NATIONAL RECOVERY ADMINISTRATION

AMENDMENT TO CODE OF FAIR COMPETITION

FOR

INVESTMENT BANKERS

AS APPROVED ON MARCH 23, 1934

BY

PRESIDENT ROOSEVELT

WE DO OUR PART

UNITED STATES
GOVERNMENT PRINTING OFFICE
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Approved Code No. 141
Amendment No. 2

Registry No. 1707–04

ERRATA SHEET FOR

AMENDMENT TO
CODE OF FAIR COMPETITION

FOR

INVESTMENT BANKERS

AS APPROVED ON MARCH 23, 1934

1. Article II (t). Subparagraphs i and ii are shown as 1 and 2; also the word "definite" on first line, top of page 9, should be "definitive."
2. Article IV, section 1 (b). Third paragraph, page 12, line 2, the word "accounts" should be "amounts."
3. Article IV, section 2 (e). First paragraph, page 14, line 4, the word "such" at end of line should be "each."
4. Article X, section 4. Page 27, line 5, the figure "5" should be "3."
5. Article X, section 8 (c). Page 29, line 2, the figures "$600" should be "$500."
6. Article X, section 11. Page 30, line 10, the figure "I" should be "1."
7. Article XI, section 8. Page 32, line 6, the word "act" was omitted between the words "shall" and "as."

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U. S. GOVERNMENT PRINTING OFFICE: 1934

Approved Code No. 141—Amendment No. 2

CODE OF FAIR COMPETITION

FOR

INVESTMENT BANKERS

As Approved on March 23, 1934

BY

PRESIDENT ROOSEVELT

EXECUTIVE ORDER

AMENDMENTS TO CODE OF FAIR COMPETITION FOR INVESTMENT BANKERS

An application having been duly made, pursuant to and in full compliance with the provisions of Title I of the National Industrial Recovery Act, approved June 16, 1933, for my approval of the Amendments to the Code of Fair Competition for Investment Bankers, and hearings having been held thereon and the Administrator having rendered his report containing an analysis of the said Amendments together with his recommendations and findings with respect thereto, and the Administrator having found that the said Amendments comply in all respects with the pertinent provisions of Title I of said Act and that the requirements of clauses (1) and (2) of subsection (a) of Section 3 of the said Act have been met; and the Administrator having further found that the agreement provided for in Article X of the said Amendments, pursuant to the provisions of subsection (a) of Section 4 of the said Act, will aid in effectuating the policy of the said Title I:

NOW, THEREFORE, I, Franklin D. Roosevelt, President of the United States, pursuant to the authority vested in me by Title I of the National Industrial Recovery Act, approved June 16, 1933, and otherwise, do adopt and approve the report, recommendations and findings of the Administrator and do order that the said Amendments to the Code of Fair Competition be and they are hereby approved, subject to the following condition:

Inasmuch as the Amendments hereby approved are designed to accomplish far reaching and desirable reforms in the practices of investment bankers, involving important changes in methods heretofore customary, it is considered necessary to prescribe a more expeditious method than that prescribed in the Code for effectuating changes in the provisions of the Code as amended. In order, there-

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fore, to provide prompt relief for any hardship which may have been inadvertently imposed by the provisions of the Code as amended, or to make such corrections as may become necessary to meet unforeseen contingencies, the Administrator may, upon recommendation of the Investment Bankers Code Committee or otherwise, and after such notice and hearing as he may specify, approve such modification or amendment of this Code as amended as he may deem necessary or desirable.

FRANKLIN D. ROOSEVELT.

Approval recommended:

HUGH S. JOHNSON,
Administrator.

THE WHITE HOUSE,
March 23, 1934.

LETTER OF TRANSMITTAL

The PRESIDENT,
The White House.

SIR: I have the honor to transmit herewith Amendments to the Code of Fair Competition for Investment Bankers, which are submitted in accordance with Articles IV and V of the Code of Fair Competition for Investment Bankers.

The extent to which the Amendments are designed in the interest of the investors of this country is peculiarly significant.

The evidences of fairness of purpose and thoroughness in preparation appear obvious. At a meeting of investment bankers assenting to the Code, held on March 5, 1934, in Washington, 888 investment bankers, in person or by proxy, voted to approve the Amendments, and 117 voted in disapproval. At that time 1,251 investment bankers had assented to the Code and were eligible to vote. Since that time the number of assentors has increased to above 1,600. A majority of the 117 who dissented expressed their approval of the provisions as a whole and in principle and objected only to certain specific provisions which have since been modified. A large majority of the assenting investment bankers favor acceptance of the Amendments.

Examination of the proceedings attending the preparation of the Amendments discloses the fact that every reasonable effort was exerted to keep every investment banker in the United States informed regarding the formulation of these Articles and to enlist their suggestions or criticisms, which were given full consideration and were weighed as to their effect upon every factor involved.

A public hearing on these Amendments was held in Washington on March 15, 1934. At this hearing the objections centered on the provisions having to do with—

(a) Municipal securities.
(b) Restrictions upon salesmen.
(c) The appointment of Regional Committees.

In subsequent conferences with the Investment Bankers Code Committee both proponents and opponents of the controversial sections agreed to the modifications which have been made. The reasonableness of the attitude of the investment bankers greatly facilitated harmonizing the differences.

These fair practice provisions constitute a remarkable document. The essential purposes are to eradicate past and existing abuses and to establish principles and practices which will justify public confidence, greatly assist in restoring the markets for both public and private investment funds and result in an increased flow of investment capital into sound, productive enterprises, which will unquestionably increase employment and distribute added wealth among our people.

The importance of developing a capital market in connection with the Recovery Program cannot be over emphasized.

Very definite provisions are included for these specific purposes, both prescribing and proscribing investment banking activities in all fundamental essentials. Briefly, the purport of the Amendments is as follows—

1. Eleven sections are devoted to a statement of general principles for the conduct of the business, as a guide to the investment banker and to the Investment Bankers Code Committee in interpreting and administering the fair practice provisions of the Code. These deal with standards of business conduct in the underwriting and distribution of securities and in safeguarding the welfare of investors.

2. Five sections govern the issuance of new securities. In the future those issuing securities will be required to provide adequate detailed information to investors as long as a security is outstanding. This is a far reaching provision. It marks a very long step in the right direction and furnishes a new safeguard to protect investors.

3. Seventeen sections regulate the underwriting and distribution of new issues. Provisions are included which will tend to establish one price for all investors irrespective of the size of the transaction or the importance of the purchaser. Adequate time is provided for the proper study and analysis of the facts regarding new issues by all investment bankers participating in the distribution of each issue.

4. Eight sections are directed to retail sales and purchases dealing with disclosure of the adequate and the pertinent facts required to be made available to investors.

5. Four sections pertain primarily to salesmen, and stipulate the minimum qualifications of those employed in that capacity and the requirement for responsible supervision of their activities.

6. One important section relates to investment companies and places certain restrictions on investment bankers having relations or transactions with such companies.

7. Thirteen sections provide a unique opportunity for investment bankers, through registration, to agree with one another upon the expeditious enforcement of effective self discipline in the investment banking business.

It was stated in my letter of November 20, 1933, transmitting to you the Code of Fair Competition for Investment Bankers that the members of the association proposing the Code transacted approximately 90% of the total volume of the investment banking business for the year 1932. This statement was intended to refer only to the percentage of the volume of new issues. The members of the Association did a substantial percentage of the total volume. The Investment Bankers Association of America is the single truly representative organization of this type of financial concerns, and there is no other national association.

Inasmuch as the Amendments submitted herewith involve important changes in methods now existing, I suggest a more expeditious procedure than that prescribed in the Code of Fair Competition for effectuating changes in its provisions. Especially is this necessary in view of the provisions of Section 1 of Article IV; of

Sections 1 and 2 of Article V; of Section 1 of Article VI; of Article X; and of Section 11 of Article XI. I therefore recommend that you permit the Administrator, upon recommendation of the Investment Bankers Code Committee or otherwise and after such notice and hearing as he may specify, to approve such modifications or Amendments as he may deem necessary or desirable.

The Division Administrator in his final report to me on the said Amendments to said Code having found as herein set forth and on the basis of all the proceedings in this matter:

I find that:

(a) The Amendments to said Code and the Code as amended are well designed to promote the policies and purposes of Title I of the National Industrial Recovery Act including the removal of obstructions to the free flow of interstate and foreign commerce which tend to diminish the amount thereof, and will provide for the general welfare by promoting the organization of industry for the purpose of cooperative action among trade groups, by inducing and maintaining united action of labor and management under adequate governmental sanction and supervision, by eliminating unfair competitive practices, by promoting the fullest possible utilization of the present productive capacity of industries, by avoiding undue restriction of production (except as may be temporarily required), by increasing the consumption of industrial and agricultural products through increasing purchasing power, by reducing and relieving unemployment, by improving standards of labor, and by otherwise rehabilitating industry.

(b) The Code as amended complies in all respects with the pertinent provisions of said Title of said Act, including without limitation Subsection (a) of Section 3, Subsection (a) of Section 4, Subsection (a) of Section 7 and Subsection (b) of Section 10 thereof.

(c) The Code empowers the Investment Bankers Code Committee to present the aforesaid amendments on behalf of the business as a whole.

(d) The Amendments and the Code as amended are not designed to and will not permit monopolies or monopolistic practices.

(e) The Amendments and the Code as amended are not designed to and will not eliminate or oppress small enterprises and will not operate to discriminate against them.

(f) Those engaged in the other steps of the economic process have not been deprived of the right to be heard prior to approval of said Amendments.

For these reasons I recommend that you approve these Amendments.

Respectfully,

HUGH S. JOHNSON,
Administrator.

MARCH 23, 1934.

