

The Commonwealth of Massachusetts

REPORT

OF THE

SPECIAL COMMISSION ON STUDY OF LAWS
REGULATING PROMOTION AND SALE
OF SECURITIES

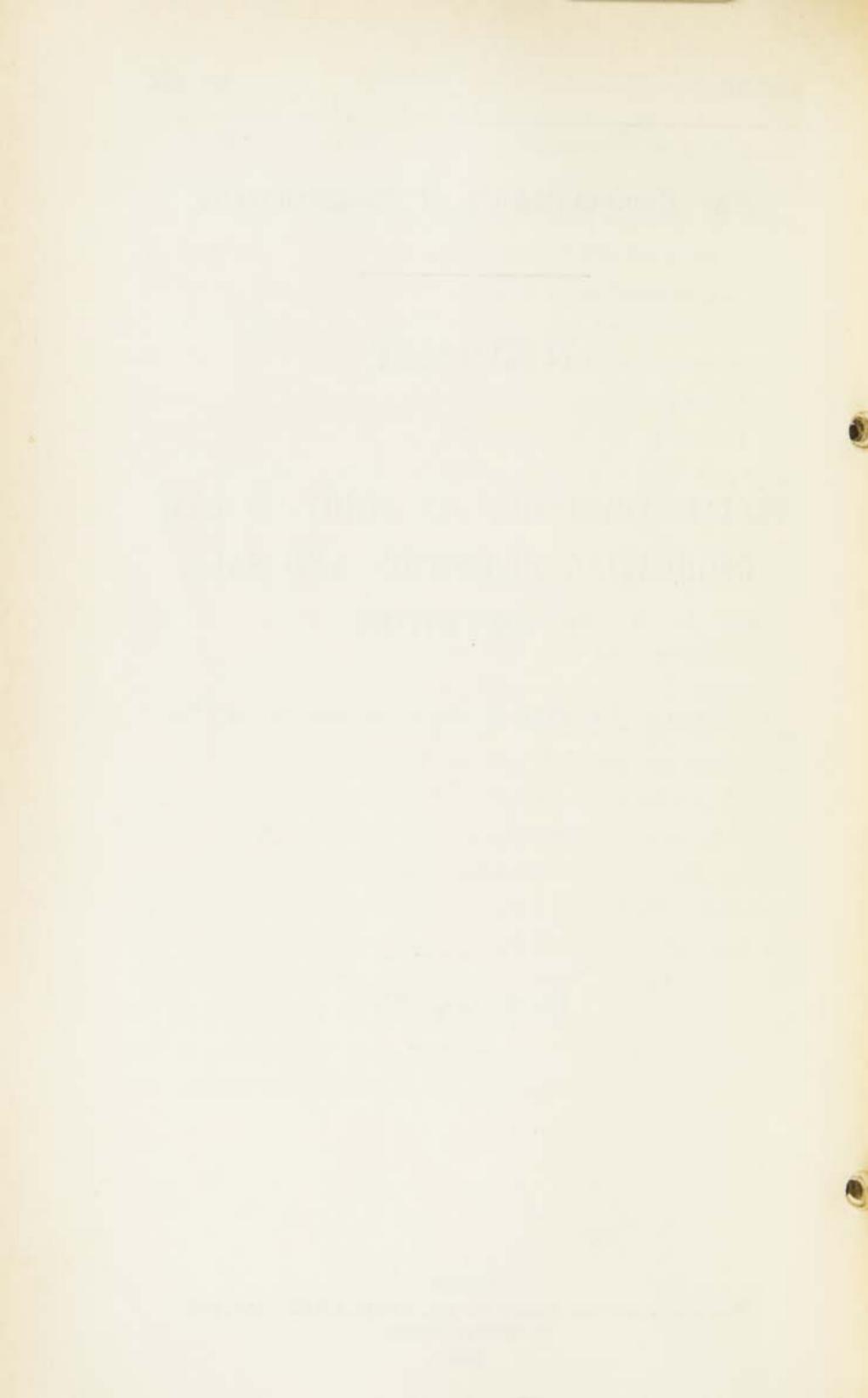
CREATED BY CHAPTER 37 OF THE RESOLVES OF 1937

DECEMBER, 1937

BOSTON

WRIGHT & POTTER PRINTING CO., LEGISLATIVE PRINTERS
32 DERNE STREET

1938



The Commonwealth of Massachusetts

SPECIAL COMMISSION ON SECURITY LAWS.

