

August 15, 1938.

Mr. Sherman Ellsworth,
Wm. P. Harper & Son & Company,
Harper Building,
Seattle, Washington.

Dear Sherm:

Upon my return to the office this morning I found your letter of August 9 and the documents pertaining to the proposed Pacific Northwest Security Dealers Association.

I appreciate very much your complete report, and have taken the liberty of discussing it with Frank Bonner, who, as you probably know, has been engaged as a special adviser to the Commission in connection with the Maloney Act program. It is my feeling that you are handling this very delicate situation in the best possible way, and I am sure that in the long run the situation will work out along the proper lines. I believe that the desirability of affiliation with a large national association as against a small national association in the Pacific Northwest will become apparent to the dealers out there as the more thoughtful ones give the question study and consideration.

I fully understand the feeling of many of the dealers out there that they want to be independent and have their own national association. It is a natural desire, and the further one is from the large financial centers the stronger is the desire for independence. However, the questions of uniformity of rules, uniformity of discipline, and standardization of practices are national, not entirely local, and if the investment banking and securities business is to develop along the lines which, in the long run, will be most beneficial to the business as a whole, it seems to me that it is essential for us to think along national rather than sectional lines.

I do not think you should resign from the Committee, and I agree with you that more good can be accomplished by proceeding in the way you have than by fighting from the outside.

Commissioner Mathews will be in Seattle on August 24 and can be reached through Mr. Day Karr at the S.E.C. Regional Office. Mathews is on vacation and is not particularly anxious to become involved in any large meetings of brokers and dealers, but I think it would be most desirable if you and a few others whom you select out there could meet with Mr. Mathews at luncheon and get his slant on this problem. As you probably know, he

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has attended meetings in Cleveland, Chicago, Milwaukee and Minneapolis. In Cleveland there were nearly two hundred present at a dinner meeting. In Chicago nearly six hundred dealers attended an afternoon meeting, and in Milwaukee there were about seventy-five present. I understand that the meeting in Minneapolis today will be attended by some seventy or eighty dealers. Reports which have come to me from these meetings indicate that they have been most helpful to the dealers and very satisfactory from the point of view of the Commission. It may be that after talking with you and a few of the others out there Mr. Mathews would consent to address a meeting of dealers, but I would not urge him to do so because he is on a vacation and it does not seem fair to break into it with too much business.

After comparing the documents which you sent me with the Conference Rules and Procedure, I find that they are identical, with the addition of local delivery rules, which apparently have been taken from the local delivery rules of the California Security Dealers Association. For your own information, we have given and are now giving considerable study to these same Rules, and while we have not reached any conclusions, the general feeling is that many of them are much too general in character, too difficult of interpretation, or in some instances almost impossible of enforcement. Furthermore, I am sure that the thinking of the Commission has not progressed yet to the point where they are prepared to say whether these rules are acceptable or not. Of course, we hope to have the answer as soon as the report of the Joint Committee is made and a meeting of the Governing Committee of the Conference is called.

At the present writing I do not look for the registration of any association until late in October and possibly late in November. The Commission's plan now is to hold as many meetings as possible throughout the country. I have scheduled meetings in New York and New Jersey as late as September 20, with the whole South and Southwest yet to be scheduled.

I should very much appreciate learning what you propose to do in regard to Mr. Mathews and the results of your meeting with him, if you have one. As things develop here you may be sure that I will keep you informed.

With kindest personal regards,

Very sincerely yours,

Wallace H. Fulton.