

Full Board Meeting

Concentrated agenda dispatched at Sea Island, Ga.; eighteen resolutions adopted

A full board of governors met at Sea Island, Ga., on Jan. 17-18, and transacted one of the heaviest agendas ever placed before a Board. New officers were elected and installed, seven new governors replaced seven outgoing, a number of resolutions making changes in operating rules and procedure were adopted, committee reports heard and some new business undertaken.

Identification of the new officers and governors is presented elsewhere in this issue of the NEWS. Likewise personnel of the various committees appointed by the incoming chairman, Clement A. Evans, is reported. Principal committee reports are presented and others digested or presented through essential comment.

The most important work of the governors, aside from the election and installation of the new officers and board members, was the adoption of 18 separate resolutions. The more important subjects covered were:

Employment and duties of counsel by district committees; the correction of any misunderstandings that have existed in respect of the status of employes, as employes of the corporation and not of the agencies of the corporation; penalties for non-payment of fines; abolition of standing committees, designated as technical, education and interpretations; policy regarding publicity in disciplinary matters; penalties for non-payment of assessments; failure to file reports properly requested; composition and powers of executive committee; refusal of a member to abide by rulings of uniform practice committee; defining powers and duties of Executive Director, as those customarily incident to the office of a President of a Corporation; defining powers and rank

(Continued on page 9, column 2)

NASD'S CHAIRMAN



CLEMENT A. EVANS

Officers of the National Association of Securities Dealers, Inc., elected at Sea Island, Ga., on Jan. 18, 1949 were:

Chairman: Clement A. Evans
Vice Chairmen: G. M. Phillips and John J. Sullivan
Treasurer: Wilbur G. Hoye
Executive Director: Wallace H. Fulton

Biographical sketches of each of the incoming officers follow:

Clement A. Evans

Clement A. Evans, is president of Clement A. Evans & Company, Inc., investment banking firm of Atlanta.

Mr. Evans, a native of Augusta, Ga., served in the Marine Corps in World War I. After the war he entered Georgia School of Technology. Upon his graduation he became identified with the investment securities business by joining the Security Sales

(Continued on page 2, column 1)

World Bank

U. S. Executive Director tells Governors new bill to be introduced will be similar to previous one

New legislation affecting the marketing and distribution of World Bank bonds is to be introduced in the present session of Congress it was indicated at the Board meeting. Present to discuss it, was Eugene R. Black, Executive Director for the United States, of the International Bank for Reconstruction and Development—which is the official name of the institution commonly referred to as the "World Bank." Mr. Black said that the proposed bills had not yet been drawn but it was his understanding that the purposes of the legislation to be offered would be substantially similar to those contemplated in the bills introduced in the previous session of the Congress, as amended.

A letter was presented to the Board from John J. McCloy, President, in which he said that such legislation "goes to the very root of the question of whether a broad market, including a secondary market, can be established for the Bank's securities capable of absorbing issues in an orderly manner which over a period of years may become second in volume only to those issued by the United States Government."

Mr. McCloy said that he was confident that the NASD would find its interests and those of members are not in conflict with the objectives of the International Bank, but that he felt it would prove to be "in the direct interest of securities dealers to cooperate fully in the achievement of these objectives."

The matter of Association attitude toward such proposed legislation was referred to the incoming National Legislative Advisory Committee for consideration and recommendation

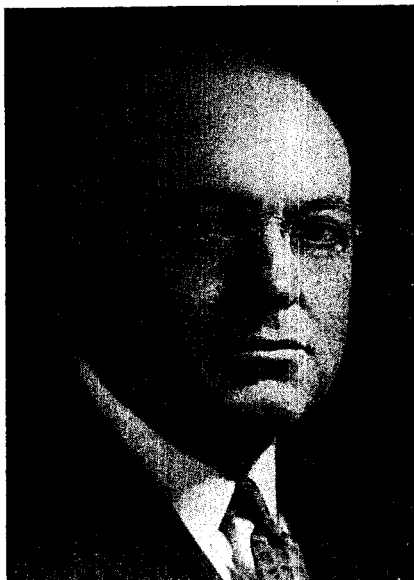
(Continued on page 8, column 1)

NASD OFFICERS FOR 1949

(Continued from page 1, column 2)
 Corporation of Atlanta. He later became associated with The Robinson-Humphrey Company in Atlanta.

In 1924, he joined the Atlanta office of the Hibernia Bank & Trust Company of New Orleans, later becoming manager. Three years later he went with the Fourth National Bank of Atlanta and organized and managed the bond department. Through consolidation, that bank be-

VICE CHAIRMAN



JOHN J. SULLIVAN

came the First National of Atlanta and its investment business was transferred to the Trust Company of Georgia. Mr. Evans became vice president of the trust company and served in that capacity until February, 1932, when he formed Clement A. Evans & Co., a sole proprietorship. He became president of Clement A. Evans & Company, Inc., when that corporation was formed in May, 1941.

Mr. Evans is a director of the Georgia Marble Company, Columbus Transportation Company and Atlanta Laundries, Inc.; a trustee of the Georgia Tech Alumni Foundation. He was a member of the NASD Committee for District No. 9 and was chairman for two years.

G. M. Phillips

G. M. Phillips, is vice president of Caldwell Phillips Co., St. Paul.

Mr. Phillips, a native of Minnesota, attended Hamline University for two years before serving in France during World War I. After leaving the army he worked for a small bank in western Minnesota for four years. He was cashier in the Minnesota State Treasurer's office for four years.

In 1927 he went into the securities business as a salesman for the Northwest Trust Company of St. Paul. Two years later he joined the sales force of Wells, Dickey Company, St. Paul. He became vice president of Caldwell Phillips Co. when that firm was organized in 1939.

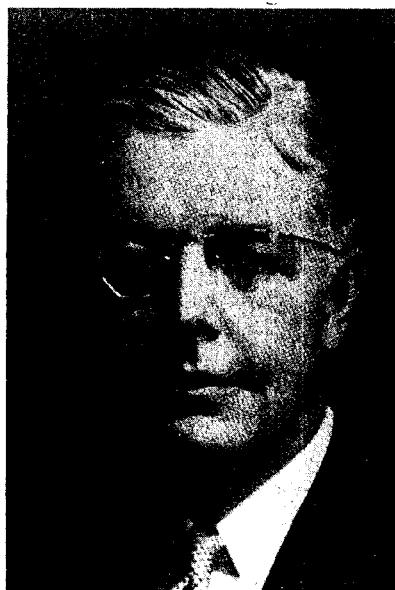
He served as chairman of the District Committee No. 4 of NASD for one year and has been on the board of governors for the last two years.

John J. Sullivan

John J. Sullivan is president of Bosworth, Sullivan & Company, Denver.

