

April 29, 1935

R E P O R T O F M A N A G I N G D I R E C T O R

Since the last meeting of the Code Committee on March 22, 1935 two new Committees have been appointed, namely, (1) the Policy Committee composed of Messrs. Bonner, Crane, Hilliard, Weeden, Whitney and Griswold, ex officio, and (2) the Technical Advisory Committee composed of Messrs. Connely, Coolidge, Fuller, McKeon, Troster and Weeden. The appointments were made by the Chairman pursuant to the authorization of the Code Committee at its meeting on March 22. There is attached, marked Exhibit "A" a copy of the Minutes of the Policy Committee meeting held in Washington on April 10.

I call especial attention to the following matters:

1 - Registrations. Our list of registered investment bankers has increased from 3053 to 3158 since the date of the last meeting on March 22. There were 8 withdrawals from registration. Since January 1 our list has increased from 2923 to 3158, with 30 withdrawals or resignations during such period.

2 - Finance. Our budget for the period from April 15 to June 16, 1935 and our basis of assessment, all as approved by the Code Committee, received the approval of N.R.A. on April 25. Bills to registrants and assentors will be mailed to them the early part of next week.

3 - Transfer of Administration from N.R.A. to S.E.C. This matter, discussed at our last meeting, was referred to the Policy Committee which, as above recited, held a meeting in Washington on April 10 and conferred with Mr. Peebles, Division Administrator, and Mr. Ratcliffe, Assistant Deputy Administrator of N.R.A. Following this conference a joint meeting was held with Mr. Peebles and Mr. Ratcliffe of the N.R.A. and Commissioner Landis and Judge Burns, Chief Counsel for the Securities Exchange Commission. Following this meeting the subject has had frequent discussion between members of the Committee. The Committee's report will be submitted to this meeting.

4 - Continuance of the Code after June 16. The Policy Committee is considering this subject in its two aspects. First, in the event that the National Industrial Recovery Act is extended and, second, in the event that the National Industrial Recovery Act is not extended.

5 - Technical Advisory Committee. Messrs. Troster and McKeon met with the Managing Director and the Compliance Director at Washington

on April 22 and considered the tentative Rules of the Securities Exchange Commission with respect to Over-the-Counter transactions. Following this meeting Messrs. Troster, McKeon and Wilbur met with Mr. Sherlock Davis representing the S.E.C. and discussed changes in the Rules. On the following day the Compliance Director met the other members of the Technical Advisory Committee (Messrs. Connely, Coolidge and Fuller) in Chicago and discussed the Rules. It was the consensus of opinion that careful consideration had been given by the S.E.C. representatives to the criticisms and suggestions made by investment bankers and that, broadly speaking, the Rules as revised in accordance with the recommendations of the S.E.C. representatives would be generally satisfactory.

6 - Amendment to the Code. The wording of the Amendment relating to offers and confirmations at net prices only having been approved by a majority of the Code Committee was on April 18 submitted to the N.R.A. for approval.

7 - Compliance. Mr. Fulton's report, copy of which is attached hereto marked Exhibit "B" outlines the activities of this department since the last meeting of the Code Committee. Such report not only considers the subject of compliance but also various matters which are being discussed by members in the various Regional Districts visited with respect to many aspects of the Code. This work of keeping the Code Committee informed of the views of various Regional Districts on important Code matters is of the greatest importance to the success of the Code.

Respectfully submitted,

Rollin A. Wilbur
Managing Director

Report of

Meeting of Committee on General Policy

Appointed to deal with the Securities & Exchange Commission

Meeting held at Hotel Carlton,
Washington, D. C.
April 10, 1935.

The Committee on general policy, created by resolution of the Investment Bankers Code Committee at its meeting held on March 22, 1935 to cooperate and deal with the officials of the Securities & Exchange Commission met for its first meeting on April 10, 1935 at the Carlton Hotel, Washington, D. C. The following members of the Committee were present:-

Mr. B. Howell Griswold, Jr., Chairman	Mr. Ralph T. Crane
Mr. George Whitney	Mr. Edward H. Hilliard
Mr. Francis A. Bonner	

Others present were:

Mr. L. H. Peebles and Mr. Myron F. Ratcliffe,
Representing the National Recovery Administration,
Commissioner James M. Landis and Judge John J. Burns,
Representing the Securities & Exchange Commission,
Mr. Rollin A. Wilbur, Managing Director,
Mr. Wallace Fulton, Compliance Director,
Mr. Frank L. Scheffey, Deputy Managing Director,
Mr. C. A. Mead, Secretary.

Committee Member Absent:

Mr. Frank Weeden.

The Committee discussed in an informal way the desirability and questions involved in the transfer of the governmental administration of the Code from the National Recovery Administration to the Securities & Exchange Commission. After considering the broad aspects of the problem Mr. Peebles and Mr. Ratcliffe were invited to present their views and the views of the National Recovery Administration on the question.

It was pointed out by Mr. Peebles and Mr. Ratcliffe that in their conferences with the S.E.C. it was agreed that the decision of the matter should be left to the industry itself. Mr. Peebles agreed that the present triangular administration of the Code Committee, the S.E.C., and the N.R.A. could be greatly simplified by a dual administration, and it was pointed out that the S.E.C. was given definite authority to control the over-the-counter markets as well as other branches of the investment business. Some of the difficulties of transfer in the event that the N.R.A. continued in operation after June 16th were indicated, but these were principally confined to questions of labor and of assessments.

The meeting then adjourned to the office of Commissioner Landis. Mr. Landis and Judge Burns discussed the matter from the standpoint of the S.E.C. with Mr. Peebles and Mr. Ratcliffe in attendance.

The general outline of the discussion took the form of the SEC taking over the duties of the administrator of the Code, in cooperation with the Code Committee; also the possibility at some future time of the Code being conducted in a manner similar to that of the stock exchanges or of a Guild, i.e., that the industry should control itself, subject to supervision as at present within the domain now allotted to it. It was indicated that the SEC would accept tentatively, as satisfying their registration requirements, the present registrations under the Code, dealing with the names of the individual registrants at a later date, the Code Committee to have a separate control (subject to supervision) over those admitted to membership in the Code.

It was agreed that if the Code were allowed to expire and a voluntary organization were to come into being, perhaps the term Code would no longer be used, but some more accurately descriptive term would be applied to the organization.

The SEC would have its own registration and would deal as to such registration in accordance with laws now or hereafter in existence, including in its registration tentatively investment houses now registered with the Code Committee. It was generally agreed, however, that matters of detail would have to be worked out later, but along the general lines indicated above.

Mr. Landis also stated that the SEC felt that it would be influenced by the recommendation of the industry as to which Department of Government should supervise their action. When asked as to how this recommendation should be expressed, he said that he personally would feel that the opinion of the members of the Code Committee, reflecting as it does all sections of the country, would be the determining factor.

After a full discussion it was the opinion of the Committee that a transfer of the governmental administration of the Code from the NRA to the SEC would be desirable and advantageous from the standpoint of the Code and so recommended along the lines indicated above, and the Committee on Policy unanimously agreed to make this recommendation to the Code Committee.

Pursuant to the suggestion of the representatives of the SEC and with the approval of the Committee the Managing Director was directed to ascertain the feeling of those members of the Code Committee not present as well as the feeling of the Chairmen of the Seventeen Regional Code Committees.