Investment Bankers Association of America

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February 24, 1938.

John W. Hanes, Esquire,
Securities and Exchange Commission,
Washington, D. C.

Dear Mr. Hanes:

We appreciated the opportunity of talking with you this morning about the changes in the Maloney Bill.

If we understand the changes approved by the Commission so far, three items remain that we would like to urge further upon your favorable consideration:

(a) There should be no civil liabilities for violation of subdivision (3), (4) and (5) of Section 2, exemption from criminal penalties having already been granted;

(b) The word "Wilful" should be inserted before the word "violated" on page 16, line 14. This would bring this subsection in conformity with Section 15(b) (D) of the Securities and Exchange Act of 1934, which is the corresponding section dealing with violations of the 1933 Act, rather than Section 19 (a) (3) of that Act, in which the word "Wilful" does not appear. Making this change would therefore merely carry out the present intent of the Act;

(c) After suspension or expulsion of a member from the Association, there should be stay of such action until the Commission has issued an order upholding such suspension or expulsion, otherwise the member is put in the position of suffering the penalty of being put out of business before his case is finally adjudged.

Our Committee desires to support a Bill and to recommend to the members of the Investment Bankers Association and to the industry that a self-regulatory association or self-regulatory associations be formed.

These changes seem to us entirely reasonable and making them will clear the path toward self-regulation.

Yours very truly,

F. E. F.

President.

P.S. - As we have said before, we are not attempting to speak for the municipal dealers.