

INVESTMENT BANKERS ASSOCIATION OF AMERICA

Office of the President  
60 State Street  
Boston

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NEW YORK  
February 21, 1938.

George C. Mathews, Commissioner,  
Securities and Exchange Commission,  
Washington, D. C.

Dear Mr. Mathews:

Following our conversation on Wednesday at which time you expressed the hope that the Investment Bankers Association could express its attitude toward the Maloney Bill, as amended, those of our Special Committee who were available have had careful discussions of the entire matter, and we have had long distance conversations with those of the Committee who could not be present in person, as well as with others. May I express regret that I was unable to see Senator Maloney before returning to New York.

As you must appreciate, the rank and file of the industry had not, up to the time of the hearings before the Senate Committee really known anything of the detail of what was contemplated, and much less had even seen the proposed bill, so that as the passage of a bill became imminent it was as inevitable as it was desirable that there should be general and intensified discussions of it. It seems to us well that there should be this aroused interest in this most important matter.

There can, it seems to this Committee and to myself, be no doubt but that the industry has been and is in sympathy with genuine self-regulation having reasonable objectives, and would welcome the opportunity to cooperate with the Securities and Exchange Commission under enabling legislation that would accomplish these objectives. These expressions of opinion were made by members of this Committee before the Senate Committee on February 8th.

Since the hearing, however, evidence has accumulated, as the industry throughout the country has had opportunity to study the bill and to hold conference in regard to it, that the latest draft of the bill, i.e., that of February 10, is not, in the judgment of many in the business, limited to those principles of self-regulation that the industry envisioned, and that considerable doubt as to the bill has in consequence developed.

Nevertheless, this Committee, feeling as it does that a cooperative relationship with your Commission is desirable in effecting the objectives that both the industry and you wish to attain is prepared to say that it will put forward its best endeavor to secure support for a bill and for organization under it, if this February 10

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draft of the bill can be modified and clarified, substantially in the manner covered by the accompanying memorandum. You will understand that this Committee can only undertake to explain and support such a bill, and that it cannot speak for or commit individual members of our association. Naturally, however, this Committee would not take a position which it felt would be repudiated by the organization that created it.

We know you appreciate that self-regulation will not accomplish everything. Progress will, of course, be slow and excessive expense must be avoided lest the whole effort bog down.

If, however, a bill is passed that is not held within the reasonable limits suggested, the difficulties of successful operation under it will have been immeasurably increased and in our opinion it would not win the support of the industry. For it must be self-evident that without the enthusiastic support of the members of a voluntary association, self-regulation cannot succeed and should not be attempted.

May we add further that this Committee is not attempting to speak on behalf of the municipal business, as it understands that those dealers feel they occupy a special relation in regard to the purposes of the proposed bill.

We suggest that at the next printing of the bill, enough copies be printed so that they can be at once distributed to all of our members so that they can see immediately the provisions under which they will be asked to work before the bill is finally passed by Congress.

In view of my appearance before the Senate Committee on Banking and Currency, as a matter of courtesy to them I am sending a copy of this letter both to Chairman Wagner and to Senator Maloney.

Please permit me to express to you and to the Commission on behalf of the Investment Bankers Association and myself our appreciation of your consideration and courtesy to us in this matter.

Very truly yours,

INVESTMENT BANKERS ASSOCIATION OF AMERICA,

By (Sgd) Francis E. Frothingham  
President.

FEF/S