

Registration

Deadline is extended to Jan. 15. Further clarifications made in requirements for registrants

As this issue of the News goes to press, the process of registering several thousand individuals associated with or employed by members is under way. The original deadline of December 15 for registration has been extended to January 15, 1946, in order to allow sufficient time for all of these individuals to register. Distribution of forms encountered unexpected delays beyond control of the Association. Unless advised to the contrary within a reasonable time after January 15, all who have filed as registered representatives will be effectively registered as of that date.

Duplicate copy of the registration form should not be filed with the Association.

Sole Proprietors

Certain questions have been raised in connection with the registration requirements and an effort is made here to answer these for current information of members and for future reference. *Sole proprietors* have asked whether they should register as individuals. It is true that a sole proprietor, when he applied for membership, signed an agreement to abide by the By-laws and Rules of Fair Practice of the Association and, as an individual proprietor, he is bound by this agreement.

However, the agreement which registered representatives sign varies from provisions of the membership agreement in several major particulars. Therefore, *sole proprietors are, with all other members, being required to execute the registered representative agreement*, although originally sole proprietors were advised that it would not be necessary for them to do so. All sole proprietors who have not filed registered representative forms should do so and, if they do not have the

BOARD MEETING

The annual organization meeting of NASD's Board of Governors will be held at The Homestead, Hot Springs, Va., on January 14 and 15, when the officers of the Association for 1946 will be elected. A meeting of the District Chairmen and District Secretaries will be held at the same place on January 16 and 17.

necessary forms, a request to the Executive Office in Washington for the forms should be made.

Others Who Should Register

The requirements in respect to *salesmen, traders and others who solicit or receive orders from customers* are that these individuals *should be registered*.

All *partners* engaging in the securities business of a member *are required to register. The same is true of all officers* of members. So-called silent partners and "dummy" officers, provided they do not engage in the business of the member, are excluded from registration.

Such employees as cashiers, bookkeepers, stenographers and clerks need not be registered, *provided that they do not have customers of their own from whom they would occasionally solicit or receive business or whose duties at no time bring them into contact with customers in the solicitation or receipt of orders for securities*. If their duties are exclusively those concerned with the mechanics of execution of orders and the keeping of books and records, correspondence, etc., such employees are not to be registered.

The Executive Office, of course, will be glad to assist members in deciding questions they may have about who in their organization should or should not be registered.

Districts Elect

7 new members of Board and 42 District Committeemen will take office Jan. 16 for 3-year terms

Seven new members of NASD's Board of Governors and 42 members of District Committees, all of whom had previously been designated by District Nominating Committees, were elected in December. They will take office on January 16 and serve for terms of three years, as provided by the Association's By-Laws.

These are the incoming Governors, their predecessors and the Districts they represent:

JOSEPH L. RYONS, Pacific Company of California, Los Angeles, to succeed Ralph E. Phillips, (retiring Chairman) —District No. 2.

HARLAN HERRICK, The Lathrop-Hawk-Herrick Company, Wichita, to succeed George K. Baum—District No. 5.

W. REX CROMWELL, Dallas Rupe & Son, Dallas, to succeed J. Wesley Hickman—District No. 6.

L. RAYMOND BILLET, Kebbon, McCormick & Co., Chicago, to succeed Ralph Chapman—District No. 8.

WALTER E. KISTNER, A. C. Allyn and Company, Chicago, to succeed R. Winfield Ellis—District No. 8.

ROBERT C. KIRCHOFER, Kirchofer & Arnold, Inc., Raleigh, to succeed James Parker Nolan—District No. 11.

HERBERT F. BOYNTON, H. F. Boynton & Co., Inc., New York, to succeed Henry G. Riter, 3rd—District No. 13.

The new District Committeemen are:
DISTRICT No. 1 (Idaho, Oregon and Washington)—Paul Campbell, Hemphill, Fenton & Campbell, Inc., Portland; Charles H. Badgley, Badgley, Frederick, Rogers & Morford, Inc., Seattle (succeeding Fred M. Blanken)
(Continued on Page 2, Column 1)

Business Conduct Decisions

Two findings of District Business Conduct Committees affirmed by Board; Committee orders censure in another case

Excessive Mark-Ups

Decisions have recently been made by NASD Committees in three cases of interest to members, each involving alleged violations of the Association's Rules of Fair Practices.

The Board of Governors has affirmed a decision of a District Business Conduct Committee fining a member \$500 for the sale of securities to customers at prices allegedly not fair in view of all relevant circumstances. The complaint against the member involved 27 transactions, and alleged that these were inconsistent with just and equitable principles of trade and in violation of Sections 1 and 4 of Article III of the Association's Rules of Fair Practice.

