

1933 securities act

Law



1933 Securities Act 1933 SECURITIES ACT The Securities Act of 1933 is a federal legislation enacted in the aftermath of the 1929 market crash with the aim to enhance transparency in financial statements to enable investors make informed investment decisions, as well as to establish rules and regulations against fraudulent activities and misrepresentation in the securities market (Hecker, 2014). It was the first federal law covering the trade in securities, with this trade governed primarily by state laws before the 1929 market crash and the subsequent federal legislation. The federal government, as a result of the turmoil faced by U. S. investors, sought to re-establish investor confidence and stability in the overall security-trade system. Generally, the Act was enacted due to the realization that more information was required about and within the securities market. In this case, the Act addressed requirements in the securities market to enhance disclosure by requiring all companies in the U. S. to seek registration with the Securities and Exchange Commission before beginning their operations (Hecker, 2014). This registration was meant to ensure that companies gave potential investors and the Securities and Exchange Commission with relevant information, specifically through registration statements and prospectus.

Exempt Securities

However, under the Securities Act of 1933, specific securities are exempted from these registration requirements. These exempt securities either come from other government regulatory agencies with a form of jurisdiction over the securities' issuers, or from issuers with a high credit worthiness level.

These securities include municipal bonds such as local government bonds, securities issued by federal agencies or the United States' government, and

securities issued by credit unions, savings institutions, and banks (OConnor, 2014). In addition, other exempt securities include public utility bonds or stocks, fixed annuities and insurance policies, and securities issued by non-profit, educational, and religious organizations. Finally, bankers' acceptances, bills of exchange, notes, and commercial papers with initial maturity periods of less than 270 days are also included under exempt securities. In this case, the fixed annuities are included under securities that are exempt from registration with the Securities and Exchange Commission because insurance companies that issue them are guarantors of the payout (OConnor, 2014). Nevertheless, variable annuities need to be registered since the payout varies based on how securities in separate accounts perform.

Exempt Transactions

Other securities offered by corporations may also be exempted from requirements for full registration under the Securities Act of 1933, in this case as a result of the nature of the securities' sales. Intrastate offerings are one example of exempt transactions, in which security offerings within an individual state by companies incorporated in that state selling at least 80% of the business in the state to the state's residents are exempt from SEC registration (OConnor, 2014). Regulation-A offerings, which are security offerings worth less than \$5 million over a period of 12 months, are also exempted from requirements to fully register with the SEC; although the issuer is still required file abbreviated or simplified registration statements. Regulation D offerings, which involve offering of securities to fewer than 35 unaccredited investors annually and also referred to as private placements, are also exempt from full registration with the SEC (OConnor, 2014).

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However, securities that are exempt from SEC registration are still subjected to antifraud regulations under the Act, where the issuers are required to provide accurate data and information on securities offered to the public.

Reference

Hecker, A. (2014). Securities Act of 1933. *St. Johns Law Review*, 8(1), 188-193

OConnor, S. (2014). The Securities Act of 1933: A Jurisdiction Puzzle. *Brooklyn Law Review*, 79(3), 1233-1264