

Investment Bankers Conference, Inc.

1010 Vermont Avenue
Washington, D. C.

B. HOWELL GRISWOLD, JR., *Chairman*

FRANCIS A. BONNER, *Vice Chairman*

SYDNEY P. CLARK, *Treasurer*

FRANCIS A. BONNER
ARTHUR H. BOSWORTH
GEORGE W. BOVENIZER
SYDNEY P. CLARK
E. F. CONNELLY
EDWARD J. COSTIGAN
RALPH T. CRANE

CHICAGO
DENVER
NEW YORK
PHILADELPHIA
DETROIT
ST. LOUIS
NEW YORK

HARRY S. GRANDE
B. HOWELL GRISWOLD, JR.
THEODORE HAMMOND
EDWARD H. HILLIARD
JOSEPH T. JOHNSON
W. HUBERT KENNEDY
JOHN A. PRESCOTT

SEATTLE
BALTIMORE
LOS ANGELES
LOUISVILLE
MILWAUKEE
MINNEAPOLIS
KANSAS CITY

A. W. SNYDER
GEORGE S. STEVENSON
JOSEPH R. SWAN
HENRY B. TOMPKINS
FRANK WEEDEN
SIDNEY J. WEINBERG
ORRIN G. WOOD

HOUSTON
HARTFORD
NEW YORK
ATLANTA
SAN FRANCISCO
NEW YORK
BOSTON

WALLACE H. FULTON, *Director*

FRANK L. SCHEFFEY, *Co-Director, New York*

January 4, 1938.

TO ALL MEMBERS OF THE CONFERENCE:

There is enclosed one copy of the Rules of Fair Practice and Procedure for Handling Complaints against Members of the Investment Bankers Conference, Inc.

This document contains chronologically all the Rules of Fair Practice that have been officially approved and adopted by the members of the Conference and supersedes the documents sent you under dates of May 25, 1937 and October 13, 1937.

Your attention is called to Article IV, paragraph 1 of the Rules which reads as follows:

"Each member of the Conference shall keep in each office maintained by him a copy of the By-Laws and a copy of the Rules of Fair Practice and of all additions and amendments from time to time made thereto, and of all interpretative rules made by the Governing Committee, which shall be available for the examination of any customer who makes request therefor."

Very sincerely yours,



Wallace H. Fulton,
Director.

Enc.

RULES OF FAIR PRACTICE
and
PROCEDURE FOR HANDLING COMPLAINTS AGAINST MEMBERS
of the
INVESTMENT BANKERS CONFERENCE, INC.

*

Investment Bankers Conference, Inc.
1010 Vermont Ave., N. W.
Washington, D. C.

RULES OF FAIR PRACTICE

Article I - Adoption and Interpretation

1. The following are adopted as the Rules of Fair Practice of the Investment Bankers Conference, Inc., pursuant to Article VII of the By-Laws.
2. The Rules shall become effective as provided in Article VII, Section 1, of the By-Laws.
3. The Rules shall be interpreted in such manner as will aid in effectuating the purposes and objects of the Investment Bankers Conference, Inc., as set forth in the Certificate of Incorporation and the By-Laws, and so as to require that all practices in connection with the investment banking and securities business shall be just, reasonable, and non-discriminatory.
4. The Rules shall not apply to contracts made prior to the effective date of the Rules.

Article II - Definitions

As used in the Rules -

- (a) The term "Conference" shall mean the Investment Bankers Conference, Inc., a non-profit membership corporation organized under the laws of the State of Delaware on September 3, 1936.
- (b) The term "member" shall mean any individual, partnership, corporation, or other legal entity admitted to membership in the Conference under the provisions of Article I, Section 3, of the By-Laws.
- (c) The term "Rules" shall mean the Rules of Fair Practice as established from time to time pursuant to the provisions of Article VII of the By-Laws.
- (d) The term "investment banking or securities business" shall mean the business of underwriting or distributing issues of securities, or of purchasing securities and offering the same for sale as a dealer therein, or of purchasing and selling securities upon the order and for the account of others; provided, however, that the term "investment banking or securities business" shall not include transactions on regularly organized exchanges, but such term shall include all business relating to such transactions to the extent that such business is not conducted on such exchange by a member of such exchange or by any person or organization having the privilege of any such exchange for itself or any of its partners or executive officers.
- (e) The terms "investment banker" or "security dealer" shall mean any person lawfully engaged in the investment banking or securities business but shall not include an employee.
- (f) The term "customer" shall mean a purchaser or seller of a security; but such term shall not include any investment banker or security dealer.