The Board of Governors found "that the practice of respondent in marking up all sales to customers an arbitrary amount of almost exactly 5 per cent of the offered quotations" is a violation of the Rules "in the absence of any relevant circumstances which would justify such mark-up in the individual transactions." The opinion added:

"The Board also finds that in the simultaneous transactions of the kind here involved, the best evidence of the market against which respondent's

mark-up must be measured is the price at which respondent was able to purchase the security at that time, which is generally at or about time of sale to the customer. This is particularly true where, as here, the respondent's cost is within the range of quoted bid and asked prices at that time."

Respondent contended extent of mark-up should be measured against the quoted market, pointing out that he maintained a trader in New York to purchase securities advantageously.

Reinvestment Advice

Acting on the recommendation of the National Business Conduct Committee, the Board of Governors has affirmed a decision of a District Business Conduct Committee censuring and imposing a fine of \$250 upon a member for violation of Section 2, Article III, of the Association's Rules of Fair Practice. The acts which the member was adjudged to have committed, the Board found, constitute conduct inconsistent with just and equitable principles of trade.

The respondent had advised a customer to sell the stock of one corporation and to invest the proceeds in the stock of another corporation which was under the same guarantee.

The District Committee found that it was "obvious" the customer's sale of the former stock "was due to a realization that too much of her funds was invested in one security and that the reinvestment recommended did not give the customer the requested diversification." The Committee found also that the word "guaranteed" was "stressed to a point where the inference would be drawn that the investment was secure beyond doubt," pointing out that the degree was not inherent in that case and the term was used in a misleading manner.

Gifts to Employee

A District Business Conduct Committee recently found a member guilty of conduct inconsistent with high standards of commercial honor and just and equitable principles of trade for having given money and articles of value to an employee of a financial institution for the purpose of influencing and rewarding him in relation to allocation of the business of his employer without the latter's knowledge. Censure of the member was ordered, no other penalty being imposed because, the Committee found, a stock exchange to which he belonged had previously fined him \$5,000 for the same actions cited in the complaint. The Committee found the conduct of the respondent "constitutes violation of Sections 1 and 10 of Article III of the Association's Rules of Fair Practice."

DISTRICTS ELECT—Continued from Page 1

ship, Blankenship, Gould & Blakely, Inc.; and Lyle F. Wilson, Pacific Northwest Company, respectively.

DISTRICT No. 2 (California and Nevada)—E. C. Henshaw, Brush, Slocumb & Co., San Francisco; Benjamin A. Walter, Bingham, Walter & Hurry, Los Angeles; Stanley Dickover, Elworthy & Co., San Francisco; William S. Wells, Maxwell Marshall & Co., Los Angeles (succeeding George W. Davis, Davis, Skaggs & Co., San Francisco; Joseph L. Ryons, Pacific Company of California, Los Angeles; Eaton Taylor, Dean Witter & Co., San Francisco; and Albert Van Court, Gross, Van Court & Co., Los Angeles, respectively).

DISTRICT No. 3 (Arizona, Colorado, New Mexico, Utah and Wyoming)—Amos C. Sudler, Amos C. Sudler &

Co., Denver; G. B. Hazelhurst, Hazelhurst, Flannigan & Company, Colorado Springs (succeeding Ralph G. Bulkley, Harris Upham & Co., Denver, and Robert B. Newman, Newman and Co., Colorado Springs, respectively).

DISTRICT No. 4 (Minnesota, Montana, North Dakota and South Dakota)—James P. Arms, J. P. Arms, Inc.; Lester B. Elwood, Woodward-Elwood & Co., both Minneapolis; George A. Jacobson, Geo. A. Jacobson & Co., Duluth (succeeding Justus F. Lowe, Justus F. Lowe Company, Minneapolis; Joseph L. Seybold, Kalman & Company, Inc., Minneapolis, and Arthur C. Tarras, A. C. Tarras and Company, Winona, respectively).

DISTRICT No. 5 (Kansas, Oklahoma, and Western Missouri)—Albert R. Ohmart, McKinney-Ohmart Com-

pany, Inc., Wichita; and Evan L. Davis, Tulsa (succeeding J. O. Davidson, The Ranson-Davidson Company, Inc., Wichita and Frank C. Haskett, Frank C. Haskett & Company, Oklahoma City, respectively).

DISTRICT No. 6 (Texas)—Jesse A. Sanders, Jr., Sanders & Newson, Dallas; and B. F. Pitman, Jr., Pitman & Co., Inc., San Antonio (succeeding W. Rex Cromwell, Dallas Rupe & Son, Dallas; and A. M. Russ, Russ & Company, San Antonio, respectively).

DISTRICT No. 7 (Arkansas, eastern Missouri, and western Kentucky)—Gordon Scherck, Scherck, Richter Company, St. Louis; William F. Dowdall, Wm. F. Dowdall & Co., St. Louis; and Clifford E. McCloy, Southern Securities Corporation, Little Rock (succeeding Roy A. Dickie, John Nordman

Company, St. Louis; Hunter Breckenridge, McCourtney-Breckenridge & Company, St. Louis; and Jay W. Hill, Hill, Crawford & Lanford, Inc., Little Rock, respectively).