AMENDMENT TO CODE OF FAIR COMPETITION FOR INVESTMENT BANKERS

Article I—Adoption and Interpretation [1]

The following provisions are adopted as supplementary provisions to the Code of Fair Competition for Investment Bankers, as approved November 27, 1933, by the President of the United States, and the provisions of Articles IV, V, VI, VII, VIII, and IX hereof are established as Rules of Fair Practice for Investment Bankers pursuant to the provisions of Articles IV and V of said Code.

These supplementary provisions shall become effective on the thirtieth day after approval hereof by the President of the United States: provided, that the Investment Bankers Code Committee may postpone, and from time to time further postpone, the date on which Section 7 of Article IX and Article X shall become effective so long as no such postponement is made beyond the ninetieth day after approval hereof by the President of the United States. They shall continue in effect as long as said Code shall be in effect, and shall in all respects be subject to said Code and the National Industrial Recovery Act, approved June 16, 1933. They may be amended in the same manner as is provided in said Code for amendment of said Code.

The Rules shall be interpreted in such manner as will aid in effectuating the policy of Title I of said National Industrial Recovery Act, and so as to require that all practices in connection with the investment banking business shall be just, reasonable, and nondiscriminatory.

The Rules are grouped for purposes of convenience under several general headings, but such grouping and headings shall not be construed as limiting the application of any Rule.

The Rules shall not apply to contracts made prior to the effective date of the Rules.

Article II—Definitions

As used in these supplementary provisions—

(a) The term "Code" shall mean the Code of Fair Competition for Investment Bankers, as approved November 27, 1933, by the President of the United States, under the provisions of Title I of the National Industrial Recovery Act, approved June 16, 1933.

(b) The term "Rules" shall mean the Rules of Fair Practice for Investment Bankers as established in Articles IV, V, VI, VII, VIII, and IX hereof, or as the same may be hereafter amended or supplemented.

(c) The term "investment banking business" shall mean the business of underwriting or distributing issues of securities, or of

[1] See paragraph 3 of order approving this Code.

purchasing securities and offering the same for sale as a dealer therein, or of purchasing and selling securities upon the order and for the account of others; provided, however, that the term "investment banking business" shall not include transactions on regularly organized exchanges, but such term shall include all business relating to such transactions to the extent that such business is not conducted by a member of such exchange or by any person or organization having the privilege of any such exchange for itself or any of its partners or executive officers.

(d) The term "investment banker" shall mean any person engaged in the investment banking business but shall not include an employee.

(e) The term "registered investment banker" shall mean any investment banker registered pursuant to the provisions of Article X of these supplementary provisions.

(f) The term "Investment Bankers Code Committee" shall mean the Investment Bankers Code Committee established as provided in Article III of the Code.

(g) The term "Regional Code Committee" shall mean any Regional Code Committee established as provided in Section 2 of Article XI of these supplementary provisions.

(h) The term "security" or "securities" shall mean any note, share of stock, bond, debenture, evidence of indebtedness, voting trust certificate, certificate of deposit, interim certificate or interim receipt, or, in general, any instrument commonly known as a security, or any certificate of interest or of participation in, or warrant or right to subscribe to or purchase, any of the foregoing.

(i) The term "new issue of securities" shall mean any issue of securities sold or offered for sale in one transaction or in a connected series of transactions as a result of which consideration for such securities is or is to be received directly or indirectly by the issuer thereof. As used in this paragraph (i) the term "issuer" shall include, in addition to an issuer, any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control with the issuer.

(j) The term "new security" shall mean any security included in a new issue of securities.

(k) The term "public securities" shall mean any securities issued by the United States or by any instrumentality thereof, or by any territory or insular possession therof, or by the District of Columbia, or by any State of the United States or by any subdivision or instrumentality of any such State, territory or insular possession.

(l) The term "issuer" shall mean any person who issues or proposes to issue any security or who guarantees such security either as to principal or income or who assumes the obligation to pay such security either as to principal or income; except in respect to certificates of deposit, voting trust certificates, interim certificates or similar securities, the term "issuer" shall mean the person or persons issuing the securities represented by such certificates of deposit, voting trust certificates, interim certificates, or similar securities; and except that in respect to certificates of interest or shares in an unincorporated investment company (sometimes spoken

of as investment trust) not having a board of directors (or persons performing similar functions) or of the fixed, restricted management, or unit type, the term "issuer" shall mean the person performing the acts and assuming the duties of depositor or manager pursuant to the provisions of the trust or other agreement or instrument under which such securities are issued; and except that in respect to equipment trust certificates or similar securities, the term "issuer" shall mean the person by whom the equipment or other property is or is to be used.

(m) The term "prospectus" used in relation to any security registered under the Securities Act of 1933 shall mean the official prospectus required by said Act, and used in relation to any other security shall mean the offering or descriptive circular.

(n) The term "originator" shall mean any person who purchases from an issuer a new issue of securities of such issuer, or who contracts with the issuer to find purchasers for such securities, with a view to the public distribution of such securities, or who contracts with an issuer to act as agent for such issuer for the public distribution of such securities of such issuer.

As used in this paragraph (n) the term "issuer" shall include, in addition to an issuer, any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control with the issuer.

(o) The term "selling syndicate" shall mean any syndicate formed in connection with a public offering, to distribute all or part of a new issue of securities by sales made directly to the public by or through participants in such syndicate under an agreement which imposes a financial commitment upon participants in such syndicate to purchase any such securities.

(p) The term "selling group" shall mean any group formed in connection with a public offering, to distribute all or part of a new issue of securities by sales made directly to the public by or through members of such selling group, under an agreement which imposes no financial commitment on the members of such group to purchase any such securities except as they may elect to do so.

(q) The term "manager" used in relation to a selling syndicate or selling group shall mean the person or persons named as manager or managers in the agreement under which such syndicate or group is formed.

(r) The term "person" shall include any natural person, copartnership, corporation, association, or other entity.

(s) The term "salesman" shall mean any officer, employee, or agent (other than another investment banker) of an investment banker, who offers securities for sale to any person other than another investment banker.

(t) The term "interim certificate" or "interim receipt" shall mean any instrument in writing delivered to a purchaser against payment in connection with the public distribution of a new issue of securities and calling for the future delivery of such securities and executed by either an originator, the issuer of the securities called for by such interim certificates or interim receipts, or a corporate trustee.

1. The term "interim certificate" shall mean such instruments in writing when the securities called for thereby are delivered in

temporary or definite form to the person executing the interim certificate prior to or concurrently with such execution.

2. The term "interim receipt" shall mean such instruments in writing when the securities called for thereby are not so delivered to the person executing the interim receipt prior to or concurrently with such execution.

Article III—General Principles

In addition to the Rules, the General Principles set forth in this Article III shall be a guide to the Investment Bankers Code Committee in interpreting, administering, and enforcing the provisions of the Code and Rules, as well as to the Investment Banker himself in the conduct of his business under such Code and Rules.

Section 1. *Standard of Business Conduct.*—To observe, and to use his best efforts to maintain, high standards of commercial honor in the investment banking business, and to promote just and equitable principles of trade and business.

Section 2. *Origination of New Issues.*—(a) If acting as an originator, to make such investigation as may be reasonably necessary to determine the merit of such issue, and to satisfy himself that the business risk of the investors who purchase such securities is reasonable and that there are appropriate provisions to safeguard the interests of such investors.

(b) If distributing a new issue of securities originated by another, to satisfy himself that the investigation required by paragraph (a) has been made.

Section 3. *Information as to all new Issues Except United States Government and State Issues.*—Not to originate nor to participate in the public distribution of any new issue of securities, other than securities issued by the United States or by any instrumentality thereof, or by any State of the United States, unless there is available to investors, either in a prospectus or from public sources or in some other manner, adequate information with respect to the issuer, the nature of its business, its financial condition, the terms of the new security, and, in addition, all other information required by the Rules to be contained in the prospectus.

In the case of any security issued by any subdivision or instrumentality of any State of the United States, it shall be deemed a compliance with this principle if there is available to investors either in a prospectus or otherwise, adequate information with respect to the terms of the new security and all information required by the Rules, and if, in addition, where available, the record of tax collections of such issuer for the preceding three years is included in the prospectus, if any, or if there is no prospectus, is otherwise disclosed to each purchaser of such security.

In the case of securities issued by a common carrier which is subject to the provisions of Section 20a of the Interstate Commerce Act, as amended, it shall be deemed a compliance with this principle, if there is available to investors, either in a prospectus or otherwise, adequate information with respect to the terms of the new security and all information required by the Rules, and a copy of the last annual balance sheet and the income and surplus accounts for the

last three years of such common carrier as required to be filed with the Interstate Commerce Commission, and, if there is available, on request, to any investor a copy of all reports and orders of the Interstate Commerce Commission approving and authorizing the issue of such securities.

SECTION 4. *Investment Recommendations.*—Where an investment banker recommends to an investor the purchase or exchange of any security, to have reasonable grounds for believing the security to be acquired by the investor is a suitable investment for such investor upon the basis of the facts, if any, disclosed by such investor as to his other security holdings and as to his investment situation and needs.

SECTION 5. *Salesmen's Compensation.*—To compensate his salesmen in a manner consistent with the application of the principles set forth in Sections 1 and 4 of this Article.

SECTION 6. *Financial Condition of Issuer.*—To keep himself reasonably informed of the financial condition of the issuer of any issue of securities of which he acted as originator, so long as any material part of such issue shall be outstanding in the hands of investors, and to endeavor to cause the issuer to meet his promises and obligations to investors.

This section is intended to apply in respect to issues of securities originated prior to the effective date of the Rules as well as to issues originated thereafter.

SECTION 7. *Written Order or Confirmation.*—To require a customer, wherever practicable, to give a written order or a written confirmation of any oral order for any transaction in securities.

SECTION 8. *Charges for Services.*—To make his charges for services performed, including miscellaneous services, such as collection of moneys due for principal, dividends, or interest; exchange or transfer of securities; appraisals; safe-keeping or custody of securities, and other services, reasonable and not unfairly discriminatory between customers.

