

October 13, 1938

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MEMORANDUM OF THE REACTION OF THE COMMISSION TO THE PROBLEMS DISCUSSED BY MESSRS. FORD, STARKWEATHER AND HOSTETLER WITH COMMISSIONER MATHEWS, ET AL. ON OCTOBER 13, 1938.

(1) The Commission is agreeable to the so-called "slide", or the registration of the Conference with changes proposed and necessary to meet the requirements of the Act. It feels, however, that within a reasonable time (perhaps ninety days) after registration becomes effective, there must be a complete new election of the Governing and District Committees. Just how the mechanics of the new election are to be drawn, who to appoint nominating committees, etc., is a matter as to which the Commission has no present convictions other than that it should be drawn in such a way as to make everyone feel that he has gotten a real chance to vote on the Governing and District Committees under the new set-up. The Commission was anxious to have it made perfectly clear that its feelings with respect to the new elections should not be construed in any way as a reflection upon the present Governing Committee or officers of the Conference. The Commission did indicate that if the nominating committee device is to be used, it must be appropriately safeguarded to assure everyone a fair deal.

(2) It is the Commission's feeling that we should not pre-empt the language of the statute in deciding upon our new name. It suggested that instead of "National Securities Dealers Association" it would be better to call the organization "Securities Dealers Association of America" or something of that sort.

(3) Membership should be all inclusive.

(4) The method of assessment should be spelled out in some detail in

the By-Laws and perhaps also the method by which the funds collected are to be allocated and expended.

(5) The answer to this question is contained in the answer to (1).

(6) The Commission was unwilling to pass upon the question of a paid Chairman at this time.

(7) It was the Commission's feeling that it is too early to make a commitment upon the adequacy of our present rules. The staff indicated, however, that it was of the opinion that we should start off with a few relatively simple rules and go forward in the light of experience and necessity, but that some new rules might have to be added to satisfy the minimum requirements of the statute and some of our present rules substantially revised.

(8) The Commission looked with favor, although it did not formally approve, the proposal to adopt rules by affirmative vote of a majority if a majority of the members voted.

(9) The Commission felt that a group of members, as well as the Governing Committee, should be permitted to propose amendments to the By-Laws and that they should be adopted in some such fashion as that contemplated for the adoption of rules. The Commission felt that one-third of the Board of Governors should clearly not be able to block the submission of a proposed amendment to the By-Laws.

(10) Neither of these problems were discussed with the Commission.

It should be noted that these reactions of the Commission were the result of a forty-five minute discussion between members of the Commission's staff and the present members of the Commission. It should further be noted that three of the members of the Commission

were facing these problems for the first time, and the Commissioners and members of the Commission's staff wanted it to be made clear that these are merely first blush reactions and should not be construed as final decision in the matter.