

1.1.1 Securities Act of 1934

The securities act of 1934 created the Securities and Exchange Commission (SEC) and empowers the SEC with authority over all aspects of the securities industry. This includes the power to register, regulate, and oversee:

- brokerage firms
- transfer agents
- clearing agencies
- securities self-regulatory organizations (SROs).

1.1.1.1 *Corporate Reporting*

Companies with more than \$10 million in assets whose securities are held by more than 500 owners must file annual and other periodic reports.

1.1.1.2 *Proxy Solicitations*

Solicitations, whether by management or shareholder groups, must be filed with the SEC and must disclose all important facts concerning the issues on which holders are asked to vote.

1.1.1.3 *Tender Offers*

The SEC requires disclosure of important information by anyone seeking to acquire more than 5 percent of a company's securities by direct purchase or tender offer.

1.1.1.4 *Insider Trading*

The SEC prohibits insider trading. Insider trading is defined as the illegal trade of a security while in possession of material nonpublic information in violation of a duty to withhold the information or refrain from trading.

1.1.2 Key Takeaways

- This chapter is not heavily tested on the exam so don't memorize everything in this lesson.
- Securities Act of 1933 creates registration requirements.
- Securities Act of 1934 creates the enforcement of securities registration.
- Know the two acts and the major requirements.
- For more information, checkout the [SEC website](#).