

**Identify the major source of regulations for the securities industry.**

The major source of regulations is the FEDERAL government which is different than the insurance industry. The insurance industry is regulated by the states. The primary enforcement agency is the SEC, which regulates the various stock exchanges and the NASD.

**A. Briefly describe each of the following federal laws.**

**1. The Securities Act of 1933**

This act focuses on NEW securities by requiring the registration of initial public offerings. Also, it requires audited financial statements, distribution of a prospectus, and prohibits fraud and deception in security dealings.

**2. The Securities Exchange Act of 1934**

The Securities Exchange Act focused on EXISTING securities by creating the SEC to regulate securities sold in secondary markets. Also, this act requires various financial reports (Form 10K) and is responsible for regulating broker-dealers.

**3. Maloney Act of 1936**

It brought the OTC market under the supervision of the SEC and called for self-regulation of the securities industry. The NASD is formed for this purpose.

**4. Investment Company Act of 1940**

This act authorized the SEC to regulate MUTUAL funds and other investment companies. Provides for the ongoing regulation of their disclosures and procedures.

**5. Investment Advisors Act of 1940**

This act regulates certain advisers who are in the business of giving advice about securities for COMPENSATION. Registered advisors have specific rules regarding disclosure and anti-fraud measures that must be followed.

**6. Securities Investor Protection Act of 1970**

The Securities Investor Protection Act established the Securities Investment Protection Corporation (SIPC) to protect investors against losses from the failure of a brokerage firm. It insures cash up to \$100,000 and securities held in "street name" up to \$500,000. These limits are applied on a per customer basis.

**7. Securities Acts Amendments of 1975**

This act established a National Market System for TRADING securities. Also resulted in the abolishment of fixed commission schedules.

**8. Insider Trading and Securities Fraud Enforcement Act of 1988**

This act prohibits the use of insider information and authorizes TREBLE damages for violations. Reason that officers and directors must report changes in their holdings to the SEC.

**9. Investment Advisors Supervision Coordination Act of 1996**

The act eliminates the requirement for investment advisers to register with the SEC if they manage 25 million or less of client assets. However, they still must register with the state.