

[CHAPTER 391.]

AN ACT

To amend an Act entitled "An Act to establish a Board of Indeterminate Sentence and Parole for the District of Columbia and to determine its functions, and for other purposes", approved July 15, 1932.

June 5, 1934.
[S. 3200]
[Public, No. 287.]

District of Columbia.
Board of Indeterminate Sentence and Parole.
Vol. 47, p. 699.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act of Congress entitled "An Act to establish a Board of Indeterminate Sentence and Parole for the District of Columbia and to determine its functions, and for other purposes", approved July 15, 1932, be, and the same is hereby, amended by adding a new section to be numbered "10" and to read as follows:

Federal Parole Board.
Authority conferred upon, over U.S. prisoners convicted in the District and confined elsewhere.
Vol. 36, p. 819; Vol. 46, p. 272.
U.S.C., p. 514.

"Sec. 10. The Board of Parole created by the Act of Congress entitled 'An Act to amend an Act providing for the parole of United States prisoners, approved June 25, 1910, as amended', approved May 13, 1930, shall have and exercise the same power and authority over prisoners convicted in the District of Columbia of crimes against the United States and now or hereafter confined in any United States penitentiary or prison (other than the penal institutions of the District of Columbia) as is vested in the Board of Indeterminate Sentence and Parole over prisoners confined in the penal institutions of the District of Columbia."

Approved, June 5, 1934.

[CHAPTER 392.]

AN ACT

To fix the rates of postage on certain periodicals exceeding eight ounces in weight.

June 5, 1934.
[H. R. 6477]
[Public, No. 288.]

Postal service.
Rate of postage on certain periodicals exceeding 8 ounces in weight.

Regulations to be prescribed.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That publications weighing in excess of eight ounces issued at regular intervals of twelve or more times a year, 25 per centum or more of whose pages are devoted to text or reading matter and not more than 75 per centum to advertising matter, which are circulated free or mainly free, may, upon authorization by the Post Office Department, under such regulations as the Postmaster General may prescribe, be accepted for mailing at the postage rate of 1 cent for each two ounces or fraction thereof, provided the copies of such publications are presented for mailing made up according to States, cities, and routes as directed by the Postmaster General.

Approved, June 5, 1934.

[CHAPTER 393.]

AN ACT

To remove inequities in the law governing eligibility for promotion to the position of chief clerk in the Railway Mail Service.

June 5, 1934.
[H. R. 7343]
[Public, No. 289.]

Railway Mail Service.
Vol. 37, p. 558.
U.S.C., p. 1273.

Provisions governing promotions to positions of chief clerk modified.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That that part of section 7 of the Act of August 24, 1912 (37 Stat. 556), which comprises section 626 of title 39 of the United States Code, be amended to read as follows:

"Clerks in the highest grade in their respective lines or other assignments shall be eligible for promotion to positions of clerks in charge in said lines or corresponding positions in other assignments, and clerks assigned as assistant chief clerks and clerks in grade 6. or higher rank, in their respective divisions, shall, after one

year of continuous service in such capacity, be eligible for promotion to positions of chief clerks in said division for satisfactory, efficient, and faithful service, under such regulations as the Postmaster General shall prescribe."

Approved, June 5, 1934.

[CHAPTER 394.]

AN ACT

To amend the Act of Congress approved June 7, 1924, commonly called the "San Carlos Act", and Acts supplementary thereto.

June 5, 1934.
[H. R. 8938]
[Public, No. 290.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act of Congress approved June 7, 1924 (43 Stat.L. 475, 476), commonly called the "San Carlos Act", and Acts supplementary thereto, including the Act of Congress approved March 7, 1928 (45 Stat.L. 210-212), and Acts supplementary thereto, be, and the same are hereby, amended so as to provide that the construction cost of the San Carlos project, including the cost of the power development at the Coolidge Dam and the transmission line or lines shall be repaid without interest, and that part thereof to be paid on account of the lands in public or private ownership shall be repaid in forty equal annual installments beginning on December 1, 1935, the date fixed by the public notice heretofore issued by the Secretary of the Interior. The Secretary of the Interior, with the consent of the San Carlos Irrigation and Drainage District, is hereby authorized to modify the existing repayment contract in accordance herewith.