Of the Senate.

HON. JARVIS HUNT OF NORTH ATTLEBOROUGH, *Chairman.*

Of the House.

HOLLIS M. GOTTF of ARLINGTON, *Vice Chairman.*

DOUGLASS B. FRANCIS OF NEWTON.

JOHN J. DONAHUE OF SOMERVILLE.

HON. PAUL A. DEVER OF CAMBRIDGE, *The Attorney General.*

ABRAHAM C. WEBBER OF NEWTON, *Chairman, Department of
Public Utilities.*

FRANCIS W. TULLY, JR., OF BROOKLINE, *Secretary.*

The Commonwealth of Massachusetts

DECEMBER 1, 1937.

To the General Court of the Commonwealth.

The Special Commission on Security Laws has the honor to transmit herewith its report, in accordance with chapter 37 of the Resolves of 1937, approved by His Excellency the Governor, under date of May 24, 1937.

The Commonwealth of Massachusetts

REPORT OF THE SPECIAL COMMISSION ON SECURITY LAWS.

The Special Commission on Security Laws was created under chapter 37 of the Resolves of 1937, which is as follows:

[CHAPTER 37.]

RESOLVE PROVIDING FOR A SURVEY AND STUDY BY A SPECIAL COMMISSION RELATIVE TO THE LAWS OF THE COMMONWEALTH RELATING TO THE PROMOTION AND SALE OF SECURITIES, AND CERTAIN RELATED MATTERS.

Resolved, That a special commission, to consist of one member of the senate to be designated by the president thereof, three members of the house of representatives to be designated by the speaker thereof, the attorney general and the chairman of the commission of the department of public utilities, is hereby established for the purpose of making a survey and study of the laws of the commonwealth regulating or otherwise pertaining to the promotion and sale of securities, with a view to bringing said laws into harmony with the Federal Security Act of 1933, so called, so far as may be practicable and desirable, and with a view to the making of any other improvements in said laws that may seem advisable. Said commission shall also consider the subject matter of current house document numbered forty-nine, relative to including mineral deeds, so called, within the provisions of said laws of the commonwealth, and also the subject matter of current senate document numbered one hundred and ninety-five, relative to creating a public trust commission and regulating the disposition of evidences of indebtedness under protective committee agreements, so called. Either the attorney general or the chairman of the commission of the department of public utilities, if he so elects, may designate an officer or employee in his department to serve in his place on said commission. Said commission may expend for expenses and clerical and other assistance such sums, not exceeding, in the aggregate, fifteen hundred dollars, as may hereafter be appropriated therefor. Said commission shall report to the general court

its findings and its recommendations, if any, together with drafts of legislation necessary to carry said recommendations into effect, by filing the same with the clerk of the house of representatives on or before the first Wednesday of December in the current year.

Approved May 24, 1937.

In accordance with the terms of the resolve, the President of the Senate appointed Honorable Jarvis Hunt of North Attleborough, and the Speaker of the House appointed Representatives Hollis M. Gott of Arlington, Douglass B. Francis of Newton, and John J. Donahue of Somerville. Attorney General Paul A. Dever served on the Commission until October 1, when, under the terms of the resolve, he designated Assistant Attorney General Arthur V. Sullivan of Boston to serve in his place. Abraham C. Webber of Newton, chairman of the Department of Public Utilities, served on the Commission during its entire existence, but was represented at several meetings by Charles H. McCue of Boston, confidential advisor to the chairman of the department.

ORGANIZATION.

The Commission met for the first time on June 7, and elected Senator Hunt, chairman; Representative Gott, vice chairman; and Francis W. Tully, Jr., of Brookline, secretary.

The Commission has held five public hearings and twenty-five executive sessions, including conferences with officials of the state and Federal government. It is desirous of expressing its appreciation to those who contributed to the success of its investigation.

The Commission is indebted for valuable assistance to Allen E. Throop, General Counsel, James J. Caffrey, Regional Director for New England, of the Federal Securities and Exchange Commission, and Dean James M. Landis of Harvard Law School, former Chairman of the Securities and Exchange Commission. Helpful advice on many occasions was rendered by William P. Husband, Jr., Commissioner of Banks and Banking, John H.