(g) The terms "security" or "securities" shall mean any note, share of stock, bond, debenture, evidence of indebtedness, voting trust certificate, certificate of deposit, interim certificate or interim receipt, or, in general, any instrument commonly known as a security, or any certificate of interest or of participation in, or warrant or right to subscribe to or purchase, any of the foregoing.

(h) The term "issuer" as used in these Rules shall mean an "issuer" as defined in Section 2 (4) of the Securities Act of 1933 as amended.

(i) The term "prospectus" used in relation to any security registered under the Securities Act of 1933 shall mean the official prospectus required by said Act, and used in relation to any other security shall mean the offering or descriptive circular.

(j) The term "originator" shall mean any person who purchases from an issuer an issue of securities of such issuer, or part thereof, or who contracts with the issuer to find purchasers for such securities, with a view to the public distribution of such securities, or who contracts with an issuer to act as agent for such issuer for the public distribution of such securities of such issuer.

As used in this paragraph (j) the term "issuer" shall include, in addition to an issuer, any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control with the issuer.

(k) The term "selling syndicate" shall mean any syndicate formed in connection with a public offering, to distribute all or part of an issue of securities by sales made directly to the public by or through participants in such syndicate under an agreement which imposes a financial commitment upon participants in such syndicate to purchase any such securities.

(l) The term "selling group" shall mean any group formed in connection with a public offering, to distribute all or part of an issue of securities by sales made directly to the public by or through members of such selling group, under an agreement which imposes no financial commitment on the members of such group to purchase any such securities except as they may elect to do so.

(m) The term "person" shall include any natural person, co-partnership, corporation, association, or other entity.

(n) The term "the completion of the transaction" means:

- (1) In the case of a customer who purchases a security through or from a member, except as provided in paragraph (2), the time when such customer pays the member any part of the purchase price, or, if payment is effected by a bookkeeping entry, the time when such bookkeeping entry is made by the member for any part of the purchase price;
- (2) In the case of a customer who purchases a security through or from a member and who makes payment therefor prior to the time when payment is requested or notification is given that payment is due, the time when such member delivers the security to or into the account of such customer;

- (3) In the case of a customer who sells a security through or to a member, except as provided in paragraph (4), if the security is not in the custody of the member at the time of sale, the time when the security is delivered to the member, and if the security is in the custody of the member at the time of sale, the time when the member transfers the security from the account of such customer;
- (4) In the case of a customer who sells a security through or to a member and who delivers such security to such member prior to the time when delivery is requested or notification is given that delivery is due, the time when such member makes payment to or into the account of such customer.

Article III - Rules

1. A member shall observe and shall use his best efforts to maintain high standards of commercial honor in the investment banking and securities business and to promote just and equitable principles of trade and business.

2. In recommending to an investor the purchase, sale or exchange of any security, a member shall have reasonable grounds for believing that the recommendation is suitable for such investor upon the basis of the facts, if any, disclosed by such investor as to his other security holdings and as to his financial situation and needs.

3. Charges for services performed, including miscellaneous services such as collection of moneys due for principal, dividends, or interest; exchange or transfer of securities; appraisals; safe-keeping or custody of securities, and other services, shall be reasonable and not unfairly discriminatory between customers.

4. In "over-the-counter" transactions, whether in "listed" or "un-listed" securities, if a member buys for his own account from his customer, or sells for his own account to his customer, he shall buy or sell at a price which is fair, taking into consideration market conditions in respect of such security at the time of the transaction, the expense of executing the order, and the fact that he is entitled to a profit; and if he acts as agent for his customer in any such transactions, he shall not charge his customer more than a fair commission or service charge, taking into consideration market conditions in respect of such security at the time of the transaction and the value of any service he may have rendered by reason of his experience in and knowledge of such security and the market therefor.

