

Denis Rice,
The Regulatory Response to the New World of Cyberspace

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This Article starts by noting the ways in which electronic communication is changing the face of financial markets, as the Internet now provides universal access to new stock offerings. The Internet and related networks now offer on-line trading, new securities, and discount brokers who provide cheaper and faster trading than traditional exchanges. Electronic trading also provides investors with increased access to vast information at instant delivery.

The author argues that the increasing attraction of Internet use for financial dealings affects the issuance and trading of securities, which provokes a regulatory response to these Cybersecurities. In early 1995, the SEC authorized electronic delivery of electronic prospectuses (documents encoded on electronic format), and refined the Securities Act of 1933. In October of 1995 the SEC issued a "comprehensive summary of its views on how electronic media could be reconciled with the regulatory framework of the federal securities act." This release displayed the SEC's encouragement of electronic delivery of information to investors, yet it also showed less confidence in Internet than in the printed medium. The release also stressed the importance of timely notice, effective access, and reasonable assurance of delivery. The SEC addressed such issues as open-ended mutual funds, on-line issuance of free stock, and Internet credit card sales.

The SEC continues to be faced with the need to refine and expand its electronic communications regulation as the Internet continues to democratize the marketplace, and attract more individual investors to on-line securities.