Backus, Director of the Securities Division, John C. Hull, former Director of the Division, and Henry B. Wiggin, Counsel to the House of Representatives. Important suggestions were made by a joint legislative committee appointed to represent the New England Group of the Investment Bankers Association, the Boston Association of Stock Exchange Firms, and the Security Dealers Association of New England.

The Commission from time to time received many proposals in the form of written communications, all of which were given serious consideration.

Dean Landis, Mr. Throop and Mr. Caffrey were especially helpful in explaining to the Commission the principles and operation of the Federal Securities Act of 1933 and the Securities Exchange Act of 1934. Mr. Backus and Mr. Hull furnished information and advice as to methods of strengthening and improving the Securities Division.

First-hand information on the operation of the security laws of the State of New York was obtained when the Commission went to New York City in November and consulted with Assistant Attorney General Ambrose McCall, in charge of enforcing the security laws of that State.

A hearing was held at the State House for the benefit of the investing public. Many victims of unscrupulous operators furnished the Commission with evidences of abuse of the laws. Hearings were also granted to dealers in oil royalties, and to those in favor of establishing state regulation of evidences of indebtedness under protective committee agreements.

After a preliminary draft of legislation had been drawn, the Commission held two hearings to which all interested parties and the public were invited.

REPORT.

This special recess Commission was created for the general purpose of "making a survey and study of the laws of the commonwealth regulating or otherwise per-

taining to the promotion and sale of securities." The Commission was directed by the Legislature to look into the advisability of bringing state laws more into harmony with recent Federal legislation, and was empowered to extend its investigation to include any other related proposals which might seem advisable. Two specific proposals, the regulation of the sale of oil royalties and the creation of a "public trust commission," were also referred to the Commission for study.

After a preliminary survey, the Commission was convinced that a revision of the state's security laws is both advisable and imperative. The Commission then proceeded to make its investigation under two basic objectives: first, adequate protection to the public from fraud; and second, adequate protection and encouragement to security dealers and salesmen who are conducting their business honestly and legitimately.

The Commission early became convinced of the fundamental soundness of the Massachusetts Sale of Securities Act. The act establishes safeguards against fraud, so that violators may be prosecuted and may also be prevented from continuing in the securities business at the expense of the public. Federal laws are not based on this "fraud principle," but on the principle that fraud may be prevented by forcing a complete disclosure of all necessary information before a security is issued and sold to the public.

For the purpose of greater efficiency, the Commission segregated its work into three classifications: (1) providing regulation of oil leases or mineral deeds; (2) harmonizing the state and Federal laws; and (3) providing other measures for the protection of the investing public.

OIL LEASES.

Evidence secured by the Commission showed that a major share of the grievances suffered by the public were caused in connection with sales of the form of investment known variously as oil leases, oil royalties and mineral deeds. Yet there is doubt in the minds of the Depart-

ment of Public Utilities, the Securities Division, security dealers and courts as to whether these leases come within the provisions of the Sale of Securities Act and may therefore be regulated. An important court decision of a few years ago held that they were evidences of ownership of real estate, and therefore not subject to regulation by the Securities Division. A more recent decision is somewhat contradictory.

A majority of those who appeared before the Commission on this matter, including reputable dealers, agreed with the Commission that the public interest would best be served by a specific definition of this form of investment as a security.

In order to eliminate the confusion surrounding the sale of oil leases, and to provide much needed regulation, the Commission hereby strongly recommends that a new definition be included in the list of securities in the Sale of Securities Act. The proposed definition is one which has met with apparent success in the State of Connecticut. (See Appendix, section 1.)

HARMONIZING MASSACHUSETTS AND FEDERAL LAWS.

As stated above, the Commission is strongly of the opinion that the fraud principle of the Massachusetts statute should be retained, but at the same time the Commission believes that a more uniform procedure would benefit the various regulatory agencies of the Federal government and the several States, the originators and distributors of securities, and the public at large. Any simplification of security regulation, unless it interferes with proper and adequate control, is commendable.

Under existing Federal regulations, the originator of a security files a "prospectus" with the Securities and Exchange Commission, in which certain required information is disclosed. Before the security may be sold in Massachusetts, similar information on a different form must be filed with the Securities Division.

