

INVESTMENT BANKERS CODE COMMITTEE

MINUTES OF 8TH MEETING

November 1, 1934

Board Room, American Security & Trust Company
Washington, D. C.

First Session 10:00 a.m. to 1:15 p.m.
Second Session 2:30 p.m. to 6:05 p.m.

Mr. B. Howell Griswold, Chairman of the Committee, presided.

The following Committee members were present:

Mr. Francis A. Bonner	Mr. Lawrence H. Marks
Mr. Arthur H. Bosworth	Mr. Frank McNair
Mr. George W. Bovenizer	Mr. Daniel W. Myers
Mr. Sydney P. Clark	Mr. Joseph R. Swan
Mr. Harry S. Grande	Mr. Henry B. Tompkins
Mr. B. Howell Griswold, Jr.	Mr. Frank Weeden
Mr. Edward H. Hilliard	Mr. Sidney J. Weinberg
Mr. W. Hubert Kennedy	Mr. George Whitney
Mr. Lamartine V. Lamar	Mr. Orrin G. Wood

Others present were:

Mr. Corcoran Thom, National Recovery Administration representative, non-voting member of the Code Committee
Mr. Rollin A. Wilbur, Managing Director of the Code Committee
Mr. Paul V. Keyser, Counsel for the Code Committee
Mr. K. J. Ammerman, Deputy Administrator, National Recovery Administration
Mr. Myron H. Ratcliffe, Assistant Deputy Administrator, Finance Division, National Recovery Administration
Mr. Frank L. Scheffey, Deputy Managing Director of the Code Committee
Mr. Charles A. Mead, Secretary

1. Minutes of the previous meeting of the Committee were approved.

2. Report of the Managing Director was submitted for the information of the members of the Committee, and a copy of the same is attached to these minutes marked "Exhibit A".

3. Additional report was made by the Managing Director to the effect that approximately 5,500 Blue Eagle Code insignias and also approximately 8,000 Labor Posters had been distributed to Code members as required by the National Recovery Administration.

4. Applications for registration received subsequent to the last meeting of the Executive Committee, as shown by the list attached hereto, marked Exhibit "B" were duly approved.

5. Mr. K. J. Ammerman, Deputy Administrator, Finance Division, National Recovery Administration, was presented to the Code Committee by Chairman Griswold.

6. Chairman Griswold reported as to the meeting of the Executive Committee held on October 16, 1934, in the matter of cancelling registrations for non-payment of assessments. After a full discussion it was duly moved, seconded and carried that the registrations of 83 investment bankers, as shown by the list attached hereto and marked Exhibit No. 1, be cancelled for non-payment of assessment No. 1.

7. Mr. Tompkins nominated Mr. J. Fleming Settle of J. H. Hilsman & Co., Atlanta, Georgia, to fill the vacancy created in Regional District No. 14 by the resignation of Mr. Frank H. Wolff, San Antonio, Texas, occasioned by the creation of a separate district for the state of Texas, and it was duly moved, seconded, and carried that Mr. Settle be appointed to fill this vacancy.

8. Mr. Wilbur presented the recommendation of Mr. John H. Prescott, Chairman of Regional Code Committee for District No. 15, and his Committee that Mr. Adolph E. Weltner of A. E. Weltner & Company, Kansas City, Missouri, be appointed to fill the vacancy in Regional District No. 15 created by the resignation of Mr. Pearson B. Garrett, Dallas, Texas, occasioned by the creation of a separate district for the State of Texas, and it was duly moved, seconded and carried that Mr. Weltner be appointed to fill this vacancy.

9. Mr. Tompkins, Chairman of a Special Committee on Elections, presented his report in the matter of the election held in the Texas District. Mr. Tompkins filed his certificate and reported that Mr. George V. Rotan, George V. Rotan Co., Houston; Mr. J. L. Mosle, J. L. Mosle & Company, Galveston; Mr. E. Jedd Roe, Russ, Roe & Co., San Antonio; Mr. Alva W. Snyder, A. W. Snyder and Company, Houston; and Mr. Wm. C. Jackson, Jr., Callihan & Jackson, Dallas, were duly elected to constitute the Regional Code Committee for District No. 17. It was ordered that said report be filed.

10. It was duly moved, seconded, and carried that the by-law regarding the membership of the Executive Committee be amended by increasing the membership from five to six by including the Treasurer as a member of the Executive Committee, such amendment to be subject to approval by the National Recovery Administration and to become effective upon such approval being received by the Code Committee.

11. The minutes of the Finance and Executive Committees for the period from July 14 to November 1, 1934, copies whereof are hereto attached and marked as Exhibits "C" and "D", were approved.

12. Mr. Wilbur reported that the National Recovery Administration had approved the Regulations relating to Procedure for Handling Trade Practice Complaints, with certain amendments, and after an explanatory statement made by Mr. Keyser, it was duly moved, seconded and carried that such Regulations, with the amendments required by the National Recovery Administration, be ratified and approved.