SECTION 9. *Sinking Fund Provisions.*—If an originator of an issue of bonds or other interest-bearing obligations for distribution to the public, to cause the issuer to make provision for the retirement of such issue in whole or in part before maturity, through a sinking fund or otherwise, where such provision is appropriate to safeguard the interest of investors who purchase such securities.

SECTION 10. *Delivery of Definitive or Temporary Securities of Issuer.*—In distributing new issues of securities, to deliver as promptly as possible after the public offering date, definitive or temporary securities of the issuer.

SECTION 11. *Duration of Selling Syndicates and Selling Groups.*—If the manager of a selling syndicate or selling group, to form such syndicate or selling group for the shortest period which, in the judgment of the manager, is sufficient for the purpose for which it is formed.

ARTICLE IV—RULES PERTAINING PRIMARILY TO ORIGINATION OF ISSUES

SECTION 1. *Agreements Required of Issuers.*—No investment banker shall be the originator of any issue of securities (other than

any of the classes of securities mentioned in Section 3 of the Securities Act of 1933 and other than any security issued by a foreign government or political subdivision thereof) where the aggregate amount at which such issue is to be offered to the public exceeds $100,000, unless the issuer of such securities shall agree with the originator as follows:

(a) *Term of Agreements.*—To comply with the requirements of this section so long as any part of such issue of securities shall remain outstanding.

(b) *Annual Financial Statements.*—To cause for each fiscal year to be prepared by independent public or certified accountants, an Income Statement, Surplus Statement and Summary of Changes in Reserves for such fiscal year, and a Balance Sheet as of the end of such year of the issuer as a separate corporate entity and of each corporation in which it holds, directly or indirectly, a majority of the voting stock (hereinafter in this section called a subsidiary) together with such further information as may be necessary to disclose all intercompany holdings and transactions; or, in lieu thereof, eliminating all intercompany transactions, a similar set of consolidated financial statements of the issuer, and any or all of its subsidiaries accompanied by financial statements of the issuer as a separate entity and of any subsidiary not consolidated.

If any such consolidated statements exclude any subsidiary, (1) the caption shall indicate the degree of consolidation; (2) the Income Statement shall show, either in a footnote or otherwise, the issuer's proportion of the difference between current earnings or losses and the dividends of such unconsolidated subsidiary for the period accounted for in such Income Statement; and (3) the Balance Sheet shall show, in a footnote or otherwise, the extent to which the equity of the issuer in such subsidiary has been increased or diminished since the date of acquisition as a result of profits, losses, and distributions.

Such statements shall show the existence of any default in interest or in sinking fund or amortization payments and any arrears of any cumulative dividends of the issuer or of any subsidiary whether consolidated or unconsolidated.

In case there are any substantial items of profit or loss of a nonrecurring nature, such as those arising from the disposal of capital assets, they shall be expressely enumerated. If, for any reason, the examination of the accounts of any subsidiary shall have been made as of a date different from that of the issuer, that fact shall be stated either in the certificate of the accountants, or otherwise, together with a statement as to the extent of their examination of the interim transactions. Insofar as practicable the examination of the accounts of each subsidiary shall be made by or under the supervision of the same accountants who examined the accounts of the issuer, but if the accounts of any subsidiary included in any consolidated statement are examined by public or certified accountants other than the accountants who examined the accounts of the issuer, such fact shall be noted in the certificate of the latter. If a consolidated balance sheet includes assets and liabilities of foreign subsidiaries, the percentage of total assets and liabilities included which represent the aggregate assets and liabilities of all such foreign subsidiaries

shall be noted on the balance sheet. The accountant's certificates shall state the basis on which the accounts of foreign subsidiaries are included in the consolidation and there shall be set forth in the certificate or in an appended certificate any substantial differences in accounting practice employed by the foreign subsidiary or subsidiaries insofar as such differences shall be known to the certifying accountant.

Every balance sheet prepared in accordance with the above shall disclose the basis used to compute the figures at which the principal asset items are carried thereon. Where any liability of the issuer is secured on any assets of the issuer, the balance sheet shall show that such liability is secured, and if the security consists in whole or in part of current assets it shall show such fact and the general nature of such current assets. Any contingent liabilities, not expressly shown on the balance sheet, shall be shown in a footnote insofar as good accounting practice may require.

Loans or advances between the issuer and any subsidiary or between a subsidiary and another subsidiary, whether or not consolidated, shall be shown either as separate items on the appropriate balance sheets or as footnotes to the consolidated balance sheet.

Amounts due from directors, officers, and employees (not including normal accounts arising in the ordinary course of business), and securities of the issuer (if carried as an investment) and securities of any subsidiary, shall be shown as separate items on the appropriate balance sheets.

If, for any reason, the issuer or the accountants are unable to obtain any information required for the preparation of the statements in the manner prescribed such information need not be given, but the facts as to such inability shall be stated in the certificate of the accountants.

(c) *Publication of Annual Financial Statements.*—To publish in the English language the Income Statement, Surplus Statement, Summary of Changes in Reserves, and Balance Sheet required in paragraph (b) of this section with the complete certificate of the accountants, by releasing copies thereof to the public press, in the United States of America, and to furnish copies thereof to each security holder of the issuer upon request as soon as practicable after the close of the fiscal year.

(d) *Stock Dividends.*—Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them, by the company paying such stock dividend.

(e) *Surplus of Subsidiaries.*—Not to treat earned surplus of a subsidiary created prior to acquisition of such subsidiary as a part of earned consolidated surplus of the issuer and of its subsidiaries, and not to credit any dividends declared out of such surplus of the subsidiary to the income account of the issuer or of any other subsidiary.

(f) *Intercompany Profits.*—To make appropriate reserves, insofar as good accounting practice may require, in respect of profits arising out of all transactions with unconsolidated subsidiaries, in either the parent company or the consolidated statements mentioned in paragraph (b).

(g) *Accounting Changes.*—Not to make any material change in depreciation rates or policies or in accounting principles or in their application without describing such change in the next succeeding published balance sheet.

(h) *Independent Registrar.*—To appoint a bank or trust company, or other person duly qualified to act, independent of the issuer to act as registrar in respect of the issue of stock involved in such origination and to have all certificates of that issue registered by such registrar.

(i) *Requirement of Trustee and Publication of Substitutions in Collateral.*—To appoint a bank or trust company to act as trustee or cotrustee under any mortgage or trust indenture under which such securities are issued; and that the issuer shall, at least 10 days prior to any substitution or release of pledged or mortgaged property which substantially affects the character or value of the property pledged or mortgaged, publish in a daily newspaper of general circulation published in the city where the trustee has its principal place of business and also in the city where the issuer has its principal place of business, notice that such substitution or release is proposed to be made.

SECTION 2. *Information Regarding Securities Issued by Subdivisions of States.*—(a) No investment banker shall be the originator of any new issue of securities issued by a subdivision of any State of the United States, unless the issuer of such securities shall furnish such originator with an official statement of the issuer complying with the requirements of paragraph (b) of this section, and with the data necessary for the purposes of a legal opinion complying with the requirements of paragraph (c) of this section.

(b) Such official statement of the issuer shall disclose in the case of securities payable from ad valorem taxes: (1) the assessed valuation of the property subject to the taxing power of the issuer; (2) the total bonded debt of the issuer including the amount of such issue; (3) the population of such issuer according to the most recent United States or State census, or if no United States or State census is available, an estimate of such population; and (4) the fact, if such be the fact, that the bonded debt of such issuer does not include the debt of any other subdivision having power to levy taxes upon any or all of the property subject to the taxing power of the issuer.

(c) Such originator shall, either himself procure or require the issuer to procure the opinion of an attorney, other than an officer or an employee of the issuer, who is satisfactory to such originator, approving the validity of the issue. Such legal opinion shall contain a clear warning statement in regard to any limitation on the power of the issuer to tax real estate for the payment of the securities, if there be any limitation. In the case of securities which are not payable from ad valorem taxes or which are payable solely from a special fund, such legal opinion shall state the means or methods provided for the payment of such securities and whether there are any prior claims upon such special funds.

(d) The originator of such securities shall make available to investors, either in the prospectus, if any, or if there is no prospectus,

in some other manner, (1) the facts disclosed in such official statement of the issuer; (2) the name of the attorney whose opinion will be furnished; (3) whether the securities are payable from a limited tax on real estate or whether they are payable from a special fund only; and (4) in the case of securities which are issued in anticipation of the later sale of a refunding issue or issues and where provision is not to be made for payment of such securities at maturity in any other manner, the facts in regard thereto.

(e) No other investment banker shall participate in the distribution of any such issue of securities unless the requirements of paragraphs (a), (b) and (c) of this section shall have been complied with and unless such participant shall make available to such investor to whom he offers for sale or sells any such security the information required by paragraph (d) of this section to be made available by the originator to each investor to whom such originator offers for sale or sells such security.

(f) The originator of any such new issue of securities, and any other investment banker who shall participate in the distribution of any such issue, shall, upon request of any purchaser of such security from such originator or other investment banker, deliver to such purchaser a certified copy of the official receipt of the treasurer of the issuer in the form required by the attorney aproving the validity of said issue, evidencing the payment to the issuer of the purchase price of said issue of securities and the amount thereof.

SECTION 3. *Interims.*—(a) In all cases where interim certificates or interim receipts signed or executed by an originator are delivered, any securities or cash received by such originator upon the issuance of such interim certificates or interim receipts shall (until the securities called for by such interim certificates or interim receipts are received and held, in the manner provided in subdivision (ii) of this paragraph (a), for the account of the holders of the interim certificates or interim receipts) be held for the account of the holders of the interim certificates or interim receipts in the following manner:

(i) Any cash received upon the issuance of interim certificates or interim receipts shall be deposited in a special account with a person permitted by law to receive deposits, which person may be the signer of the interim certificates or interim receipts, if such person is so qualified.

