this challenge.

This legislation will effect the most fundamental reform of our securities markets since the 1930's. It will further our traditional goal of protecting investors, while at the same time promoting technological innovation and competitive forces within the securities industry that will strengthen the industry and contribute to more efficient and fair capital markets. The legislation will direct and authorize the Securities and Exchange Commission to establish a national market system for securities trading in which competitive forces will be accorded the widest latitude. This important development will be carried out with the full participation of the securities industry through the creation of a National Market Board. The establishment of the proposed system should produce substantial benefits to investors in the financial community and to the public in general by providing increased efficiency in the execution of securities transactions.

The legislation also calls for the establishment of a national system for clearing and settling securities transactions. Through the utilization of modern communications technology, implementation of this clearing system will result in substantial savings of both costs and time, not to mention an important reduction in risks, in the processing of securities transactions.

The legislation also confirms the recent action of the Securities and Exchange Commission, requiring the unfixing of public rates of commission on May 1, 1975. The Administration believes that this move to competitive rates will lead to more efficient securities markets and a stronger securities industry. However, should problems arise in making the transition to competitive rates, the legislation provides the Securities and Exchange Commission with a sufficient degree of discretion to deal with any such unforeseen adverse consequences.

The legislation is designed to enhance public confidence in our securities markets. It restricts members of securities exchanges from executing brokerage for associated or managed accounts. This restriction on self-dealing will remove a potential source of conflict of interest and will eliminate an existing advantage of institutions over individual investors by denying institutions direct access to securities exchanges. The requirement for periodic disclosure by institutional investors of their holdings and transactions in equity securities should also serve to enhance public confidence in our securities markets.

Enactment of this legislation is consistent with the Administration's objectives in seeking reform of our Federal regulatory agencies to eliminate unnecessary regulatory restrictions and promote more efficient and competitive industries. This legislation, while it strengthens Federal oversight over the securities industry, is designed to eliminate artificial barriers to competition that have existed within the industry, so as to provide for more efficient and less costly services to investors. It is hoped that in developing the national market system that the Securities and Exchange Commission will review its existing regulations to determine which might be eliminated as unnecessary under the new market system. Furthermore, it is expected that, as we move to a national market system, the current overlapping jurisdiction of existing self-regulatory bodies, and the additional costs such overlapping engenders, will be eliminated.

The enactment of this legislation, of course, is only the initial step to the achievement of the desired changes in the organization and regulation of our securities markets. Ahead lies the difficult and challenging task of shaping and developing the new national market system. This task will take time and should proceed in close consultation with the securities industry, which possesses the necessary expertise and technical knowledge, as well as an intimate familiarity with the problems involved in developing a new national market system. The Administration hopes that this work will progress rapidly in a spirit of cooperation and compromise so that the benefits of a new system may be realized as soon as possible.

Congress of the United States
House of Representatives
Committee on Interstate and Foreign Commerce
Room 2125, Rayburn House Office Building
Washington, D.C. 20515

June 2, 1975

The President
The White House
Washington, D. C.

My dear Mr. President:

I have discovered a drafting error in the bill S. 249 which was transmitted to you for signature last week.

Through inadvertence section 28(d) of the Securities and Exchange Act of 1934 as amended by this bill would, among other things, prevent any state or political subdivision from imposing any tax on a change in beneficial ownership or record ownership of securities by a transfer agent. The section should have been more narrowly circumscribed. It was the Conferees' intent to only override state and local taxes which sought to tax clearing agencies and certain transfer agent depositories (TADS). Thus the reference to registered transfer agents in section 28(d) (contained in section 21 of the bill) should have been limited to those transfer agents who operate facilities permitting a transfer of record ownership of securities without physical issuance of securities certificates.

I have discussed this matter with counsel, who has had repeated conversations with Under Secretary of the Treasury Ed Schmultz. I have assured him that I will take steps to have corrective legislation considered before the Committee at the earliest moment.

Sincerely yours,

Harley O. Staggers

HARLEY O. STAGGERS, M.C.
CHAIRMAN

HOS:bf

United States Senate

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
WASHINGTON, D.C. 20510

June 2, 1975

The Honorable William E. Simon
Secretary
Department of the Treasury
Washington, D. C. 20220

Dear Mr. Secretary:

Through inadvertance, the Securities Acts Amendments of 1975, now before the President, contains a provision which will have a serious and unintended impact on the ability of state and political subdivisions to impose taxes on stock transfers. I am writing to you to express my concern over this regrettable error and to assure you of my intention to take every action necessary to achieve a prompt and proper resolution of the matter.

As you are aware, one important objective of the securities reform legislation is to facilitate the development of a national securities processing system. As the bill progressed through both Houses of Congress, it contained a provision designed to eliminate interstate impediments to the development of this system which might arise from state and local taxes imposed on changes in ownership of securities merely because the facilities of a clearing agency might be physically located in the taxing jurisdiction. These provisions were carefully designed, however, to preserve state taxing powers over transactions with which the taxing state had the traditional jurisdictional bases for taxation.

As it emerged from the Conference Committee and was subsequently adopted by the Senate and the House, the final version of S. 249 contains additional new language which has caused Senator Tower and me, among many others, great concern. The effect of the additional language is to make unlawful the imposition of a tax by a state where the only basis for the tax is the transfer and issuance of a new certificate by a transfer agent located within the state. The practical impact of this language is to proscribe the present taxing powers of state and local governments in a manner not necessary to achieve the purposes of the securities reform bill. In economic terms, millions of dollars in stock transfer tax revenues will be lost to state and local governments at a time when they can least afford them.

As the principal sponsor of S. 249, I can state without equivocation that the Congress never intended the bill to have this effect. Unfortunately, the problem arose out of technical difficulties encountered in combining the House and Senate bills and the complexity of the subject matter.