DISTRICT No. 8 (Illinois, Indiana, Iowa, Michigan, Nebraska and Wisconsin)—Herbert B. White, Peoria; Howard E. Buhse, Hornblower & Weeks, Chicago, Elwood H. Schneider, E. H. Schneider & Company, Kalamazoo, and Milton A. Manley, M. A. Manley & Co., Detroit (succeeding William E. Clegg, Hurd, Clegg & Company, Champaign; George F. Noyes, The Illinois Company, Chicago; John R. Schermer, John R. Schermer and Company, Grand Rapids; and Max J. Sringer, Watling, Lerchen & Co., Detroit, respectively).

DISTRICT No. 9 (Alabama, Florida, Georgia, Louisiana, Mississippi, South Carolina, and Tennessee)—Edmund C. Leach, Sterne, Agee & Leach, Birmingham; William Atwill, Jr., Atwill and Company, Miami Beach; Joseph L. Morris, The Robinson-Humphrey Company, Atlanta (succeeding Charles J. Allison, Equitable Securities Corporation, Birmingham; Loomis C. Leedy, Leedy, Wheeler & Company, Orlando, and James F. Milhous, Milhous, Martin & McKnight, Inc., Atlanta, respectively).

DISTRICT No. 10 (Ohio, eastern Kentucky)—Alvin J. Stiver, Saunders, Stiver & Co., Cleveland; Harold L. Emerson, H. L. Emerson & Co., Inc., Cleveland; and Oliver Goshia, Goshia & Company, Toledo (succeeding Edward E. Parsons, Jr., Wm. J. Mericka & Co., Inc., Cleveland; Dudley A. Hawley, Hawley, Shepard and Company, Cleveland; and Ford R. Weber, Ford R. Weber & Company, Toledo, respectively).

DISTRICT No. 11 (District of Columbia, Maryland, North Carolina, Virginia and West Virginia)—Edwin B. Horner, Scott, Horner & Mason, Inc., Lynchburg; and William W. Mackall, Mackall & Coe, Washington (succeeding Robert C. Kirchofer, Kirchofer & Arnold, Inc., Raleigh; and T. Baker Robinson, Robinson, Rohrbaugh & Lukens, Washington, respectively).

DISTRICT No. 12 (Delaware and Pennsylvania)—Harold F. Scattergood, Boening & Co., Philadelphia; Francis J. McGuiness, Chaplin & Company, Pittsburgh; Wilson A. Scott, Grubbs, Scot & Company, Pittsburgh; and R. Conover Miller, E. W. & R. C. Miller & Co., Philadelphia (succeeding Edward Boyd, Jr., Harriman, Ripley &

Co., Inc., Philadelphia; Edison Cherrington, Cherrington & Co., Pittsburgh; Harold de S. Kennedy, Singer, Deane & Scribner, Pittsburgh; and Bertram M. Wilde, Janney & Co., Philadelphia, respectively).

DISTRICT No. 13 (Connecticut, New Jersey and New York)—Francis Kernan, White, Weld & Co., New York; George Geyer, Geyer & Co., Incorporated, New York; Charles L. Bergmann, R. W. Pressprich & Co., New York; William C. Rommel, J. S. Rippel & Co., Newark; and Richard L. Kennedy, Harris, Upham & Co., New York (for term of one year 1946-47 (succeeding Wright Duryea, Glore, Forgan & Co., New York; George N. Lindsay, Swiss American Corporation, New York; Tracy R. Engle, Buckley Brothers, New York; Julius A. Rippel, Julius A. Rippel, Inc., Newark; and Herbert F. Boynton, F. S. Moseley & Co., New York, respectively).

DISTRICT No. 14 (Maine, Massachusetts, New Hampshire, Rhode Island and Vermont)—Albert W. Tweedy, H. C. Wainwright & Co.; Irving E. Gunn, Townsend, Dabney & Tyson, both Boston; Godfrey B. Simonds, G. H. Walker & Co., Providence (succeeding B. Earle Appleton, Pearson, Erhard & Co., Inc., Boston; George F. Bliven, Brown, Lisle & Marshall, Providence; and William F. May, May and Gannon, Boston, Mass., respectively).

Following is a list of the District Nominating Committees:

DISTRICT No. 1—Albert O. Foster, Foster & Marshall, Seattle; Waldo Hemphill, Waldo Hemphill & Co., Seattle; J. Gilbert Robbins, Holt, Robbins & Co., Portland; Edgar M. Adams, E. M. Adams & Co., Portland; and George R. Yancey, Murphey, Favre & Co., Spokane.

