To Mr. Murray Hanson

At the request of Mr. Frank Scheffey, I am enclosing memorandum which was read at the meeting of Regional Chairmen at Chicago on July 20, 1936.

Nevil Ford.

N. F.

Hanson

JERSEY REGIONAL COMMITTEE
GO, ILLINOIS, July 20, 1936

ent Bankers Conference, Inc.

damental soundness of the "Code
is sound. We believe that it places needless obstacles in the path of the dealer attempting an honest practice and interposes all too feeble obstacles to the unethical or crooked dealer. We note that the Code Idea has been generally discarded by other industries and declared illegal by the courts. We do not believe that formal regulatory power in the new guise now proposed will be any more effective than it was under the Code. Therefore, we are of the opinion that I.B.C. Corporation as at present conceived is fundamentally unsound.

We do believe that I.B.C. Corporation could perform a useful function and have hope of success, provided its officials be elected freely from among its members and it places its reliance not upon formal regulatory and punitive powers but upon its correctness at arriving at basic principles of fair practice which will be voluntarily adopted by its membership and be, by persuasion, also accepted by recalcitrant persons in the industry.

In addition we believe it can also be of great help to the industry and to the S.E.C. by acting as a cooperative medium in the solution of mutual problems.

Beyond this basic dissent to I.B.C. Corporation, as proposed, we beg to present the following specific comments upon the Certificate of Incorporation and By-Laws, as drafted, which we believe will bring about, if adopted, an organization such as we visualize and which we advocate.

MEMORANDUM FROM NEW YORK-CONNECTICUT-NEW JERSEY REGIONAL COMMITTEE
TO MEETING OF REGIONAL CHAIRMEN AT CHICAGO, ILLINOIS, July 20, 1936

Pierson

The proposed formation of Investment Bankers Conference, Inc. raises in our minds the question of the fundamental soundness of the "Code Idea". We do not believe that the Code Idea is sound. We believe that it places needless obstacles in the path of the dealer attempting an honest practice and interposes all too feeble obstacles to the unethical or crooked dealer. We note that the Code Idea has been generally discarded by other industries and declared illegal by the courts. We do not believe that formal regulatory power in the new guise now proposed will be any more effective than it was under the Code. Therefore, we are of the opinion that I.B.C. Corporation as at present conceived is fundamentally unsound.

We do believe that I.B.C. Corporation could perform a useful function and have hope of success, provided its officials be elected freely from among its members and it places its reliance not upon formal regulatory and punitive powers but upon its correctness at arriving at basic principles of fair practice which will be voluntarily adopted by its membership and be, by persuasion, also accepted by recalcitrant persons in the industry.

In addition we believe it can also be of great help to the industry and to the S.E.C. by acting as a cooperative medium in the solution of mutual problems.

Beyond this basic dissent to I.B.C. Corporation, as proposed, we beg to present the following specific comments upon the Certificate of Incorporation and By-Laws, as drafted, which we believe will bring about, if adopted, an organization such as we visualize and which we advocate.

CERTIFICATE OF INCORPORATION

Par. 3 - Sec. 6.

We believe rules of fair practice should be binding only after approval by members.

Par. 6.

Provision should be made for termination of corporate existence.

Par. 8.

We believe it highly important that the first governing committee and the first regional committee should be elected by members and not appointed by the incorporators as contemplated.

We realize that this is a more cumbersome method but feel that it is justified in that it will remove any possible feeling that arbitrary action is being taken by the incorporators.

We suggest that the same machinery be utilized as is provided in the By-Laws for successor members of both governing and regional committees.

We believe that By-Laws should be altered or repealed only after approval by members.

BY-LAWS

ARTICLE I

Section 3.

(a) We believe all rules and regulations should be submitted to members for approval before adoption. Members should not be asked to sign a blank check.

(b) Should not some top limit be set on liability for assessments?

(c) What is liability of district committeemen if applicant who is refused admission seeks redress?

Section 4.

Who will be eligible for associate membership and what are privileges thereof?

Section 8.

Should not "successor corporations" meet same requirements as "new partnerships"?

Section 9.

Should it not be required that membership certificates be returned at termination of membership?

Section 11.

Should not some provision be made for right of appeal from suspension or cancellation of membership?

ARTICLE II

Section 2.

We note that this results in plural voting. We suggest that any firm be limited to one vote in each district.

ARTICLE III

Section 1.

Should not some top limit be set on dues and assessments?

ARTICLE IV

Section 2.

We believe some right of appeal should be granted from penalties. Our suggestion is that trials and penalties be administered by district committees and that defendant have right of appeal to governing committee.

Section 3.

We believe district committees in first instance should be elected and suggest use of same machinery as provided for replacements.

Section 5.

We believe first governing committee should be elected by members and not by incorporators. Our suggestion is that in the first instance incorporators nominate candidates for both governing and district committees and, if no objection is raised by members within a reasonable period, these candidates be declared elected. We also suggest that district chairmen be ex officio members of an advisory board to governing committee and entitled to attend all meetings of governing committee. We believe that this will correct the lamentable lack of liasion which existed under the Code between the National and Regional Committee and can also be very helpful to the governing committee in bringing to them first hand information as to conditions existing in the various districts. It would also supplement regional representation contemplated ultimately under Section 6.

ARTICLE VI

We believe that any action by the executive committee affecting the standing or business of any member should be binding only after approval by the governing committee.

O.K.

ARTICLE VII

We emphasize most strongly our belief that any rules proposed by the governing committee should be approved by members before becoming binding.

O K

Section 4.

In order to provide a method of appeal as outlined above we suggest that hearings in first instance be before district committee with right of appeal to governing committee.

Rules & Pro.

Section 5.

We believe that phrase last line "may be disqualified" should be changed to read "must be disqualified". No member should sit in judgment on himself.

O.K.

We wish to emphasize that neither in the Certificate of Incorporation or the By-Laws, as drafted, is there any provision for redress by appeal.

If our suggestion of hearing in the first instance by regional committee with appeal to governing committee, given above, is not acceptable, we urge most strongly that some other method be created whereby appeal may be made other than by recourse to the courts.