The need to act immediately to further amend S. 249 to clarify Congressional intent is well-recognized and widely-shared. Senator Tower and I are working together to achieve an expeditious and satisfactory resolution of this unfortunate error. In this connection, we understand that Congressman Staggers, Chairman of the Committee on Interstate and Foreign Commerce and a chief sponsor of the House version, intends to introduce a corrective amendment once S. 249 is enacted to accomplish the desired objective. Moreover, we understand he is confident of his ability to get House passage early next week. This being the case, I want to assure you and others who may be concerned that Senator Tower and I intend to request that the House-passed bill be held at the desk and considered by the Senate without delay.

S. 249 represents far-reaching and forward-looking revisions of the Nation's basic securities laws. It enjoys the unanimous support of interested government agencies, affected industries, and both Houses of Congress. With the correction of this inadvertent error, I believe the Securities Acts Amendments of 1975 will bring long overdue and salutary changes to a vital component of our capital markets and financial services industry. It is my hope, therefore, that the Treasury Department will continue to urge its prompt enactment.

With every good wish, I am

Sincerely,

Harrison A. Williams, Jr.

STATEMENT BY THE PRESIDENT

The American economy has grown and prospered over the years through a system of free enterprise more vigorous and successful than any economic system in the world. Capital investment has produced millions of jobs and thousands of business opportunities for Americans. The success of that investment system is convincingly demonstrated in every index of the magnitude and basic strength of our economy, and in comparison with the economies of other nations.

Today, our economy is faced with serious challenges. An unprecedented supply of capital will be required over the next few years to help finance the business and Government investment necessary to restore and broaden capital base needs. In order to insure that our capital markets continue to function fairly and efficiently to meet these challenges, it is vital that we constantly seek ways to improve their operations. Among other things, we must be sure that laws and regulations written 30 or 40 years ago do not unfairly interfere with the need for changes in our modern-day markets. It is with this important goal in mind that I am very pleased to sign into law today the Securities Act Amendments of 1975.

This act will provide important new directives to the industry and its regulators to insure that competition is always a prime consideration in establishing or abolishing market rules. And it will continue to strengthen the rules calling for high standards of financial capability and ethical behavior on the part of those individuals and institutions which perform important market functions.

The Importance of Competition

The act seeks to insure that market participants function with the highest degree of efficiency and that the capital markets will themselves be orderly and accessible. The key to reaching this objective will be a new national market system for securities. The act charges the industry and the Securities and Exchange Commission to work cooperatively, but in the words of the House-Senate Conferees, it is intended that "the national market system evolve through the interplay of competitive forces as unnecessary regulatory restrictions are removed." No Government formula nor any industry system of exclusionary rules can match the incentives and rewards for innovation and improved efficiency which natural competition provides.

This legislation encourages greater use of available improvements in electronic and communications technology as the basis for a fully-integrated trading system. A system in which buyers and sellers are aware of the full range of securities prices will help insure that artificial restrictions on competition no longer distort the market's true expression of supply and demand. It will also help reduce the cost of transacting trades.

The act also directs members and supervisors of securities exchanges to examine rules which tend to limit the number and variety of participants eligible for membership. Open competition within exchanges is just as important as competition between different markets, and the right to enter these markets and provide a necessary public service should not be subjected to arbitrary institutional rules which limit competition. It is my hope also that the SEC will, in the process of helping to shape the national market system, take steps to eliminate obsolete or overlapping regulations which unnecessarily constrain the market.

I also want to stress the importance of the SEC's decision to disallow all fixed rates of brokerage commission previously set by those firms and individuals which comprise the securities industry.

It is my strong belief that Government has unwisely condoned a wide range of anti-competitive price regulation. My Administration will continue to press for legislative reforms to amend or abolish such practices. I commend the SEC for its efforts and the industry for its cooperation in reaching the important goal of freely competitive pricing for a full range of brokerage and other services. I am confident that, in the long run, this policy will produce a much healthier industry.

New Protections for Investors

Public confidence is a vital ingredient if our capital markets are to continue to attract a wide variety of investors. Though large institutions have become increasingly active as owners and traders of securities, individuals still represent the backbone of the American capital system. This act provides important new safeguards which will help insure public trust in the securities markets. Among these safeguards are new rules for brokers' financial strength and accountability. The act imposes new restrictions on "self-dealing" to eliminate a potential conflict of interest and deny institutions a special advantage over individual investors. The act further requires periodic disclosure by institutional investors of their holdings and transactions in securities.

Conclusion

My Administration is seeking major reforms in many Federal regulatory agencies, to eliminate unnecessary restrictions and promote more efficient and competitive industries.

This legislation is the product of ten years of intensive work by several Administrations, the Congress, the Securities and Exchange Commission and the many elements of the securities industry.

The product is a good one, and it represents the first of what I hope will be a long series of much-needed regulatory reforms.

To- J. Connor
5-29-75
5:30 p.m.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAY 29 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 249 - Securities Act Amendments of 1975
Sponsors - Sen. Williams (D) New Jersey, Sen. Brooke (R) Massachusetts, and Sen. Tower (R) Texas

Last Day for Action

June 4, 1975 - Wednesday

Purpose

Authorizes the establishment of a national securities market system and a transaction clearing and settlement system; requires the elimination of fixed brokerage commission rates; requires the registration of municipal securities brokers and dealers; prohibits self-dealing and the combination of brokerage and money management by exchange members; requires public disclosure of holdings and transactions by institutional investors; and authorizes SEC appropriations for fiscal years 1976 and 1977.

