

BOOK REVIEWS

The preface indicates that the book will point out the amendments and variations that have been made in the Code by the enacting states, but it carries out this promise to a very limited extent. In a few instances a reference to important changes is made but they do not set forth the variations adopted by all of the states. It would be advantageous were the supplement to contain this information. The table of Code citations referring to pages in the book where the Code section is cited will be most helpful to readers. There is also a good subject index.

To those of us who did not participate in the formation of the Code, and especially to those who are being called upon to study the Code for adoption in their own states, Dean Hawkland and Mr. Klaus provide a readable introduction to its background and history. The book does not, however, provide detailed answers to most problems. Nonetheless, it does provide a push in the right direction by informed authorities. I am sure that the authors do not expect all readers to agree with their every position. Being Code apologists, they tend to maintain for the most part that the Code position is not only the better view but, properly understood, the only reasonable rule.

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Registration and Regulation of Brokers and Dealers. By Ezra Weiss. Washington: Bureau of National Affairs, Inc. 1965. Pp. xxvii, 363.

Emphasis in the securities regulation field has recently shifted from the problems which arose primarily from the widespread distribution of unseasoned securities in the late 1950's and early 1960's. It has turned, instead, to re-examination and increased regulation of the markets on which publicly held securities are traded. Much of the Securities and Exchange Commission's Special Study Report of 1963 is devoted to the operations of these markets and to the prevailing standards of conduct among the broker-dealers who operate them. Some of the recommendations in this Special Study have already been enacted into law or adopted as administrative rules; more undoubtedly will be. One senses, also, that the climate producing this increased regulation has also produced greater vigilance by the Commission's staff in enforcing established rules and in insisting upon stricter adherence by broker-dealers to the high standards imposed by the federal securities laws and the doctrines which the Commission and the courts have developed under them.

The Commission and its staff have never been patient with broker-

personal property exemption, there is an error in that it should read "non-exempt." In discussing the provisions of section 9-108, he states, at page 721: "This section recognizes the concept of collateral as a floating entity: original inventory is replaced by proceeds, which in turn are replaced by new proceeds, ad infinitum." He probably meant that the inventory is replaced by proceeds, which are replaced in turn by new inventory.

dealers who fail to acquaint themselves with the rules to which they are subject. This is as it should be, but the rules are complicated and the standards of conduct that must be met are not always as evident to the men in the securities business as they are to the Commission's staff. It is sometimes difficult for a lawyer representing a broker-dealer to convince his client that a thorough understanding of the impact of federal regulation on his business is important, particularly if the client is a small concern for which a periodic review of its operations to insure compliance with the law is an expensive luxury. Consequently, violations often come to light only in the course of an inspection by the staff of the Commission or of the National Association of Securities Dealers. If the violations are serious, it may be too late to avoid disciplinary proceedings. For some time there has been a need for a brief and well-indexed manual on the regulation of broker-dealers, not only for use by lawyers, but also to serve as a handbook for broker-dealers themselves. This need has become more acute as the scope of regulation has increased and enforcement has become more stringent. Mr. Weiss has undertaken to provide such a manual, and he has provided an excellent one.

Mr. Weiss' book is neither speculative nor theoretical. Its principal virtues are skillful organization, thoroughness and clarity of expression. The book is fully indexed, with a detailed table of contents. The text reflects the changes in the law made by the Securities Acts Amendments of 1964, and excerpts from the Special Study consisting of recommendations affecting broker-dealers are set out in an appendix. The principal forms prescribed by the Commission for use by broker-dealers and reprints of several important Commission releases affecting the duties of broker-dealers are also included in appendices.

The author is an experienced member of the Commission's staff, and it is natural that his book should reflect the staff's outlook. There is the frequent reminder that "ignorance by a broker-dealer of the ground rules of his calling will not suffice to ward off appropriate sanctions."¹ Emphasis is placed upon the central importance, in the Commission's view, of the bookkeeping rules and the net capital rule, violations of which are looked upon with particular disfavor. Despite the usual disclaimer that the author is speaking for himself and not for the Commission, Mr. Weiss' interpretative opinions are largely those of the staff as a whole. The presence of the staff's viewpoint enhances its practical value as a tool for informing broker-dealers of their responsibilities under federal laws as viewed by the agency concerned with their enforcement.

Mr. Weiss' book will also be helpful to lawyers, particularly those with limited experience in this field who need to be able to find their bearings quickly. The book is liberally footnoted with references to pertinent statutes, rules and decided cases.

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¹ P. 33.