5. No member shall publish or circulate, or cause to be published or circulated, any notice, circular, advertisement, newspaper article, investment service, or communication of any kind which purports to report any transaction as a purchase or sale of any security unless such member believes that such transaction was a bona fide purchase or sale of such security; or which purports to quote the bid price or asked price for any security, unless such member believes that such quotation represents a bona fide bid for, or offer of, such security. If nominal quotations are used or given, they shall be clearly stated or indicated to be only nominal quotations.

6. No member shall make an offer to buy from or sell to any person any security at a stated price unless such member is prepared to purchase or sell, as the case may be, at such price.

7. If any new issue of securities has a title which is misleading as to the lien, terms, or priority of such issue, a member shall state in the prospectus, if any, or if there is no prospectus, shall disclose in some other manner to each purchaser of such securities the facts with regard thereto if known to such member.

8. If acting as an originator, a member shall make such investigation as may be reasonably necessary to determine the merit of the proposed issue, and shall be satisfied that the business risk of investors who purchase such securities is reasonable and that there are appropriate provisions to safeguard the interests of such investors; and shall make available to investors such information as may be reasonably required to enable them to satisfy themselves of the same.

9. A member shall observe the spirit as well as the letter of selling syndicate agreements and selling group agreements.

10. If proposing to organize a selling syndicate or a selling group, no member shall invite or permit any person to be a participant in such selling syndicate or in such selling group unless such person is an investment banker or security dealer actually engaged in the investment banking or securities business.

11. Selling syndicate agreements or selling group agreements shall set forth the price at which the securities are to be sold to the public or the formula by which such prices can be ascertained, and shall state clearly to whom and under what circumstances concessions, if any, may be allowed.

12. Selling concessions, discounts, and commissions shall be allowed only as consideration for services rendered in distribution; but in no event shall be allowed to anyone other than another investment banker or security dealer; provided that nothing in this rule shall prevent anyone from selling any security owned by him at any price which may be fixed by him unless prevented therefrom by agreement.

13. A member, when a member of a selling syndicate or a selling group, shall purchase securities taken in trade at a fair market price at the time of purchase, or shall act as agent in the sale of such securities.

14. A member who in the capacity of paying agent, transfer agent, trustee, or in any other similar capacity, has received information as to the ownership of securities, shall under no circumstances make use of such information for the purpose of soliciting sales or exchanges except at the request and on behalf of the issuer.

15. No member shall directly or indirectly give, permit to be given, or offer to give, anything of value to any employee, agent or representative of another person, for the purpose of influencing or rewarding the act of such employee, agent, or representative in relation to the business of the employer of such employee, principal of such agent, or the represented party, without the knowledge and consent of such employer, principal, or represented party.

16. No member shall directly or indirectly give, permit to be given, or offer to give, anything of value to any person for the purpose of influencing or rewarding the action of such person in connection with the publication or circulation in any newspaper, investment service, or similar publication, of any matter which has, or is intended to have, an effect upon the market price of any security, provided that this rule shall not be construed to apply to matter which is clearly distinguishable as paid advertising.

17. A member at or before the completion of each transaction with a customer shall give or send to such customer written notification disclosing (1) whether such member is acting as a broker for such customer, as a dealer for his own account, as a broker for some other person, or as a broker for both such customer and some other person; and (2) in any case in which such member is acting as a broker for such customer or for both such customer and some other person, either the name of the person from whom the security was purchased or to whom it was sold for such customer and the date and time when such transaction took place or the fact that such information will be furnished upon the request of such customer, and the source and amount of any commission or other remuneration received or to be received by such member in connection with the transaction.

18. A member controlled by, controlling, or under common control with, the issuer of any security, shall, before entering into any contract with or for a customer for the purchase or sale of such security, disclose to such customer the existence of such control, and if such disclosure is not made in writing, it shall be supplemented by the giving or sending of written disclosure at or before the completion of the transaction.