Agency Recommendations

Office of Management and Budget	Approval (Signing Statement attached)
Department of the Treasury	Approval
Securities and Exchange Commission	Approval
Department of Justice	Approval
Council of Economic Advisers	Approval
Federal Home Loan Bank Board	Approval
Federal Reserve Board	No objection (Informally)
Department of Labor	Defer (Informally)
Federal Trade Commission	No comment (Informally)
Federal Deposit Insurance Corporation	No objection (Informally)

Discussion

S. 249 is the result of ten years of effort on the part of the Executive Branch and the Congress to produce comprehensive legislation that goes far toward modernizing regulation of the securities industry.

The bill calls on the SEC to supervise the establishment of a national market system, one in which ultimately all quotations and sales transactions for common and preferred stocks, bonds, debentures, warrants, and options would be available to interested buyers and sellers through an interconnected information network. It would further require that public orders (as distinguished from members' orders) receive priority. The objective would be to provide investors the opportunity to buy and sell at the best prices available. S. 249 would accomplish this by directing the SEC to work with the securities industry to facilitate the establishment of such a system, rather than by directing the SEC to implement one directly. It would rely on competition and self-regulatory bodies to a great extent but also would strengthen SEC's oversight and regulatory powers to ensure that the bill's key ingredients in such a system, i.e., a composite quotation or transactional reporting system, would be implemented.

Registration of exchanges and associations

S. 249 would require that exchanges, securities associations, and self-regulatory organizations of brokers and dealers continue to register with the SEC. The bill would restrict the authority of these groups, however, to limit their membership. An exchange would not be allowed to decrease its membership below that of May 1, 1975, and could be required to increase it if the SEC determined that an increase was necessary in order to remove impediments to competition. An association could restrict membership to those engaged in certain types of businesses but could not deny membership to registered brokers or dealers solely because they engaged in another business in addition to the qualifying business activity.

The bill would require the SEC to review all existing exchange and association rules and regulations within 180 days of enactment to determine if they were anti-competitive. It would also require the SEC specifically to approve any proposed rule changes or to start administrative proceedings to determine why they should not be approved within 35 days. SEC would be required to reach a decision on proposed rule changes within 180 days. Provisions for extensions of these periods and for judicial review of such decisions are included. Of particular concern to the Congress, as noted in the conference report, are rules which would prevent an exchange member from trading an exchange-listed stock anywhere except on that exchange, effectively limiting members from searching out the best price for their customers.

Information and handling

One of the assumptions behind the prolonged effort leading to this bill has been that an effective national market system must be supported by a national information system so that brokers and dealers know where the best price is available. The SEC would be given authority to regulate securities information processors, i.e., those organizations engaged in collecting, processing, or publishing information relating to quotations for securities and previous transactions. It was the intent of the Congress that SEC efforts be directed at ensuring that various exchange or other information systems be compatible with each other and provide the broker or dealer with adequate information to complete his transaction.

It has also been assumed that a national market system must have an efficient system for clearing and settling transactions and transferring ownership of securities. S. 249 would give the SEC general regulatory authority over all facets of the securities handling system, including clearing agencies, securities depositories, and transfer agents.

Although the SEC would have limited inspection powers over all institutions, the existing bank regulatory agencies would continue to inspect those financial institutions which are otherwise subject to their purview whose functions also included transfer or deposit of securities. This provision represents a compromise, reflecting views of the Comptroller of the Currency and the bank regulatory agencies. SEC would have preferred to have full regulatory and inspection authority in SEC.

Fixed commission rates

The bill would require the elimination of fixed commission rates for public brokerage services as of the date of the bill's enactment. However, it would allow members acting as brokers on the floor of an exchange for other members or as oddlot dealers to continue fixed rates until May 1, 1976. The bill would give the SEC authority by rule to reimpose fixed rates for transactions involving amounts of up to $300,000 until November 1, 1976, if it determined that they were in the public interest. After November 1, 1976, fixed rates could be reimposed only after a more formal proceeding that determined the rates were reasonable in relation to the service and that they were necessary to achieve the goals of the securities acts, as amended.

The SEC administratively eliminated public fixed rates as of May 1, 1975. There was much outcry from the industry that the SEC did not have the authority to require competitive rates and an expectation that the SEC action would be subject to extensive court challenges. Because S. 249 which clarifies SEC's authority was about to become enrolled, those threatened court actions did not materialize.

An important adjunct to the abolition of fixed rates is a provision clarifying the right of money managers to pay more than the lowest brokerage fee available, if research services are also provided. Under fixed commission rates, research services were often provided at no extra cost as a means of attracting more customers. Under the new system of competitive rates, fiduciaries may pay a higher commission rate than the lowest available, provided that the rate is determined "reasonable" and that other services such as research or custody are also included. Federal or State laws prohibiting such higher payments would be void unless enacted after the date of enactment of S. 249.

Third market trading

The bill would authorize the SEC to prohibit "third market trading," (that not on a national exchange) if SEC determined after an "on the record" proceeding that such trading was causing serious disruptions in the markets for listed securities (those traded on an exchange). The Conference Committee report on the enrolled bill states "These provisions are generally referred to as 'failsafe powers,' reflecting the expectation that they are provisions which may only be used as regulatory powers of last resort."

Institutional members

The bill would restrict self-dealing by exchange members effective on the date that fully competitive rates are established. Allowing for certain exceptions and exemptions, the bill would prohibit members from making transactions on an exchange for their own account, or the account of an "associated person." This provision would effectively prohibit such institutions as insurance companies or mutual funds from obtaining exchange seats. Under fixed rates, it became desirable for such institutions to seek exchange seats in order to recapture the large volume of commission dollars paid in trading their portfolios. Treasury and Justice had strongly supported tying the elimination of institutional membership and self-dealing to the elimination of fixed rates.

In addition, S. 249 would prohibit members dealing for an account in which they or an associated person exercised investment discretion. In effect, it would require the separation of money management and brokerage services. This latter provision was deemed necessary to eliminate possible conflicts of interest brought about by a money manager earning brokerage fees by "churning," or excessively turning over an account's portfolio.

