TO THE PRESS:

Commencing tomorrow, the daily summary of important developments of interest to the financial community and the investing public and which are reflected in filings with or actions by the Securities and Exchange Commission, will be issued under the new, more distinctive banner appearing above. In announcing this new format, Chairman J. Sinclair Armstrong stated:

"It is the Commission's hope and expectation to keep this service as fully responsive to the needs of the Press as is possible, to the end that the financial community in particular and public investors in general may be kept currently advised of all important SEC developments through the medium of the Press. Accordingly, in addition to the special distribution which past press summaries have received, through local distributing agencies, copies of the NEWS DIGEST hereafter will be delivered to the Press Club on or before 3:00 P.M. each day; and we invite any suggestions you may have for improving our service to the Press.

"Perhaps this offers an appropriate occasion to discuss briefly the types of financial and related developments of interest to the Press which will be reflected in the NEWS DIGEST and to review the general objectives of the SEC laws.

"As you know, the major premise of the securities laws administered by this Commission is that, given the facts, the investing public will make its own appraisal of the merits of securities offered for public sale or traded in our securities markets, and will reach an informed judgment or evaluation as to their merits and the reasonableness of the quoted or asked prices therefor. To that end, the Securities Act of 1933 requires the registration of such securities with the Commission and the delivery to prospective investors of a prospectus containing financial and other information essential to informed investment analysis. The Securities Exchange Act of 1934 requires that issuers of securities listed on our national securities exchanges must file with the exchanges and the Commission annual and other periodic reports containing similar financial and other data. This law also requires the disclosure of pertinent facts when

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proxy's are solicited from the holders of listed securities, as well as the reporting by "insiders" of their holdings of and transactions in listed equity securities.

"These laws do not empower the Commission to pass judgment on the worth of such securities or on the question whether they may offer sufficient promise of future profitable return on one's investment to warrant their sale to the public or to justify their being traded on exchanges. Those are questions which Congress wisely left to the judgment of the investing public. The Commission's role under the laws is limited to that of providing disclosure of the required facts so that an informed and prudent judgment as to merits and value may be exercised by investors, both individually and collectively.

"It is a common misconception among members of the investing public, even those with more than a general knowledge of the securities markets, that registration with the Commission of securities offered for public sale may be considered as tantamount to Government approval or guarantee as to the worth of the securities or the fairness of the price at which they are offered for sale or traded on exchanges. This is not only fallacious; it is dangerous to the scheme of investor protection envisaged by Congress. In its enactment of the securities laws, Congress contemplated that the evaluation of securities offered for public sale would be made by the investing public, not by the Federal Government, and that the disclosures provided through SEC registration and delivery of the prospectus to investors, plus the filing of periodic reports by companies whose securities are listed on exchanges, would enable investors to exercise informed, discriminating and prudent investment decisions. Members of the Press would render a distinct public service if in their reporting of SEC events this misconception could be eradicated.

"The filing of registration statements proposing the public offering of securities is one of the more noteworthy financial developments which will be reported in the SEC NEWS DIGEST. During the year ended June 30, 1956, 981 such filings were made; and the aggregate public offering price of the securities included therein for registration and public offering exceeded $13 billion. Since in many cases the funds are to be used in the construction of new plant and other facilities, which in turn may provide increased business and employment, these announcements have a broader interest, particularly in the local community, than the mere fact that a particular financing proposal has been filed with the Commission.

"On occasion, the Commission may publicly challenge the accuracy or adequacy of the disclosures contained in a particular registration statement; and the announcements thereof also are included in the NEWS DIGEST. From time
to time the Commission also announces the issuance of orders denying or suspend-
ing Regulation A or D exemptions from registration under the Securities Act for public securities offerings not exceeding $300,000 in amount, because of false representations in the offering and sale of the securities or some other viola-
tion of the terms and conditions of the regulation. Such announcements also are reflected in the NEWS DIGEST.

"The Commission also may institute proceedings from time to time under the Securities Exchange Act to determine whether the broker-dealer regis-
trations of securities firms should be denied or revoked (or whether they should be suspended or expelled from membership in stock exchanges or the National Association of Securities Dealers, Inc.), because of alleged fraud in the pur-
chase or sale of securities or some other willful violation of the securities laws. Such announcements, as well as the final decisions of the Commission, will continue to be reflected in the NEWS DIGEST.

"Two other types of announcements are also worthy of note. The first involves financial transactions proposed by registered public utility holding companies and their subsidiaries. Certain standards set forth in the Public Utility Holding Company Act of 1935 must be complied with to qualify these securities for an approval or exemption order of the Commission; and prior public notice of the filing of such proposal must be given by the Commission before final action may be taken. These notices, as well as announcements of the final decisions of the Commission, are set forth in the NEWS DIGEST. Secondly, the Investment Company Act contains prohibitions against various types of transactions by registered investment companies, including trans-
actions between affiliated companies or interests. However, the Commission may by order grant an exemption from the prohibition if, upon application, it finds that the terms of the transaction are fair, that no "overreaching" is involved on the part of any participant, and that an exemption would not be contrary to the interests of investors or the public. Here again, public notice of the filing of the application must be given; and both the notice and the final action by the Commission are reflected in the NEWS DIGEST.

"Finally, the Commission from time to time proposes various changes in its rules and regulations such as those governing the issuance and sale of securities, trading in securities in the open markets, the conduct of brokers and dealers, and similar matters. Announcements of such actions and of the ultimate adoption of such rules, in whole or in part, which appear on the NEWS DIGEST are of considerable interest to the financial community and to the investing public.

"It should be remembered that items appearing on the SEC NEWS DIGEST will, for the most part, represent a summarization of official documents on file with the Commission, all of which are available for inspection. In any case in which additional details or background information are needed, the Commission's Secretary, Orval L. DuBois (ST. 3-7600, Ext. 5526), would be happy to accom-
modate you."