19. A member who is acting as a broker for a customer or for both such customer and some other person, or a member who is acting as a dealer and who receives or has promise of receiving a fee from a customer for advising such customer with respect to securities, shall, at or before the completion of any transaction for or with such customer in any security in the primary or secondary distribution of which such member is participating or is otherwise financially interested, give such customer written notification of the existence of such participation or interest.

20. No member shall effect with or for any customer's account in respect to which such member or his agent or employee is vested with any discretionary power any transactions of purchase or sale which are excessive in size or frequency in view of the financial resources and character of such account.

No member shall effect with or for any customer's account in respect to which such member or his agent or employee is vested with any discretionary power any transaction of purchase or sale unless immediately after effecting such transaction such member makes a record of such transaction which record includes the name of such customer, the name, amount and price of the security, and the date and time when such transaction took place.

21. A member who is participating or who is otherwise financially interested in the primary or secondary distribution of any security which is not admitted to trading on a national securities exchange, shall make no representation that such security is being offered to a customer "at the market" or at a price related to the market price unless such member knows or has reasonable grounds to believe that a market for such security exists other than that made, created, or controlled by such member, or by any

person for whom he is acting or with whom he is associated in such distribution, or by any person controlled by, controlling or under common control with such member.

22. No member, participating or otherwise financially interested in the primary or secondary distribution of any security of any issuer, shall,

- (1) pay or offer or agree to pay, directly or indirectly, to any person any compensation for soliciting another to purchase any security of the same issuer on a national securities exchange, or for purchasing any security of the same issuer on any such exchange for any account other than the account of the member who pays or is to pay such compensation; or
- (2) sell, offer to sell or induce an offer to buy such security, or deliver such security after sale, if, in connection with such distribution, such member has paid, or has offered or agreed to pay, directly or indirectly, to any person, any compensation for soliciting another to purchase any security of the same issuer on any national securities exchange, or for purchasing any security of the same issuer on any such exchange for any account other than the account of the member who has paid or is to pay such compensation.

No member, participating or otherwise financially interested in the primary or secondary distribution of any security of any issuer, shall cause a purchase or sale of any security of the same issuer on a national securities exchange by paying or offering or agreeing to pay, directly or indirectly, to any person any compensation for soliciting another to purchase such security on any such exchange, or for purchasing such security on any such exchange for any account other than the account of the member who pays or is to pay such compensation.

The provisions of this rule shall not apply in respect to any salary paid by a member to any person regularly employed by him whose ordinary duties include the solicitation or execution of brokerage orders on a national securities exchange, if such salary represents only ordinary compensation for the discharge by such person of such duties in the regular course of his employment, and is not paid, in whole or in part, directly or indirectly, for the inducement by such person of the purchase or sale on a national securities exchange of any security of the issuer of the security in the primary or secondary distribution of which such member is participating or otherwise financially interested.

23. Every member shall keep and preserve for at least twelve months such records as such member may be required to make pursuant to the provisions of Rule 20.

Article IV - Complaints

1. Each member of the Conference shall keep in each office maintained by him a copy of the By-Laws and a copy of the Rules of Fair Practice and of all additions and amendments from time to time made thereto, and of all interpretative rules made by the Governing Committee, which shall be available for the examination of any customer who makes request therefor.

2. Any person feeling aggrieved by any act of any member of the Conference may complain in regard thereto to any District Committee or to the Governing Committee of the Conference.

3. If any District Committee, after investigation, shall determine that there has been a violation of these Rules or of any addition or amendment thereto, or of any interpretative ruling made by the Governing Committee, such Committee shall transmit a report of its findings, together with its recommendations, to the Governing Committee for action by that Committee in regard thereto.

4. For the purpose of investigating any complaint against a member, the Governing Committee, the appropriate District Committee, or any agent authorized by such Governing Committee or District Committee, shall have the right to require the member to submit a report in writing in regard to the matter involved in the complaint, and such Committee or duly authorized agent shall have the right to inspect the books, records and accounts of such member with relation to the matters involved in the complaint. Any refusal on the part of any member to make any report as called for under this section, or to permit an inspection of books, records and accounts, as may be validly called for under this section, shall be sufficient cause for suspending or cancelling the membership of such member.