DISTRICT No. 2—Carey S. Hill, Hill, Richards & Co., Los Angeles; Spencer Brush, Brush, Slocumb & Co., San Francisco; Colis Mitchum, Mitchum, Tully & Co., San Francisco; Robert H. Huff, Butler-Huff & Co., of California, Los Angeles; Frank O. Maxwell, Maxwell, Marshall & Co., Los Angeles.

DISTRICT No. 3—Harold D. Writer, Peters, Writer & Christensen, Inc., Denver; J. Fred Brown, Boettcher and Company, Denver; Malcolm F. Roberts, Sidlo, Simons, Roberts & Co., Denver; J. C. Vasconcells, Vasconcells, Hicks & Co., Denver; and William P.

Sargeant, J. A. Hogle & Co., Denver.

DISTRICT No. 4—Merrill M. Cohen, J. M. Dain & Company, E. L. William, Allison-William Company, C. D. Mahoney, C. D. Mahoney & Company, Minneapolis; Richard Egan, Mannheimer-Egan, Inc.; Irving J. Rice, Irving J. Rice & Company, St. Paul.

DISTRICT No. 5—Howard Fitch, Stern Brothers & Co., Kansas City; Howard Wilkins, Harris, Upham & Co., Wichita; Walter I. Cole, Beecroft, Cole & Co., Topeka; Arthur W. Stoenner, Prescott, Wright, Snider Co., Kansas City; and Kneeland Jones, S. E. Weltner & Co., Kansas City.

DISTRICT No. 6—Earl G. Fridley, Earl G. Fridley Co., Houston; Louis J. Kocurek, Rauscher, Pierce & Co., Inc., San Antonio; Barron McCulloch, Barron McCulloch Co., Fort Worth; F. G. Elliott, Elliott & Eubank, Waco; and R. S. Hudson, R. S. Hudson & Co., Inc., Dallas.

DISTRICT No. 7—Albert Theis, Jr., Albert Theis & Sons, Inc., St. Louis; Emmete Brennan, Brennan-Kinsella & Co., St. Louis; Benj. F. Frick, Jr., Stix & Co., St. Louis; E. K. Hageman, G. H. Walker & Co., St. Louis; and A. B. Tilghman, A. G. Edwards & Sons, St. Louis.

DISTRICT No. 8—Wm. McCormick Blair, William Blair & Company, Chicago; Wm. C. Roney, Wm. C. Roney & Co., Detroit; James A. Cummins, Wheelock & Cummins, Inc., Des Moines; P. A. Walters, Stone & Webster and Blodget, Incorporated, Chicago; and Milton S. Emrich, Julien Collins & Company, Chicago.

DISTRICT No. 9—George Nusloch, Nusloch, Baudean & Smith, New Orleans; Cullum Walker, Stubbs, Smith & Lombardo, Inc., Birmingham; J. C. Bradford, J. C. Bradford & Company, Nashville; I. M. Read, Frost, Read & Company, Charleston; and Henry B. Tompkins, Robinson-Humphrey Company, Atlanta.

DISTRICT No. 10—Don M. Craft, Collin, Norton & Co., Toledo; Ewing T. Boles, The Ohio Company, Columbus; George R. Williams, Livingstone, Williams & Co., Cleveland; Thomas Graham, The Bankers Bond Company, Louisville; and Clair S. Hall, Jr., Clair S. Hall & Company, Cincinnati.

DISTRICT No. 11—Y. E. Booker, Alex Brown & Sons, Washington; James M. Johnston, Johnston, Lemon & Co., Washington; Harry L. McAllister, (Continued on Page 5, Column 2)

Enough Regulatory Laws Now

NASD Executive Director declares that present need is for uniformity of state statutes and greater cooperation between Government and securities business

Addressing the annual convention of the National Association of Securities Commissioners in Chicago, on November 16, Wallace H. Fulton, Executive Director of NASD, urged greater uniformity in securities laws and closer cooperation between government and the financial community and expressed the view that enough machinery now exists for regulating the securities business. Excerpts from Mr. Fulton's speech follow:

"The over-the-counter market's distinguishing characteristic is its INDIVIDUALISM. Its great resource is the capacity of the individual engaged over-the-counter to fit his service to the needs of his clientele. Almost literally—no two dealers do identically the same kind of business. They specialize, or they do not; they serve sophisticated buyers or the most unsophisticated, as well as every variation between those extremes; their customers are rural or urban or suburbanite, country club or town hall.

A Vital Contribution

"The over-the-counter dealer places a high value upon his privacy and his right to carry on his business without too much interference and regulation—certainly he abhors regimentation.

"But as individual as the over-the-counter market may be—as hard as it may be to 'see' it in the contrasting sense with a stock exchange—it is a vast, sensitive and alert market place.

"The over-the-counter market makes a vital contribution to the raising of governmental and industrial capital; to the creation of jobs in industry; to the starting of private enterprise; to the orderly liquidation of private investments as well as corporate ownerships; to the spreading of investment risk and opportunities; yes, and to speculation—all to the end that the nation's economy shall progress, expand, modernize and profit.