(ii) Any securities received upon such issuance shall, pending the delivery of securities called for by the interim certificates or interim receipts to the holders thereof, be segregated from the other property of the person signing the interim certificates or interim receipts in such manner that no person other than the holders of the interim certificates or interim receipts can assert any right, title, or interest therein.

(b) In all cases where interim certificates or interim receipts signed or executed by the issuer of the securities called for by such certificates or receipts are delivered, such certificates or receipts shall require the issuer to hold any securities or cash received upon the issue thereof in the manner described in the foregoing paragraph (a); provided however, that this sub-paragraph (b) shall not apply in the case of certificates or receipts issued by national governments.

(c) In all cases where interim certificates or interim receipts signed or executed by a corporate trustee are delivered, such certificates or receipts shall require the corporate trustee to hold any securities or cash received upon the issue thereof in the manner in the foregoing paragraph (a).

(d) All forms of interims specified in the foregoing paragraphs (a), (b), and (c) shall by their text clearly indicate their precise nature; the rights of the holders thereof; the security and the amount thereof called for; the limitation of time for delivery of securities called for, if appropriate; the redemption or repayment provisions, if appropriate; provisions for payment of interest, if any; negotiability, transferability or registration provisions, if any; assignment form, if appropriate; and the name of the person signing or executing such interim.

(e) Any investment banker who in connection with the public distribution of a new issue of securities receives any payment from any purchaser of such securities in advance of delivery of such securities in temporary or definitive form, or in advance of the delivery of interim certificates or interim receipts calling for the future delivery of such security, shall deliver to such purchaser only a receipt for the purchase price or memorandum of sale evidencing such payment; provided, however, that for purposes of economy in exchanges or shipping, there may be delivered in advance of such delivery an instrument to be designated as a "trust receipt" calling for future delivery of the security in temporary or definitive form, which "trust receipt" shall be executed by a corporate trustee and secured by deposit of cash or collateral with such corporate trustee, who shall hold such cash or collateral for the benefit of the holders of such "trust receipts" pending delivery of the security in temporary or definitive form.

(f) No investment banker shall deliver, in connection with the public distribution of any new securities, to the purchaser of such securities, any instrument entitling the holders to the future delivery of such securities, unless such instrument complies with the appropriate provisions of this section. The titles "interim certificate" and "interim receipt" shall be used only in accordance with the definitions of paragraph (t) of Article II.

SECTION 4. *Titles of New Issues.*—An investment banker shall not be the originator of any new issue of securities (except public securities) for distribution to investors, or participate in the distribution of any such new issue, which issue has a title which is misleading as to the lien, terms, or priority of such issue. If any new issue of public securities shall have a title which is misleading as to the lien, terms, or priority of such issue, the facts with regard thereto shall be stated in the prospectus, if any, or, if there is no prospectus, in some other manner disclosed to each purchaser of such security.

SECTION 5. *Interrelated Directorates and Managements.*—Any investment banker who is the originator of a new issue of securities, shall, if such investment banker or any partner or principal officer thereof shall be an officer or director of the issuer company, disclose such fact in the prospectus.

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ARTICLE V—RULES PERTAINING PRIMARILY TO SELLING SYNDICATES AND SELLING GROUPS IN CONNECTION WITH NEW ISSUES OF SECURITIES

SECTION 1. *Statement of Issue Price.*—Except as to public securities where the price received by the issuer is a matter of public record, the prospectus shall state the price received by the issuer for any new issue of securities offered for sale to the public, or the formula by which such price can be ascertained, or if there is no prospectus such price or formula shall be disclosed in some other manner to each person purchasing such new security from any member of the selling syndicate or selling group.

SECTION 2. *Three-Day Notice of Organization of Selling Syndicate or Selling Group.*—Any investment banker proposing to organize a selling syndicate or a selling group to distribute new securities other than those of the United States Government or any instrumentality thereof or of any State or subdivision or instrumentality thereof shall mail or deliver or telegraph a copy of the prospectus or an adequate description of the security to each investment banker who is to be offered a participation in such syndicate or a membership in such selling group, at such times that, in the usual course of delivery, such prospectus or description will be received by all such investment bankers on approximately the same day and at least three days (excluding Sundays and holidays but including the day of delivery) before the date on which it shall be proposed to make the public offering of such securities.

SECTION 3. *Membership in Selling Syndicates and Selling Groups.*—No investment banker proposing to organize a selling syndicate or a selling group shall invite or permit any person to be a participant in such selling syndicate or a member in such selling group unless such person is an investment banker actually engaged in the investment banking business.

SECTION 4. *Price.*—(a) Each selling syndicate agreement and selling group agreement shall set forth the price at which the new securities are to be sold to the public or the formula by which such price can be ascertained. No participant in a selling syndicate or member of a selling group shall, during the life of such selling syndicate or selling group, offer the new securities being distributed by such syndicate or group at any price below such public offering price.

(b) It shall be deemed a reduction of the offering price mentioned in paragraph (a) of this section for a participant in a selling syndicate or a member of a selling group to allow any deduction, abatement, concession or commission whatsoever, either directly or indirectly; provided, that any investment banker may allow to another investment banker a commission or concession if and to the extent that provision is made therefor in the agreement creating the selling syndicate or the selling group.

(c) In any transaction with any investment banker located in a foreign country no commission or concession as provided in paragraph (b) of this section shall be allowed to such foreign investment banker unless he effectively agrees (1) that, in making any sales, during the life of the selling syndicate or selling group, to purchasers outside of the United States of the security in connection

with which he received such commission or concession, he will conform to the provisions of paragraphs (a) and (b) of this section to the same extent as though he were subject to the selling syndicate or selling group agreement; and (2) that, in making any sales, during the life of the selling syndicate or selling group, to purchasers within the United States of the security in connection with which he received such commission or concession, he will conform to the provisions of this Section 4 and of Sections 6 and 7 of this Article V to the same extent as though he were subject to the selling syndicate or selling group agreement, and also (if he received such commission or concession from a registered investment banker) that he will conform to the provisions of Section 7 of Article IX to the same extent as though he were an investment banker registered under Article X.

(d) Any investment banker located in the United States receiving a commission or concession as provided in paragraph (b) of this section shall, in making any sale of the security in connection with which he received such commission or concession during the life of the selling syndicate or selling group, be subject to the provisions of this Section 4 and of Sections 6 and 7 of this Article to the same extent as though he were a participant in the selling syndicate or a member of the selling group distributing such security.

SECTION 5. *Presyndicate Sales.*—No investment banker shall organize, manage, or participate in a selling syndicate or selling group to offer a new issue of securities to the public if, within thirty days prior to the formation of such syndicate or group, he shall, at a price lower than the offering price to the public, have sold or given a right to purchase, or shall have assisted the issuer in selling or giving a right to purchase, any part of such new issue to any person other than an investment banker otherwise than as an essential step in the plan for the sale to the public of such new issues of securities.

SECTION 6. *Trades in Connection with New Issues.*—No investment banker who is a participant in any selling syndicate or a member of any selling group shall enter into any agreement or arrangement with any purchaser of the new securities being distributed by such syndicate or group whereby, either directly or indirectly, as a condition of the purchase, such investment banker will accept any other securities (except securities which are being refunded or redeemed in connection with or by means of such new issue of securities, or any securities maturing within six months after the date of such transaction) in trade in payment of all or any part of the purchase price of such new securities. The foregoing provision shall not, however, prevent such investment banker from accepting such other securities as agent for sale, in which case the investment banker shall make the usual charge for such services and such investment banker may allow the purchaser of the new securities to apply towards the purchase price thereof any net proceeds realized from the sale of such other securities.

SECTION 7. *Requirement of Down Payment.*—(a) Except as hereinafter provided in paragraph (c) of this section, whenever a participant in a selling syndicate, or a member of a selling group, accepts a subscription subject to allotment for the purchase of a new security to be distributed by such selling syndicate or selling group,

he shall require the person making the subscription to deposit with him a down payment of not less than 5% of the public offering price on the securities subscribed for.

(b) Except as hereinafter provided in paragraph (c) of this section, whenever new securities are subscribed for subject to allotment from the manager by a participant in a selling syndicate or a member of a selling group he shall at the time of such subscription make a down payment of not less than 5% of the public offering price. Such down payments shall be deposited by the manager in a special account with one or more incorporated banks, trust companies, or persons permitted to receive deposits, provided, however, that they shall in all cases be deposited with a bank, trust company, or person other than the manager.

(c) No down payment as required by paragraph (a) of this section shall be required from any purchaser who may be prevented by law from making such payment in advance of the delivery of the security purchased; and the participant or member who accepted the subscription of such purchaser shall furnish the manager of the selling syndicate or selling group evidence of such fact satisfactory to the manager, and in such case such participant or member shall not be required to make the down payment as required by paragraph (b) of this section; and the fact that such down payment is not required in any such case shall not be considered as a concession under Section 4 of this Article. The requirements of paragraph (b) shall not be compulsory in the case of a selling syndicate where all the participants were parties to the purchase from the issuer of the new security to be distributed.

SECTION 8. *Requirements as to Confirmations of Sales.*—No participant in a selling syndicate and no member of a selling group shall confirm a sale or a subscription from any purchaser unless—

(a) Such participant or member has reasonable grounds to believe that such purchaser is bona fide and responsible;

(b) A copy of the prospectus, if any, has been delivered to such purchaser or accompanies the confirmation;

(c) Such sale does not violate or evade any provision of the selling syndicate or selling group agreement or of the Rules; and

(d) A partner, duly accredited executive or branch office manager has approved such sale as complying with paragraphs (a), (b), and (c) of this section.

Failure of a participant in a selling syndicate or a member of a selling group to comply with the provisions of the foregoing paragraphs (a), (b), (c), or (d) of this section, shall not be deemed a violation of this section if not wilful and if such participant or member gives notice, as soon as such failure is discovered, to the manager of the selling syndicate or selling group, stating the circumstances attending such failure.