Mr. Sullivan, a native of Denver, is a graduate of Regis College, Denver, with degrees of A.B. and LL.D. He owned his own business under the name of Sullivan & Company from graduation until November 1, 1946, when his firm was consolidated with

TREASURER

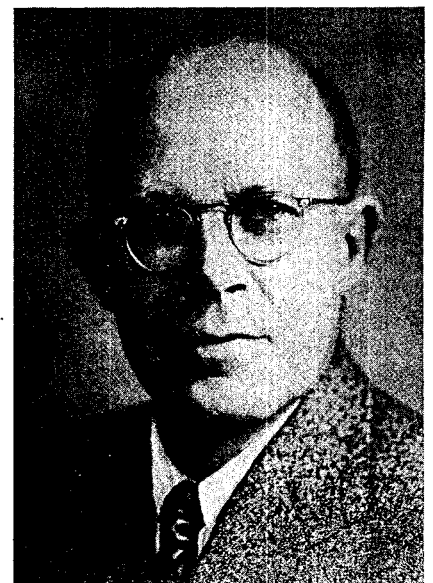


WILBUR G. HOYE

Bosworth, Chanute, Loughridge & Co. to form Bosworth, Sullivan & Company. Mr. Sullivan became president at that time.

He is a director of the Fiducial Corporation and Denver Chamber of Commerce; past chairman of the Rocky Mountain Group of the Investment Bankers Association; a former governor of the I. B. A., and was a member of the Investment Bankers Code Committee. He served as

VICE CHAIRMAN



G. M. PHILLIPS

chairman of District Committee No. 3 of the NASD in 1946-47.

Wilbur G. Hoye

Wilbur G. Hoye is a partner in the investment firm of Chas. W. Scranton & Co., New Haven, Conn.

Mr. Hoye was born in Brooklyn, N. Y., February 14, 1897, and is a graduate of Yale University, class of 1918. He joined Harris, Forbes & Co., in 1918 and three years later became associated with Chas. W. Scranton & Co. He was admitted to partnership, January 1, 1928.

He is a member of the board of governors of the Association of Stock Exchange Firms and of the board of the Connecticut Investment Bankers Association, also a director of the Security Insurance Company of New

(Continued on page 11, column 2)

Investment Co. Charts

Committee reports agreement with SEC and approval of form and content

The Investment Trust Underwriters Committee, of which Charles F. Eaton, Jr., was chairman, has reached agreement with the Securities and Exchange Commission regarding the use, form and style of performance charts that may be used as comparative material in sales literature, the committee reported to the Board meeting.

A letter confirming the understanding and stating that the new form of chart substantially meets the criticisms contained in Investment Company Act Release No. 1160 was presented to the Board, together with a copy of the chart, and a summary of the various discussions. Commenting upon its results the committee chairman made this report to the Board:

"We trust that you will agree with your committee that the understanding arrived at with the Securities and Exchange Commission is constructive. It reflects the best efforts of the committee to obtain definite approval of at least one specific chart satisfactory to the investment company industry. It does not preclude the preparation and use of other charts in the future. The Commission has, however, suggested that charts which depart in material respects from the basic chart form now approved, be submitted to it for examination and comment before use."

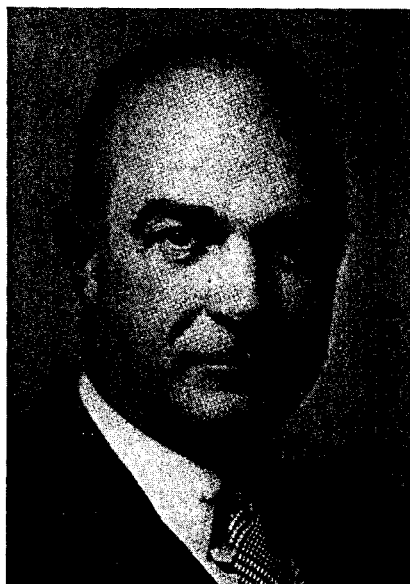
Copies of the Chart and accompanying data are available upon request.

GOVERNOR



FREDERICK H. MACDONALD

"CONDUCT" CHAIRMAN



JOHN O. STUBBS

John O. Stubbs, of Boston, is Chairman of the National Business Conduct Committee for 1949, serving his second term in that important office.

S. E. C. REPRESENTED

Robert K. McConnaughey, member of the Securities and Exchange Commission, was a guest at the Sea Island Board meeting, which gave members an opportunity to exchange ideas with him concerning problems and rules affecting their business and to advance thoughts for possible amendments to the Securities Act.

Addressing the meeting, Commissioner McConnaughey made it clear that he was on a mission of exploration and welcomed the opportunity to obtain the views of securities dealers. He stated that the Commission and Staff had been occupied for nearly two years in discussing with members of the NASD and the IBA the subject of amending the act, and added that the Commission has reached no decision on such amendments. He outlined some of the proposals and suggestions made to the Commission and discussed the pros and cons.

SECRETARIES TO MEET

A meeting this year of all District Secretaries in the Executive headquarters at Washington was authorized by the Board of Governors without dissent. The time and place was left to the discretion of the Executive Director.

Three Governors

Biographies of three of seven incoming board members representing their districts

There is presented in this issue of the NEWS a biographical sketch of each of the seven new governors, who assumed office at the January board meeting. Photographs of all but James J. Lee, which was not received in time for publication in this issue, are likewise reproduced. Three of the sketches follow:

Jesse A. Sanders, Jr.

Jesse A. Sanders, Jr., is a partner in the investment firm of Sanders & Newsom, Dallas, Texas.

Mr. Sanders was born in Dallas in 1901 and is a graduate of Yale University, class of 1922. He became associated with the Investment Securities Company of Texas in 1926. In 1935, he became a partner in Sanders & Henry and four years later in Sanders & Newsom.

He served as district chairman of District No. 6 of the NASD in 1947-48. He is a member of the executive committee, Texas Group, of the Investment Bankers Association.

(Photo on Page 8)

Frederick H. MacDonald

Frederick H. MacDonald is a partner in the investment banking firm of Burke & MacDonald, Kansas City, Mo.

Mr. MacDonald was born in Kansas City, April 10, 1903. He was educated in the public schools there and later attended St. Benedicts College, Atchison, Kansas, and the University of Missouri, Columbia, Mo.

He entered the investment banking field in 1922 when he joined the Guaranty Trust Company of Kansas City, later becoming manager of the trading department. He was associated with other investment concerns in Kansas City and Chicago until 1933 when the partnership of Burke & MacDonald was formed.

James J. Lee

James J. Lee is a vice president of Lee Higginson Corporation, New York.