"Sight should not be lost of the fact that opportunities in the securities business will, in fact are attracting already a growing number to that business. Many of those who are entering this business now have little or no experience in it. They must be made aware of the high standards guiding the business today, so that the confidence the public now has in it will not suffer.

"Every one of us must be conscious of the fact that the lowering of standards and of ethical practices on the part of a few can cause untold damage and that all of us must be ever watchful and on guard against any indica-

tions of such tendencies. The business, I assure you, does not intend again to be the object of public attack because of abuses by the few.

"When he addressed your 1942 convention, our then Chairman, Robert W. Baird of Milwaukee, told you that NASD had provided the securities business with a mirror in which to examine itself.

"He said that some of the things our business had seen in that mirror were not altogether satisfying. What it sees today, is, I think it fair to say, more pleasant to contemplate.

Members' Mark-Ups

"In 1942, our District Committees and the Board of Governors were then studying most carefully the question of members' mark-ups in their transactions with customers.

"Up to that time, we had arrived only at the point where we were willing to say what was UNfair. We were hard-put when the question was presented: 'What is a FAIR mark-up?'

"Recognizing the individual character of the over-the-counter business, one appreciates the difficulty of determining arbitrarily a mark-up which is fair in one kind of transaction and in applying that determination as a measure of the fairness of other kinds of transactions.

"Securities entering into one transaction might differ in character from those entering into the next transaction; their availability in the market might not be the same; the cost of obtaining one against the other might vary; the amount of original service and effort entering into the negotiations and the completion of one transaction against another might be entirely different . . . The price of one security in contrast to another, the amount of money involved in the transaction, the relationships of the dealer and customer all vary with every dealer and with every customer and almost with every transaction.

"However, it was recognized that the amount of mark-up was at least a starting point and that progress might be made if the general practice of the business on this score could be established.

"To find that out, the Association in 1943 made a membership-wide

A TEST OF SELF-GOVERNMENT

(From an address by Commissioner Edwin M. Daugherty, of the State of California Division of Corporations, at the annual convention of the National Association of Securities Dealers in Chicago, November 2.)

"The Maloney Act was probably the most progressive forward step [of the various regulatory statutes], in that it created a vehicle for the investment business to regulate itself. This self-government of the investment industry has done much to date to eliminate fraud and the undesirable element from the brokerage business. To date the largest dealers' association, the National Association of Securities Dealers, has functioned well.

"It appears that the United States is entering upon an era of unusual business expansion similar to that which followed World War I. It is equally likely that a comparable expansion in the securities business will occur. Should this happen the

self-government theory will face a severe test. If the dealers' association is equal to the occasion the theory of self-government is definitely vindicated. Such vindication should go far in assisting the securities business in eliminating much asserted burdensome government regulation.

"Should the self-government association fail, it is almost a foregone conclusion that more government regulation will follow. The failure will occur only if the majority of dealers large and small decline to assume and effectively discharge the obligation which the privilege of self-government imposes."

questionnaire examination of mark-ups in customer transactions.

"The resultant information, made known to members in October of that year, showed that 71 per cent of the transactions computed were made at mark-ups of 5 per cent or less.

"These findings were reported by the Board of Governors for the 'guidance of members.'

"The effectiveness of the release of those figures and the statement of policy as a guide for members was shown by our analysis of the questionnaires of the following year, 1944.

"In that year, analyzed transactions at mark-ups of 5 per cent or less accounted for 82 per cent of transactions analyzed—82 per cent in 1944 against 71 per cent in 1943.

"What about this year's statistics?"

"A sampling of mark-ups reflected by 1945 questionnaires shows that 90 per cent of sampled transactions were made at mark-ups of 5 per cent or less.

"Of course, we must recognize that the general upward trend in business volume and prices have also played a part in this trend toward more uniformity in mark-ups. We would be rash indeed to claim that the guide supplied members was the sole contributing factor.

Self-Regulation Defined

"NASD did not and does not seek to regulate, let alone curtail, profits of its members. It is devoted to the principle that its members are in business to make money."

"Our interest in the individual transaction is only with the fairness of the mark-up or commission realized.

"The simplest and most accurate definition of self-regulation is that kind of regulation supplied by those who themselves are the regulated. Such is NASD. That kind of regulation is the antithesis of regimentation which I am sure you, we and the business do not ever intend to countenance.

"NASD, it must be remembered, is a businessman's organization and the businessmen who direct it are grateful for the opportunity given them to apply self-regulation. They believe that the task thus assumed can be successfully carried out only in a businessman's way. That way may not be the most spectacular way—in fact, it will not be spectacular at all.

"Neither will it be over-reaching nor technical in its practical operation.