San Carlos Irrigation project, Ariz.
Vol. 43, p. 475; Vol. 45, p. 212.
Costs as to Indian lands to be repaid without interest.

Amortization of privately, etc., owned lands in 40 annual installments.

Contract modified accordingly.

Approved, June 5, 1934.

[CHAPTER 404.]

AN ACT

To provide for the regulation of securities exchanges and of over-the-counter markets operating in interstate and foreign commerce and through the mails, to prevent inequitable and unfair practices on such exchanges and markets, and for other purposes.

June 6, 1934.
[H. R. 9323]
[Public, No. 291.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—REGULATION OF SECURITIES EXCHANGES

Securities Exchange Act of 1934.

SHORT TITLE

Short title.

SECTION 1. This Act may be cited as the "Securities Exchange Act of 1934."

NECESSITY FOR REGULATION AS PROVIDED IN THIS TITLE

Necessity for regulation.

SEC. 2. For the reasons hereinafter enumerated, transactions in securities as commonly conducted upon securities exchanges and over-the-counter markets are affected with a national public interest which makes it necessary to provide for regulation and control of such transactions and of practices and matters related thereto, including transactions by officers, directors, and principal security holders, to require appropriate reports, and to impose requirements necessary to make such regulation and control reasonably complete and effective, in order to protect interstate commerce, the national credit, the Federal taxing power, to protect and make more effective

Declaration of purposes and objects.

the national banking system and Federal Reserve System, and to insure the maintenance of fair and honest markets in such transactions:

(1) Such transactions (a) are carried on in large volume by the public generally and in large part originate outside the States in which the exchanges and over-the-counter markets are located and/or are effected by means of the mails and instrumentalities of interstate commerce; (b) constitute an important part of the current of interstate commerce; (c) involve in large part the securities of issuers engaged in interstate commerce; (d) involve the use of credit, directly affect the financing of trade, industry, and transportation in interstate commerce, and directly affect and influence the volume of interstate commerce; and affect the national credit.

(2) The prices established and offered in such transactions are generally disseminated and quoted throughout the United States and foreign countries and constitute a basis for determining and establishing the prices at which securities are bought and sold, the amount of certain taxes owing to the United States and to the several States by owners, buyers, and sellers of securities, and the value of collateral for bank loans.

(3) Frequently the prices of securities on such exchanges and markets are susceptible to manipulation and control, and the dissemination of such prices gives rise to excessive speculation, resulting in sudden and unreasonable fluctuations in the prices of securities which (a) cause alternately unreasonable expansion and unreasonable contraction of the volume of credit available for trade, transportation, and industry in interstate commerce, (b) hinder the proper appraisal of the value of securities and thus prevent a fair calculation of taxes owing to the United States and to the several States by owners, buyers, and sellers of securities, and (c) prevent the fair valuation of collateral for bank loans and/or obstruct the effective operation of the national banking system and Federal Reserve System.

(4) National emergencies, which produce widespread unemployment and the dislocation of trade, transportation, and industry, and which burden interstate commerce and adversely affect the general welfare, are precipitated, intensified, and prolonged by manipulation and sudden and unreasonable fluctuations of security prices and by excessive speculation on such exchanges and markets, and to meet such emergencies the Federal Government is put to such great expense as to burden the national credit.

Definitions and application of Act.

DEFINITIONS AND APPLICATION OF TITLE

SEC. 3. (a) When used in this title, unless the context otherwise requires—

"Exchange".

(1) The term "exchange" means any organization, association, or group of persons, whether incorporated or unincorporated, which constitutes, maintains, or provides a market place or facilities for bringing together purchasers and sellers of securities or for otherwise performing with respect to securities the functions commonly performed by a stock exchange as that term is generally understood, and includes the market place and the market facilities maintained by such exchange.

Market place and facilities included.

"Facility."

(2) The term "facility" when used with respect to an exchange includes its premises, tangible or intangible property whether on the premises or not, any right to the use of such premises or property or any service thereof for the purpose of effecting or reporting a transaction on an exchange (including, among other things, any

system of communication to or from the exchange, by ticker or otherwise, maintained by or with the consent of the exchange), and any right of the exchange to the use of any property or service.