Registration of brokers and dealers

S. 249 would require all brokers and dealers (whether firms or individuals) to register with the SEC and would require the SEC to take affirmative action on all applications. Within 45 days the SEC must either approve the application or start administrative action to determine whether it should be denied. Such review would have to be completed within 120 days. Within 6 to 12 months of an approval, the SEC would be required to conduct an inspection to see if the broker or dealer was conforming to all applicable rules and regulations. The provision would also require the SEC to issue minimum capital requirements for brokers and dealers and authorize it to prescribe minimum training and competence standards.

Municipal securities

S. 249 would require securities firms and banks which underwrite and trade securities issued by States and municipalities to register with the SEC. The exemption for issuers of municipal securities would continue. The provision would establish a 15-member self-regulatory Municipal Securities Rulemaking Board with broad rulemaking, but no enforcement or inspection, authority. SEC oversight would be the same as for other self-regulatory bodies. The SEC would be responsible for inspection and enforcement with respect to dealers which are securities firms and would share that authority with bank regulatory agencies for those dealers organized as banks.

Institutional investors disclosure

S. 249 would require large institutional investors to report their holdings and transactions to the SEC. It would require investors having a portfolio worth $100 million or executing a transaction of at least $500,000 (or such lower amounts as SEC prescribes) to report to the SEC. All information would then be publicly available, except under limited circumstances. Treasury, in letters to both Houses, supported such disclosures for holdings, but opposed it for transactions. Transactional disclosure could place some investors at a disadvantage by helping to reveal the investment strategy of the institutions which manage their funds.

National Market Board

S. 249 would authorize the establishment of a 15-member advisory committee, the National Market Board. In addition to advising the SEC on proposed exchange and association rule changes and the future of the national market system, the Board would be authorized to conduct a feasibility study of the need for a new self-regulatory body to administer the system. Treasury opposed the creation of a new regulatory organization because the SEC has already used its authority to appoint advisory committees and because it was felt that the Board would be strongly inclined to recommend its own continuance. The enrolled version, however, is an improvement over the original Senate version because it establishes an advisory committee rather than a new self-regulatory body immediately.

SEC authorizations

S. 249 would authorize appropriations for the SEC of $51 million for fiscal year 1976 and $55 million for 1977. The Administration's proposed budget called for $47.2 million for 1976 and $49.2 for 1977. The SEC has estimated that it would cost an additional $4 million per year to implement this bill.

* * * * *

This enrolled bill is a major first step in regulatory modernization of the securities industry. While it increases regulation in some areas, (e.g., adding control over dealers in municipal securities) it goes far toward removing impediments to competition which have grown up throughout the industry.

It will be a large aid in helping the industry keep pace with the changing American economy and technology and ensuring that the consumer receives the benefits of better service and generally lower prices. We recommend that you take this opportunity to draw attention to the need for similar reforms in other industries by highlighting the pro-competitive and investor protection features of this bill and by urging the SEC to continue to press for quick implementation of the National Market System. A draft signing statement is attached for your consideration.

James M. Frey
Assistant Director
for Legislative Reference

Enclosures

STATEMENT BY THE PRESIDENT

The American economy has grown and prospered over the years through a system of free enterprise as vigorous and successful as any economic system in the world. Capital investment has produced millions of jobs and thousands of business opportunities for Americans. The success of that investment system is convincingly demonstrated in every index of the magnitude and basic strength of our economy, and in comparison with the economies of other nations.

Today, our economy is faced with serious challenges, and an unprecedented supply of capital will be required over the next few years to help finance the business and government investment necessary to restore and broaden the capital base necessary for future growth. In order to insure that our capital markets continue to function fairly and efficiently to meet these challenges, it is vital that we constantly seek ways to improve their operations. Among other things, we must be sure that laws and regulations written 30 or 40 years ago do not unfairly interfere with the need for changes in our modern-day markets. It is with this important goal in mind that I am very pleased to sign into law today the Securities Act Amendments of 1975.

This act will provide important new directives to the industry and its regulators to insure that competition is always a prime consideration in establishing or abolishing market rules. And it will continue to strengthen the rules calling for high standards of financial capability and ethical behavior on the part of those individuals and institutions which perform important market functions.

The Importance of Competition

The act seeks to insure that market participants function with the highest degree of efficiency and that the capital markets will themselves be orderly and accessible. The key to reaching this objective will be a

new National Market System for Securities. The act charges the industry and the Securities and Exchange Commission to work cooperatively, but in the words of the House-Senate Conferees, it is intended that "the national market system evolve through the interplay of competitive forces as unnecessary regulatory restrictions are removed." No government formula nor any industry system of exclusionary rules can match the incentives and rewards for innovation and improved efficiency which natural competition provides.

The legislation encourages greater use of available improvements in electronic and communications technology as the basis for a fully-integrated trading system. A system in which buyers and sellers are aware of the full range of securities prices will help insure that artificial restrictions on competition no longer distort the market's true expression of supply and demand. It will also help reduce the cost of transacting trades.

The act also directs members and supervisors of securities exchanges to examine rules which tend to limit the number and variety of participants eligible for membership. Open competition within exchanges is just as important as competition between different markets, and the right to enter these markets and provide a necessary public service should not be subjected to arbitrary institutional rules which limit competition. It is my hope also that the SEC will, in the process of helping to shape the National Market System, take steps to eliminate obsolete or overlapping regulations which unnecessarily constrain the market.

I also want to stress the importance of the SEC's decision to disallow all fixed rates of brokerage commission previously set by those firms and individuals which comprise the securities industry.

It is my strong belief that government has unwisely condoned a wide range of anti-competitive price regulation. My Administration will continue to press for legislative reforms to amend or abolish such

practices. I commend the SEC for its efforts and the industry for its cooperation in reaching the important goal of freely competitive pricing for a full range of brokerage and other services. I am confident that in the long run, this policy will produce a much healthier industry.