13. The matter of bonds of the towns of Idaho was presented and after a statement on the matter by Mr. Bosworth it was determined that the situation would not require the attention of the Code Committee.

14. The request of Harris and Leftwich of Nashville, Tennessee, for a detailed statement of assessments levied, collected and uncollected, was presented and after a general discussion it was moved and seconded and carried that the Managing Director be instructed to advise Harris & Leftwich that while our financial records are open to them or their duly accredited representative the Code Committee would not feel justified in authorizing the expenditure necessary for preparing and distributing the information requested.

15. The Managing Director reported on the matters pending before the National Recovery Administration as follows:

(a) Proposed Amendment to Article I(1) of the Basic code and Article II(c) of Amendment No. 2, relating to certain "thrift" contract issuers. Submitted September 26, 1934. Pending.

(b) Proposed interpretation of Article IX, Section 7(a), to prevent concessions to registered investment bankers on securities which they cannot lawfully underwrite. Submitted July 18, 1934. Pending.

(c) Proposed interpretation of Article V, Section 2, defining the phrase "the date on which it shall be proposed to make the public offering of such securities". Submitted July 18, 1934, and action deferred pending consideration of proposed amendment.

(d) Application received from Davis, Polk, Wardwell, Gardiner & Reed on September 14th for interpretation of Article IV, Section 1(b), re subsidiaries of railroads. Suggested this be handled as an amendment.

(e) Application from Edward B. Smith & Co., of October 10, requesting waiver of Article IV, Section 1(b) for the purposes of issuing \$18,000,000 Chesapeake Corporation Bonds, a majority of the Code Committee having approved the waiver. Submitted October 17, 1934. Pending.

16. Mr. Wood submitted his report in regard to the matter of Feldman & Company. The report was discussed at length and it was duly moved, seconded, and carried that Mr. Wood's report be adopted. A copy of the report is attached to these minutes and marked Exhibit No. 2.

17. Mr. Scheffey, as Executive Secretary of the Regional Code Committee for the New York District, presented his report of his investigation of the alleged "guaranteed investment market" in connection with the Baltimore and Ohio Railroad Company $4\frac{1}{2}\%$ Notes, as well as a report dealing with the participation of non-registered investment bankers in this business. A copy of the full report is annexed herewith marked "Exhibit 3". Thereupon the matters involved in the report were fully discussed. The following orders were adopted: (The names of the alleged violators were not disclosed until after a full discussion and the adoption of such orders.)

A. It was the sense of the Code Committee that in those cases submitted by Mr. Scheffey and referred to in his report as Class No. 2 the facts as reported do not show the need for any action by the Code Committee.

B. That proceedings be brought against Laurence M. Marks & Co., Dominick & Dominick, and Parrish & Co., registered investment bankers, as having violated the provisions of Section 4 of Article V in connection with the offering of the Baltimore & Ohio Railroad Company notes, such proceedings to be in accordance with the procedure as provided in Section 8 of Article X; that the Chairman of the Code Committee be authorized to appoint a sub-committee of not less than three members of the Code Committee with authority for a majority of the members of such sub-committee to act on its behalf, and such sub-committee to conduct the hearings in these cases on behalf of said Code Committee and to report the facts as found to the Code Committee for final action; and that such sub-committee invite the Regional Code Committee for the New York District to sit with the sub-committee in the hearings to be held on these cases.

C. With respect to the non-registered investment bankers mentioned in Mr. Scheffey's report as having violated Section 4 of Article V in connection with the offering of Baltimore & Ohio Railroad Company notes (John C. Adams of New York City and Donald Davis & Co. of Boston) that a copy of Mr. Scheffey's report and the accompanying papers pertinent to the case of each such investment banker be referred to the Regional Code Committee for the District in which the principal office of such investment banker is located for due proceedings in accordance with the Code and Regulations in relation to Procedure for Handling Fair Trade Practice Complaints.

D. That the case of Mallory, Pynchon & Eisemann, 120 Broadway, New York City, a registered investment banker, be referred back to the New York Regional Code Committee for further investigation and for a report to the full Code Committee.

E. That proceedings be brought against Kuhn, Loeb & Co., Brown Harriman & Co., and Speyer & Co., in respect of their taking unregistered investment bankers into the offering of Baltimore & Ohio Railroad Company $4\frac{1}{2}\%$ Notes, such proceedings to be in accordance with the procedure set out in Section 8 of Article X; and that the Chairman appoint a sub-committee of not less than three members of the Code Committee with authority for a majority of the members of such sub-committee to act on its behalf and such sub-committee be authorized to conduct such hearing and report the facts found to the Code Committee for final action as provided in Section 9 of Article X; and such sub-committee shall invite the New York Regional Code Committee to sit with the sub-committee at such hearing.

18. The Treasurer then read the report of the Finance Committee, copy whereof is attached marked Exhibit No. 4. Upon a motion duly seconded and carried it was ordered that the report be approved.

