

Name \_\_\_\_\_

## Ensuring a Sound Economy

Read the article below. Choose from the words, phrase and clauses provided to clarify the relationship between the article's main points, reasons and evidence. Then, on a separate page, rewrite the article, adding the word, phrases and clauses where needed.

The Securities and Exchange Commission (SEC) is one of the most important agencies in our federal government. A country is only as strong as its economy. A sound economy offers jobs, continually improves our standard of living, and protects the value of our savings. All of these things require innovation, growth and the investment of capital. The SEC was formed to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation so that our economy can continue to grow.

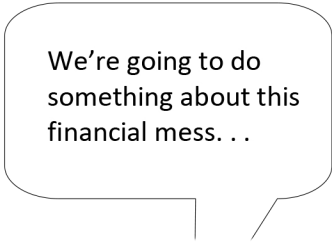
Like many other agencies, it was born out of an urgent need. Stocks, bonds and other securities can lose value. An investor needs access to accurate and real-time information about what they are investing in. The SEC requires that public companies disclose meaningful financial and other information to the public. All investors have equal access to this information, and can use it to decide for themselves whether to buy, sell, or hold a particular security. The stock market is more active, efficient, and transparent. The SEC continually works with all major market participants, to listen to their concerns and to learn from their experience.

At the beginning of the twentieth century people gave little thought to the risk involved in investing their hard-earned money based on marginal or unreliable information. But that changed following the stock market crash of October 1929. Both individual investors and banks lost huge amounts of money, and the public lost confidence in the financial markets. That confidence needed to be restored, so Congress began to actively look for a solution. Congress passed the Securities Act of 1933 which, along with the Securities Exchange Act of 1934, which created the SEC, required that both investors and the markets be provided with more reliable information and clear rules that, together, would protect the integrity of the markets. The gist of these laws are that companies offering securities for public investment have to tell the truth about their businesses, the securities they are selling, and the risks involved in investing, and that the people who sell and trade securities – brokers, dealers, and exchanges – must treat investors fairly and honestly, putting investors' interests first.

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The SEC has enforcement authority. Every year, hundreds of civil enforcement actions are brought against individuals and companies for insider trading, accounting fraud, and providing false or misleading information about securities and the companies that issue them. The SEC works closely with Congress, other federal departments and agencies, the self-regulatory organizations (e.g. the stock exchanges), state securities regulators, and various private sector organizations.

- At the height of the depression
- To ensure that the United States could support these things
- In order for the country to recover
- To ensure compliance with these laws
- Additionally
- Resulting in the Great Depression
- Unlike today
- While in the banking world deposits are guaranteed by the federal government
- As a result
- To this end
- Because there are no guarantees that money invested in the stock market will gain in value



We're going to do something about this financial mess. . .

## ANSWERS

The Securities and Exchange Commission (SEC) is one of the most important agencies in our federal government. A country is only as strong as its economy. A sound economy offers jobs, continually improves our standard of living, and protects the value of our savings. All of these things require innovation, growth and the investment of capital. To ensure that the United States could support these things, The SEC was formed to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation so that our economy can continue to grow.

Like many other agencies, it was born out of an urgent need. While in the banking world deposits are guaranteed by the federal government, stocks, bonds and other securities can lose value. Because there are no guarantees that money invested in the stock market will gain in value, an investor needs access to accurate and real-time information about what they are investing in. To this end, the SEC requires that public companies disclose meaningful financial and other information to the public. All investors have equal access to this information, and can use it to decide for themselves whether to buy, sell, or hold a particular security. As a result, the stock market is more active, efficient, and transparent. The SEC continually works with all major market participants, to listen to their concerns and to learn from their experience.

Unlike today, at the beginning of the twentieth century people gave little thought to the risk involved in investing their hard-earned money based on marginal or unreliable information. But that changed following the stock market crash of October 1929. Both individual investors and banks lost huge amounts of money, and the public lost confidence in the financial markets, resulting in the Great Depression. In order for the country to recover, that confidence needed to be restored, so Congress began to actively look for a solution. At the height of the depression, Congress passed the Securities Act of 1933 which, along with the Securities Exchange Act of 1934, which created the SEC, required that both investors and the markets be provided with more reliable information and clear rules that, together, would protect the integrity of the markets. The gist of these laws are that companies offering securities for public investment have to tell the truth about their businesses, the securities they are selling, and the risks involved in investing, and that the people who sell and trade securities – brokers, dealers, and exchanges – must treat investors fairly and honestly, putting investors' interests first.

To ensure compliance with these laws, the SEC has enforcement authority. Every year, hundreds of civil enforcement actions are brought against individuals and companies for insider trading, accounting fraud, and providing false or misleading information about securities and the companies that issue them. Additionally, the SEC works closely with Congress, other federal departments and agencies, the self-regulatory organizations (e.g. the stock exchanges), state securities regulators, and various private sector organizations.