New Protections for Investors

Public confidence is a vital ingredient if our capital markets are to continue to attract a wide variety of investors. Though large institutions have become increasingly active as owners and traders of securities, individuals still represent the backbone of the American capital system. This act provides important new safeguards which will help insure public trust in the securities markets. Among these safeguards are new rules for brokers' financial strength and accountability. The act imposes new restrictions on "self-dealing" to eliminate a potential conflict of interest and deny institutions a special advantage over individual investors. The act further requires periodic disclosure by institutional investors of their holdings and transactions in securities.

Conclusion

My Administration is seeking major reforms in many Federal regulatory agencies, to eliminate unnecessary restrictions and promote more efficient and competitive industries.

This legislation is the product of ten years of intensive work by several Administrations, the Congress, the Securities and Exchange Commission and the many elements of the securities industry.

The product is a good one, and it represents the first of what I hope will be a long series of much-needed regulatory reforms.

#

THE WHITE HOUSE

WASHINGTON

May 30, 1975

MEMORANDUM FOR: JIM CAVANAUGH

FROM: MAX L. FRIEDERSDORF

BW

SUBJECT: Action Memorandum - Log No.
Enrolled Bill S.249 - Securities Act Amendment of 1975

The Office of Legislative Affairs concurs with the agencies that the subject bill be signed.

Attachments

RP

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.:

Date: May 30 Time: 915am

FOR ACTION: Paul Leach
Max Friedersdorf
Ken Lazarus
Paul Theis
Bill Seidman

cc (for information): Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: May 30 Time: 4:00pm

SUBJECT:

Enrolled Bill S.249 - Securities Act Amendments of 1975

ACTION REQUESTED:

____ For Necessary Action

__X__ For Your Recommendations

____ Prepare Agenda and Brief

____ Draft Reply

__X__ For Your Comments

____ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

OK
JOS

(Roger has already reported)

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James E. Connor
For the President

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.: PP

corrected for punctuation + grammar checked w president

Date: June 3, 1975 Time: 11:00 a.m.

FOR ACTION: Max Friedersdorf
Ken Lazarus
Paul Theis

cc (for information): Jim Cavanaugh

1975 JUN 3 AM 11 36

PB

OK

FROM THE STAFF SECRETARY

DUE: Date: Tuesday, June 3, 1975 Time: 3:00 p.m.

SUBJECT:

Signing Statement on S.249, Securities Act Amendments of 1975

ACTION REQUESTED:

____ For Necessary Action x For Your Recommendations

____ Prepare Agenda and Brief ____ Draft Reply

x For Your Comments ____ Draft Remarks

REMARKS:

Please return to Rosemary Rogers (Jim Cavanaugh's Office)
2nd Floor, West Wing. Thanks.

Ed Schmults of Treasury recommends that the attached paragraph be added to the signing statement.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James H. Cavanaugh
For the President

PB

grammatically OK

Insert to Recommended Signing Message.

To be added at end of paragraph 3 on first page:

(In this regard, I understand that the legislation contains an inadvertent technical error concerning the presence of a transfer agent as a jurisdictional basis for state or local taxation of securities transactions. I also understand that legislation to correct this error retroactively is being prepared, and that such legislation will receive prompt consideration in Congress. When such corrective legislation is presented to me, I intend to sign it.)

Begin (15)

STATEMENT BY THE PRESIDENT

The American economy has grown and prospered over the years through a system of free enterprise more vigorous and successful than any other economic system in the world. Capital investment has produced millions of jobs and thousands of business opportunities for Americans. The success of that investment system is convincingly demonstrated in every index of the magnitude and basic strength of our economy, and in comparison with the economies of other nations.

Today, our economy is faced with serious challenges. An unprecedented supply of new capital will be required over the next few years to help ~~finance the business and Government investment necessary to~~ restore and broaden a sound, expansionary capital base ~~needs.~~ through business and Government investment. In order to insure that our capital markets continue to function fairly and efficiently to meet these challenges, it is vital that we constantly seek ways to improve their operations. Among other things, we must be sure that laws and regulations written 30 or 40 years ago do not unfairly interfere with the need for changes in our modern-day markets. It is with this important goal in mind that I am very pleased to sign into law today the Securities Act Amendments of 1975.

The Importance of Competition

This act will provide important new directives to the industry and its regulators to insure that competition is always a prime consideration in establishing or abolishing market rules. And it will continue to strengthen the rules calling for high standards of financial capability and ethical behavior on the part of those individuals and institutions which perform important market functions.

~~The Importance of Competition~~

The act seeks to insure that market participants function with the highest degree of efficiency and that the capital markets will themselves be orderly and accessible. The key to reaching this objective will be a new National Market System for Securities. The act charges the industry and the Securities and Exchange Commission to work cooperatively, but in the words of the House-Senate Conferees, it is intended that "the national market system evolve through the interplay of competitive forces, as unnecessary regulatory restrictions are removed." No Government formula nor any industry system of exclusionary rules can match the incentives and rewards for innovation and improved efficiency which natural competition provides.

This legislation encourages greater use of available improvements in electronic and communications technology as the basis for a fully-integrated trading system. A system in which buyers and sellers are aware of the full range of securities prices will help insure that artificial restrictions on competition no longer distort the market's true expression of supply and demand. It will also help reduce the cost of transacting trades.

The act also directs members and supervisors of securities exchanges to examine rules which tend to limit the number and variety of participants eligible for membership. Open competition within exchanges is just as important as competition ~~between~~ among different markets. ~~and~~ The right to enter these markets and provide a necessary public service should not be subject~~ed~~ to arbitrary institutional rules which limit competition. It is my hope also that the SEC will, in the process of helping to shape the National Market System, take steps to eliminate obsolete or overlapping regulations which unnecessarily constrain the market.