Mr. Lee, a native of Westwood, Mass., is a graduate of Milton Academy, 1920, and of Harvard College, 1924. He began his business career with Lee, Higginson & Co., in New York after leaving college and has been with that firm and its successor, Lee Higginson Corporation ever since. He became vice president, November 22, 1939.

Executive Director's Report to the Board of Governors

Wallace H. Fulton reports on membership, which stands at highest since July, 1941, progress in member examination program, growth of the group insurance program, a New York tax saving and internal matters.

Following is the text of the principal portions of the report of the Executive Director to the 28th meeting of the Board of Governors at their meeting held in Sea Island, Ga., January 17-18, 1949:

Membership

Total membership of 2,687 at the year-end represents a gain of 39 in 1948 and marks the highest level since July, 1941. The all-time high of 2,977 members was reached at that time, from which point it declined to 2,180 at March, 1944. In the elapsed 4½ years since then more than 63% of the loss in membership has been recovered. From the latest published figures the membership now represents 81% of the active brokers and dealers registered with the S.E.C.

There are now 1,033 branch offices of members, compared with the March, 1945 low point of 768.

Statistics related to "registered representatives" disclose that at the first registration on January 15, 1946 there were 21,351 individuals so registered. The figure now stands at 26,562. During 1948 there were 4,262 applications received and 3,600 notifications of termination of employment.

Examination Program

Material progress was made this year in extending examinations to members in all districts, under the program previously established by the Board of Governors. The Board specifically charged the Executive Director to institute an examination program in District #13 through enlisting the aid of staff examiners and District Secretaries from other Districts. Because of illnesses and unforeseen situations, the anticipated manpower available for this assignment was reduced from the original expectations. Nevertheless, the staff engaged in the work made 203 examinations in 215 man days, including 32 special and detailed examinations made in connection with the Kaiser-Frazer situation.

Examinations made during the year, by districts were as follows:

District 1—42; District 2—15; District 3—40, representing all of the members in this district; District 4—49, also representing all of the members in this district; District 5—none, but it should be noted that all



WALLACE H. FULTON
Elected 11th Year

of the members in this district were examined in the latter part of 1947; District 6—68, here, as has been the case in the past three years, all the members were examined; District 7—9; District 8—110; District 9—25; District 10—55; District 11—9; District 12—21; District 13—239; District 14—30.

Thus the total number of examinations made during the year was 712 which represents approximately 26% of the total membership.

Records Kit

The books and records "Kit" which was prepared early in the year has been well received by the members. Since the announcement was made that the "Kits" were available, 358 requests have been received. In addition, each new member has been supplied with a "Kit" and the Association examiners, in their visits to members, have made it a point to furnish copies where it was felt they would be beneficial. Total distribution of the "Kits" amounts to approximately 800. Tallman, Robbins & Co. of Chicago, who are actively engaged in the printing

of accounting records and forms of all types, have reproduced the forms and have included them in their advertising material.

Group Insurance

A group insurance program was instituted during 1948 and group coverage of employees made available to members. Results have been gratifying as is indicated by the following statistics.

As of the first of the year there were 562 firms participating with 3,458 employees. The total amount of insurance amounted to \$19,027,000. There have been 16 deaths, and claims totaling \$114,500 have been paid promptly. Member reaction to the plan has been most gratifying. Letters are on file voicing approval and our examiners report that comment from the members has been complimentary to the Association for its part in making the plan available.

Unlisted Trading

In 1941 the Executive Director was instructed by the Board to examine all applications of registered securities exchanges seeking to obtain the extension of unlisted trading privileges to securities not already listed on another exchange. The Association has since intervened in eleven such instances, in eight of which the exchange applications have been denied.

Recently the New York Curb Exchange applied for the extension of unlisted trading privileges to the Public Service Electric and Gas Company 50-year 6% debenture bonds due July 1, 1998. We have requested the Securities and Exchange Commission for an extension of time within which to examine the application in order to determine whether the Curb's request should be opposed.

New York State Taxes

A matter of importance to the membership as a whole is the saving effected in taxes as a result of the efforts of the tax committee of District #13.

In cooperation with the Trust Company of North America the committee obtained a ruling from the New York State Tax Commission which provided that deliveries of securities from New York dealers to dealers outside of New York do not incur a New York tax, providing such deliveries are made to a bank or a broker with draft attached. Although it is not possible to state how much in taxes our members are to benefit by this ruling it is conservative to estimate that the savings to New York members alone aggregate about \$200,000 per year.

New Offices

During the past year some changes have been made administratively in three districts of the Association which will, I believe, prove to be of value in the future. Heretofore District #11 and #12 have shared a secretary. As of November 20, 1948 a secretary was engaged for District #11 permitting the secretary of District #12 to devote all of his time to the affairs of that District. At the request of the District Committee, #9, arrangements were made for the employment of a secretary for that District, and, since January 1, 1949 there has been located in Atlanta a District office and a full-time secretary.

DIRECT EXAMINATION

Direct examination of members was voted unanimously by the Board when the Executive Director asked what the examination program for the coming year should be. Governors indicated they wished the same system followed as effective in 1948. Wallace H. Fulton, Executive Director, had reviewed the examination work in District 13, as well as that in other districts, which had been followed under direct orders from the Board. He stated that on the basis of examinations in that district to date the committee had sent out 40 deficiency letters, mostly concerning minor matters, held 37 office conferences on the question of mark-ups and were holding up 4 examination reports for special committee consideration to determine whether they required or justified disciplinary action.

Joint Committee on Education

Ten Fellowships offered for year 1949, following four in 1948; Placement Center to continue in operation in New York; explore coordinating plan.

Because the work was so productive in 1948 the Joint Committee on Education representing the five leading organizations in the securities business is offering ten fellowships in 1949 to faculty members of American colleges in order that they may gain practical, personal knowledge of the workings of the nation's financial center.

Announcement of the program was recently made by Amyas Ames, of Kidder, Peabody & Co., New York who was asked by the supporting organizations to remain another year as Chairman of the committee. Other members and their organizations are: Association of Stock Exchange Firms: Harold P. Goodbody, Goodbody & Co., New York and Charles B. Harding, Smith, Barney & Co., New York.

Investment Bankers Association of America: H. H. Dewar, Dewar, Robertson & Pancoast, San Antonio; Duncan R. Linsley, First Boston Corporation, New York; Norman P. Smith, Merrill Lynch, Pierce, Fenner & Beane, New York.

National Association of Securities Dealers: Clement A. Evans, Clement A. Evans & Company, Inc., Atlanta; Wallace H. Fulton, Executive Director, Washington, D. C.

New York Curb Exchange: Francis A. Truslow, President

New York Stock Exchange: Emil Schram, President.

