

Investment Bankers Conference Committee

1010 Vermont Avenue, Washington, D. C.

September 3, 1936.

TO ALL INVESTMENT BANKERS AND SECURITY DEALERS:

Ever since "The Plan" of the Investment Bankers Conference Committee (as explained in a letter, dated October 12, 1935, to all investment bankers and security dealers) was declared operative on October 29 of last year, special Drafting Committees of the Conference Committee, assisted by counsel, have been at work on a permanent plan of organization for the Conference. After months of study and revision, a proposal was formulated which finally met with the approval of all members of the Conference Committee. At this point the permanent plan, as embodied in a Certificate of Incorporation and By-Laws (copies of which are enclosed) was submitted to the Securities and Exchange Commission for its reactions thereto, and this resulted in an exchange of correspondence between Chairman Landis and the Committee, copies of which are also enclosed. (This correspondence is most significant and you are urged to study it carefully.) The permanent plan was then taken up with the Chairman or representatives of all Regional Committees at a meeting in Chicago on July 20. After a full discussion there of the background as well as the details of the permanent plan, it was approved. It was also the opinion of the meeting that immediate steps should be taken to put the plan into effect.

THE PLAN

The plan, in brief outline, is as follows:

1. As to form, it was decided to incorporate as the Investment Bankers Conference, Inc.
2. *Objects*—The principal objects of the Conference, as set forth in the Certificate of Incorporation, are as follows:
 - (a) To promote through cooperative effort the investment banking and securities business and to standardize its principles and practices;
 - (b) To promote through cooperative effort high standards of commercial honor and integrity and public confidence in the investment banking and securities business;
 - (c) To provide a medium through which its membership may be enabled, through representatives, to confer, consult, and cooperate with governmental and other agencies in the solution of problems affecting the public and the investment banking and securities business;
 - (d) To provide a means for collecting and disseminating information, and for making studies of and reports on important subjects of interest to its members;
 - (e) To provide an orderly process for presenting, on problems submitted by governmental and other agencies, the individual and collective views of its members;
 - (f) To adopt and administer rules of fair practice for the purpose of removing impediments to free and open markets and thus to facilitate the competitive process and elevate the plane upon which it is conducted;
 - (g) To promote and enforce effective self-discipline among members, and to investigate and adjust grievances between the public and members and between members.
3. *Membership*—Membership shall be open to any individual, partnership, corporation, or other legal entity authorized to transact and actually transacting any branch of the investment banking or securities business in the United States, under the laws of any state and/or the laws of the United States, including any bank actually engaged in the investment banking or securities business as provided in Article I, Sections 1 and 3 of the By-Laws.
You will note that Article I, Section 2(c) of the By-Laws makes all those admitted to membership on or before October 15, 1936, Charter Members of the Conference.
4. *Finances*—The funds necessary to carry on the work of the Conference shall be obtained from dues or assessments fixed by the Governing Committee within the limitations imposed by Article III, Section 1 of the By-Laws.
5. *Organization and Administration*—For the purpose of administration, the several states of the United States are divided into fourteen districts, the boundaries of which are set forth in Schedule "A" appended to the By-Laws

The management and administration of the Conference is vested in a Governing Committee of twenty-one members. The present members of the Conference Committee will serve as the first Governing Committee of the Conference until the first regular election of new members. Subsequent members of the Governing Committee will be elected by the

members of the Conference as provided in Article IV, Sections 4 to 7, inclusive, of the By-Laws.

District Committees for each of the fourteen districts are to be appointed by the Governing Committee. Chairmen of the District Committees in turn are to be an Advisory Council to the Governing Committee, with the right to attend all meetings of the Governing Committee.

The Conference will maintain its main office in Washington, D. C. and such district offices as the Governing Committee may from time to time deem necessary.

6. *Personnel*—The Governing Committee is authorized to employ a Director and an adequate administrative staff. Members of the Governing Committee and of the several District Committees are to serve without compensation.
7. *Rules of Fair Practice*—The Governing Committee is given authority to adopt such principles and rules of fair trade practice as it may from time to time deem necessary and appropriate. Before such principles and rules shall become effective, however, they shall be submitted to all members of the Conference as provided in Article VII, Section 1 of the By-Laws. As yet no principles or rules have been prepared in final form by the Drafting Committees, the thought being that it was wiser at the outset to put the emphasis upon setting up an effective permanent organization so that conferences, research, etc., might be begun at once on the many important problems now being considered by the Securities and Exchange Commission as to which our suggestions and advice have been sought. The plan is, however, insofar as rules are concerned, to start off with a few basic principles and rules of fair trade practice and to build up the rules of the Conference slowly by enlargement and interpretation and in the light of experience gained in the interim. It is hoped that the basic set of rules will be ready for submission to the members in the near future.
8. *Complaints and Hearings*—The Governing Committee, by Article VII, Section 3 of the By-Laws, is authorized to prescribe such procedure for the presentation, hearing, and arbitration or adjudication of complaints between or against members as it deems necessary and appropriate. The plan is to promulgate a simple informal schedule of procedure which will provide for hearings by District Committees in the first instance, with an ultimate right of appeal to the Governing Committee. This provision will assure each member a local hearing on complaints arising under the rules and also a local hearing on complaints referred to the Conference by the Securities and Exchange Commission.
9. *Amendments to By-Laws*—The By-Laws may be modified, amended or repealed by the Governing Committee, subject to the approval of the members of the Conference as provided in Article IX of the By-Laws.

The Conference Committee, in order to expedite the transition of the Conference from a temporary to a permanent form of organization, has caused the proposed new organization to be formed and is accordingly enclosing herewith a membership application and agreement and a personnel report blank which it strongly recommends that you execute and return to this office at once.

Until the exact number of members and their respective personnel is ascertained, it is impossible to make up an accurate schedule of dues or assessments. So that you may have some idea, however, of the cost of membership, the plan is to divide members into classes on a personnel basis substantially as was done under the Conference Committee. Originators and Underwriters will be classified in a higher bracket. It is estimated that \$60,000 will be needed to cover organization and other expenses incurred during the past summer and to provide the operating funds necessary to carry the new organization past the end of this year. Based on the experience of the Conference Committee, it is believed that a schedule of dues with a base rate of \$10.00 for the lowest class will be sufficient to provide the funds to cover the above estimate. Members will be billed for dues just as soon as the information is available upon which an equitable assessment may be made.

A careful examination of the correspondence between Chairman Landis and the Conference Committee makes it readily apparent that this organization promises to be of great present and future value to all members of the business, so we urge that your membership application and personnel report be sent in at once.

Very truly yours,

INVESTMENT BANKERS CONFERENCE COMMITTEE

By B. HOWELL GRISWOLD, JR.,

Chairman