SECTION 9. *Certificates to Be Furnished Manager.*—Each participant in a selling syndicate and each member of a selling group shall, upon request of the manager, furnish to the manager a certificate signed by a principal officer or partner of such participant or member that he has examined the records of sales made by such participant or member, and that the provisions of Sections 7 and 8 of this Article were complied with in respect of such sales.

SECTION 10. *Extension of the Original Period of the Selling Syndicate.*—If provision is made in any selling syndicate agreement for the extension of the original period of the selling syndicate, such extension shall only become effective upon the consent of participants in the selling syndicate representing 75% in interest of the selling syndicate.

SECTION 11. *Prohibition of Participation with Bank Officers.*—No investment banker to his knowledge shall participate in any selling syndicate in which any officer of any bank or trust company has a participation as an individual.

SECTION 12. *Disclosure of Interest of Directors and Officers of Issuer.*—No investment banker to his knowledge shall participate in any selling syndicate in which any director or any officer of the issuer of the new securities with relation to which such selling syndicate was formed has a participation, as an individual, unless he discloses such participation in the prospectus, if any, or if there is no prospectus then in some other manner, to any person purchasing the security from such investment banker.

SECTION 13. *Distribution of Syndicate Funds; Expenses.*—The manager of any syndicate shall distribute the amount due to syndicate participants promptly after the close of the syndicate. Upon request of any participant, the manager shall render to him a statement of expenses, which statement shall show the aggregate amounts of: (1) payments to manager, if any; (2) legal expenses; (3) advertising expenses; (4) expenses for printing, engraving, mailing, telegrams and cables; and (5) other expenses.

SECTION 14. *Disclosure of Manager's Right to Purchase Securities.*—If the manager of any selling syndicate or any selling group is given the right under the selling syndicate or selling group agreement to buy securities in the open market for account of the selling syndicate or selling group, such fact shall be disclosed in the prospectus, if any, or if there is no prospectus, then in some other manner, by each participant in the selling syndicate or member of the selling group to any person purchasing the securities from such participant or member.

If to the knowledge of the manager of any selling syndicate or selling group the manager of any other syndicate or group formed in connection with the distribution of the securities to be distributed by such selling syndicate or selling group has the right to buy in the open market any securities of such issue for the account of such other syndicate or group, then the manager of such selling syndicate or selling group shall disclose such fact in the prospectus, or, if there is no prospectus, in some other manner, to each participant in the selling syndicate or each member of the selling group, and such fact shall be disclosed in like manner by each participant in the selling syndicate or each member of the selling group to each person purchasing such securities from such participant or member.

SECTION 15. *Purchases of Securities in Open Market in Anticipation of Public Offering of New Issue.*—Except as to public securities sold by the issuer thereof at public sale, if either (1) the manager of any selling syndicate or the manager of a selling group, or (2) to the knowledge of any such manager, the issuer or originator or any other syndicate formed in connection with the distribution of any

new issue of securities to be distributed by or through such selling syndicate or selling group, purchases any of the outstanding securities of the issuer in the open market within ten days prior to the date on which such securities are first offered to the public, such fact shall be disclosed by the manager to all participants in the selling syndicate or members of the selling group, and shall also be disclosed, either in the prospectus or in some other manner, by each participant in the selling syndicate or member of the selling group to any person purchasing the securities from such participant or member; provided, however, that no disclosure shall be required under this Section 15 of any purchases of outstanding securities of the issuer made for the purposes of a sinking fund.

SECTION 16. *Disclosure of Interest in Distribution.*—Any participant in a selling syndicate, and any member of a selling group, who has any direct interest in the distribution of a new security other than as a member of a selling group, shall disclose such fact, either in the prospectus or in some other manner, to any person purchasing the securities from such participant or member.

SECTION 17. *Copies of Selling Syndicate Agreements and Selling Group Agreements to Be Filed.*—Every manager of a selling syndicate or selling group shall, promptly after such selling syndicate or selling group is formed, file a copy of the selling syndicate agreement or the selling group agreement with the Investment Bankers Code Committee by mailing such copy, postage prepaid, to said Committee addressed to its executive office. Copies of selling syndicate agreements and selling group agreements so filed need not contain the names of any of the parties thereto, except the manager.

ARTICLE VI—RULES PERTAINING PRIMARILY TO RETAIL SALES AND PURCHASES

SECTION 1. "*Over the Counter*" *Transactions.*—In view of the unusual and complicated nature of "over the counter" transactions, whether in "listed" or "unlisted" securities, it is provided that if the investment banker buys for his own account and risk from his customer, or sells for his own account and risk to his customer, he shall buy or sell at a price which is fair, taking into consideration market conditions in respect of such security at the time of the transaction, the expense of executing the order, and the fact that he is entitled to a profit; and if he acts as agent for his customer in any such transaction, he shall not charge his customer more than a fair commission or service charge, taking into consideration market conditions in respect of such security at the time of the transaction and the value of any service he may have rendered by reason of his experience in and knowledge of the market for such security.

SECTION 2. *Information to Be Furnished Upon Confirming of Customer's Orders.*—Upon confirming any customer's order for the purchase or sale of any security if the investment banker (1) is to act as principal in the transaction; or (2) is controlled by, or controls, or is under common control with, the issuer, the investment banker shall inform the customer of such fact upon the written memorandum of such confirmation.

SECTION 3. *Information to be Given Upon Delivery of Memorandum of Transactions.*—Any investment banker who has a transaction

with a customer involving the purchase or sale of any security shall, at or before the completion of the transaction, deliver to the customer a written memorandum of such transaction containing the following information:

(a) whether such investment banker acted as principal or as agent for the customer;

(b) if the investment banker acted as agent for the customer, the amount of the commission or service charge charged to the customer by such investment banker, and if another broker has been used, and any part of the commission has been paid to such other broker, the amount so paid shall be stated as a separate item;

(c) if such investment banker acted as agent for the customer, the name of the person from whom the security was purchased or to whom the security was sold and the day, and the hours between which, the transaction took place, or that the information referred to in this paragraph (c) will be furnished upon written request of the customer for whom the investment banker acted as agent; and

(d) if no written confirmation of the customer's order shall have been given, the information as required by clause (2) of Section 2 of this Article.

SECTION 4. *Brokerage Transactions.*—If in any transaction involving the purchase or sale of any security the investment banker purports to act as an agent to buy or sell on behalf of a customer, such investment banker shall not act as a principal in such transaction, nor, without the consent of his customer, represent any other principal in such transaction.

SECTION 5. *Guarantees.*—No investment banker shall, in any transaction involving the purchase of any security for the account of the customer or involving the sale of any security to a customer, agree with the customer, either directly or indirectly, to guarantee that the market value of the security as it was at the time the security was bought for or by the customer will be maintained, or that the business of the issuer of such security will be successful in earning profits, or that the issuer will meet its promises and obligations; provided that the restrictions of this section shall not apply in respect of transactions in any note, draft, bill of exchange, or banker's acceptance which has a maturity at the time of issuance of not exceeding nine months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited.

SECTION 6. *Repurchase Agreements.*—No investment banker shall, in any transaction involving the purchase of any security for the account of a customer or involving the sale of a security to a customer, agree with the customer, either directly or indirectly, to repurchase the security from the customer; provided that the restrictions of this section shall not apply in respect of transactions in obligations of the United States or any security gauranteed as to principal or interest by the United States, or of transactions in any note, draft, bill of exchange, or banker's acceptance which has a maturity at the time of issuance of not exceeding nine months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited, or to any repurchase agreement with any person whenever such repurchase agreement is limited to sixty days and is used as a substitute for borrowing.

SECTION 7. *Retail Partial Payment Transactions.*—No investment banker shall take or carry any account or make a transaction for any customer under any arrangement which contemplates or provides for the purchase of any security for the account of the customer or for the sale of any security to the customer, where payment for the security is to be made to the investment banker by the customer over a period of time in installments or by a series of partial payments unless

(a) In the event such investment banker acts as an agent or broker in such transaction he shall, immediately, in the regular course of business, make an actual purchase of the security for the account of the customer, and shall immediately, in the regular course of business, take possession or control of such security and shall maintain possession or control thereof so long as he remains under obligation to deliver the security to the customer.

(b) In the event such investment banker acts as a principal in such transaction, he shall, at the time of such transaction, own such security and shall maintain possession or control thereof so long as he remains under obligation to deliver the security to the customer.

No investment banker, whether acting as principal or agent, shall in connection with any transaction referred to in this section make any agreement with his customer under which the investment banker shall be allowed to pledge or hypothecate any security for any amount in excess of the indebtedness of the customer to such investment banker.

SECTION 8. *Information Received in Other Capacities.*—An investment banker who receives information as to the ownership of securities in the capacity of paying agent, transfer agent, trustee, or in other similar capacity, shall under no circumstances make use of such information for the purpose of soliciting sales or exchanges except at the request and on behalf of the issuer.

ARTICLE VII—RULES PERTAINING PRIMARILY TO SALESMEN

SECTION 1. *Supervision.*—Any investment banker who employs any salesman shall supervise the sales methods of such salesman and his correspondence in relation to offers of securities for sale to investors; and any sale made by any such salesman to any investor, other than another investment banker, shall be approved by a partner, duly accredited executive, or branch office manager of such investment banker. Such approval shall be evidenced by a written endorsement made upon a copy of the memorandum of sale mentioned in Section 3 of Article VI, and each memorandum so approved shall be made a part of the permanent records of such investment banker and retained in his files for at least three years.

SECTION 2. *Experience and Qualifications.*—(a) Except as hereinafter provided in paragraphs (b) and (c) of this section, no investment banker shall employ any person to act as a salesman unless (1) such person shall have had at least two years' experience in the investment banking business or in a business a principal part of which related to securities; (2) shall be at least twenty-one years of age; and (3) shall be of good moral character; provided, however, that any person who has not had two years' experience in the

investment banking business or in a business a principal part of which related to securities but who has been employed by an investment banker for a period of at least six months, and who is otherwise qualified as provided in clauses (2) and (3) above in this paragraph set forth, may be employed by any investment banker as a salesman if the compensation of the person so employed to act as salesman shall be a straight salary and shall not include, in whole or in part, commissions upon securities sold.

