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NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1955

*Report to
Members*

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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National Association of Securities Dealers, Inc.

OFFICE OF THE CHAIRMAN FIRST NATIONAL BANK BUILDING, ST. PAUL 1, MINNESOTA

TO MEMBERS:

This has been a good year, thanks to a strong Board of Governors, and an able and loyal staff. I commend the Executive Director's comprehensive report for your careful reading and study. The history it recites is informative and stimulating; its suggestions for the future provocative and creative. The accompanying statements and reports are also worthy of your attention. They reveal a year of growth, of increasing public recognition, of constructive and decisive action.

One has but to cite the By-Law amendment setting up admission standards; the control of financial advertising through the new Interpretation under our Rules of Fair Practice; or our strong stand on Variable Annuities. As Wallace Fulton says: We have acted "as an efficient instrument of self-regulation and as an aid to members."

We appeared at the Fulbright friendly hearings as the spokesman for the over-the-counter market. At Congressional hearings, we testified in opposition to the Fulbright Bill, and later, against the Bennett Bill.

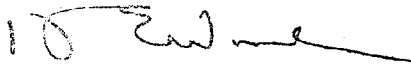
None of these things would have been possible without a Board of character and ability, and National Committees willing to work tirelessly and determined to come up with definite answers. But the significant thing is that ability at the national level reflects dedication at the local level of the District Committees. Each of us must see to it that, at both the national and district levels, the best qualified men in our business are elected to serve the public interest area which our Association occupies and which grows in importance year after year.

This is particularly important in a period of growth. The net increase in our membership from 3204 to 3481, of branch offices from 1579 to 1704, and of registered representatives from 38,012 to 44,488, in the calendar year 1955, reflects the current activity of our financial markets. That activity creates problems. This has meant an increased staff, and greater vigilance, particularly in areas of promotion.

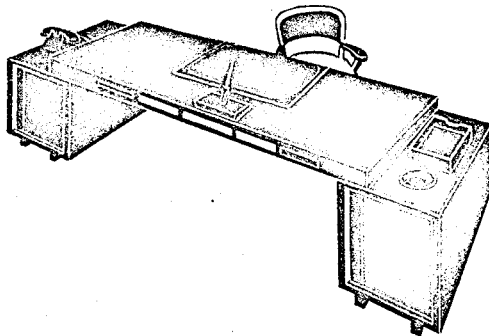
Wallace Fulton and I have sensed all this, as we have crossed and recrossed the continent. Thirty-eight member meetings have been held, from Boston and New York to Seattle and Los Angeles; from the Twin Cities and Milwaukee to Birmingham and San Antonio. At these general gatherings, and in many smaller ones, we have reported on our stewardship—to old-timers and to the wonderfully fine young army taking over. We have worked for understanding of our problems, and appreciation of the superb job of self-regulation done through the years. We have tried to make our membership knowledgeable, sympathetic, and eagerly cooperative.

With this communication, I close my year as Chairman. I lay down my pen with a deep sense of humility and gratitude for the year you have given me. It was exciting and rewarding. Each day brought new faces and new challenges, as well as opportunities to work with men long known and cherished. In the good old fashioned phrase—"God bless you all."

Sincerely,



HAROLD E. WOOD
Chairman of the Board of Governors



REPORT OF THE EXECUTIVE DIRECTOR . . .

To the meeting of the Board of Governors, Jan. 23-24, 1956

The year 1955 was one of growth and action for the Association.

Perhaps most important, because of its long-range implications, was the membership's adoption of definitive standards for qualification as registered representative, partner, or officer—in other words, the screening of personnel seeking to enter the securities business through membership in the Association. This carries with it the obligation to enforce the standards strictly, impartially, fairly, and without bias.

Beginning June 1st next, applicants for membership or individual registration who do not have at least one year's experience in the securities business will be required to pass an examination covering investment banking practice and the duties and obligations of a securities dealer or a registered representative.