I also want to stress the importance of the SEC's decision to disallow all fixed rates of brokerage commission previously set by those firms and individuals which comprise the securities industry.

It is my strong belief that Government has unwisely condoned a wide range of anti-competitive price regulation. My Administration will continue to press for legislative reforms to amend or abolish such practices. I commend the SEC for its efforts, and the industry for its cooperation, in reaching the important goal of freely competitive pricing for a full range of brokerage and other services. I am confident that, in the long run, this policy will produce a much healthier industry.

New Protections for Investors

Public confidence is a vital ingredient if our capital markets are to continue to attract a wide variety of investors. Though large institutions have become increasingly active as owners and traders of securities, individuals still represent the backbone of the American capital system. This act provides important new safeguards which will help insure public trust in the securities markets. Among these safeguards are new rules for brokers' financial strength and accountability. The act imposes new restrictions on "self-dealing" to eliminate a potential conflict of interest and deny institutions a special advantage over individual investors. The act further requires periodic disclosure by institutional investors of their holdings and transactions in securities.

Conclusion

My Administration is seeking major reforms in many Federal regulatory agencies to eliminate unnecessary restrictions and promote more efficient and competitive industries.

This legislation is the product of ten years of intensive work by several Administrations, the Congress, the Securities and Exchange Commission and the many elements of the securities industry.

The product is a good one, and it represents the first of what I hope will be a long series of much-needed regulatory reforms.

STATEMENT BY THE PRESIDENT

The American economy has grown and prospered over the years through a system of free enterprise more vigorous and successful than any other economic system in the world. Capital investment has produced millions of jobs and thousands of business opportunities for Americans. The success of that investment system is convincingly demonstrated in every index of the magnitude and basic strength of our economy, and in comparison with the economies of other nations.

Today, our economy is faced with serious challenges. An unprecedented supply of new capital will be required over the next few years to help restore and broaden a sound, expansionary capital base through business and Government investment. In order to insure that our capital markets continue to function fairly and efficiently to meet these challenges, it is vital that we constantly seek ways to improve their operations. Among other things, we must be sure that laws and regulations written 30 or 40 years ago do not unfairly interfere with the need for changes in our modern-day markets. It is with this important goal in mind that I am very pleased to sign into law today the Securities Act Amendments of 1975.

The Importance of Competition

This act will provide important new directives to the industry and its regulators to insure that competition is always a prime consideration in establishing or abolishing market rules. And it will continue to strengthen the rules calling for high standards of financial capability and ethical behavior on the part of those individuals and institutions which perform important market functions. (In this regard, I understand that the legislation contains an inadvertent technical error concerning the presence of a transfer agent as a jurisdictional basis for state or local taxation of securities transactions. I also understand that legislation to correct this error retroactively is being prepared, and that such legislation will receive prompt consideration in Congress. When such corrective legislation is presented to me, I intend to sign it.)

The act seeks to insure that market participants function with the highest degree of efficiency and that the capital markets will themselves be orderly and accessible. The key to reaching this objective will be a new National Market System for Securities. The act charges the industry and the Securities and Exchange Commission to work cooperatively, but in the words of the House-Senate Conferees, it is intended that "the national market system evolve through the interplay of competitive forces, as unnecessary regulatory restrictions are removed." No Government formula nor any industry system of exclusionary rules can match the incentives and rewards for innovation and improved efficiency which natural competition provides.

This legislation encourages greater use of available improvements in electronic and communications technology as the basis for a fully-integrated trading system. A system in which buyers and sellers are aware of the full range of securities prices will help insure that artificial restrictions on competition no longer distort the market's true expression of supply and demand. It will also help reduce the cost of transacting trades.

The act also directs members and supervisors of securities exchanges to examine rules which tend to limit the number and variety of participants eligible for membership. Open competition within exchanges is just as important as competition among different markets. The right to enter these markets and provide a necessary public service should not be subject to arbitrary institutional rules which limit competition. It is my hope also that the SEC will, in the process of helping to shape the National Market System, take steps to eliminate obsolete or overlapping regulations which unnecessarily constrain the market.

I also want to stress the importance of the SEC's decision to disallow all fixed rates of brokerage commission previously set by those firms and individuals which comprise the securities industry.

It is my strong belief that Government has unwisely condoned a wide range of anti-competitive price regulation. My Administration will continue to press for legislative reforms to amend or abolish such practices. I commend the SEC for its efforts, and the industry for its cooperation, in reaching the important goal of freely competitive pricing for a full range of brokerage and other services. I am confident that, in the long run, this policy will produce a much healthier industry.

New Protections for Investors

Public confidence is a vital ingredient if our capital markets are to continue to attract a wide variety of investors. Though large institutions have become increasingly active as owners and traders of securities, individuals still represent the backbone of the American capital system. This act provides important new safeguards which will help insure public trust in the securities markets. Among these safeguards are new rules for brokers' financial strength and accountability. The act imposes new restrictions on "self-dealing" to eliminate a potential conflict of interest and deny institutions a special advantage over individual investors. The act further requires periodic disclosure by institutional investors of their holdings and transactions in securities.

Conclusion

My Administration is seeking major reforms in many Federal regulatory agencies to eliminate unnecessary restrictions and promote more efficient and competitive industries.

This legislation is the product of ten years of intensive work by several Administrations, the Congress, the Securities and Exchange Commission and the many elements of the securities industry.

The product is a good one, and it represents the first of what I hope will be a long series of much-needed regulatory reforms.