(b) Any investment banker desiring to employ any person to act as a salesman, may make an application to the Regional Code Committee of the district in which such person is to be employed for permission to employ such person as a salesman. If a majority of the members of such Committee shall, after due hearing and consideration of such application, be of the opinion that the person proposed to be employed as a salesman is, by reason of his age, experience, standing and reputation, fully qualified to act as a salesman, such committee may in writing advise the investment banker who made such application to that effect, in which event such investment banker may employ such person without regard to any of the requirements of paragraph (a) of this section except the requirement set forth in clause (3) thereof.

(c) Nothing contained in either paragraph (a) or (b) of this section shall be construed to prevent any investment banker from continuing to employ as a salesman any person who is so employed by such investment banker at the effective date of the Rules.

SECTION 3. *Solicitation at Residences.*—No salesman shall call in person upon, or telephone to, any customer or prospective customer at his home or residence for the purpose of selling to, or offering to sell to, or soliciting an offer to buy from such customer or prospective customer, unless such customer or prospective customer shall have previously given written permission therefor to the investment banker employing such salesman. As used in this section the term "salesman" shall include any investment banker, or any partner, officer, or employee thereof who does any act or thing in this section described. This section shall not apply to the solicitation of business persons, retired or professional persons, or farmers.

SECTION 4. *Orders taken by Salesmen.*—Any investment banker who employs any salesman shall require that all orders taken by such salesman for the purchase of or subscription to any security shall be subject to acceptance and confirmation by such investment banker.

ARTICLE VIII—RULES PERTAINING PRIMARILY TO INVESTMENT COMPANIES

SECTION 1. If any investment banker has agreed to manage, or give investment advice to the management of an investment company (sometimes known as an "investment trust") all or part of the securities of which are held by the public, or if any partner or officer or employee of any investment banker is an officer or director of any investment company all or part of the securities of which are held by the public.

(a) Such investment banker shall not for his own account sell to or purchase from such investment company any securities unless a

majority of the members of the board of directors of such investment company are not such partners, officers, or employees, and unless the transaction is previously approved after full disclosure by a majority of such members of the board of directors of the investment company.

(b) Such investment banker shall use his best efforts to cause the investment company to prepare and distribute to its stockholders quarterly statements and annual financial statements, such annual statements to conform to the standards for such annual statements required by Section 1 of Article IV hereof.

(c) If such investment banker has received any compensation or commission for acting as agent for the investment company, or if such investment company has purchased from or sold to such investment banker any securities, or if the investment company has engaged in any other transaction in which the investment banker has a financial interest, the investment banker shall use his best efforts to see that full disclosure of such transactions is made by the company to the stockholders at an annual or special meeting. Where the investment banker has acted simply as broker for the execution of orders on a securities exchange it shall be sufficient disclosure if the total amount of securities dealt in and the total amount of commissions received shall be stated.

(d) Such investment banker shall not enter into any management or advisory service contract with such investment company providing for the payment to the investment banker of any fee or for any other compensation for managing or advising the management of the investment company unless the contract therefor has been submitted to and approved by the stockholders of the investment company.

(e) Such investment banker shall use his best efforts to cause the investment company not to use the term "trust" as part of the title of such investment company unless the use of the term "trust" is justified as a matter of law.

Article IX—Miscellaneous Rules

Section 1. *Investment Management.*—No investment banker who is receiving a fee for managing the account of any customer or for advising a customer with respect to his investments shall sell to, or buy from, such customer for his own account or as agent for any other person unless he shall have obtained the previous written or telegraphic approval of such customer to each such transaction.

Section 2. *Discretionary Accounts.*—No investment banker who is authorized to purchase or sell securities for account of a customer in his discretion shall sell to, or buy from, such customer for his own account or as agent for any other person unless he shall have obtained the previous written or telegraphic approval of such customer to each such transaction.

Section 3. *Segregation of Agency Funds.*—Any investment banker acting as sinking fund agent, principal or coupon paying agent, dividend paying agent, or in any similar capacity, who holds any funds or securities in any such capacity shall hold such funds or securities as trust funds or trust securities unless the terms of such agency agreement expressly otherwise provide.

SECTION 4. *Quotations.*—No investment banker shall publish or circulate, or cause to be published or circulated, any notice, circular, advertisement, newspaper article, investment service, or communication of any kind which purports to quote or to give a quotation of any transaction as a purchase or sale of any security unless such investment banker believes that such transaction was a bona fide purchase and sale of such security, or which purports to quote the bid price or asked price for any security, unless such investment banker believes that such quotation represents a bona fide bid for, or offer of, such security. If nominal quotations are used or given they shall be clearly stated to be only nominal quotations.

SECTION 5. *Offers to Buy and Sell.*—No investment banker shall make any offer to buy or sell any security at a stated price from or to any person unless such investment banker is prepared to purchase or sell, as the case may be, at such price.

SECTION 6. *Compensation and Gratuities.*—No investment banker shall, directly or indirectly, give, permit to be given, or offer to give, anything of value—

(a) to any employee, agent, or representative of another person for the purpose of influencing or rewarding the act of such employee, agent, or representative in relation to the business of the employer of such employee, the principal of such agent, or the represented party, without the knowledge and consent of such employer, principal, or represented party; or

(b) to any officer or employee of any bank, trust company, or insurance company except for services actually rendered or to be rendered, and in no case without the knowledge and consent of such bank, trust company, or insurance company; or

(c) to any person for the purpose of influencing or rewarding the action of such person in connection with the publication or circulation in any newspaper, investment service, or similar publication of any matter which has, or is intended to have, an effect upon the market price of any security, provided that this paragraph (c) shall not be construed to apply to matter which is clearly paid advertising; or

(d) to any director, official, officer, or employee of any issuer, for the purpose of influencing or rewarding the action of any such director, official, officer, or employee, in connection with the issue or sale by such issuer or any person controlled by such issuer of any new securities of such issuer or of any such controlled person.

For the purposes of this section the giving of anything of value to a member of the family of any person shall be regarded as the giving of a thing of value to such person.

In order to comply with the requirements of the National Recovery Administration it is expressly stated that nothing in this Section 6 shall be construed to apply to the free and general distribution of articles commonly used for advertising.

SECTION 7. *Registered Investment Bankers.*—(a) No registered investment banker shall, in any transaction with any investment banker not registered under Article X hereof, allow or grant to such non-registered investment banker any allowance, commission, or discount usually and customarily to be allowed to another dealer; nor shall any registered investment banker join with any investment banker

not registered under Article X hereof in any syndicate or group contemplating distribution to the public of any issue of securities; nor shall any registered investment banker sell any security to or buy any security from any investment banker not registered under Article X hereof, except at the same price at which at the time of such transaction such registered investment banker would buy or sell such security, as the case may be, from or to a person who is a member of the public not engaged in the investment banking business.

(b) The provisions of paragraph (a) of this Section 7 shall not apply to an investment banker in a foreign country who is not eligible for registration under Article X hereof, but in any transaction with any such foreign investment banker, where an allowance, commission, or discount is allowed, a registered investment banker shall as a condition to such transaction secure from such foreign investment banker an agreement that, in making any sales to purchasers within the United States of securities acquired as a result of such transaction, he shall conform to the provisions of this Section 7 to the same extent as though he were an investment banker registered under Article X.

(c) No investment banker who is not a registered investment banker shall represent that he is a registered investment banker, and no registered investment banker shall advertise or hold himself out to the public as a registered investment banker except as shall be permitted by regulations from time to time prescribed by the Investment Bankers Code Committee.

Section 8. *District Rules.*—Every investment banker shall, with respect to any transaction in any district, comply with any additional Rule established in such district as provided in Sections 5, 6, and 7 of Article XI hereof.

Article X—Registration of Investment Bankers

Section 1. *Registration Agreement.*—Each investment banker who registers under this Article thereby agrees with every other investment banker who registers under this Article to comply with all decisions and interpretative rulings of the Investment Bankers Code Committee under any provisions of this Article, and to comply with the Rules:

For any failure to so comply the registered investment banker who is guilty of such failure shall be subject to the penalties prescribed in Section 8 of this Article X, but such failure shall not, in itself, give rise to any civil liability to any other registered investment banker, or to any other person.

Section 2. *Eligibility for Registration.*—Any investment banker who is actually engaged in the investment banking business in the United States shall be eligible to be registered under this Article.

If the principal office of any such person is located in a foreign country, any branch office in the United States may be designated as a principal office for the purposes of this Article.

Section 3. *Applications for Registration.*—Any investment banker desiring to be registered, shall file with the Regional Code Committee of the district in which the principal office of the applicant is located, an application in such form as shall be prescribed

by the Investment Bankers Code Committee and approved by the Administrator. Such application shall be in writing, in duplicate, stating—

(a) The name of the applicant;

(b) The address of the principal office and of all branch offices of the applicant;

(c) If the applicant be a partnership, the names, addresses, and business addresses of the partners, including special or limited partners, specifying as to each whether he is a general or limited partner;

(d) If the applicant is other than an individual or partnership, the name of the State or country where the applicant is incorporated or organized, and the names, residences and business addresses of its directors and principal officers and of each stockholder owning more than 10% of any class of the capital stock of such applicant; and

(e) The length of time the applicant or its predecessors have been engaged in the investment banking business.

SECTION 4. *Supplementary Statements.*—In the event that any change shall take place in the personnel of the partners, directors, principal officers or stockholders of any registered investment banker with respect to whom information is required by the provisions of Section 5 of this Article to be given, such investment banker shall, within thirty days after such change has occurred, file with the Regional Code Committee of the district in which the principal office of such investment banker is located, a supplemental statement in writing, in duplicate, setting forth all such changes in personnel, and the information required by paragraphs (c) and (d) of Section 3 of this Article with respect to any such new partner, director, or principal officer.