Also important was the adoption by the Board of Governors of an interpretation specifically making advertising methods and practices of

members subject to the Rules of the Association. Now, District Business Conduct Committees can initiate action against members who employ advertising techniques that may mislead the public or otherwise violate the business practice standards of the Association.

Also noteworthy were opposition to the Fulbright Bill to broaden government controls over small business and the Bennett Bill to require small issues of securities to undergo full Federal registration, and adoption of a strong position against the sale of variable annuity contracts unless regulated in the public interest. On the latter, the Association's opposition rested on the solid basis that a "variable annuity" is in fact a type of security and, therefore, should be subject to the same measures for public protection that apply to all other kinds of securities—namely, Federal and state regulation in their underwriting and sale, with appropriate requirements covering the conduct of those who engage in the sale of such contracts.

Progress during 1955 adds further to the accomplishments which have led the Association to its present position of importance and high responsibility. Some of these past accomplishments include the following:

- ① The Board of Governors, early in Association history, created machinery for acquainting members with the meaning of the By-Laws and Rules of Fair Practice and provided adequate means for their enforcement by authorizing examination of members' books and records and by hiring trained personnel to do the job. Today, the Association has a highly-qualified staff of examiners and a sound system for enforcement.
- ② In 1941, the Uniform Practice Code was adopted, establishing orderly operating procedures for the securities business.
- ③ A system for compiling and distributing quotations was the next major move of the Association. It replaced the chaotic situation previously existing, and is constantly being reviewed, improved, and expanded.
- ④ In 1943, the Board attacked the problem of fair mark-ups in customer transactions with the adoption of the 5% Policy. This was a significant accomplishment.
- ⑤ In 1945, controls over salesmen and others contacting the public became effective in amendments to the By-Laws requiring registration of these individuals with the Association.
- ⑥ The members were afforded the opportunity to participate in a Group Life Insurance Plan in May, 1948; in August, 1952, a Group Hospital and Surgical Expense Plan was established.
- ⑦ In 1950, the Board adopted an interpretation of Section 1 of Article III of the Rules of Fair Practice in respect to "free riding". Here was another example of self-government in which the Association moved efficiently to correct a situation which otherwise would have brought on further Federal controls.
- ⑧ When practices of some dealers and underwriters threatened Government action in the investment company field, the Association, also

in 1950, worked with the Securities and Exchange Commission in creating standards for literature and advertising used in promoting the sale of shares of investment companies. The Association, in administering the SEC's Statement of Policy for its members, has also provided much assistance in the preparation of sales material.

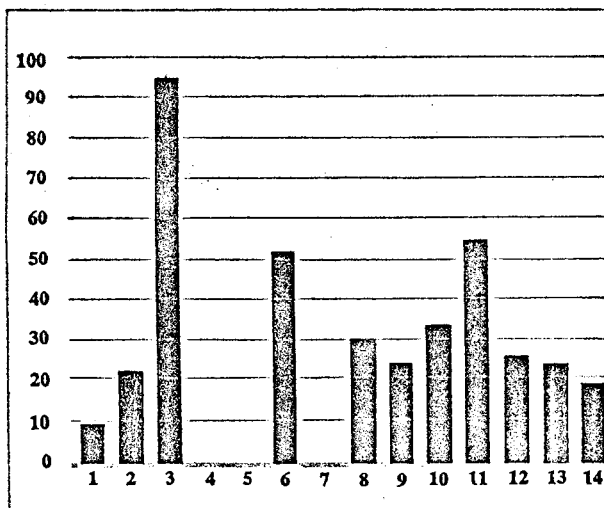
- ⑨ In 1953, the membership approved Section 28 of Article III of the Rules of Fair Practice to govern transactions between employees of members and firms other than their employers.
- ⑩ Continuing representations before public bodies and the Congress consistently have played an important part in obtaining a legislative and administrative atmosphere favorable to the conduct of the business. These representations were effective, for example, in connection with amendments to the Securities Acts, the SEC stabilization rules, and Regulation "A" amendments.
- ⑪ Completing the current record are the adoption in 1955 of the interpretation of Section 1 of Article III of the Rules of Fair Practice, providing a guide for members in the preparation and use of advertising material, and the amendments to the By-Laws and Rules of Fair Practice, establishing standards of qualification for admission to membership.