Responsible persons appearing before the Commission recommended that the prospectus accepted by the Se-

curities and Exchange Commission be accepted by the Director of the Securities Division in lieu of the present form used in presenting information for qualification. The Commission agrees, and accordingly recommends, that such a provision be enacted.

One of the primary characteristics of the securities business is that once an issue has been placed before the public it must be put in the hands of dealers and salesmen with the utmost possible speed. There must be no delay between the time the issue is qualified for sale and the time it is actually sold. The Commission believes that this proposal will speed up the distribution of securities through simplification of regulatory requirements. In addition, thousands of dollars will be saved to industry seeking capital by eliminating the present form required by the Division, and this saving, at least in part, should accrue to the public in lower competitive prices for new securities.

It is entirely possible that in some instances the Director might consider it advisable to obtain additional information not required by the prospectus, and for this reason the Commission recommends that discretionary power in such cases be given the Director.

Legislation to accomplish the change is appended.
(See Appendix, section 5.)

ADDITIONAL PROTECTIVE MEASURES.

A careful study of the administrative methods of the Securities Division was made by the Commission, with a view to ascertaining how the investing public might be afforded greater protection. The Commission was surprised to find that at the present time there are registered with the Division many salesmen who have criminal records for offences ranging from misdemeanors to felonies. There are several who have been convicted of larceny and embezzlement.

The Commission believes there should be stricter supervision by the Director and by the Public Utilities Commission over those persons registered as brokers

and salesmen. It also believes that no person should be registered as a broker or salesman who has not sufficient ability or a sufficient knowledge of the securities business to present highly technical matters to the investing public in their true light.

The Commission therefore recommends that every applicant for original registration appear before the Director and furnish under oath whatever information the Director may require, and furthermore, that the Director be given the discretionary authority to require an applicant to take a written examination as to his qualifications. By this recommendation, the Commission feels it may accomplish an improvement in the type of salesman doing business with the public in this Commonwealth. (See Appendix, section 7.)

The Commission has also concluded that a more rigid supervision is necessary over brokers, and that the Public Utilities Commission should be able at any time to obtain information as to the manner in which a broker is conducting his business. It recommends, therefore, that the Public Utilities Commission require a statement from each broker at least once a year relative to his financial condition, made and sworn to by an accountant acceptable to the Commission, and also a sworn statement as to the conduct of his business. The Commission further recommends that the Public Utilities Commission be allowed to make an examination of the books of any broker at any time. (See Appendix, section 8.)

The Commission also feels that while salesmen should not be required to furnish information as to their financial condition, they should be required to provide full information as to the conduct of their business. (See Appendix, section 8.)

The present law removes the right to registration of persons convicted of a felony, with adequate provisions for appeal. The Commission believes, and accordingly recommends, that a stricter and more adequate regulation would result from barring persons convicted of

larceny from the right to registration, instead of those convicted of a felony. (See Appendix, section 8.)

The Commission feels that the duties of the Director should, in so far as is possible, be administrative, with the rules and regulations of the Division established by the Legislature and the Public Utilities Commission. Although no legislation is recommended, the Commission earnestly suggests that a member of the Public Utilities Commission be designated to review the findings of the Director.

Present law provides no appeal to the Public Utilities Commission from a finding of the Director except by the person aggrieved thereby. The Commission recommends that the Public Utilities Commission be empowered to modify or annul a decision of the Director upon its own motion, thus giving the Commission the right to take the initiative at its discretion. (See Appendix, section 11.)

Another important proposal concerns the exemption from registration now granted charitable corporations. In a recent decision, the present Director found that fraud of many thousands of dollars might have been perpetrated had not information come to him which enabled him to step in and refuse to authorize a large issue ostensibly intended for charitable purposes. Because of this apparent danger of fraud, and because no hardship would result to legitimate charitable corporations, the Commission recommends that the exemption be removed from issues of this kind where the aggregate value of the securities exceeds the sum of \$100,000. (See Appendix, section 3.)

Securities sold by a corporation to its employees are now regulated under a separate provision of law, namely, chapter 297 of the Acts of 1935, which amended chapter 155 of the General Laws. The Commission feels that this chapter should be included in the Sales of Securities Act, so that the penalties of the latter act will apply to this form of sale. (See Appendix, section 13.)

