

# Investment Bankers Conference Committee

1010 Vermont Avenue

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FRANK L. SCHEFFEY, *Director*

October 12, 1935.

## *To All Investment Bankers and Securities Dealers:*

We enclose copies of letters exchanged between Chairman Landis of the Securities and Exchange Commission, ex-Chairman Kennedy of the Securities and Exchange Commission, and the Chairman of our Committee concerning a plan of co-operation set forth in the correspondence.

This correspondence contemplates the organization of a large number of investment bankers representative of the business as a whole into a single group under the supervision, for the time being, of the Conference Committee referred to therein.

All investment bankers formerly registered under the Code and those who have applied for registration under the Securities and Exchange Commission are eligible at the present time to become assenting and contributing members of this group.

### **Earlier Letter.**

On July 31, 1935, the former Code Committee addressed all investment bankers registered under the Code, requesting an expression of their views (by vote) on the desirability of the maintenance of the then existing organization in order that discussions might be carried on with the Securities and Exchange Commission.

### **Resulting Vote and Action.**

In accordance with the vote received in response to that letter (over 90% of those voting being in favor) discussions have been continued—with the result that the Securities and Exchange Commission has now asked the former members of the Code Committee if they will serve as a Conference Committee to promote the carrying out of the program outlined in the correspondence.

### **The Plan.**

The essential features of this program are:

- (1) Pending the development of the Plan (outlined in Sec. 2) the Conference Committee is to set up regional or district committees to consider complaints arising between or against investment bankers who have assented to the supervision of the Committee, and wherever seems justified, to conduct preliminary hearings and report the results thereof, with recommendations to the Conference Committee for its consideration and report to the Securities and Exchange Commission. Certain complaints now before or later filed with the Securities and Exchange Commission will be referred to the Committee for consideration and recommendation.
- (2) The Conference Committee will confer with the Securities and Exchange Commission in developing plans for a permanent organization of a self-regulatory, self-disciplining body of investment bankers with a view to co-operation with the Government for the promotion of fair practices and the elimination of fraud. To this end it seems likely, as understanding and knowledge of our security markets advances, that legislation altering or expanding the present scope of control over these markets may become necessary and that it is desirable that an organized group should be thinking and planning with reference to possibilities of this type.

(OVER)

(3) The Committee is to serve as a Conference Committee on current problems now pending before the Securities and Exchange Commission and to be a medium for presenting to that Commission the views of the investment bankers and securities dealers of the country. Among the problems now pending are:

- (a) Separation of the business of dealers and brokers.
- (b) Additional regulation of over-the-counter transactions.
- (c) Additional requirements for registration of dealers.
- (d) Registration of outstanding securities in over-the-counter markets.
- (e) Modification of forms for registration of new securities.
- (f) Dealing in "when-issued" securities.
- (g) Regulation of so-called "pegging" and "stabilizing" of prices in over-the-counter markets.

#### **Plan Approved.**

The members of the former Code Committee have unanimously approved the Plan and have organized themselves under the temporarily approved name of Investment Bankers Conference Committee.

We believe it to be of fundamental importance to the industry that the Plan and program as outlined be adopted at once and a permanent organization formed at the earliest practicable moment.

#### **Advantages of Plan.**

It is unnecessary to point out the desirability of a permanent self-regulating, self-disciplining organization to deal with the above important problems and to establish co-operation between the Government and the investment banking business for the promotion of fair practices and the prevention of fraud.

The objective of minimum government regulation and the maximum of sound self-regulation is one to be sought in the interest of all. In cases of alleged unfair practices not in direct and flagrant violation of State or Federal laws it is obviously preferable that complaints against dealers receive a preliminary hearing in their own locality before members of their own profession familiar with the traditions prevailing in the locality concerned. Upon the basis of these hearings and the recommendations resulting therefrom, such action as the Government may feel called upon to take will thus be more informed and better attuned to the circumstances of the particular situation.

In view of the expense involved and the voluntary character of the program, it is further obvious that only those dealers who assent to and support this program will have this privilege.

#### **Financial Support.**

Such a plan will, of course, require financial support. The Committee is unable at this time to estimate accurately how much expense will be involved. Its purpose will be to keep expenses at a minimum, but in order that continuity may be assured until a permanent organization is in operation, a basic rate of \$10.00, as determined under former Code assessments, has been adopted and assenting dealers are requested to pay one-half of their contribution at this time, the remainder being subject to call, if necessary, at a later date, but in no event later than June 1, 1936.

Prompt action is necessary in order that we may submit to the Securities and Exchange Commission a list of the dealers assenting to the Plan.

A form is enclosed, in duplicate, upon which you may indicate your assent and you are requested to act promptly, sending it together with your check payable to the Investment Bankers Conference Committee for the first payment due, to Sydney P. Clark, Treasurer, 1531 Locust Street, Philadelphia, Pennsylvania. An envelope is enclosed for your convenience.

*Replies should be received on or before October 25th.*

Very truly yours,

INVESTMENT BANKERS CONFERENCE COMMITTEE

B. HOWELL GRISWOLD, JR., *Chairman.*

**NOTE:** This letter is not intended to be addressed to those dealers whose business is solely in securities such as municipals, exempted from control of the S.E.C., unless application has been made by them to the Securities and Exchange Commission for registration.

INVESTMENT BANKERS CONFERENCE COMMITTEE:

October-----, 1935.

We assent to the plan and program of the Investment Bankers Conference Committee as outlined in its letter of October 12, 1935, with the understanding that our contribution will not exceed \$-----, of which *one-half* is paid herewith, the balance being subject to call by said Investment Bankers Conference Committee, if necessary, pending completion of the proposed organization, but in no event later than June 1, 1936.

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Name of Organization (Please Print)

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Signature of Executive.

**Make Check Payable to Investment Bankers Conference Committee and mail with this Assent to Sydney P. Clark, Treasurer, 1531 Locust Street, Philadelphia, Pennsylvania.**

October-----, 1935.

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Signature of Executive.

**Duplicate—Retain This For Your Files**