The complete announcement of the Fellowship program by the joint committee follows:

The Fellowship Program of the Joint Committee on Education enables faculty members of American colleges to acquire first-hand knowledge of the workings of the great financial center. It was begun in 1948 when four teachers from four universities studied in the financial district of New York for periods ranging up to six weeks. The success of this limited fellowship program has led the Joint Committee to offer ten fellowships in 1949. These fellowships are offered in the belief that they will lead to writing, to the interchange of ideas and to research which will benefit both the securities business and the colleges.

The American Securities Business is an essential part of our free enterprise community. It raises capital for industry; finances states, municipalities

and other governmental units; operates the security exchanges. It is carried on by over 4,000 firms in all parts of the United States. It enables the individual to put his savings to work in productive enterprise and maintains free markets for securities.

Economists and teachers in their teaching and writing are constantly dealing with the broader economic problems which concern the securities business. Many of these problems—questions involving money markets, inflationary and cyclic movements, type and availability of capital, the effect of government control and taxation on free markets—are problems which affect the country as a whole. Meeting them intelligently benefits not only the securities business but is to the advantage of our entire economy. The universities and their teachers have expressed a keen interest in the workings of the financial part of our economy. We hope this program will open up to these men what is considered by many to be a mysterious business and that it will create a better understanding of the profit and loss system on which our economy is based.

The 1949 Fellowship will enable the recipient to come to New York for an initial three-week period. He will be paid \$100 a week in addition to all his travelling expenses. The program we have prepared will give him the opportunity to see how the various departments of the New York Stock and Curb Exchanges actually function. It will permit him to watch the day-to-day operation of several different types of security firms—such as a large underwriter of corporate securities, a large brokerage firm, an underwriter and distributor of municipal securities, an over-the-counter security trading firm, an odd-lot firm, etc. It will allow him to talk with and question partners and officers of these firms and institutions. The purpose of the program is to afford the fellowship holder an understanding of the organization and operation of the financial district. It is a completely flexible program which will be altered to meet the needs and interests of each individual fellowship holder.

These fellowships may be extended by the Joint Committee, with the con-
(Continued on page 8, column 3)

FINANCIAL REPORT FOR MEMBERS

(Audited statements for year ended September 30, 1948)

Financial statements of the Association for the fiscal year ended September 30, 1948 are submitted to members of the Association with this issue of the NEWS.

A comparison of income and expenditures appears on the following page. The balance sheet as of the close of the fiscal year appears below.

Total expenditures amounted to \$423,292.77 in 1948, against \$384,151.16 in 1947. Expenditures of the 14 district committees amounted to \$209,441.46 compared with \$175,402.18 for the preceding fiscal year. Expenditures of the Executive office amounted to \$135,031.45 as against \$136,309.57 in the previous year. General expenses, including costs of meetings of the Board of Governors, Advisory Council, national committees, legal fees, and other miscellaneous

expenditures aggregated \$78,819.86 against \$72,439.41 in 1947.

Excess of expenditures over income in the last fiscal year amounted to \$63,774.02 against excess of income over expenditures of \$167,843.38 the previous year. Surplus as of September 30, 1948 amounted to \$543,217.88.

The balance sheet of the Association showed cash in banks and on hand at September 30, 1948 amounting to \$210,788.48 and \$345,000.00 in-

vested in U. S. Treasury 1½% Certificates of Indebtedness.

The Assessment Formula for the year ended September 30, 1948 provided that no member shall be assessed more than a total of \$5,000. There were only three firms that would have paid more than \$5,000, had there been no ceiling. These firms would have paid a total of \$19,947, instead of \$15,000 had there been no ceiling. The following schedule outlines the operation of that ceiling:

Member	Personnel for Assessment	Total Underwritings	Assessment
A	298½	\$134,575,927	\$5,000.00
B	558	121,598,370	5,000.00
C	526	220,692,207	5,000.00
D	159½	104,481,274	3,812.44
E	274	41,285,072	2,374.55
F	101	60,602,962	2,259.09
G	243	115,076,733	4,461.31

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

BALANCE SHEET

SEPTEMBER 30, 1948

ASSETS	LIABILITIES
Cash in banks and on hand:	Accounts payable \$ 20,996.43
The Riggs National Bank,	Deferred credits:
Washington, D. C.:	Assessments receivable
Treasurer's account \$106,020.74	uncollected \$ 97.00
Working fund 5,553.44	Fines and costs collected
American Security and Trust Company	pending review 1,314.80
Washington, D. C.:	1,411.80
Treasurer's account 97,964.30	Surplus:
Petty cash fund, Washington 250.00	Balance—September 30, 1947 606,004.90
Petty cash fund, New York 500.00	Add—Fines and costs collected in
Petty cash fund, Chicago 500.00	prior years 987.00
210,788.48	606,991.90
U. S. Treasury 1½% Certificates of Indebtedness 345,000.00	Deduct—Excess of expense over income
Assessments receivable, per contra: 97.00	for the year ended September 30,
Advances to Trustees—Insurance Trust 2,199.25	1948 63,774.02
Advances for traveling expenses 2,000.00	543,217.88
Deposit with American Airlines, Inc. 425.00	
Deposit with U. S. Post Office 350.00	
Accrued interest on U. S. Treasury securities 2,126.25	
Office equipment and furniture (charged to expense	
when purchased)	
Leasehold improvements 2,640.13	
\$565,626.11	\$565,626.11