Most important of all, the District Committees and the Board of Governors during all these years have been active in fostering voluntary observance of high standards of commercial honor and just and equitable principles of trade by the growing membership in all areas.

Now, perhaps, the time is opportune to look to the future and plan further measures designed to be of service to the members. Specifically, I suggest consideration by the Board of the desirability of the Association publishing a periodical which would acquaint the public—and for that matter, the membership—with the importance of the over-the-counter market and the role of the Association in that market.

It is my view that the over-the-counter market, because of its size, the variety of its merchandise

EXAMINED DURING—*Nineteen fifty-five*



The chart above shows the percentage of members examined in each of the fourteen Districts in 1955. As a whole, 28.4% of the membership had been examined by the year-end.

and dealer activity, and the volume of its underwriting and daily trading, lends itself particularly well to authoritative articles written to instruct public investors about the market, its facilities, the investment potentials it affords, and the controls which are exercised in the market for the public interest.

I am satisfied that the project is feasible. The membership, I believe, would welcome and support it wholeheartedly, in view of the educational and promotional promise of such a periodical. The objective would not be solely to publicize the Association, but rather to cultivate an ever-widening area of knowledge of and interest in the over-the-counter market.

In line with this objective is a publication project on which we are already engaged, pursuant to authorization by the Board. That is the forthcoming publication of an "Over-the-Counter Handbook on Common Stocks." It is planned as an annual listing of the most actively traded common stocks in the over-the-counter market, together with the companies issuing the securities, what they manufacture or what other business they may be engaged in, their capitalization, recent dividend record, and bid prices for the last two year-ends and as of the most recent date prior to publication.

We have envisioned this handbook or stock guide as a service to our members that would supply them with a kind of show-case for the merchandise they have to offer their customers from the resources of this great market. We plan to provide each member of the Association with a copy without cost, and also will send complimentary copies to the companies whose securities are carried in the handbook. Arrangements have been made with the publishers to make available additional copies for members or issuers on a sliding scale of prices depending on size of the order. As a mailing piece or otherwise, this handbook should serve to create additional interest in the broad securities market serviced by NASD members.

Another project the Board may find it desirable to consider is a new look at our enforcement machinery, including examinations, complaints, hearings, and disciplinary decisions.

Right now, one District is struggling to process over 60 complaints, and the Association as a whole has 115 in various stages of progress. In part, this is the result of the examinations authorized by the Board of all members in District No. 3—an action stemming from the mushrooming growth of membership in that area and the volume of trading and underwriting in new uranium and other mining issues. This project further demonstrated the Association's determination to enforce its Rules.

The increase in enforcement activity is not, in my opinion, a temporary flurry. A growing number of complaints means that a large number of very busy men—on District Committees and on the Board—will be engaged for substantial periods in considering them. Such an increased burden on District Committees, the National Business Conduct Committee, and the Board might ultimately make it difficult to encourage top caliber men to serve on Association Committees.

It is for this and attendant reasons that I recommend a review of established procedures, looking toward lightening the work-load on the Committees and the Board without sacrificing the proper and thorough exercise of the Association's duty to enforce its Rules and By-Laws.

Such a critical re-examination of methods and procedures that have been authorized over the last 15 years perhaps should be the task of a special Committee of the Board.