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.:

Date: May 30 Time: 915am

FOR ACTION: Paul Leach
Max Friedersdorf
Ken Lazarus
Paul Theis
Bill Seidman

cc (for information): Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: May 30 Time: 4:00pm

SUBJECT:

Enrolled Bill S.249 - Securities Act Amendments of 1975

ACTION REQUESTED:

____ For Necessary Action

__x__ For Your Recommendations

____ Prepare Agenda and Brief

____ Draft Reply

__x__ For Your Comments

____ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

STATEMENT BY THE PRESIDENT

The American economy has grown and prospered over the years through a system of free enterprise ~~as~~ more vigorous and successful ~~as~~ than any economic system in the world. Capital investment has produced millions of jobs and thousands of business opportunities for Americans. The success of that investment system is convincingly demonstrated in every index of the magnitude and basic strength of our economy, and in comparison with the economies of other nations.

Today, our economy is faced with serious challenges. ~~and~~ An unprecedented supply of capital will be required over the next few years to help finance the business and government investment necessary to restore and broaden ~~the~~ capital base needs. ~~necessary for future growth.~~ In order to insure that our capital markets continue to function fairly and efficiently to meet these challenges, it is vital that we constantly seek ways to improve their operations. Among other things, we must be sure that laws and regulations written 30 or 40 years ago do not unfairly interfere with the need for changes in our modern-day markets. It is with this important goal in mind that I am very pleased to sign into law today the Securities Acts Amendments of 1975.

This act will provide important new directives to the industry and its regulators to insure that competition is always a prime consideration in establishing or abolishing market rules. And it will continue to strengthen the rules calling for high standards of financial capability and ethical behavior on the part of those individuals and institutions which perform important market functions.

The Importance of Competition

The act seeks to insure that market participants function with the highest degree of efficiency and that the capital markets will themselves be orderly and accessible. The key to reaching this objective will be a

new National Market System for Securities. The act charges the industry and the Securities and Exchange Commission to work cooperatively, but in the words of the House-Senate Conferees, it is intended that "the national market system evolve through the interplay of competitive forces as unnecessary regulatory restrictions are removed." No government formula nor any industry system of exclusionary rules can match the incentives and rewards for innovation and improved efficiency which natural competition provides.

This ~~The~~ legislation encourages greater use of available improvements in electronic and communications technology as the basis for a fully-integrated trading system. A system in which buyers and sellers are aware of the full range of securities prices will help insure that artificial restrictions on competition no longer distort the market's true expression of supply and demand. It will also help reduce the cost of transacting trades.

The act also directs members and supervisors of securities exchanges to examine rules which tend to limit the number and variety of participants eligible for membership. Open competition within exchanges is just as important as competition between different markets, and the right to enter these markets and provide a necessary public service should not be subjected to arbitrary institutional rules which limit competition. It is my hope also that the SEC will, in the process of helping to shape the National Market System, take steps to eliminate obsolete or overlapping regulations which unnecessarily constrain the market.

I also want to stress the importance of the SEC's decision to disallow all fixed or rates of brokerage commission previously set by those firms and individuals which comprise the securities industry.

It is my strong belief that government has unwisely condoned a wide range of anti-competitive price regulation. My Administration will continue to press for legislative reforms to amend or abolish such

practices. I commend the SEC for its efforts and the industry for its cooperation in reaching the important goal of freely competitive pricing for a full range of brokerage and other services. I am confident that, in the long run, this policy will produce a much healthier industry.

New Protections for Investors

Public confidence is a vital ingredient if our capital markets are to continue to attract a wide variety of investors. Though large institutions have become increasingly active as owners and traders of securities, individuals still represent the backbone of the American capital system. This act provides important new safeguards which will help insure public trust in the securities markets. Among these safeguards are new rules for brokers' financial strength and accountability. The act imposes new restrictions on "self-dealing" to eliminate a potential conflict of interest and deny institutions a special advantage over individual investors. The act further requires periodic disclosure by institutional investors of their holdings and transactions in securities.

Conclusion

My Administration is seeking major reforms in many Federal regulatory agencies, to eliminate unnecessary restrictions and promote more efficient and competitive industries.

This legislation is the product of ten years of intensive work by several Administrations, the Congress, the Securities and Exchange Commission and the many elements of the securities industry.

The product is a good one, and it represents the first of what I hope will be a long series of much-needed regulatory reforms.

#

STATEMENT BY THE PRESIDENT

The American economy has grown and prospered over the years through a system of free enterprise as vigorous and successful as any economic system in the world. Capital investment has produced millions of jobs and thousands of business opportunities for Americans. The success of that investment system is convincingly demonstrated in every index of the magnitude and basic strength of our economy, and in comparison with the economies of other nations.

Today, our economy is faced with serious challenges, and an unprecedented supply of capital will be required over the next few years to help finance the business and government investment necessary to restore and broaden the capital base necessary for future growth. In order to insure that our capital markets continue to function fairly and efficiently to meet these challenges, it is vital that we constantly seek ways to improve their operations. Among other things, we must be sure that laws and regulations written 30 or 40 years ago do not unfairly interfere with the need for changes in our modern-day markets. It is with this important goal in mind that I am very pleased to sign into law today the Securities Act Amendments of 1975.

This act will provide important new directives to the industry and its regulators to insure that competition is always a prime consideration in establishing or abolishing market rules. And it will continue to strengthen the rules calling for high standards of financial capability and ethical behavior on the part of those individuals and institutions which perform important market functions.

The Importance of Competition

The act seeks to insure that market participants function with the highest degree of efficiency and that the capital markets will themselves be orderly and accessible. The key to reaching this objective will be a

new National Market System for Securities. The act charges the industry and the Securities and Exchange Commission to work cooperatively, but in the words of the House-Senate Conferees, it is intended that "the national market system evolve through the interplay of competitive forces as unnecessary regulatory restrictions are removed." No government formula nor any industry system of exclusionary rules can match the incentives and rewards for innovation and improved efficiency which natural competition provides.

