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EDITORIAL NOTES

THE SCHOOL OF LAW

Mr. Leslie Craven, Counsel for the Federal Coordinator of Transportation, 1934-1937, and now member of the New York firm of Miller, Owen, Otis & Bailly, delivered the second address of the series of annual lectures being given under the auspices of the School of Law. Mr. Craven's subject was Pressure Groups

and the Democratic Process: A Study of the Railroad Problem. The address will appear in the June issue of the Quarterly.

The 1939 Summer Session of the Washington University School of Law will begin on June 19 and end July 28. Courses will be offered in Criminal Law, Personal Property, Constitutional Law, Damages, Federal Jurisdiction and Procedure, and Insurance.

NOTES

EXEMPTED TRANSACTIONS UNDER THE SECURITIES ACT OF 1933*

A recognition that the wide distribution of securities in the United States gives rise to an appropriate public interest in securities¹ and security markets² and that the prevention of fraud in the sale of securities is a proper governmental function³ were strong factors leading to the enactment of the Securities Act of 1933.⁴ The Act undertook to correct existing faults by requiring a full and complete disclosure of information concerning the security to be issued and the issuing company⁵ and by imposing

* The Act also exempts from the provisions of Section 5 certain classes of securities as set forth in Section 3. These exemptions will not be dealt with except incidentally where context requires it.

1. In 1929 the volume of shares bought and sold on the New York Stock Exchange amounted to 1,125,000,000. Twentieth Century Fund, Inc., *Stock Market Control* (1934) 3. One-third to one-half the annual savings of Americans, individual and corporate, went into various securities. *Id.* at 1. For a complete discussion on the effect of security prices on the public, *i. e.*, persons, business, banks, insurance companies, endowed institutions, charities, etc., see Chapter I of the study of the Twentieth Century Fund, Inc., *op. cit. supra.*

2. The New York Stock Exchange does two-thirds of the security business in the United States. Of the remaining one-third the New York Curb Exchange does one-half, and the rest is scattered over the other exchanges in the country. Twentieth Century Fund, Inc., *op. cit. supra*, note 1, at 28.

3. Smith, *The Relation of the Federal and State Securities Laws* (1937) 4 *Law & Contemp. Prob.* 241, 253.

4. (1933) 48 Stat. 74, (1938 Supp.) 15 U. S. C. A. sec. 77a-77aa. The United States Code cites the subdivisions of the Act by letters; they will be cited hereinafter, however, by numbers in conformance with the more popular and convenient mode of the Statutes-at-Large. The Act was held constitutional in *Securities and Exchange Commission v. Crude Oil Corp. of America* (D. C. W. D. Wis. 1936) 17 F. Supp. 164.

5. Note the statement of purpose in the title to the Act: "To provide full and fair disclosure of the character of securities sold * * * and to prevent fraud in the sale thereof * * *." Disclosure is to be accomplished by a detailed registration statement provided for in sec. 7 and a slightly less detailed prospectus provided for in sec. 10.