There are a few other recommendations contained in

this report for which legislation is recommended without discussion. They are technical in nature and are submitted by the Commission for the purpose of clarifying the present law. (See Appendix, sections 2, 6, 10 and 12.)

PUBLIC TRUST COMMISSION.

One of the proposals before the Commission advocated the creation of a commission in the state government for the purpose of regulating evidences of indebtedness under protective committee agreements in cases of corporate reorganizations. On competent advice, the Commission recommends that no action be taken by the Legislature until final disposition of the matter by the Congress, when the question might well be a subject for further study.

JARVIS HUNT,

Chairman.

HOLLIS M. GOTTL

Vice Chairman.

DOUGLASS B. FRANCIS.

JOHN J. DONAHUE.

ARTHUR V. SULLIVAN.

ABRAHAM C. WEBBER.

SUPPLEMENTARY STATEMENT.

I have signed the report of the Commission because I believe some progress is shown toward a revision of the state's security laws. I am in accord with the recommendations made in the report.

I further recommend, however, that the Securities Division be transferred from the Department of Public Utilities to the Department of Banking and Insurance, under the jurisdiction of the Commissioner of Banks. The power to establish rules and regulations and to hear appeals from the decisions of the Director would be vested in a Board of Appeal, to consist of the Commissioner of Banks, who would serve as permanent chairman, the Attorney General, and the Commissioner of Corporations and Taxation. The Director would be appointed by the Board of Appeal, with the consent of the Governor and Council, who would establish his salary.

During the many conferences and public hearings the Commission held on this proposal, much of the opposition came from the present employees of the Division, who expressed the fear that their civil service rights would be removed by the transfer. I see no valid argument why legislation effecting the transfer could not provide civil service protection for these employees during tenure of office.

Others appearing before the Commission felt that the quality of the Board of Appeal might be impaired if members were allowed to designate subordinates to sit for them at meetings. This argument, in my opinion, would be overcome by a provision that the right to designate be withheld from the Commissioner of Banks, the permanent chairman, and that the two remaining members, the Attorney General and the Commissioner of Corporations and Taxation, be allowed to designate

only their first assistant or deputy. The Board would meet twice weekly for hearings.

Some opponents of the transfer have taken the position that the change might disturb the continuity of rules and regulations established by the Public Utilities Commission over a period of years for the conduct of the Division. It appears to me, however, that these same rules and regulations could logically and easily be placed in effect by the new Board.

I earnestly believe that the regulation of securities by the State could be carried on more efficiently under the Commissioner of Banks than by the Department of Public Utilities. The Division was first placed in the Department of Public Utilities because that department offered the only convenient board of appeal. There was no affiliation between the department and security regulation, as there would be in the banking department, which is constantly in touch with matters relating to the securities business. In addition, the Board of Appeal which I have proposed would be one which would not be specialized in any one field, as is the Public Utilities Commission, and would therefore be better equipped to deal with its problems from a broader and more effective point of view.

DOUGLASS B. FRANCIS.

APPENDIX.

PROPOSED LEGISLATION.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Thirty-Eight.

AN ACT IN AMENDMENT TO AND IN REVISION OF THE
SALES OF SECURITIES LAW.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Paragraph (c) of section two of chapter
2 one hundred and ten A of the General Laws, as
3 amended by chapter three hundred and sixteen of the
4 acts of nineteen hundred and thirty-six, is hereby
5 amended by striking out, in the fourth and fifth lines,
6 the words "oil, gas or mining lease or certificate of
7 interest in or under the same" and inserting in place
8 thereof the following:—certificate or evidence of
9 interest in any oil, gas or mining deed, lease or rights,
10 certificate or evidence of interest in any oil, gas or
11 mining royalty, certificate or evidence of interest in
12 any property represented to contain, or to be a pros-
13 pect for, oil, gas or minerals and interest in or under
14 such lands or royalties therefrom,—so as to read as
15 follows:—(c) "Security" shall include any evidence
16 of indebtedness, stock, certificate under voting trust

17 agreement, subscription or reorganization certificate,
18 certificate in or under a profit sharing or participation
19 agreement, certificate or evidence of interest in any
20 oil, gas or mining deed, lease or rights, certificate or
21 evidence of interest in any oil, gas or mining royalty,
22 certificate or evidence of interest in any property
23 represented to contain, or to be a prospect for, oil,
24 gas or minerals and interest in or under such lands or
25 royalties therefrom; warehouse receipt for alcoholic
26 beverages, as defined in section one of chapter one
27 hundred and thirty-eight, investment contract, cur-
28 rency of a government other than the United States,
29 and, in general, any certificate or instrument repre-
30 senting or secured by a legal or equitable interest in
31 the capital, assets or property of, or representing
32 indebtedness of, any person.