Article V - Penalties

Penalties for violations of these rules are set forth in Article I, Section 11, and in Article VII, Section 3, of the By-Laws of the Conference.

PROCEDURE FOR HANDLING COMPLAINTS AGAINST MEMBERS

I. Preamble

This procedure is adopted for handling complaints in regard to violations of the Certificate of Incorporation, the By-Laws, and the Rules of Fair Practice of the Investment Bankers Conference, Inc.

II. Organization

The fourteen District Committees and the Governing Committee of the Conference shall constitute the bodies empowered to handle complaints. In order to facilitate the handling of such complaints, the District Committees shall act as the initial investigating bodies and the Governing Committee as the appellate and review body.

III. Complaints

All complaints shall be made in writing, and shall specify clearly the nature of the charges. The party making the complaint shall be termed the "complainant" and the party against whom the complaint is made shall be termed the "respondent." All complaints must be signed by the complainant and may be directed to any District Committee or to the Governing Committee of the Conference.

IV. Answers

1. After any complaint has been filed, the body receiving it, after causing such preliminary investigation to be made as is deemed necessary and advisable, shall forward the complaint and a report on such preliminary investigation to the District Committee of the district in which is located the place of business of the respondent, and shall forward a copy of such complaint and report to the Director. Such District Committee shall forthwith notify the respondent of such complaint. Such notice shall specify the nature of the charge and shall require the respondent to answer thereto.

2. Answers to complaints shall be in writing and shall be submitted to such District Committee within ten business days from the date of notice of complaint. If no answer shall be received by such District Committee within the time required by said notice, such District Committee shall send notice to such respondent by registered mail, with return receipt requested, requiring an answer within five business days from the date of such notice sent by registered mail, and stating that failure to reply thereto within five business days will be treated as an admission of the allegations of the complaint. If no answer shall be received by such District Committee within the time required by said notice, then the District Committee may consider the allegations of the complaint as admitted by the respondent and dispose of the case accordingly.

V. Procedure

1. Upon the filing of his answer, any respondent may request a hearing before the District Committee handling the complaint, and in case such a request shall be made, such District Committee shall grant such a hearing. In any case, such District Committee may in its discretion set a case down for formal hearing after reasonable notice thereof to complainant and respondent.

2. In the ordinary course complaints will be investigated and settled or adjudicated by the appropriate District Committee before the same will be considered by the Governing Committee. However, exceptions may be made to such procedure in the discretion of the Governing Committee or of the Director. Where investigations are necessary at places other than in the district in which is located the place of business of the respondent, the Director may require investigation to be made by such other District Committee in such other districts as the necessities of the particular complaint shall require.

3. District Committees making investigations, settlements, or adjudications of complaints shall prepare a report thereof in writing, which shall be submitted to the Director of the Conference.

4. The Director of the Conference shall keep a record of all cases so reported to him.

5. In any case where complainant or respondent shall feel aggrieved at the action or ruling of any District Committee, he may request a hearing before the Governing Committee in review of such action or ruling, and the same shall be accorded to him.

VI. Practices

1. All communications and all matters concerning complaints shall be treated confidentially by the respective bodies to which they are submitted, except that the respondent shall enjoy the right to be informed of the name of the complainant.

2. In conducting any investigation respecting any complaint, the Governing Committee or any District Committee may act by one or more of its members designated for the purpose by the Chairman of such Committee, or by any member or members of the Conference appointed by the Governing Committee or District Committee. In conducting any hearing respecting any complaint, the Governing Committee or any District Committee may act by two or more of its members designated for the purpose by the Chairman of such Committee, or by any two or more members of the Conference appointed by the Governing Committee or District Committee.

3. No member of the Governing Committee or of any District Committee shall in any manner participate in the determination of any question directly affecting his financial interests or the financial interests of any person in which he is directly or indirectly interested. In any case where such an interest is involved, the particular member shall be disqualified.