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

STATEMENT OF INCOME AND EXPENDITURES

	Fiscal years ended September 30	
	1948	1947
INCOME:		
Assessments collected:		
From membership fees.....	\$107,200.00	\$131,132.50
From personnel fees.....	124,298.00	131,420.50
From underwritings fees.....	120,634.43	283,733.28
Total assessments.....	<u>\$352,134.43</u>	<u>\$546,286.28</u>
Branch Office Registration Fees.....	3,500.00	3,360.00
Other.....	3,886.32	2,348.26
TOTAL INCOME	<u><u>\$359,518.75</u></u>	<u><u>\$551,994.54</u></u>
EXPENDITURES:		
General:		
Board of Governors and Advisory Council.....	\$ 31,958.83	\$ 29,453.66
National Committees.....	28,452.92	29,244.18
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 the Association, as well as costs of meetings of these bodies. All Governors and Committee members serve without compensation. Salaries of two Secretaries, two stenographers also included in "National Committees" expenses.		
Legal fees and expenses.....	2,129.13	1,249.48
Employee and Miscellaneous Travel Expense.....	9,789.09	8,730.29
Insurance and taxes, etc.....	5,439.89	2,661.80
Audit.....	1,050.00	1,100.00
Total General	<u><u>\$ 78,819.86</u></u>	<u><u>\$ 72,439.41</u></u>
Executive Office:		
Salaries.....	\$ 95,798.90	\$103,656.96
(Paid in 1948 to 23 employees, including Executive Director, Counsel, Comptroller, Examiners, Stenographers and Clerks.)		
Rent.....	9,540.00	8,486.67
Printing and stationery.....	15,941.39	13,374.74
Postage.....	3,318.95	3,315.49
Telephone and Telegraph.....	3,790.46	3,179.63
Incidental.....	2,531.30	1,693.10
Office Equipment.....	3,971.50	2,604.98
Amortization of leasehold improvements.....	138.95
Total Executive Office	<u><u>\$135,031.45</u></u>	<u><u>\$136,309.57</u></u>
District Committees:		
Salaries and Fees.....	\$113,003.80	\$117,712.01
(Paid in 1948 to 14 District Secretaries and Examiners, and 22 stenographers, Clerks, etc.)		
Examinations and Complaints.....	46,602.74	16,694.51
Travel and Meeting Expense.....	12,055.95	8,159.28
(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.)		
Rent.....	12,144.96	11,679.65
Quotations.....	14,110.61	9,604.21
Postage.....	1,704.86	1,456.21
Printing and Stationery.....	3,287.84	3,391.58
Telephone and Telegraph.....	4,771.84	4,113.09
Office Equipment.....	106.70	493.11
Incidental.....	1,652.16	2,098.53
Total District Committees	<u><u>\$209,441.46</u></u>	<u><u>\$175,402.18</u></u>
Total Expenditures	<u><u>\$423,292.77</u></u>	<u><u>\$384,151.16</u></u>
Excess of Income over Expenditures		<u><u>\$167,843.38</u></u>
Excess of Expenditures over Income	<u><u>\$ 63,774.02</u></u>	

WORLD BANK

(Continued from page 1)

following receipt of the definitive text of any proposed bills.

Mr. Black stated that he would ask that copies of the proposed bills be sent to the Association as quickly as they are available. He said that the principal objectives would be, as in the legislation proposed in the previous Congress, the exemption of IBRD bonds from the provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934, together with the authorizing of banks with established bond departments to underwrite and deal in World Bank bonds, both the direct obligations and those guaranteed by the Bank.

In the previous Congress the NASD had formally objected to the legislation. When qualifying modification or amendment was introduced such objection was withdrawn. (NASD NEWS, July, 1948).

He discussed at some length the purposes and objectives of the legislation, then listed the various objections that are offered individually from time to time and endeavored to answer each of them. He also answered questions put to him from various members of the Board, concerning technicalities or implications that came to mind. His conclusion was: "I'm anxious for your support."

GOVERNOR



JESSE A. SANDERS, JR.

PRESIDENT JOHN J. McCLOY to the NASD (A Letter)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

January 13, 1949

Mr. L. Raymond Billett,
Chairman, Board of Governors
National Association of Securities
Dealers, Inc.
1625 K Street, N. W.
Washington 6, D. C.

My Dear Mr. Billett:

I am writing to you to express my deep personal interest in the enactment of the proposed legislation which Mr. Black will discuss with your Board of Governors.

To the Bank this legislation represents a great deal more than mere avoidance of any inconvenience and expense incident to compliance with the Securities Acts. It goes to the very root of the question of whether a broad market, including a secondary market, can be established for the Bank's securities capable of absorbing issues in an orderly manner which over a period of years may become second in volume only to those issued by the United States Government. It also directly affects the outcome of the Bank's efforts to re-establish a sound basis for international investment in which private capital and the market may play their proper roles.

I am confident that the National Association of Securities Dealers will find that its interests and those of its members are not in conflict with these objectives of the International Bank. On the contrary, I am certain that experience will demonstrate that it is in the direct interest of securities dealers to cooperate fully in the achievement of these objectives.

In this connection I can assure you that the Bank at all times will wish to work in close cooperation with the securities dealers in the development of its marketing policies and in the conduct of its marketing operations, and that the doors of the Bank are always open to securities dealers and their suggestions or criticisms will receive sympathetic consideration. Furthermore, I can assure you that the Bank does not regard the proposed legislation as having any bearing on the question of the extent, if any, to

which banks should be permitted to deal in securities generally, nor does the Bank consider that the enactment of the legislation would in any respect constitute a precedent on that question.

There is another factor in this situation and that is the element of public interest in the general economic stability of the post war world. I feel that I can appeal to this factor, strongly, particularly as in this case I see no conflict between the fundamental interests of the securities dealers and the public interest.

I believe that when your Board has had an opportunity to consider the real basis of the proposed legislation we can count on the support of your Association.

Sincerely,

(Signed) JOHN J. McCLOY,
President.

EDUCATION

(Continued from page 5)

sent of the college, for periods up to an additional three weeks, if the recipient has become interested in some subject which he wishes to investigate further for the purpose of either preparing a course or writing an article. Part or all of these additional three weeks may be taken at a later date at the convenience of the fellowship holder.

Any reports or articles written by fellowship holders will be their property and may be published by them without any review of the Joint Committee, although it is hoped that such articles will be made available to the Joint Committee for reprinting and distribution among the member organizations.

The headquarters of the fellowship program will be at the New York University Graduate School of Business, 90 Trinity Place, New York. Dean Collins of New York University has kindly agreed to provide office space and to make the other facilities of the school available to the fellowship holders. The Joint Committee asks that applicants for fellowships have the approval of the president or senior official of their university. Inquiries should be addressed to the Chairman.

GOVERNOR



Howard E. Buhse

Howard E. Buhse, is a partner in the firm of Hornblower & Weeks, Chicago. He was born in Prairie du Chien, Wis., June 4, 1906. His education was obtained in the Minneapolis public schools and at the University of Minnesota, where he received his LL.B. degree in 1929.

After leaving the university, Mr. Buhse went to work for Hornblower & Weeks. He was admitted to partnership in 1943. He is chairman of the board of the Chicago Association of Stock Exchange Firms, a director of the Lustron Corporation and Nation Wide Food Service, and a member of the University Club and Bond Club of Chicago. He is married and has three children, Howard, Joan and Deborah.

RETIRING GOVERNORS

Retiring members of the Board of Governors who were given a rising vote of appreciation, following a laudatory address by John J. Sullivan the new vice chairman, are:

- L. Raymond Billett, Kebbon, McCormick & Co., Chicago
- Herbert F. Boynton, Laird, Bissell & Meads, New York
- W. Rex Cromwell, Dallas Rupe & Son, Dallas
- Harlan Herrick, The Lathrop-Hawk-Herrick Company, Wichita, Kansas
- Robert C. Kirchofer, Kirchofer & Arnold, Inc., Raleigh
- Walter E. Kistner, A. C. Allyn & Co., Chicago
- Joseph L. Ryons, Pacific Company of California, Los Angeles

FULL MEETING

(Continued from page 1, column 1)
of Chairman as similar to those customarily incident to the office of Chairman of the Board of Directors of a corporation; office of vice chairman; interpretations of by-laws, rules, etc. and release thereof; powers and duties of finance committee.