1 SECTION 2. Section two of said chapter one hun-
2 dred and ten A, as so appearing, is hereby amended
3 by striking out paragraph (f) and inserting in place
4 thereof the following:—

5 (f) "Salesman" shall include every person em-
6 ployed, appointed or authorized by a broker to sell
7 securities within this commonwealth, whether or not
8 the person so employed, appointed or authorized
9 receives compensation therefor.

1 SECTION 3. Section four of said chapter one hun-
2 dred and ten A, as so appearing, is hereby amended
3 by striking out paragraph (g) and inserting in place
4 thereof the following:—

5 (g) The securities of any corporation organized
6 under the provisions of chapter one hundred and
7 eighty, the aggregate face value of whose outstanding

8 securities, together with its authorized capital stock,
9 if any, does not exceed one hundred thousand dollars.

1 SECTION 4. Section four of said chapter one hun-
2 dred and ten A, as so appearing, is hereby amended
3 by adding at the end the following new paragraph:—

4 (j) The commission may from time to time, by
5 order, in accordance with such rules and standards
6 as it may prescribe, upon petition or upon its own
7 motion, exclude from the exemptions of this section
8 any securities or class of securities and may likewise
9 include the same subsequently within such exemptions.

1 SECTION 5. The commission or the director shall
2 accept, in lieu of such statement, either a copy of the
3 prospectus filed with the registration statement for the
4 security, or a copy of the offering sheet or prospectus
5 where no registration statement is required, and of
6 each amendment to said prospectus or offering sheet,
7 filed under the Federal Securities Act of 1933, as
8 amended, or a copy of final prospectus for the security
9 in the form issued upon such registration statement
10 becoming effective, or a copy of the accepted offering
11 sheet or prospectus of the security where no registra-
12 tion is required, under said act; provided that the
13 commission or the director may require further
14 information, notwithstanding the acceptance as afore-
15 said of such a prospectus or offering sheet. The
16 director shall require such copy of the prospectus or
17 offering sheet or amendment thereto so filed to be
18 attested as a true copy.

1 SECTION 6. Section nine of said chapter one hun-
2 dred and ten A, as so appearing, is hereby amended
3 by striking out the last sentence.

1 SECTION 7. Section ten of chapter one hundred
2 and ten A, as so appearing, is hereby amended by
3 striking out the fourth sentence and inserting in place
4 thereof the following:—

5 An applicant for original registration or, in case of
6 a partnership or an association or corporation, a part-
7 ner or officer thereof, shall appear before the director
8 and shall furnish under oath such further relevant in-
9 formation as the director may require. The director
10 may in his discretion require any applicant, or, in
11 case of a partnership or an association or corporation,
12 any partner or officer appearing in its behalf, to take
13 a written examination as to the qualifications of the
14 applicant.

1 SECTION 8. Said chapter one hundred and ten A
2 is hereby further amended by striking out section
3 twelve, as so appearing, and inserting in place thereof
4 the following:—

5 *Section 12.* The commission may at any time
6 require a registered broker dealing with the public to
7 furnish under oath full information relative to his
8 financial condition and the conduct of his business as a
9 broker or salesman under his present or any prior
10 registration, and shall, at least once in every year,
11 require such information, together with a statement
12 as to his financial condition made and sworn to by
13 an accountant acceptable to the commission. The
14 commission may at any time and shall, at least once
15 in every year, require a registered salesman to furnish
16 under oath full information relative to the conduct of
17 his business as salesman under his present or any prior
18 registration. The commission may at its discretion
19 make an examination of the books of any broker.

20 Failure to comply with any such requirement of the
21 commission within thirty days, and any extension of
22 time which may be given, shall, in the absence of
23 satisfactory explanation, be deemed *prima facie*
24 evidence of fraud. All such procedure and informa-
25 tion obtained thereby shall not be open to public
26 inspection.

