

# The blue sky laws

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Task: The Sky Blue Law Introduction This paper presents an essay about the blue sky law. Included in the essay is the following: the definition of the law, the origin, and its effectiveness in the real world. In addition, some criticisms of the law have also been covered.

### The law

The sky blue law was formulated and enacted to reduce the speculative securities trading and protect investors from fraudulent security trading activities. The sky blue law was initially enacted in Kansas. The law was an original idea of the Kansas Commissioner of Banking, J. N. Dolley, from Maple Hill, Kansas (Macey and Miller 14-15). It is a common practice for the Security and Exchange Commission (SEC) to regulate the security trading activities and enforce laws which are against fraudulent trading. However, the sky blue law has granted authority to state officials to share the responsibility of the SEC (the reduction of fraudulent securities trading and/or ensuring the punishment of violators).

The sky blue law has been successful, to a significant extent, in regulating the securities trading. Even though every state implements the law, but take a different approach, there are similarities which form the basis of the effectiveness of the law. First, every state, in pursuant to the law, demands the registration of all players in the security market. The law requires that the stock brokers, the brokerage companies, and private security sellers register or be excused from the requirements of the registration (Legal Information Institute par. 1). Based on the registration strategy, the security agency of various states has successfully managed to reduce the fraudulent securities trading by denying a trading license or certificates to unqualified brokerage companies and/or individual stock brokers. Second, the sky blue <https://assignbuster.com/the-blue-sky-laws/>

law contains subsections that compel companies to release true and fair information to facilitate informed decision making. Third, the law provides for the punishment of individuals or entities that engage in fraudulent securities trading and/or the release of false information. However, the law has not been very successful in the security regulation of national securities such as those listed on the New York Stock Exchange, NASDAQ among others (Legal Information Institute par. 1-3).

In conclusion, the law has been successful in regulating securities trading. The registration process required to be followed by the players in the security market, the issuance of qualification certificates, the pressure to release true and fair information, and the punishment to violators have made it possible to achieve the sky blue law's objectives. Conversely, the law has not been able to successfully regulate the securities traded in the stock market.

#### Works Cited

Legal Information Institute 1992. Web. 20 Jan. 2015. [http://www.law.cornell.edu/wex/blue\\_sky\\_law](http://www.law.cornell.edu/wex/blue_sky_law)

Macey, Jonathan and Geoffrey Miller 1991, Origin of the Blue Sky Laws. PDF file. 20 Jan. 2015. [http://digitalcommons.law.yale.edu/cgi/viewcontent.cgi?article=2679&context=fss\\_papers](http://digitalcommons.law.yale.edu/cgi/viewcontent.cgi?article=2679&context=fss_papers)