The Board received reports of the National Uniform Practice Committee, the Legislative Advisory Committee, the Finance Committee, the Investment Trust Underwriters Committee, the Special Research Committee, Quotations Committee, the Executive Director and the Treasurer, all of which receive comment in this issue of NASD NEWS.

A new committee was established charged with studying the over-the-counter market, particularly from the competitive aspects in relation to the registered stock exchanges.

Whereas board meetings usually are limited to the governors, except for the interim gatherings when the advisory council is present, there were two guests at the Sea Island session. These were Robert K. McConnaughey member of the Securities and Exchange Commission, and Eugene R. Black, United States Executive Director of the International Bank for Reconstruction and Development, both of whom came to discuss business of the Association in respect to the activities of the Commission and of the Bank. Reports on these discussions also are presented elsewhere in this issue.

FOREIGN SECURITIES COMMITTEE

A new Foreign Securities Committee has been appointed for 1949, consisting of JEAN CATTIER, *Chairman*, White, Weld & Co.; JOHN M. WALSH, Harriman, Ripley & Co., Inc.; CARL MARKS, Carl Marks & Co., Inc., and HENRY STRAVITZ, Swiss American Corporation.

PERSONNEL MANUAL

A Personnel Selection Manual designed for use by investment securities dealers has been made available to members of the NASD. This special screening package was developed by a sub-committee of the I.B.A. Education Committee under the direction of the late Nathan D. McClure. The package contains not only a manual but related interviewing and testing mate-

GOVERNOR



Warren H. Crowell

Warren H. Crowell is a member of the firm of Crowell, Weedon & Co., Los Angeles.

Mr. Crowell was born in Los Angeles in 1905 and is a graduate, with a B. A. degree, from the University of California at Los Angeles, class of 1927.

He was associated with the Union Oil Company of California as a district credit man for 1½ years. In January, 1929, he entered the investment business, joining Revel Miller & Co., Los Angeles. He became a partner later. On January 18, 1932, he and George W. Weedon, Jr., another partner in Revel Miller & Co., formed Crowell, Weedon & Co.

Mr. Crowell has served on the NASD District Committee No. 2 and has just completed his term as chairman of the executive committee of the Investment Bankers Association in California.

He is a member of the board of governors of the Los Angeles Stock Exchange and a director of the Seaboard Finance Company of Delaware and the Metropolitan Y. M. C. A. of Los Angeles. He is a member of the Stock Exchange Club, Delta Upsilon Fraternity and Alpha Kappa Psi Fraternity.

Materials which are based on a study of the abilities and characteristics responsible for success in investment banking work. Orders at \$5.00 each should be addressed to Investment Bankers Association of America, 33 South Clark St., Chicago 3, Illinois.

More Quotations

Committee reports Association now covering greater number of issues and newspapers than ever before

George Geyer, of Geyer & Co., Incorporated, New York, made a comprehensive report of the entire quotations problem which has confronted the Association and gave the results of a survey made to determine the extent of the accomplishment in the various districts.

"We are compiling and distributing quotations on a larger number of unlisted securities than at any time in the past," was the way he summed it up, adding that they are being published "in more newspapers, in more cities than at any time previously."

Mr. Geyer's report contained a broad discussion of the merits of and necessity for the method of arriving at quotations. In this connection Mr. Geyer, as chairman of the Quotations Committee, said: "Quotations as presently compiled and distributed by the Association are not entirely satisfactory, of course. There are and probably will continue to exist conflicting viewpoints as to the precise merit of various quotations on individual securities; many members feel that the 'spreads' between bid and asked prices are too narrow, and a lesser number of members feel that the 'spreads' are too wide."

The committee submitted the results of a recent survey indicating the cities in which papers carrying the prices of unlisted securities are published, the number of papers and where possible the number of securities quoted. Mr. Geyer emphasized that the data was by no means complete, but said that it was broad enough to indicate the extent to which published quotations are reaching investors. The results of the survey follow:

DISTRICT No. 1—Prices of 24 stocks are published in three Portland newspapers once a week.

DISTRICT No. 2—An extensive list of over-the-counter securities is published in the daily papers of San Francisco, Los Angeles and several other cities.

We understand that nearly 300 securities are quoted in approximately 12 newspapers throughout the District.

DISTRICT No. 3—Approximately 56 local stocks are quoted each after-

noon and on Sunday in the Denver Post, which also publishes prices of about 50 investment funds when space is available. Additional quotations are printed in newspapers of Salt Lake City and Phoenix.

DISTRICT No. 4—Relatively few unlisted securities are quoted on a daily basis, but 46 issues are quoted weekly in 4 Minneapolis papers and 1 in St. Paul.

DISTRICT No. 5—Prices are published on numerous securities in the Kansas City Star on Tuesday and Friday, and on Sunday a more extensive list of approximately 100 stocks are quoted; in Topeka the prices on 41 securities are published each Saturday and Sunday; in Wichita prices of 23 securities are published once a week in two daily papers.

DISTRICT No. 6—Two daily papers in Dallas carry a fairly extensive list of prices every Sunday, and many more unlisted securities are quoted in the Southwest edition of the Wall St. Journal daily.

DISTRICT No. 7—Securities quoted in the St. Louis newspapers are not compiled under the sponsorship of the NASD, but are furnished by two St. Louis dealers. Three of the four St. Louis dailies however publish prices of unlisted securities; one carries the prices on approximately 90 securities each day, in addition to the quotations on more than 100 investment funds, and two others carry daily prices on approximately 70 stocks, the fourth paper carries only "bid" prices of a few investment funds; one Little Rock paper publishes investment fund prices.

DISTRICT No. 8—In Chicago the Journal of Commerce carries daily quotations on 367 issues, plus 60 investment funds; The Chicago Tribune quotes 367 individual securities and 142 investment funds; The Chicago Sun Times quotes 206 issues daily and 367 on Sunday; The Chicago Daily News quotes 34 issues daily. Additionally quotations are published daily in 2 Des Moines papers, as well as in publications in Omaha and Indianapolis.

DISTRICT No. 9—19 issues are quoted daily in two Birmingham papers, and effort is being made to obtain publication of quotes in Montgomery papers as well as in Jacksonville, Tampa and Miami; 49 stocks are quoted daily in two Atlanta papers, and effort is being made to obtain the publication of quotations in newspapers of Augusta, Columbus,

Macon and Savannah; 29 stocks are quoted daily in each of two New Orleans papers; in South Carolina numerous stocks are quoted but not sponsored by the NASD. Similarly in Memphis, 22 issues which are quoted daily in two papers have the prices furnished by individual dealers, rather than by the NASD; in Nashville two papers publish prices on 33 issues daily.