(3) The term "member" when used with respect to an exchange means any person who is permitted either to effect transactions on the exchange without the services of another person acting as broker, or to make use of the facilities of an exchange for transactions thereon without payment of a commission or fee or with the payment of a commission or fee which is less than that charged the general public, and includes any firm transacting a business as broker or dealer of which a member is a partner, and any partner of any such firm.

(4) The term "broker" means any person engaged in the business of effecting transactions in securities for the account of others, but does not include a bank.

(5) The term "dealer" means any person engaged in the business of buying and selling securities for his own account, through a broker or otherwise, but does not include a bank, or any person insofar as he buys or sells securities for his own account, either individually or in some fiduciary capacity, but not as a part of a regular business.

(6) The term "bank" means (A) a banking institution organized under the laws of the United States, (B) a member bank of the Federal Reserve System, (C) any other banking institution, whether incorporated or not, doing business under the laws of any State or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to national banks under section 11(k) of the Federal Reserve Act, as amended, and which is supervised and examined by State or Federal authority having supervision over banks, and which is not operated for the purpose of evading the provisions of this title, and (D) a receiver, conservator, or other liquidating agent of any institution or firm included in clauses (A), (B), or (C) of this paragraph.

(7) The term "director" means any director of a corporation or any person performing similar functions with respect to any organization, whether incorporated or unincorporated.

(8) The term "issuer" means any person who issues or proposes to issue any security; except that with respect to certificates of deposit for securities, voting-trust certificates, or collateral-trust certificates, or with respect to certificates of interest or shares in an unincorporated investment trust not having a board of directors or of the fixed, restricted management, or unit type, the term "issuer" means the person or persons performing the acts and assuming the duties of depositor or manager pursuant to the provisions of the trust or other agreement or instrument under which such securities are issued; and except that with respect to equipment-trust certificates or like securities, the term "issuer" means the person by whom the equipment or property is, or is to be, used.

(9) The term "person" means an individual, a corporation, a partnership, an association, a joint-stock company, a business trust, or an unincorporated organization.

(10) The term "security" means any note, stock, treasury stock, bond, debenture, certificate of interest or participation in any profit-sharing agreement or in any oil, gas, or other mineral royalty or lease, any collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit, for a security, or in general, any instrument commonly known as a "security"; or any certificate of

"Member."

"Broker."

"Dealer."

Exclusions.

"Bank."

Trusteeships. Vol. 38, p. 282. U.S.C., p. 276.

"Director."

"Issuer."

Qualifying provisions.

"Person."

"Security."

SECURITIES AND EXCHANGE COMMISSION

Securities and Exchange Commission.

interest or participation in, temporary or interim certificate for, receipt for, or warrant or right to subscribe to or purchase, any of the foregoing; but shall not include currency or any note, draft, bill of exchange, or banker's acceptance which has a maturity at the time of issuance of not exceeding nine months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited.

"Equity security."

(11) The term "equity security" means any stock or similar security; or any security convertible, with or without consideration, into such a security, or carrying any warrant or right to subscribe to or purchase such a security; or any such warrant or right; or any other security which the Commission shall deem to be of similar nature and consider necessary or appropriate, by such rules and regulations as it may prescribe in the public interest or for the protection of investors, to treat as an equity security.

"Exempted security," or "exempted securities."

(12) The term "exempted security" or "exempted securities" shall include securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States; such securities issued or guaranteed by corporations in which the United States has a direct or indirect interest as shall be designated for exemption by the Secretary of the Treasury as necessary or appropriate in the public interest or for the protection of investors; securities which are direct obligations of or obligations guaranteed as to principal or interest by a State or any political subdivision thereof or any agency or instrumentality of a State or any political subdivision thereof or any municipal corporate instrumentality of one or more States; and such other securities (which may include, among others, unregistered securities, the market in which is predominantly intrastate) as the Commission may, by such rules and regulations as it deems necessary or appropriate in the public interest or for the protection of investors, either unconditionally or upon specified terms and conditions or for stated periods, exempt from the operation of any one or more provisions of this title which by their terms do not apply to an "exempted security" or to "exempted securities."

"Buy" and "purchase."