"On the other hand, it has proven its capacity for treating irregularities in business practice as well as in treat-

ing flagrant departures from the fair and ethical.

"We cannot forget that the securities business in the past decade has been subjected to a considerable amount of legislation and regulation. Without NASD, however, I think it fair to say that there would be more, not less regulation. Without questioning the necessity or wisdom of these measures, it is only fair to observe that probably no other American business has ever been surrounded with so many legal restrictions in time of peace.

"But the securities business has carried this burden well and stands today with vigor unimpaired, ready to meet any responsibility it might be called upon to discharge.

The Job Ahead

"It faces the future with confidence in its strength prepared to meet whatever other responsibilities lie ahead.

"This strength ought not be wasted upon unnecessary, time-consuming, costly diversions from the primary task of assisting in the reconversion of industry and the creation and restoration of jobs.

"There is enough, if not too much, machinery existing for the regulation of the securities business. Any new problems which the immediate future might bring forth ought to be approached with the tools now available."

Districts Elect

(Continued from Page 3)

R. S. Dickson & Company, Inc., Charlotte; L. Gordon Miller, Miller & Patterson, Richmond; and Joseph W. Sener, Mackubin, Legg & Company, Baltimore.

DISTRICT No. 12—Ernest O. Dorbritz, Moore, Leonard & Lynch, Pittsburgh; Herbert V. B. Gallagher, Yarnall & Co., Philadelphia; James H. Scott, James H. Scott & Company, Pittsburgh; Nathan K. Parker, Kay, Richards & Company, Pittsburgh; Spencer D. Wright, Jr., Wright, Wood & Co., Philadelphia.

DISTRICT No. 13—Walter F. Blaine, Goldman, Sachs & Co., New York; Richard F. Abbe, Van Tuyl & Abbe, New York; Frank Dunne, Dunne & Co., New York; Henry F. Egly, Dillon Read & Co., Inc., New York; and David S. Rutty, Sage, Rutty & Co., Inc., Rochester.

CODE CHANGED ON "PART-REDEEMED" BONDS

The method of dealing in "part-redeemed" bonds underwent a considerable change on December 15 when an amendment of section 8, Uniform Practice Code, became effective. Contracts will be computed differently than heretofore and the price at which the bonds are quoted will be different although the effective settlement price will be the same.

Formerly, contracts in bonds on which principal payments have been made—"part-redeemed" bonds—were settled on the basis of a percentage of the *remaining* unredeemed principal amount of the bonds. For example, when a \$1,000 bond had been selling at 90 per cent and a principal payment of \$100 was made (thereby reducing the principal amount to \$900) the procedure was to leave the percentage price unaltered and apply it to the remaining principal amount. In the example given the bond would then be quoted at 90 per cent as a "part-redeemed" bond and the contract settled at \$810 or 90 per cent of \$900.

Exceptions were sometimes in order where principal payments were made in small or odd amounts since it was difficult to deal in a percentage of the remaining principal amount. In those cases the procedure would be to quote the bonds "ex" the amount of the principal payment just as bonds are quoted "ex interest". For example, a \$1,000 bond selling at 70 per cent would, when a principal payment of, say, \$29.90 was made (thereby reducing the principal amount to \$970.10) be quoted "ex" \$29.90; 67 per cent of \$1,000 or \$670 for the "part-redeemed" bond.

Under the new amendment, the procedure of making and settling contracts will, in all cases, be on this basis of a percentage of the *original* principal amount of the bonds.

DISTRICT No. 14—George E. Abbot, Harriman, Ripley & Co., Incorporated, Boston; Royal W. Leith, Burgess & Leith, Boston; Robert B. Almy, Townsend, Dabney and Tyson, Boston; William H. Potter, Jr., The First Boston Corporation, Boston; and J. Irving McDowell, McDowell, Dimond & Co., Providence.

NASD Annual Report

Audited annual financial statements for year ended September 30, 1945, are presented herewith. Assessments from underwritings rose from 57% in 1944 to 68% during last twelve months

Financial statements of the Association covering the fiscal year ended September 30, 1945, are submitted to members of the Association with this issue of the News. A detailed comparison of Income and Expenditures appears on the following page and the Balance Sheet, as of September 30, 1945, is submitted below.

Total income for the fiscal year ended September 30, 1945, was \$414,815, compared with \$326,399 in the preceding fiscal year. Total expenditures in the last fiscal year aggregated \$306,356, as against \$284,303 the previous year. The excess of income over expenditures the last fiscal year amounted to \$108,460, against \$42,096 the preceding year.

Expenses of the National Office of \$102,207 in the fiscal year ended last

September compared with \$93,388 the previous year, while expenses of the 14 District Committees in the last year of \$116,861 contrasted to expenditures of such committees in the preceding fiscal year of \$112,316.