DISTRICT No. 10—It appears that a total of nearly 200 securities are quoted regularly in ten daily newspapers of Cleveland, Cincinnati, Columbus and Toledo.

DISTRICT No. 11—In Baltimore quotations on 43 securities are published once a week in four different papers; an unspecified number of stocks are regularly quoted in Richmond and Norfolk papers, and effort is being made to obtain the publication of quotations in four other Virginia cities; report on securities quoted in District of Columbia newspapers has not been made available, but apparently two newspapers carry weekly quotations on 47 different stocks; in North Carolina certain unlisted securities are quoted at varying intervals in nine different papers published in as many different cities.

DISTRICT No. 12—Three Pittsburgh papers publish quotations daily on 55 unlisted securities. In Philadelphia 3 daily papers regularly publish quotations on approximately 90 securities.

DISTRICT No. 13—In New York City seven daily papers regularly publish prices on over-the-counter securities, ranging from 256 in the New York Times to 724 in the Wall Street Journal and Journal of Commerce. The average number of quotations published in each of these seven New York dailies is nearly 500. In Buffalo two papers publish prices daily on 56 securities each, and in Rochester two daily papers each publish prices on 38 unlisted securities. In New Jersey the quotations on unlisted securities are not provided under sponsorship of NASD; the same applies to Connecticut, and to the Albany and Syracuse areas. Additionally however, District No. 13 provides the United Press with quotations on 640 unlisted securities each day, quotes on 216 separate securities are furnished daily to the Associated Press, and five quotations are furnished each day to Reuters.

DISTRICT No. 14—Prices on a very extensive list of over-the-counter securities are furnished to the press by a committee of Boston dealers, not under sponsorship of NASD.

Uniform Practice

Patterson committee delivers report on problems of business requiring standard procedures or rulings

Following is the complete text of the National Uniform Practice Committee as submitted to the Board of Governors at Sea Island by Harold C. Patterson of Auchincloss, Parker & Redpath, Washington, as chairman:

"This report covers the activities of the Committee since September 15, 1948 and will also be a summary of its work for the entire year.

"The Committee now has before it three matters which were not on its agenda at the time of its last report. The first is a request to decide the status of certificates of Saudi Arabian Mining Syndicate which are transferable on the "Nassau" register as compared to those which are transferable on the "Vancouver" register. This represents a highly technical problem involving the delivery of foreign securities. It is believed that sufficient information on this subject is now at hand and the Committee will hand down its opinion very shortly.

"Another problem involves an amendment to the National Uniform Practice Code. Very recently the attention of the Committee was called to an attempt on the part of one of its members to settle a contract by the delivery of a certificate registered in the name of a joint tenancy with right of survivorship, one of the tenants of which was a married woman who was not the wife of the other joint tenant. Section 37 of the National Uniform Practice Code provides that a joint tenancy shall be a good delivery if signed by all co-tenants. Yet it appears that this certificate is also governed by Section 35A of the Code which provides that a certificate in the name of a married woman shall be a good delivery only if the transfer books are closed in which case certain legal requirements must be observed before transfer is possible. This not only involves the administration of two sections of the Code but also presents a legal problem which must be carefully scrutinized by the Committee before any recommendations can be made to the Board for amendments or interpretations to the Code covering this point.

"The third problem was presented to the Committee because of the length of time required in making transfers of Canadian, South American, European and Asiatic securities which are marketed in the United States but upon which no transfer office exists in this country. Much difficulty has been experienced by American dealers who attempt to transfer these foreign shares and find their transfers rejected because the requirements of foreign transfer agencies are different from those in this country. The difficulties arise because American Purchasers have no way of knowing that the certificate which they have accepted is deficient until they present it to the transfer office and find out several weeks later that their transfer has been rejected. In the meantime they have paid for the security and have no way of returning it under Section 54 of the code because under the terms of the Section reclamation for such an irregularity must be made within ten (10) days of the date of delivery.

"It appears to the Committee that this problem may be overcome by an amendment to Section 54 of the Code to provide that reclamation for an irregularity which affects the currency in the market of a security which has been issued in a jurisdiction other than that of the United States may be made within 120 days from the date of original delivery instead of the ten days provided for reclamation of domestic securities. The Committee is not prepared at this time to present an

OFFICERS

(Continued from page 2)

Haven and Connecticut Chamber of Commerce.

Wallace H. Fulton

Wallace H. Fulton, who has been re-elected executive director of the National Association of Securities Dealers, Inc., was born in Oakland, Cal., March 16, 1896.

Mr. Fulton became associated with Walker's Manual, Inc., San Francisco, in 1924, doing statistical work. He advanced by steps to the presidency of that organization in 1930 and held that position until 1934. He also was vice-president of the Financial Publications Holding Company, San Francisco, 1930-34. In 1933-34 he was secretary of the Securities Dealers Association, San Francisco, and in 1934 secretary of the Regional Code Committee, San Francisco. He served as director of compliance of the Investment Bankers Code Committee and secretary of the California Security Dealers Association in 1935. He went to Washington in 1936 as director of the Investment Bankers Conference, Inc.

In 1939, Mr. Fulton was elected executive director of the National Association of Securities Dealers. He has filled that office since.

amended draft of Section 54, but requests authority from the Board to devise one which will contain the provision suggested here, and which can be placed before the Board in the near future.

"The report of the Committee dated September 27, 1948 mentioned a law suit which had been instituted in the Supreme Court of New York State by a member of the public, who was an attorney at law, against two member firms of our Association. In this suit the plaintiff pleaded for an order of the Court which would require the defendant to deliver \$10,000 Chicago, Milwaukee, St. Paul and Pacific Railroad Co. 4½% bonds due 2019 in settlement of a when-issued contract calling for 10 bonds of the same company due 2014. On August 14, 1944 the National Uniform Practice Committee announced that certain when-issued contracts in securities of the reorganized Chicago, Milwaukee, St. Paul and Pacific Railroad Co. could not be completed. The plaintiff in this suit refused to recognize the ruling of the Association as binding upon him, and claimed that the bonds which were eventually issued in consummation of the reorganization were identical to those called for in the contract. On November 24, 1948 the Court (Justice Aaron Steuer) handed down a decision in which he stated that the member was not required to deliver the bonds which were demanded because they were not those mentioned in the contract. However, relying upon the fact that the confirmation sent to the customer by the broker merely stated that the transaction was subject to the rules and regulations of the market upon which the transaction was made, he commented that the customer had not been put on notice that the transaction was subject to the rules of the National Association of Securities

SEVEN NEW GOVERNORS

Seven new governors elected by their respective Districts, assumed office at the Sea Island meeting of the Board of Governors. They are:

Howard E. Buhse, Hornblower & Weeks, Chicago
Warren H. Crowell, Crowell, Weedon & Co., Los Angeles
James J. Lee, Lee Higginson Corp., New York
Frederick H. MacDonald, Burke & MacDonald, Kansas City
Charles H. Pinkerton, Baker, Watts & Co., Baltimore
Sampson Rogers, Jr., McMaster, Hutchinson & Co., Chicago
Jesse A. Sanders, Jr., Sanders & Newsom, Dallas

These seven will serve until the annual meeting in January, 1952.