SECTION 5. *Action on Applications by Regional Code Committee.*—Upon the receipt of any application for registration the Regional Code Committee shall cause such investigation to be made as such Committee may deem necessary and proper to determine if such applicant is actually engaged in the investment banking business, and if the facts stated in such application are true and complete; and said Committee shall, if requested by the applicant, give the applicant a hearing thereon. As soon as may be practicable thereafter, such Committee shall forward one copy of such application to the Investment Bankers Code Committee with a certificate of the action of such Regional Code Committee with relation thereto.

SECTION 6. *Action on Applications by Investment Bankers Code Committee.*—Upon receipt of any application for registration by the Investment Bankers Code Committee, as provided in Section 5 of this Article, the Investment Bankers Code Committee shall, if satisfied that the applicant is eligible to be registered in accordance with the requirements of Section 2 of this Article, and that no untrue statement has been made in the application, register such applicant as a registered investment banker under this Article. The said Committee shall at the request of the applicant, give the applicant a hearing thereon, at which hearing the applicant shall be entitled to be heard in person and by counsel, and to submit any matters which he may desire to present.

SECTION 7. *Complaints.*—Every registered investment banker shall keep in each office maintained by him a copy of the Code and of the Rules and of all amendments from time to time made thereto, and of interpretative rulings made by the Investment Bankers Code Committee and approved by the Administrator, which shall be available for the examination of any customer who makes request therefor.

Any person feeling aggrieved by any act of any registered investment banker may complain in regard thereto to any Regional Code Committee. If such Regional Code Committee is in a district other than the district where the principal office of such investment banker shall be located, such Committee shall make such preliminary investigation in regard to the complaint as may be practicable and shall forward the complaint and the findings of such Committee to the Regional Code Committee of the district in which is located the principal office of the investment banker against whom the complaint is made, which latter Committee shall thereupon proceed to investigate the matter and to conduct such hearings in regard thereto as it may deem necessary and proper.

When any complaint is filed against any registered investment banker with any Regional Code Committee of the district in which the principal office of such investment banker is located, or when any complaint is forwarded to such Committee from any other Regional Code Committee, notice shall be given in writing to the investment banker complained against, specifying the nature of the charges and fixing a date for a hearing. Such Committee may make such investigations in regard to the matter as it may deem necessary and proper, provided any investment banker who is involved in such charges shall be entitled to be heard in person and by counsel, and to submit any matters which he may desire to present.

If any Regional Code Committee of the district in which the principal office of any registered investment banker complained against is located shall determine that there has been a violation of the Code or of these Rules or of any amendment thereto, or of any interpretative ruling made by the Investment Bankers Code Committee and approved by the Administrator, such Committee shall transmit a report of its findings and the evidence adduced, together with its recommendations, to the Investment Bankers Code Committee for action by that Committee in regard to the matter.

If any registered investment banker complained against shall so request, the Investment Bankers Code Committee shall grant such investment banker a hearing, at which hearing such investment banker shall be entitled to be heard in person and by counsel, and to submit any matters which he may desire to present.

For the purpose of investigating complaints against registered investment bankers, the Investment Bankers Code Committee, and any agency authorized by it, shall have the right to require the investment banker to submit a report in writing in regard to the matter involved in the complaint, and such Committee shall have the right in the manner and to the extent provided by the by-laws of the Committee when approved by the Administrator to inspect the books, records, and accounts of such investment banker with relation to the matters involved in the complaint. Any refusal on the part of any registered investment banker to make any report as called for under

this section, or to permit an inspection of books, records, and accounts, as may be validly called for under this section, shall be sufficient cause for suspending or canceling the registration of such investment banker.

SECTION 8. *Penalties.*—(a) The Investment Bankers Code Committee, in the administration and enforcement of this Article, may prescribe penalties not in excess of $500.00 for each violation, against any registered investment banker for any violation of the Rules or for any neglect or refusal to comply with orders, directions, or decisions of the Investment Bankers Code Committee for the enforcement of the Rules, including interpretative rulings made by said Committee and approved by the Administrator, or suspend the registration of such investment banker for a definite period, or cancel the registration of such investment banker, as such Committee may, in its discretion, deem to be just.

(b) The Investment Bankers Code Committee may cancel the registration of any investment banker for any cause for which registration could be refused as provided in Section 2 of this Article.

(c) The Investment Bankers Code Committee may impose a fine not in excess of $600 for each violation against any registered investment banker, or may suspend the registration of any such investment banker for a definite period, or may cancel the registration of any such investment banker, if, in the opinion of said Committee, such investment banker has been guilty of repeated violations of the principles contained in Article III hereof. Within the meaning of this paragraph, it shall be deemed to be a repeated violation of such principles by a registered investment banker if such investment banker, having been notified by the Investment Bankers Code Committee that he is violating or has violated a principle, continues thereafter to violate such principle.

(d) In all proceedings under this Section the Investment Bankers Code Committee shall grant any accused investment banker the opportunity to have a hearing, at which hearing such investment banker shall be entitled to be heard in person and by counsel, and to submit any matter which he may desire to present and a full record shall be kept of the proceedings.

(e) In any case where the Investment Bankers Code Committee shall impose any fine against any registered investment banker or shall suspend or cancel the registration of any registered investment banker, the registered investment banker against whom such fine is imposed or whose registration shall be suspended or cancelled shall have the right to appeal to the Administrator for a review of the facts upon which the action of the Investment Bankers Code Committee was based in the matter of the imposition of such fine or the suspension or cancellation of such registration, and the Administrator shall have the right, in his discretion, to stay the effect of the action of the said Committee until the further order or the final action on the matter by the Administrator, to review the facts as found by the Investment Bankers Code Committee, and to take further evidence, if he deems necessary, and the Administrator may modify, affirm, or set aside the action of the Investment Bankers Code Committee in respect of such fine, suspension, or cancellation of registration.

SECTION 9. *Procedure.*—The Investment Bankers Code Committee shall determine the manner and form of its proceedings to be conducted under this Article, and may consider and take action upon any matter at any regular meeting or at any special meeting, and in holding any hearing or conducting any investigation under this Article said Committee may act by one or more duly designated members, but in such event a report of the facts as found shall be submitted to a meeting of the full Committee for its final action.

No member of any Regional Code Committee or of the Investment Bankers Code Committee shall in any manner, directly or indirectly, participate in the determination of any question affecting his personal interests, or the interest of any person in whom he is directly or indirectly interested.

SECTION 10. *Powers.*—The Investment Bankers Code Committee shall be vested with all the powers necessary and appropriate to carry out the provisions of this Article, and it may adopt such rules, issue such orders and directions, and make such decisions as it shall deem proper and appropriate therefor.

SECTION 11. *Interpretative Rulings.*—The Investment Bankers Code Committee may, from time to time, present to the Administrator proposed interpretative rulings based on the Rules, which rulings shall be made in the light of the general principles set out in Article III hereof, and said Committee is hereby authorized to give a liberal interpretation of the Rules, according to the spirit and intent thereof, in order to effectuate the policy and purposes of this Article. Such interpretative rulings shall, upon approval by the Administrator, become operative as part of the Rules applicable to registered investment bankers as provided in Section I of this Article X.

SECTION 12. *The List.*—The Investment Bankers Code Committee shall furnish to each registered investment banker a list of all registered investment bankers and of all suspensions and cancellations of registrants.

Any registered investment banker may, at any time, withdraw from such registration and by so doing relieve himself of any further obligation as a registered investment banker upon giving notice in writing to the Regional Code Committee of the district in which his principal office is located and to the Investment Bankers Code Committee of his desire to so withdraw and upon paying any amounts due from him.

SECTION 13. *Expenses of Committee.*—Every registered investment banker agrees to make to the Investment Bankers Code Committee from time to time contributions to defray the expenses of the administration and enforcement of the Code and the Rules in the same manner provided in Section 6 of Article III of the Code.

ARTICLE XI—ADMINISTRATION

SECTION 1. *Statistics.*—In order to provide statistical information regarding investment conditions from time to time, the Investment Bankers Code Committee is hereby authorized, within its discretion, to select a Confidential Agency to obtain from all investment bankers certified reports of such character and in such form as the Investment Bankers Code Committee may prescribe. Such Con-

fidential Agency shall be in no way engaged in the investment banking business or interested in or connected with any investment banker. All such information so received shall be held as secret and confidential between such Confidential Agency and the reporting investment banker.

Such Confidential Agency shall analyze and digest the reports, and shall disclose to the Investment Bankers Code Committee only the general findings, which shall be available to all investment bankers who assent to the Code and to all registered investment bankers.

SECTION 2. *Regional Code Committees.*—

(a) *Local Districts.*—In order to facilitate the administration and enforcement of the Code and Rules, local districts are hereby established, the boundaries of which districts shall be as set forth in Schedule A. appended hereto. The Investment Bankers Code Committee may, from time to time, relocate such boundaries, and may increase or decrease the number of such districts.

(b) *Regional Code Committees.*—In each district established as provided in paragraph (a) of this section, there shall be organized a Regional Code Committee as hereinafter provided in this paragraph. The number of members of each of said Regional Code Committees shall be either three, five, or seven persons as determined by the Investment Bankers Code Committee. Said members shall be elected by vote of investment bankers assenting to the Code and having their principal places of business within the district for which such election is being held. Nominations of persons to be elected shall be made by the Investment Bankers Code Committee, as follows: If the number to be elected is three, the nominations shall consist of five persons; if the number to be elected is five, the nominations shall consist of eight persons; and if the number to be elected is seven, the nominations shall consist of eleven persons. No person shall be nominated unless he is a person occupying an active executive office or position in the organization of an investment banker assenting to the Code and is a person having his place of business in the district for which he is nominated.

