

Investment Bankers Conference, Inc.

1010 Vermont Avenue
Washington, D. C.

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March 18, 1939

To Members of the INVESTMENT BANKERS CONFERENCE, INC.:

The Drafting Committee of the Investment Bankers Conference, Inc., as instructed by the Governing Committee, has been collaborating with the Securities and Exchange Commission for some months in an endeavor to work out appropriate and necessary changes in the present organization of the Conference to enable it to qualify for registration as a national securities association under the Maloney Act Amendment to the Securities Exchange Act of 1934.

This has been pioneering and difficult work, involving a re-examination of the experience of the industry with the Code, the Conference and other existing organizations, consultation with numerous individuals and groups throughout the country, and many legal and practical difficulties. Substantially all of these matters have now been tentatively resolved, and it is the desire of both the Commission and the Governing Committee of the Conference, before proceeding further, to get the reaction of the entire industry to the plan which has been evolved as the result of this work.

Drafts of the Certificate of Incorporation, By-Laws, Rules of Fair Practice and Code of Procedure incorporating this plan are accordingly enclosed. These documents have not as yet been formally submitted to or approved by either the Governing Committee of the Conference or the Commission, but they have, of course, been considered by both bodies in detail, and, in the light of the discussions, and comments and criticisms received to date, both the Governing Committee and the Commission feel that in the main they offer a sound, constructive and workable solution to the general problem of organization under the Act. There are still two matters, however, as to which there is some difference of opinion between the representatives of the Commission and the Conference, (1) having to do with paid executive personnel, and (2) the appropriate method of levying dues. These problems are discussed in separate memoranda which are also sent you herewith.

In submitting these documents for your consideration and comment, there are several matters which we particularly wish to bring to your attention.

The plan does not contemplate the formation of a new association, but rather amendments to the present I.B.C. Certificate of Incorporation, By-Laws, Rules, and Procedure, which, when formally ratified by I.B.C. members, will enable the Conference, as changed, to file for registration as a national securities association. To participate in the vote on the proposed amendments, therefore, when they are later submitted for formal adoption, a broker or dealer must be a member of the Conference.

Membership in the Association is to be open to substantially every registered broker or dealer engaged in any branch of the investment banking or securities business. Brokers and dealers whose business is predominantly in oil royalties, promotional mining and oil stocks, real estate mortgages, and other special types of securities will, therefore, be eligible for membership in the Association. However, both the Governing Committee and the Commission feel that the nature of these businesses is so specialized, as distinguished from the general securities business, that it might be preferable for such brokers and dealers to form separate national or affiliated associations covering their respective fields, rather than become members of this proposed Association. Either or both of these courses are possible under the Act, just as it is possible for dealers in the general securities business to form other national or affiliated associations if for any reason they do not wish to become members of this proposed national Association.

There will be no further action on the matters here involved until the reaction of the industry has been obtained to the plan here proposed. At that time, the whole plan will be re-examined in the light of all comments, suggestions and criticisms received, and the various documents put into final form for submission to Conference members for formal adoption. If they are then approved, application will subsequently be made to the Commission for registration as a national securities association.

We cannot too strongly emphasize the vital importance of this whole subject to every over-the-counter broker and dealer. We urgently request, therefore, a careful reading of each of the enclosures and we shall be glad to receive and consider any comment, suggestion, or criticism which you may care to make. The Commission intends shortly to send documents similar to those enclosed to all registered dealers,

other than members of the I.B.C., and all comments received by either the Commission or the Conference are to be made mutually available. Please address your reply, therefore, in duplicate to the Investment Bankers Conference, Inc., 1010 Vermont Avenue, Washington, D. C., or to the Securities and Exchange Commission, Washington, D. C., attention Mr. H. H. Egly, Chief of the Securities Association Unit, in order that a copy may be made available to the representatives of both the Commission and the Conference.

So that we may proceed with this program with all possible speed, we would greatly appreciate having your reply not later than April 12, 1939.

Very truly yours,

B. Howell Griswold, Jr., Chairman
Investment Bankers Conference, Inc.

George C. Mathews, Commissioner
Securities and Exchange Commission