19. The Chairman presented an application of the Industrial Trust Company, Providence, Rhode Island, requesting an amendment to Article IX, Section 7(a), so that concessions might be given to unregistered banks with respect to securities bought for their own investment account. It was moved, seconded, and carried that the application be denied.

20. Mr. Swan presented an application for a waiver of Article IV, Section 1(i), with respect to a proposed issue of Chesapeake Corporation 10 year 5% Convertible Trust Bonds. After a discussion of the application it was regularly moved, seconded, and carried that the waiver as applied for in the letter of E. B. Smith & Co. dated October 23, a copy whereof is attached hereto and marked Exhibit No. E be granted.

21. Chairman Griswold called for a report of the Special Resolutions Committee appointed in connection with the death of Mr. Robert E. Christie, Jr. Mr. Marks, Chairman of this Committee, read a memorial resolution a copy of which is attached hereto and marked Exhibit 5. It was regularly moved, seconded, and carried by a rising vote that the Resolutions Committee be thanked and that the memorial resolution be adopted.

The Chairman directed the Secretary to record the resolution as presented and directed that a copy be sent to the family.

22. The Committee next proceeded to the consideration of eight amendments to the Code which had been drafted by the Inter-

pretations Committee and after full discussion of the several proposed amendments it was duly ordered:

1. That the six proposed amendments, copies of which are attached hereto and identified as Exhibits 6, 7, 8, 9, 10, and 11, be approved by the Investment Bankers Code Committee and recommended to the National Recovery Administration for adoption as amendments to The Code of Fair Competition for Investment Bankers and that such amendments become effective as part of the Code when duly approved by the National Recovery Administration. In connection with the amendment identified as Exhibit No. 11, Messrs. Weinberg, McNair, Thompson, and Grande requested their votes be recorded in the negative.

2. That the proposed amendment, copy of which is attached hereto and marked Exhibit 12, which amendment deals with old issues in syndicate or group account, be referred back to the Interpretations Committee to give further study to the wording thereof.

3. That the proposed amendment, regarding confirmations to investors at net prices only, copy of which is attached and marked Exhibit 13, be not adopted at this time but instead its substance be stated in a memorandum, copies of which should be sent by the Managing Director to the Chairmen of the various Regional Code Committees with the request that they present their opinions and suggestions as to the feasibility of adopting this policy as it has already been adopted by various municipal groups in the California District and agreed to by an important municipal group in the New York District. It was pointed out that the Managing Director's letter should not make reference to the fact that this matter might later be drafted into an amendment, but that the matter had received a full discussion before the whole Committee.

23. At this point Chairman Kennedy of the Securities and Exchange Commission entered the meeting and was introduced by Chairman Griswold.

Following Mr. Kennedy's remarks and the discussion which followed, it was regularly moved, seconded, and carried that the Chairman be authorized to appoint a Committee to cooperate with the Securities and Exchange Commission in the consideration of regulations for over-the-counter trading, registration of dealers, and other subjects concerning which the Commission may desire cooperation and advice.

Chairman Griswold expressed to Mr. Kennedy the sincere thanks of the Committee after which Mr. Kennedy withdrew.

24. Mr. Leighton H. Peebles, Division Administrator of the National Recovery Administration was then introduced to the Committee by the Chairman, following which Mr. Peebles withdrew.

25. The Managing Director presented an application from the California District for an interpretation with respect to "freelance dealers". It was ordered that this matter be referred to the Interpretations Committee for action.

26. The Managing Director then presented the question whether the Stock Exchange rule or some other similar rule with respect to solicitation by employers of employees of another dealer should be written into the Code, and it was ordered that this matter be referred to the Interpretations Committee for their action.

27. The Managing Director then read a letter dated October 27, from Mr. Robert H. Moulton, regarding the possibility of an amendment to the Code in respect of Governmental securities so as to obviate the necessity for waivers on such issues. It was ordered that Mr. Moulton's letter be referred to the Interpretations Committee for their consideration.

28. There next ensued a discussion in regard to the application made by Field, Glore & Co. and associates for a waiver of certain provisions of the Code in respect to the Home Owners Loan Corporation issue. The Managing Director reported that a majority of the Committee had voted in favor of granting the waiver requested and that such information had been communicated to the National Recovery Administration, and that the National Recovery Administration had stated to him that a waiver was not necessary in this particular case but had not assigned any reason for such statement. It was ordered that the Managing Director write a letter to the National Recovery Administration and ask their reasons for this conclusion and report back to the next meeting of the Code Committee.

29. Mr. Bonner, as Chairman of the Special Group on Compliance, stated that he was ready to present the report of his Committee, and it was ordered that copies of the report be forwarded to members of the Code Committee with the request that they give it careful consideration and write to Mr. Bonner any suggestions they might have in this connection.

30. Motion to adjourn was made, seconded, and carried. The meeting accordingly adjourned at 6:05 p.m.