Market Study

A special committee has been appointed to undertake a study of certain phases of the over-the-counter market. Upon motion of Philip L. Carret of Gammack & Co., New York the Board of Governors voted that a committee of five be appointed to undertake such a study and report back no later than the January, 1950 meeting.

Dealers and consequently could not be considered to be bound by them. The decision of the Court is significant because the Committee on several occasions has reminded members that failure to properly confirm transactions to their customers might subject them to serious business risks. It was for this reason that the Committee published and suggested the use of contract forms in which it was specifically stated that the transactions were subject to the rules of the Association. Furthermore, on several occasions the Committee published memoranda in which the attention of members was directed specifically to that point. The last of these memoranda was published at page F129 of the Manual on December 15, 1945.

"The Committee continues to explore the problems involved in the California Tax Deduction System. It also continues to look into the possibility of inducing transfer agents to accept guarantees of assignments made by members of the Association. Progress toward the solution of both these problems has been slow because of their intricacies.

"During the course of the year the Committee found it necessary to issue 15 announcements covering the following subjects:

Stock Distributions	4
Dividends and interest	7
Transfer Tax Waivers	1
When-issued contracts	2
Trading procedure	1
TOTAL	15

"In addition, many members have informally discussed their problems with members of the Committee which has attempted, wherever possible, to work out these problems with a minimum of formality and loss of time."

Unlisted Research

Project launched in 1942 by NASD comes to realization through Merrill Foundation gift to Wharton School

When the sum of \$100,000 was given by the Merrill Foundation for Advancement of Financial Knowledge, Inc., to finance a three-year study of the structure and operation of over-the-counter markets in the distribution of securities, it marked the culmination of a project launched in 1942 by the National Association of Securities Dealers, Inc.

During the entire elapsed time a special association committee under the chairmanship of W. Yost Fulton of Maynard H. Murch & Co., Cleveland, Ohio, has been working to obtain authoritative studies related to securities markets, distribution, the character and mechanism of certain operations and similar subjects. At one time the Association had appropriated \$50,000 to finance a joint study; several starts have been made in other directions, but the appropriation was not used and none of the hopes were realized prior to the Merrill Foundation grant to the University of Pennsylvania, Wharton School of Finance and Commerce to finance the nation-wide study.

The story of this long effort, and the need of such information, is related in a report made to the Board of Governors at Sea Island as the report of the Special Research Committee, headed by Mr. Fulton. Stating that the proposed advisory committee to the Wharton School, which includes five men from the securities field and five from academic ranks, will hold a meeting in January, at which the first information concerning the procedure will be available, Mr. Fulton adds:

"In a very real sense it will continue to be a NASD project, because the co-operation of the entire industry is essential if the results are to mean anything, and, of course, this organization is the one that goes down to the grass roots and can obtain the cooperation."

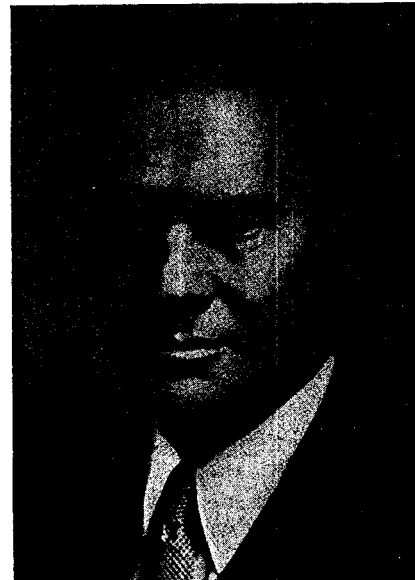
While admitting that it is possible that the research effort may not produce all the information desired, Mr. Fulton further says:

"So much study and careful attention has been given to the program by so many different people of real eminence in economic fields that it would seem we have a much better than good chance to really obtain valuable information through this survey. I do not believe its importance can be

TWO NEW GOVERNORS



CHARLES H. PINKERTON



SAMPSON ROGERS, JR.

over emphasized. The value to the industry should be three fold. First, in our own operating problems it would be helpful if we could have a basis of agreement on factual knowledge which all of us could agree to use as a starting point in our discussions. Many useless arguments would be avoided in this way. Second, from a public relations standpoint we will have authoritative unbiased information to use in our story and in our presentation and explanation of the industry's functioning to the public, a thing sorely needed for many years. Third, we will have some incontrovertible factual information to use as a basis of our presentation to legislative bodies, both offensively and defensively. Until we get a common ground of understanding of our industry, there is little chance that we can get agreement on the type of legislation we would want."

The study to be made by Wharton School as a result of the Merrill Foundation gift announced by Winthrop Smith, president of the board of trustees of the Foundation and managing partner of Merrill, Lynch, Pierce, Fenner & Beane, will cover not only the original underwriting of new issues of securities, but also the resale markets. It was announced that the study will also attempt to appraise the trends in security trading over the past 20 years, with particular reference to the major factors which have affected the security business and the present status of that business in our economic system.

Charles H. Pinkerton

Charles H. Pinkerton is a partner in Baker, Watts & Co., investment bankers in Baltimore, Md.

Mr. Pinkerton was born in that city, Jan. 5, 1901, and was educated in the Baltimore public schools, Pace Institute of Accounting and Johns Hopkins University Night School.

His entire investment career has been with Baker, Watts & Co., in Baltimore. He entered the employment of that firm in 1921 and became a partner, January 1, 1929. His election to membership on the New York Stock Exchange took place July 30, 1942.

He was a member of the executive committee, Southeastern Group, Investment Bankers Association, 1942-45; a member of the board of governors of the Baltimore Stock Exchange, 1944-45; president of the Bond Club of Baltimore, 1945; chairman of District Committee 11, NASD, 1946.

Sampson Rogers, Jr.

Sampson Rogers, Jr., is a partner in the investment firm of McMaster Hutchinson & Co., Chicago.

Mr. Rogers was born in Oak Park, Ill., November 25, 1897, and is a graduate of the University of Wisconsin, class of 1920. He became a member of the Chicago Stock Exchange in 1930 and served as a floor trader until 1935 when he joined McMaster Hutchinson & Co.

He was a member of the District No. 8 Committee of the NASD in 1944-46, serving as chairman in 1945-46.