The Investment Bankers Code Committee shall cause a printed ballot containing the names of all persons nominated in the manner specified to be mailed to each investment banker assenting to the Code and having his principal place of business in the district for which the election is to be held. Such ballots, in order to be counted, must be returned to such place and on or before such date as shall be fixed by the Investment Bankers Code Committee, and to be at least fourteen days after the date of the mailing of said ballots. Each investment banker entitled to vote at such election shall have the right to cast one vote for each of the number of persons who are to be elected, and the persons receiving the greatest number of votes, being that number of persons to be elected, shall thereby be elected members of said Committee. The term of office of each person so elected shall be fixed by the Investment Bankers Code Committee and specified in the nomination, and he shall serve until his successor shall be elected. Any vacancy occurring in the membership of any Regional Code Committee shall be filled by appointment made by the Investment Bankers Code Committee for the unexpired term.

The Regional Code Committees shall report all of their actions to and shall at all times and in all matters be answerable to the Investment Bankers Code Committee.

SECTION 3. *General Duties.*—Such Regional Code Committees shall act as agencies of the Investment Bankers Code Committee for the administration and enforcement of the Code and the Rules in their respective districts.

SECTION 4. *Expenses.*—Members of such Regional Code Committees shall serve without pay. Funds to meet the necessary and actual expenses of each such Regional Committee for administering this Code will be provided by the Investment Bankers Code Committee out of the funds collected by said Committee under the provisions of Section 6 of Article III of the Code and Section 13 of Article X hereof, but all such expenses shall be subject to approval by the Investment Bankers Code Committee. Any such Regional Code Committee may be authorized to raise additional funds for such expenses in accordance with regulations prescribed by the Investment Bankers Code Committee with the approval of the Administrator.

SECTION 5. *Additional Local Rules.*—Any such Regional Code Committee may, from time to time, propose additions to the general rules of fair practice herein provided, as may be deemed desirable for such district and are not inconsistent with the provisions of the Code or of the Rules. Any such Additional Rules of fair practice shall be submitted to a vote of all investment bankers located in such district who have assented to the Code, and if approved by a majority of those voting, shall be submitted to the Investment Bankers Code Committee and upon approval thereof by the Investment Bankers Code Committee and by the Administrator, such additional rules shall become effective in said district.

SECTION 6. *Modification of Additional Local Rules.*—Any such Regional Code Committee may, from time to time, propose a modification of any addition to the rules of fair practice for its district, or of any portion of such additional rules, and upon approval of any such proposed modification by the Investment Bankers Code Committee and by the Administrator, such modification shall become effective in said district.

SECTION 7. *Cancellation of Local Rules.*—The Investment Bankers Code Committee, with the approval of the Administrator, may at any time, and from time to time, cancel any addition to the rules of fair practice for any district, or any portion of any such additional rule.

SECTION 8. *Investigations.*—Each Regional Code Committee may, of its own volition, and shall, at the request of the Investment Bankers Code Committee, investigate any matter pertaining to an alleged violation of the provisions of the Code, or of any rule of fair practice effective in said district. In making any such investigation such Regional Code Committee shall as a fact-finding body, and in any case where in the opinion of said Committee a violation has occurred, such Committee shall report its findings of fact, together with its recommendations, to the Investment Bankers Code Committee. In any instances where the Investment Bankers Code Committee shall direct any Regional Code Committee to make any investigation, as provided in this Section 8, it shall be the duty of

the Investment Bankers Code Committee to provide or make provision for the expense of such investigation in accordance with the requirements of Section 4 of this Article.

SECTION 9. *Privileged Communications.*—(a) Any communication from a customer of any investment banker addressed either to the Investment Bankers Code Committee or to any Regional Code Committee, with respect to or involving any complaint against any such investment banker, shall be deemed to be a privileged communication, and the name of the writer of such communication shall not be disclosed by any such Committee: provided, however, that the name of the writer of such communication and the nature of the charges contained therein may be made known to the accused investment banker or in connection with proceedings arising out of said complaint.

(b) No communication from any investment banker addressed either to the Investment Bankers Code Committee or to any Regional Code Committee with respect to or involving any complaint against any other investment banker, shall be deemed to be a privileged communication, and any such communication may be dealt with by said Committees, or either of them, as said Committees, or either of them, may deem just and proper in the circumstances, but in any proceeding arising out of any such complaint the accused investment banker shall enjoy the right to be informed of the name of his accuser, of the nature and cause of the accusation, and to be confronted with the investment banker making such accusation.

SECTION 10. *Waiver of Rules.*—Any rule contained in the supplementary provisions or hereafter established pursuant to these supplementary provisions may be waived in whole or in part, in any particular case, by the Investment Bankers Code Committee, in the manner provided in this Section 10. Any investment banker desiring to secure such waiver in any particular case shall make written application therefor to the Investment Bankers Code Committee. The Committee shall consider such application at its next meeting, or the Chairman of the Committee may, by mail, or otherwise, ask each member of the Committee for his individual opinion, and if a majority of all the members of the Committee shall be of the opinion that such waiver will not permit any unfair trade practice, and will not be detrimental to the public interest, the Committee after the approval of the Administrator shall advise the applicant investment banker in writing to that effect, and upon receipt of such advice such waiver shall become effective, with respect to the particular transaction, to the extent provided therein.

SECTION 11. *Liability of Members of Investment Bankers Code Committee and Regional Code Committees.*—No member of the Investment Bankers Code Committee or of any Regional Code Committee shall be liable, except for willful fraud, to any investment banker or to any other person for any action taken by such member in his capacity as a member of any such Committee in connection with the administration or enforcement of the Code or Rules or of any provision of these supplementary provisions.

SECTION 12. *Special Committees.*—At any time upon there being filed with it a petition signed by not less than ten investment bankers assenting to the Code, the Investment Bankers Code Committee shall

appoint a committee composed of assenting investment bankers to investigate and report upon any special problem set forth in said petition. If the question to be investigated involves any particular branch of the investment business a majority of the committee so appointed shall be members actively interested in the particular branch of the investment business involved. The Committee so appointed shall report to the Investment Bankers Code Committee and the Code Committee shall give consideration to the recommendations in said report.

SECTION 13. *Labor Complaints.*—Until such time as its organization for handling labor complaints is approved by the Administration, neither the Investment Bankers Code Committee, nor any Regional Code Committee shall attempt to investigate or adjust complaints of violations of the labor provisions of this Code, and all such complaints shall be referred to the State Director for Compliance having jurisdiction in the area where the complaint arises, or otherwise handled as The National Recovery Administration may, by rules or orders hereafter established, direct.

Approved Code No. 141—Amendment No. 2.
Registry No. 1707–04.

SCHEDULE "A"

Territorial boundaries of the several local districts established as provided in Section 2 of Article XI, are as follows:

1. California District: State of California.

2. Central States District: States of Illinois, Indiana, Iowa, Nebraska, and Wisconsin.

3. Eastern Pennsylvania District: Counties of Tioga, Lycoming, Union, Snyder, Juaniata, Perry, Cumberland, and Adams in the State of Pennsylvania and all the remainder of the said State lying east of such counties, and the State of Delaware.

4. Michigan District: State of Michigan.

5. Minnesota District: States of Minnesota, Montana, North Dakota, and South Dakota.

6. Mississippi Valley District: The counties of Schuyler, Adair, Macon, Randolph, Boone, Cole, Osage, Maries, Phelps, Dent, Shannon, and Oregon in the State of Missouri and the remainder of the said State lying east of such counties; the States of Kentucky, and Arkansas; and the counties of Henry, Benton, Decatur, and Hardin in the State of Tennessee, and the remaining counties of the State lying west of such counties.

7. New England District: States of Maine, New Hampshire, Vermont, Massachusetts, and Rhode Island.

8. New York District: States of New York, Connecticut, and New Jersey.

9. Northern Ohio District: Counties of Mercer, Auglaize, Hardin, Marion, Morrow, Knox, Coshocton, Guernsey, and Belmont in the State of Ohio and all of the remainder of the said State lying north of such counties.

10. Ohio Valley District: Counties of Darke, Shelby, Logan, Union, Delaware, Licking, Muskingum, Noble, and Monroe in the State of Ohio, and all of the remainder of the said State lying south of such counties.

11. Pacific Northwest District: States of Oregon, Washington, and Idaho.

12. Rocky Mountain District: States of Colorado, Arizona, Nevada, New Mexico, Utah, and Wyoming.

13. Southeastern District: States of Maryland, Virginia, West Virginia, North Carolina, and South Carolina, and the District of Columbia.

14. Southern District: States of Louisiana, Mississippi, Alabama, Georgia, and Florida; the counties of Stewart, Houston, Humphreys, Perry and Wayne in the State of Tennessee and all the remainder of the said State lying east of such counties; and the counties of Newton, Jasper, Tyler, Polk, San Jacinto, Walker, Grimes, Brazos, Milan, Williamson, Burnet, Llano, Mason, Menard, Schleicher, Crockett, Pecos, and Jeff Davis in the State of Texas and all the remainder of the State lying south of such counties.

15. Southwestern District: Counties of Putnam, Sullivan, Linn, Chariton, Howard, Cooper, Moniteau, Miller, Pulaski, Texas, and Howell in the State of Missouri and all of the remainder of the said State lying west of such counties; the States of Kansas and Oklahoma; and the counties of Sabine, San Augustine, Angelina, Trinity, Houston, Madison, Robertson, Falls, Bell, Lampasas, San Saba, McCulloch, Concho, Tom Green, Irion, Reagan, Upton, Crane, Ward, Culberson, Resbes, Hudspeth, and El Paso in the State of Texas and all the remainder of the said State lying north of such counties.

16. Western Pennsylvania District: Counties of Potter, Clinton, Center, Mifflin, Huntingdon, and Franklin in the State of Pennsylvania and all of the remainder of the said State lying west of such counties.

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