27 If it appears to the director that any registrant is
28 or has been conducting his business as broker or
29 salesman in a fraudulent manner, or in a manner which
30 if continued would result in fraud, or is or has been
31 wilfully and purposely evading or seeking to nullify
32 the provisions of this chapter, or has violated any
33 provision of this chapter, whether under his present
34 registration or prior thereto, the director, upon notice
35 to such registrant, may suspend or revoke his regis-
36 tration as broker or salesman or both and, upon notice
37 to any organization of which such registrant is a
38 partner, trustee, director or other member of a board
39 of management or officer, may suspend or revoke the
40 registration of such organization. Conviction of a
41 registrant of larceny or of a violation of any provision
42 of this chapter shall operate forthwith to revoke the
43 registration of the convicted registrant and that of any
44 organization of which he may be a partner, trustee,
45 director or other member of a board of management
46 or officer.

47 If the registration of an individual registrant or of
48 such an organization has been revoked by the director,
49 or is revoked by operation of law except for or in
50 connection with a conviction of larceny, the director,
51 after a hearing, may rescind such revocation and rein-
52 state such individual registrant or organization; pro-
53 vided, that the transcript of the evidence at such

54 hearing shall first be submitted to the commission and
55 it shall approve of such rescission and reinstatement.
56 If the registration of an individual registrant or of
57 such an organization is revoked by operation of law
58 for or in connection with a conviction of larceny, the
59 commission, after a hearing, may annul the revoca-
60 tion of the registration of such registrant or organiza-
61 tion and reinstate such registrant or organization.
62 In any case where the revocation of any registration
63 of any such organization is rescinded or annulled,
64 such registration shall be restored if the organization
65 so elects.

1 SECTION 9. Said chapter one hundred and ten A,
2 as so appearing, is hereby further amended by insert-
3 ing after section twelve the following new section:—
4 *Section 12A.* The commission, on its own initia-
5 tive, may by order or finding modify or annul any
6 order or finding made by the director, and any in-
7 terested person aggrieved thereby shall be entitled
8 to a public hearing before the commission and a
9 review, all as provided in section thirteen in the case
10 of an interested person aggrieved by any order or
11 finding of the director, and the provisions of said
12 section shall apply in all respects, so far as applicable.

1 SECTION 10. Said chapter one hundred and ten A
2 is hereby further amended by striking out section
3 thirteen, as amended by chapter sixty-eight of the
4 acts of nineteen hundred and thirty-six, and inserting
5 in place thereof the following:—

6 *Section 13.* Any interested person aggrieved by
7 any order or finding or refusal or failure to make an
8 order or finding by the director shall be entitled, upon

9 filing within twenty days thereafter a claim therefor
10 in writing, to a public hearing before the commission,
11 at which he may be represented by counsel. Pending
12 such hearing and the affirmation, modification or
13 rescission of such an order or finding, the commission
14 may stay or suspend the taking effect of such order
15 or finding. At such hearing any evidence relevant
16 to the subject matter involved in the proceedings,
17 in which the director made such order or finding or
18 refused or failed to make an order or finding, may be
19 introduced. Any testimony which was previously
20 taken by the director relative thereto may be intro-
21 duced and may be shown by a stenographic transcript
22 thereof. When so requested by any such person, the
23 commission shall rule upon any question of law prop-
24 erly arising in the course of such hearing. Any failure
25 or refusal of the commission to rule upon such question
26 within ten days after such request shall be taken and
27 recorded as a ruling adverse to the person requesting
28 the same. At the conclusion of such hearing, the
29 commission shall reconsider and review the said
30 subject matter and shall, within twenty days there-
31 after, affirm, modify or rescind the order or finding
32 or refusal or failure complained of. The supreme
33 judicial and superior courts shall have jurisdiction
34 in equity to review and to modify, amend or annul
35 any ruling or order of the commission, but only to
36 the extent of the unlawfulness of such ruling or order.
37 The exercise of said jurisdiction shall be had con-
38 formably to the provisions of section five of chapter
39 twenty-five relative to rulings or orders of the com-
40 mission of the department of public utilities, so far as
41 applicable.