The legislation encourages greater use of available improvements in electronic and communications technology as the basis for a fully-integrated trading system. A system in which buyers and sellers are aware of the full range of securities prices will help insure that artificial restrictions on competition no longer distort the market's true expression of supply and demand. It will also help reduce the cost of transacting trades.

The act also directs members and supervisors of securities exchanges to examine rules which tend to limit the number and variety of participants eligible for membership. Open competition within exchanges is just as important as competition between different markets, and the right to enter these markets and provide a necessary public service should not be subjected to arbitrary institutional rules which limit competition. It is my hope also that the SEC will, in the process of helping to shape the National Market System, take steps to eliminate obsolete or overlapping regulations which unnecessarily constrain the market.

I also want to stress the importance of the SEC's decision to disallow all fixed rates of brokerage commission previously set by those firms and individuals which comprise the securities industry.

It is my strong belief that government has unwisely condoned a wide range of anti-competitive price regulation. My Administration will continue to press for legislative reforms to amend or abolish such

practices. I commend the SEC for its efforts and the industry for its cooperation in reaching the important goal of freely competitive pricing for a full range of brokerage and other services. I am confident that in the long run, this policy will produce a much healthier industry.

New Protections for Investors

Public confidence is a vital ingredient if our capital markets are to continue to attract a wide variety of investors. Though large institutions have become increasingly active as owners and traders of securities, individuals still represent the backbone of the American capital system. This act provides important new safeguards which will help insure public trust in the securities markets. Among these safeguards are new rules for brokers' financial strength and accountability. The act imposes new restrictions on "self-dealing" to eliminate a potential conflict of interest and deny institutions a special advantage over individual investors. The act further requires periodic disclosure by institutional investors of their holdings and transactions in securities.

Conclusion

My Administration is seeking major reforms in many Federal regulatory agencies, to eliminate unnecessary restrictions and promote more efficient and competitive industries.

This legislation is the product of ten years of intensive work by several Administrations, the Congress, the Securities and Exchange Commission and the many elements of the securities industry.

The product is a good one, and it represents the first of what I hope will be a long series of much-needed regulatory reforms.

#

STATEMENT BY THE PRESIDENT

The American economy has grown and prospered over the years through a system of free enterprise more vigorous and successful than any economic system in the world. Capital investment has produced millions of jobs and thousands of business opportunities for Americans. The success of that investment system is convincingly demonstrated in every index of the magnitude and basic strength of our economy, and in comparison with the economies of other nations.

Today, our economy is faced with serious challenges. An unprecedented supply of capital will be required over the next few years to help finance the business and Government investment necessary to restore and broaden capital base needs. In order to insure that our capital markets continue to function fairly and efficiently to meet these challenges, it is vital that we constantly seek ways to improve their operations. Among other things, we must be sure that laws and regulations written 30 or 40 years ago do not unfairly interfere with the need for changes in our modern-day markets. It is with this important goal in mind that I am very pleased to sign into law today the Securities Act Amendments of 1975.

This act will provide important new directives to the industry and its regulators to insure that competition is always a prime consideration in establishing or abolishing market rules. And it will continue to strengthen the rules calling for high standards of financial capability and ethical behavior on the part of those individuals and institutions which perform important market functions.

The Importance of Competition

The act seeks to insure that market participants function with the highest degree of efficiency and that the capital markets will themselves be orderly and accessible. The key to reaching this objective will be a new national market system for securities. The act charges the industry and the Securities and Exchange Commission to work cooperatively, but in the words of the House-Senate Conferees, it is intended that "the national market system evolve through the interplay of competitive forces as unnecessary regulatory restrictions are removed." No Government formula nor any industry system of exclusionary rules can match the incentives and rewards for innovation and improved efficiency which natural competition provides.

This legislation encourages greater use of available improvements in electronic and communications technology as the basis for a fully-integrated trading system. A system in which buyers and sellers are aware of the full range of securities prices will help insure that artificial restrictions on competition no longer distort the market's true expression of supply and demand. It will also help reduce the cost of transacting trades.

The act also directs members and supervisors of securities exchanges to examine rules which tend to limit the number and variety of participants eligible for membership. Open competition within exchanges is just as important as competition between different markets, and the right to enter these markets and provide a necessary public service should not be subjected to arbitrary institutional rules which limit competition. It is my hope also that the SEC will, in the process of helping to shape the national market system, take steps to eliminate obsolete or overlapping regulations which unnecessarily constrain the market.

I also want to stress the importance of the SEC's decision to disallow all fixed rates of brokerage commission previously set by those firms and individuals which comprise the securities industry.

It is my strong belief that Government has unwisely condoned a wide range of anti-competitive price regulation. My Administration will continue to press for legislative reforms to amend or abolish such practices. I commend the SEC for its efforts and the industry for its cooperation in reaching the important goal of freely competitive pricing for a full range of brokerage and other services. I am confident that, in the long run, this policy will produce a much healthier industry.

New Protections for Investors

Public confidence is a vital ingredient if our capital markets are to continue to attract a wide variety of investors. Though large institutions have become increasingly active as owners and traders of securities, individuals still represent the backbone of the American capital system. This act provides important new safeguards which will help insure public trust in the securities markets. Among these safeguards are new rules for brokers' financial strength and accountability. The act imposes new restrictions on "self-dealing" to eliminate a potential conflict of interest and deny institutions a special advantage over individual investors. The act further requires periodic disclosure by institutional investors of their holdings and transactions in securities.

Conclusion

My Administration is seeking major reforms in many Federal regulatory agencies, to eliminate unnecessary restrictions and promote more efficient and competitive industries.

This legislation is the product of ten years of intensive work by several Administrations, the Congress, the Securities and Exchange Commission and the many elements of the securities industry.

The product is a good one, and it represents the first of what I hope will be a long series of much-needed regulatory reforms.