Minutes of the Code Committee Meeting, July 22, 1935
Waldorf-Astoria Hotel, Carpenter Suite, 2:30 P.M.

Present: Messrs. B. Howell Griswold, Jr., Chairman, Presiding
Francis A. Bonner
Sydney P. Clark
Edward H. Hilliard
Lamartine V. Lamar
Lawrence H. Marks
Frank McNair
Daniel W. Myers
Henry P. Tompkins
Sidney J. Weinberg

Also Messrs. Percy M. Stewart, proxy for Mr. George Bovenizer
George C. Brownell, Davis, Polk, Wardwell, Gardinier & Reed
Rollin A. Wilbur
Frank L. Scheffey
Charles A. Mead

After introducing Mr. Brownell who he stated would answer any legal questions which might develop in the discussion, Mr. Griswold reviewed the Code situation. He stated the funds in hand would permit the continuance of operations until about August 15 on a reduced basis which had been inaugurated. Decision, therefore, must be reached whether to cease all activities and retire or continue efforts to work out some program. He outlined the discussions with the N.R.A. officials and the S.E.C. officials since the last meeting of the Committee, and discussions with counsel, all of which had been carefully considered by the Executive and Policy Committees. As a result of these conferences it seemed apparent that new legislation would probably be necessary to safely continue the organization as a self-regulating and self-disciplining body. Counsel advised that a voluntary Code with no disciplinary provisions would be unenforceable and for all practical purposes useless.

Possibilities of organizing the Code Committees into an "exchange" have been discussed with the S.E.C. and counsel and the Policy Committee and it was the general opinion that while the plan had many attractive features it was impractical at the present time.

Therefore, it seemed that there was only one other course to pursue, unless the Committee decided to go out of existence without further effort, and that was to keep a skeleton organization at a minimum of expense for the purpose of maintaining the contacts with Washington developments, conferring with S.E.C. on its rules and regulations and other problems affecting the industry of immediate vital importance to dealers and to study the results of two years of effort in the formulation and administration of the Code with a view to its improvement.

Mr. Griswold said that Messrs. Landis and Mathews of the S.E.C. favored such a plan, as did also Mr. Peebles of the N.R.A.

Mr. Griswold reported that the S.E.C. felt that the 3200 registered dealers represented by over 100 voluntary Committeemen gave them a broader contact with the industry than they were able to obtain from any other source and that contact with the dealers through this source would be helpful to the S.E.C. in the solution of the problems which they have before them.

Mr. Peebles of the N.R.A. had also expressed the hope that some semblance of an organization could be maintained because in the N.R.A. they are working now on plans for voluntary fair practice codes.

Mr. Griswold reported that he had discussed the plan of maintaining a skeleton organization with Mr. Whitney and Mr. Wood and that they favored such a program. He had also discussed the matter with Mr. Crane who thought the idea of having a Committee was good but it should be very much reduced in number and should be appointed by the I.B.A.

At the invitation of Mr. Griswold, Mr. Brownell stated that he had gone over the several plans which had been discussed and his conclusion was that there were only two ways to reestablish the Code: One to create Stock Exchanges, such as Mr. Griswold had suggested, but that he had concluded that there were some legal difficulties and moreover it would take too long to carry this program through. He also believed that amendments to the law would be desirable if not necessary to make such Exchanges possible; or (2), (and in this Mr. Hostetler agreed) have registration under a voluntary agreement which in his opinion would require an amendment to the Securities Act or the enactment of some other legislation. He again felt that this was impractical because of the time element.

He thought that it would be helpful to keep an organization together for the purposes expressed by the Chairman.

Mr. Bonner raised the question as to whether or not there was not a third possibility, that is, of having a voluntary code under the Federal Trade Commission, and he cited as an example the proposal which has been put forward by the Wholesale Tobacco Dealers. In response Mr. Brownell said that that might be a third possibility but pointed out the limitation on the authority of the Federal Trade Commission in respect to effectively approving trade practice agreements and enforcing their provisions.

Mr. Griswold asked each one present to express his opinion as to the course to be pursued. All those present spoke in favor of an effort to continue the Code and to refer the question to all registered dealers except Mr. Sidney Weinberg who stated that in his opinion the whole matter should be dropped as the I.B.A.could carry on all the work that was proposed should be done by the Code Committee and the Washington office and that keeping alive the Code organization was a duplication of effort.

After such expression of opinion and a full discussion it was voted unanimously that the situation should be fully explained to registered investment bankers with the recommendation of the Code Committee that a skeleton organization should be maintained in Washington for the purposes herein-

above expressed by the Chairman, on a budget which would not exceed $2,000 per month; that the letter should request each registered investment banker to approve or disapprove the policies and conclusions of the Code Committee as stated therein and his willingness to support such a program by voluntary contribution which should be based on the last Personnel Report and with a basic rate of $5.00; and that a Committee composed of the Chairman and Messrs. Bonner, Clark, Scheffey and Wilbur should draft such a letter, submit it to members of the Code Committee and, if approved, the Managing Director to send it to all registered investment bankers as soon as possible.

In conclusion Mr. Griswold said that one other reason why he favored the referendum was that if the dealers should not support the Committee in its recommendation the record would show that the Code died from lack of support of the dealers and not because the Committee had voted itself out of existence.

The Committee voted to refer to the Finance Committee, with power to act, the following matters:

1 - Paying off dissenters (See Price, Waterhouse letter July 18, 1935)
2 - Payment of Mr. Hostetler's bill
3 - Disposition of unexpended funds
4 - Personnel and salaries
5 - All other questions relating to any liquidation of the affairs of the Code Committee.

There being no further business the meeting adjourned.

Frank L. Scheffey
Acting Secretary