1 SECTION 11. Section sixteen of said chapter one
2 hundred and ten A, as appearing in section one of
3 chapter two hundred and ninety of the acts of nineteen
4 hundred and thirty-two, is hereby amended by insert-
5 ing after the word "before" in the second line the
6 words:— the director or, — so as to read as follows:—
7 *Section 16.* A person shall not be excused from
8 attending and testifying before the director or the
9 commission, acting under any provision of this chapter,
10 on the ground that his testimony or evidence, docu-
11 mentary or otherwise, may tend to criminate him or
12 subject him to a penalty or forfeiture, but, to the full
13 extent necessary to render the above requirement
14 lawful, such person shall not be prosecuted or sub-
15 jected to a penalty or forfeiture for or on account of
16 any action, matter or thing concerning which he may
17 be required so to testify or produce evidence, except
18 for perjury committed in such testimony.

1 SECTION 12. Said chapter one hundred and ten A
2 is hereby further amended by striking out section
3 seventeen, as so appearing, and inserting in place
4 thereof the following:—

5 *Section 17.* (a) In all investigations and inquiries
6 authorized by law to be made by the director or by
7 the commission and in all proceedings before him or
8 it, he or any member of the commission may summon
9 witnesses, administer oaths and take testimony. The
10 fees for such witnesses for attendance and travel
11 shall be the same as for witnesses before the courts
12 in civil actions and shall be paid by the common-
13 wealth upon the certificate of the director or any
14 member of the commission filed with the comptroller.
15 The fees of such witnesses need not be paid or tendered
16 to them prior to their attendance and testimony.

17 (b) The certificate of the director or of the com-
18 mission shall be competent evidence, where otherwise
19 admissible, in any court as to any act or finding of the
20 commission under this chapter.

1 SECTION 13. Section twenty-three A of chapter one
2 hundred and fifty-five of the General Laws, inserted
3 by section two of chapter two hundred and ninety-
4 seven of the acts of nineteen hundred and thirty-five,
5 is hereby amended by striking out, in the twelfth to
6 the fifteenth lines, the words "Upon an information
7 in equity in the name of the attorney general, at the
8 relation of said division, the supreme judicial court
9 may enjoin a corporation violating any provision of
10 this section from doing business in the common-
11 wealth" and inserting in place thereof the following:
12 — Whoever violates any provision of this chapter
13 shall be punished by a fine of not more than five thou-
14 sand dollars or by imprisonment for not more than
15 two and one half years, or both. Any officer author-
16 ized to make arrests may arrest without a warrant,
17 and keep in custody, until he can be taken before a
18 court having jurisdiction of such offence, any sales-
19 man selling or offering for sale a security who does not
20 have in his possession a receipt issued to him under
21 the provisions of section fourteen A, or who does not
22 exhibit such receipt to such officer upon demand.
23 Every court shall furnish to the commission an ab-
24 stract of the record of the conviction of any person
25 convicted of a violation of any provision of this chap-
26 ter, and of any registered broker or salesman convicted
27 of a felony, — so as to read as follows:— *Section 23A.*
28 No corporation shall sell, or offer for sale, any of its
29 capital stock, or any bonds or other securities repre-
30 senting an obligation of such corporation, to any of

31 its employees other than those who are also officers
32 thereof, unless such corporation has received general
33 authority in writing from the securities division of
34 the department of public utilities to make such sale;
35 and said division may, at any time, for cause, cancel
36 such general authority. Said division may require of
37 the department of corporations and taxation such in-
38 formation as may be helpful to it in acting hereunder.
39 Whoever violates any provision of this chapter shall
40 be punished by a fine of not more than five thousand
41 dollars or by imprisonment for not more than two
42 and one half years, or both. Any officer authorized
43 to make arrests may arrest without a warrant, and
44 keep in custody, until he can be taken before a court
45 having jurisdiction of such offence, any salesman
46 selling or offering for sale a security who does not
47 have in his possession a receipt issued to him under
48 the provisions of section fourteen A, or who does not
49 exhibit such receipt to such officer upon demand.
50 Every court shall furnish to the commission an ab-
51 stract of the record of the conviction of any person
52 convicted of a violation of any provision of this
53 chapter, and of any registered broker or salesman
54 convicted of a felony. This section shall apply also
55 to corporations created by or organized under laws
56 other than those of the commonwealth.