(13) The terms "buy" and "purchase" each include any contract to buy, purchase, or otherwise acquire.

"Sale" and "sell."

(14) The terms "sale" and "sell" each include any contract to sell or otherwise dispose of.

"Commission."

(15) The term "Commission" means the Securities and Exchange Commission established by section 4 of this title.

"State."

(16) The term "State" means any State of the United States, the District of Columbia, Alaska, Hawaii, Puerto Rico, the Philippine Islands, the Canal Zone, the Virgin Islands, or any other possession of the United States.

"Interstate commerce."

(17) The term "interstate commerce" means trade, commerce, transportation, or communication among the several States, or between any foreign country and any State, or between any State and any place or ship outside thereof.

Authority conferred to define accounting, technical, and trade terms.

(b) The Commission and the Federal Reserve Board, as to matters within their respective jurisdictions, shall have power by rules and regulations to define technical, trade, and accounting terms used in this title insofar as such definitions are not inconsistent with the provisions of this title.

Inapplicable to Federal agencies, not specifically provided for.

(c) No provision of this title shall apply to, or be deemed to include, any executive department or independent establishment of the United States, or any lending agency which is wholly owned, directly or indirectly, by the United States, or any officer, agent, or employee of any such department, establishment, or agency, acting in the course of his official duty as such, unless such provision makes specific reference to such department, establishment, or agency.

SEC. 4. (a) There is hereby established a Securities and Exchange Commission (hereinafter referred to as the "Commission") to be composed of five commissioners to be appointed by the President by and with the advice and consent of the Senate. Not more than three of such commissioners shall be members of the same political party, and in making appointments members of different political parties shall be appointed alternately as nearly as may be practicable. No commissioner shall engage in any other business, vocation, or employment than that of serving as commissioner, nor shall any commissioner participate, directly or indirectly, in any stock-market operations or transactions of a character subject to regulation by the Commission pursuant to this title. Each commissioner shall receive a salary at the rate of \$10,000 a year and shall hold office for a term of five years, except that (1) any commissioner appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed, shall be appointed for the remainder of such term, and (2) the terms of office of the commissioners first taking office after the date of enactment of this title shall expire, as designated by the President at the time of nomination, one at the end of one year, one at the end of two years, one at the end of three years, one at the end of four years, and one at the end of five years, after the date of enactment of this title.

Establishment, composition, etc.

Political division.

Other employment, etc., by commissioner forbidden.

Salary, term of office, filling vacancies, etc.

(b) The Commission is authorized to appoint and fix the compensation of such officers, attorneys, examiners, and other experts as may be necessary for carrying out its functions under this Act, without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States, and the Commission may, subject to the civil-service laws, appoint such other officers and employees as are necessary in the execution of its functions and fix their salaries in accordance with the Classification Act of 1923, as amended.

Other officers, experts, etc.

Employees. Vol. 46, p. 1003.

TRANSACTIONS ON UNREGISTERED EXCHANGES

Unregistered exchanges.

SEC. 5. It shall be unlawful for any broker, dealer, or exchange, directly or indirectly, to make use of the mails or any means or instrumentality of interstate commerce for the purpose of using any facility of an exchange within or subject to the jurisdiction of the United States to effect any transaction in a security, or to report any such transaction, unless such exchange (1) is registered as a national securities exchange under section 6 of this title, or (2) is exempted from such registration upon application by the exchange because, in the opinion of the Commission, by reason of the limited volume of transactions effected on such exchange, it is not practicable and not necessary or appropriate in the public interest or for the protection of investors to require such registration.

Use of mails or instrumentality of interstate commerce in security transaction on, unlawful.

Exemptions authorized.

REGISTRATION OF NATIONAL SECURITIES EXCHANGES

Registration of national securities exchanges.

SEC. 6. (a) Any exchange may be registered with the Commission as a national securities exchange under the terms and conditions hereinafter provided in this section, by filing a registration statement in such form as the Commission may prescribe, containing the agreements, setting forth the information, and accompanied by the documents, below specified:

Requirements.

Registration statement, documents to accompany.

(1) An agreement (which shall not be construed as a waiver of any constitutional right or any right to contest the validity of any rule or regulation) to comply, and to enforce so far as is within its

