C O P Y

From REGIONAL CODE COMMITTEE
CENTRAL STATES DISTRICT
120 South LaSalle Street
Chicago, Illinois

September 27, 1934

Mr. R. D. Kercheval, Chairman
Regional Code Committee
300 North Broadway,
Saint Louis, Missouri

Dear Mr. Kercheval:

Early in the administration of the Code, it seemed to our Committee, scattered in five states, that it would be very difficult to ascertain by personal interviews the qualifications of applicants for the granting of exceptions to the salesmen's experience provisions of the Code. This situation in our District is made more real by the fact that two of our states, Illinois and Wisconsin, are refusing to issue any licenses to salesmen who have not the requisite code experience, unless a letter is obtained from the Regional Committee granting an exception. Iowa has also indicated that they would follow this procedure, and I believe it is entirely probable that most of the states in the country will adopt this policy, as an outcome of the work which is being done to obtain better cooperation between code authorities and the various state securities commissions.

We felt that the only intelligent way to determine a man's qualifications was to ask the applicant to submit to a written examination, and we have followed this procedure consistently. In order that no employer could feel that we were attempting a lockout, we have purposely made our examinations elementary and, to one with some knowledge of the business, quite simple. Nevertheless, an attempt has been made to ask questions of such character that they do, in our opinion, lead to accurate conclusions as to the applicant's knowledge of investment principles.

These examinations are given in localities convenient to the residence of the applicant and are held in the offices of friendly dealers, who, of course, are instructed to see that the man obtains no help and that he does not see the questions before the examination is given. We have obtained good cooperation in this and I believe it has been good advertising for the Code, giving evidence to the people in the business of code activity and a real desire to keep ignorant and ill-informed salesmen out of our business. As a preliminary step, we have developed a pool of probably two hundred or two hundred and fifty questions, and from this we draw twenty or twenty five questions for each examination, making sure that no two examinations are alike, unless they are held almost simultaneously in different parts of the country.

I believe our Committee, so far, is well pleased with this plan of operation. As far as I know, we have had no complaints from employers or applicants that the examination is too hard, and we have been particularly careful to include no trick questions. We stand ready to submit the examination with the applicant's answers to any employer who requests it, but I believe so far we have had no such request. To date we have given nine examinations; three applicants have passed and six have failed. But, this does not tell the whole story, we have had, in addition, probably five or six tentative applicants who have disappeared when they found a written examination was required. It is probable also that we have avoided other applications, because of the general knowledge of this examination procedure.

T. Weller Kimball, Secretary of our Committee, has charge of these examinations, and as soon as any of the members of our Committee learn of an application for an exception, the matter is referred to Mr. Kimball. I am sending a copy of your letter and my answer to Mr. Kimball, and I am sure he will be glad to give you any information that you may feel will be helpful to you. Personally, I am thoroughly sold on our procedure. I think it has saved a large amount of time for the individual committeemen and, best of all, it gives a concrete, definite basis for determining an applicant's qualifications and evidence on which one can definitely refuse the application. It also establishes a uniformity of procedure that eliminates any possible chance of favoritism and I believe the idea has met with favor among the employers in our District. Of course one can never be sure whether one's actions are popular or unpopular, but all the comments I have heard on this plan are favorable. Also, it avoids giving consideration to the personal element which is bound to enter in if an attempt is made to judge the applicant's qualifications by personal interviews. We have all seen lots of nice fellows, who have good personalities but no knowledge of securities.

Sincerely yours,

(Francis F. Patton.)

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