Assessments collected during the last fiscal year of \$410,722 were paid by 2343 members, against \$322,737 paid by 2257 members in the 1944 fiscal year. Of the total amount collected, assessments of underwritings of members accounted for 68% during the last fiscal year, against 57% for the previous year. The number of members with assessable underwritings was 385, against 275 the previous year. Members paying the maximum assessment of \$5,000 numbered 11, against 3 in the previous fiscal year.

The balance sheet of the Associa-

tion, as of September 30, 1945, shows cash of \$128,791, compared with \$71,617 on the same date in 1944. The Association had \$150,000 of its surplus funds invested in United States Treasury certificates and notes as of September 30th last, a gain of \$50,000 over the preceding year.

The surplus on September 30, 1945, amounted to \$263,365, against \$125,611 a year earlier. Fines and costs collected in years prior to the last fiscal year, which had been carried as a deferred credit, were transferred to surplus as of September 30th last, in the amount of \$29,295. A balance of \$3,304, representing fines and costs collected during the course of the past fiscal year, was retained as a deferred credit, as of September 30th, in view of possible review of the decisions imposing the penalties.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

BALANCE SHEET

SEPTEMBER 30, 1945

ASSETS	LIABILITIES
Cash in bank and on hand:	Accounts payable \$ 14,242.75
The First National Bank,	Deferred credits:
Philadelphia, Pa.:	Receivables uncollected per contra ... \$ 47.13
Treasurer's account \$124,396.75	Fines and costs collected,
Working fund account 3,134.25	pending review 3,303.76
Petty cash fund,	3,350.89
Washington, D. C. 260.00	Surplus:
New York, N. Y. 500.00	Balance—September 30, 1944 125,610.96
Chicago 500.00	Add: Excess of income over expense for
\$128,791.00	the year ending September 30, 1945 108,459.79
U. S. Treasury 7/8% Certificates of Indebtedness—	Fines and costs collected in prior years 29,294.57
Series E-1946 50,000.00	263,365.32
U. S. Treasury 0.90% Notes, Series D 1946 100,000.00	
Receivables, per contra:	
Assessments \$37.13	
Subscriptions to Manual 10.00	
47.13	
Deposit with American Airlines, Inc. 425.00	
Post office deposit 350.00	
Advances for traveling expenses 900.00	
Accrued interest on U. S. Treasury Certificates 445.83	
Office equipment and furniture (charged to expense when purchased)	
\$280,958.96	\$280,958.96

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
STATEMENT OF INCOME AND EXPENDITURES

INCOME:	Fiscal year ended September 30	
	1945	1944
Assessments Collected	\$410,721.71	\$322,736.94
Branch Office Registration Fees	2,810.00	2,735.00
Other	1,283.78	927.01
TOTAL INCOME	\$414,815.49	\$326,398.95
 EXPENDITURES:		
Travel and Meeting Expense:		
Board of Governors, Advisory Council	\$31,915.52	\$16,431.74
National Committees	17,595.29	12,870.64
<small>NOTE: Above two items represent actual out-of-pocket expense incurred by 21 members of Board, 14 District Chairmen and members of National Committees in attending meetings and administering affairs of Association, as well as costs of meetings of these bodies. All Governors and Committee members serve without compensation.</small>		
General Expense:		
Legal Fees and Expenses	19,751.05	32,058.41
Employee and Miscellaneous Travel and Meeting Expense	14,446.55	12,749.63
<small>Includes expense of annual special meeting of District Chairmen and Secretaries, also travel expenses of personnel on assignments from Board of Governors.</small>		
Insurance, Taxes, etc.	3,579.03	4,489.37
Total	\$87,287.44	\$78,599.79
National Office:		
Salaries	\$69,890.62	\$64,019.75
<small>Paid in 1945 to 21 employees, including Executive Director, Assistant, Comptroller, Examiners, Stenographers and Clerks.</small>		
Rent	9,140.04	8,761.49
Printing and Stationery	13,804.91	11,618.24
Other	9,371.92	8,988.32
<small>Includes postage, telephone, telegraph and miscellaneous office expenses.</small>		
Total Expense National Office	\$102,207.49	\$93,387.80
District Committees:		
<small>NOTE: Following items of expense cover fourteen District Committees.</small>		
Salaries	\$72,559.58	\$68,077.79
<small>Paid to 13 District Secretaries and Examiners, and 19 stenographers, clerks, etc.</small>		
Examinations and Complaints	8,943.14	11,514.77
Travel and Meeting Expense	9,781.42	9,799.83
<small>Being actual out-of-pocket cost to members of committees incurred in attending meetings, etc., and cost of such meetings. All committee members serve without compensation.</small>		
Rent	8,795.04	8,268.79
Other	16,781.59	14,654.43
<small>Includes postage, printing and stationery and other miscellaneous office expenses.</small>		
Total Expense District Committees	\$116,860.77	\$112,315.61
TOTAL EXPENDITURES	\$306,355.70	\$284,303.20
Excess of Income Over Expenditures	\$108,459.79	\$42,095.75

Arbitration

Association facilities used successfully to end trade dispute involving mistaken purchase

Arbitration facilities of the Association have again been effective in settling a dispute between two members.

