

1st draft of
letter to Board
by S.E.C. & mem
9 B.C. members
Document and Par, Ego. F.S. + Clark

a nationwide organization
of about 1600 investment bankers
and over-the-counter brokers
and dealers,

Spill out portion
of Act. See also
last sentence of
1st Par.
Identify S.E.C.
as in Par. 1, letter

March , 1939

To REGISTERED BROKERS AND DEALERS:

As you undoubtedly know, a committee of the Investment Bankers Conference, Inc. and members of the staff of the Securities and Exchange Commission have been collaborating for some months in an endeavor to work out appropriate and necessary changes in the present set-up of the Conference to enable it to qualify for registration as a national securities association under the recent so-called 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, many legal and practical difficulties and considerable difference of opinion. But 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 herewith. A summary analysis of the more important features of these basic documents is also 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 had 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 Conference and the staff of the Commission, (1) having to do with paid executive personnel, and (2) the appropriate method of classifying members for purposes 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 contemplates 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 it to register under the Act as a national securities association. To have an actual vote on the proposed amendments, therefore, when they are later submitted for formal adoption, a broker or dealer will have to be a member of the Conference.

Membership in the Association is to be open to substantially every registered broker or dealer actually engaged in any branch of the investment banking or securities business. Brokers and dealers in oil royalties, promotional mining and oil stocks, undivided interests in real estate mortgages and other special types of securities will, therefore, be eligible for membership in the Association, but both the Governing Committee and the Commission feel that the nature of their business is so specialized, as distinguished from the general securities business, that it might be preferable for such brokers and dealers to form separate national associations covering their respective fields or, when the national association here proposed is functioning as a going concern, for such dealers to form affiliated associations for each of their particular branches of the business rather than become members of the proposed Association. We want to make it clear that 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 the proposed national Association.

Just a word about plans from this point on. There will be no further discussions between the Drafting Committee of the Conference and the staff of the Commission 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 or amendments will then be put into final form for submission to Conference members for formal adoption. If they are 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. Your reply may be addressed to the Securities and Exchange Commission, Washington, D.C., attention Mr. H. H. Egly, Chief of the Securities Association Unit, or to the Investment Bankers Conference, Inc., 1010 Vermont Avenue, Washington, D.C. In either event your reply will be made available to representatives of both the Conference and the Commission unless you specifically request its confidential treatment.

It would also be very helpful in the consideration of several important problems if you would indicate, if you are not already a member of the Conference, whether you contemplate joining the proposed Association if it takes form along the lines indicated. *out?*

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

Very truly yours,

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

William O. Douglas, Chairman,
Securities and Exchange Commission.