The dispute was an outgrowth of a transaction for shares of stock of a public utility company. There are outstanding two preferred issues of the company, one a "prior preferred." Traders of the two members, apparently under the impression they were negotiating for the same issue, completed a trade. It later developed that the buying trader intended to purchase the "preferred." When delivery was made it was found that the selling member had delivered "prior preferred." However, the fact that delivery had been made of an issue different from that which the first member intended to buy was not discovered until this member had delivered the securities to its customer. At the time of the transaction, the spread between the "preferred" and "prior preferred" was over 6 points, which spread had widened considerably by the time the mistake in the trade was discovered. The members were unable to agree upon a settlement, and meanwhile the buying member had covered his purchase and sold the "prior preferred" received. The total loss to this member was \$786.

The two members having agreed to arbitration of the matter, and an Arbitration Committee of 3 members having been appointed by the District Committee, review of the transaction and surrounding facts was made.

The Arbitration Committee decided the error was partly the fault of both parties. Greater care should have been taken properly to identify the actual security before the transaction was made. The loss was therefore divided; the selling member was required to reimburse the buying member to compensate for the spread between the two issues at the time the transaction occurred and the selling member was required to further reimburse the buying member for 1/3 of the remaining loss, with the buying member sustaining the balance.

The arbitration fee of \$25 was assessed one-half to each party.

Both members expressed appreciation for the services of the Association in providing the arbitration and their satisfaction with the outcome.

RED BANK OIL RULING

Trading in common stock of Red Bank Oil Company on the New York Curb Exchange has been suspended since October 16th, by orders of the Securities and Exchange Commission "in order to prevent fraudulent, deceptive or unlawful acts or practices."

The Commission, for these reasons, has also declared it unlawful "for any broker or dealer to make use of the mails or of any means or instrumentality of interstate commerce to effect any transaction in or to induce or attempt to induce the purchase or sale of such security, otherwise than on a national securities exchange."

NASD MEMBERSHIP RISES

Membership of the Association continues to rise. As of December 15th, the total was 2,339, the largest since November 1, 1942. As of December 31, 1944, it was 2,214. The rise has been uninterrupted since March, 1944. At the peak in August, 1941, membership amounted to 2,977.

Letters from new applicants indicate that the majority of the increase is due to return of servicemen and others engaged in war work to the securities business. A portion of the increase also is attributable to formation of new firms by principals and employees of established members.

REGULATION T PROCEDURE ESTABLISHED

NASD has completed the setting up of the administrative machinery which will enable each District to serve members' needs in connection with Regulation T of the Federal Reserve Board.

Request forms for use of members and copies of Regulation T, together with the recent amendment, have been supplied to all District offices. It is intended that the District Committees act as the "appropriate committees" and agents of the Association's Board of Governors in respect to the needs of members in their respective jurisdictions. The systems employed by the New York Stock Exchange and other exchanges in handling Regulation T requests have been adapted, so far as practicable, to procedures to be followed in each District.

PHILADELPHIA OFFICE CLOSED

The Philadelphia offices where the Association's national headquarters were located during the war, were closed December 15. They had been maintained, in part, by a small office force for the purpose of completing processing of 1945 questionnaires. NASD's Executive Office has been located at 1835 K Street N. W., Washington (6), D. C., since last September.

A SIGNIFICANT MOVE

"A comment heard frequently in recent years has been that the associations which represent various segments of the financial community have not been adequately represented in Washington, where virtually every problem affecting the securities business and other financial activities originates. In fact, Representative Ellsworth B. Buck of the Sixteenth New York District has expressed amazement that bankers and brokers do not attempt to make themselves heard in national affairs.

"Therefore, considerable significance is attached to the announcement that the National Association of Securities Dealers, Inc., has just moved its executive offices from Philadelphia back to the national capital, where they were maintained until crowded out by war agencies in April, 1942. The step seems to indicate that investment bankers and dealers, at least, realize that Washington will continue to be the focal point of the financial world in the days ahead as it was before and throughout the war."—*Investment Dealers' Digest*.

FORGER FOILED

A forger and passer of bad checks who had been operating among securities dealers in the Middle West was recently taken into custody by the FBI within three days after Sampson Rogers, Jr., Chairman of District Committee No. 8 had sent a warning letter to members describing the man and his methods of operation. Operating under many aliases, the man would tender a forged cashier's check in payment for securities purchased, taking the overage in cash. When he entered the offices of C. W. Britton & Co., at Sioux City, Ia., Wilbur Britton, recognizing the man as fitting the description given in Mr. Rogers' letter, communicated with the local FBI headquarters and a few hours later the man was arrested.