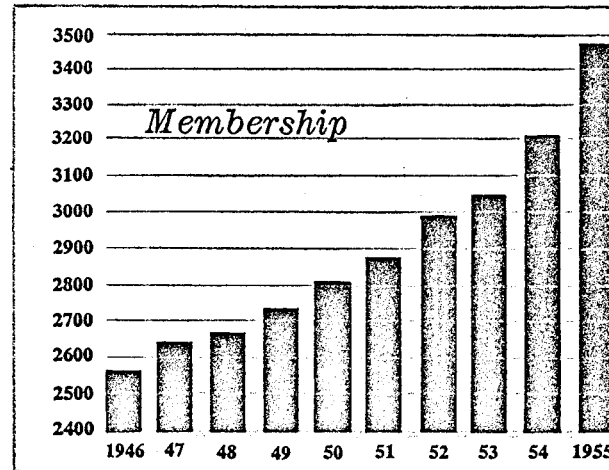
The Committee might explore the desirability of uniformity in disciplinary procedures; habits of District Committees in taking testimony; use of sub-committees for business conduct hearings; the kind of reports commonly used in the various Districts upon which District Committees rely—the whole routine of disciplinary action from the original examination to final Board action.

An objective study of this whole subject, undertaken with a fresh viewpoint and one not too sensitive about considering change, could produce recommendations that would improve the established order. There are some ideas I would like to place on the table for consideration in any such exploratory effort, and I am sure others have suggestions. My concern, and I am sure it is also the concern of the Board, is that the work of the District Committees not become such that men of the caliber desired for service on the Committees be discouraged from accepting such assignment due to excessive demands on their time.

As to more immediate tasks, I am glad to report substantial progress preparatory to inaugurating the new admission and qualification standards. This undertaking has required considerable research and experimentation, as well as professional counselling. The examinations to be given those seeking membership or registration as representatives must be meaningful, instructive, and useful. They must be given with minimum expense, but maximum effectiveness. The business and the Association should gain prestige from the examinations and from the way in which they are conducted.

This report has sought to place before the Board of Governors certain ideas which, if they can be transformed into practical activities, will strengthen the Association, both internally and externally, as an efficient instrument of self-regulation and as an aid to members.

In considering past efforts to improve the work and service of the Association, it is pertinent to recall that every challenge has been met with a vigorous resolve to do the correct thing and to



The chart above shows graphically the continuing steady increase in Association membership over the past ten years.

do it well. That is, I am sure, one reason why the SEC, since formation of the Association, has proposed few new regulatory measures for the over-the-counter market. On the contrary, the Commission has looked to the Association properly to employ its self-regulatory powers in the solution of problems that have arisen.

I would welcome encouragement from the Board to proceed with the projects taken up in this report, guided by the appropriate Committees selected by the Chairman.

Detailed financial statements will be found on Page 14. Revenue for the fiscal year ended September 30, 1955, amounted to \$749,106, as compared with \$792,533 for 1954. Revenue in 1955 includes \$123,230 from registered representatives' fees, up substantially from the \$89,600 received from this source in the previous year, and \$11,800 from admission fees, against \$8,900 in 1954. Total expenditures in the 1955 fiscal year amounted to \$710,604, against \$647,747 the year before.

Respectfully submitted,

Executive Director

Board of Governors

Frank H. Hunter
Chairman

H. Warren Wilson
Vice-Chairman

George A. Newton
Vice-Chairman

G. Price Crane
Treasurer

Wallace H. Fulton
Executive Director

To serve until January, 1957

| | | |
|----------------------|------------------------------|---------------|
| G. Price Crane | Arnold & Crane | New Orleans |
| Frank H. Hunter | McKelvy & Company | Pittsburgh |
| George A. Newton | G. H. Walker & Co. | St. Louis |
| Earl M. Scanlan | Earl M. Scanlan and Co. | Denver |
| *Harold P. Schlemmer | Schwabacher & Co. | San Francisco |
| Oliver J. Troster | Troster, Singer & Co. | New York |
| H. Warren Wilson | Union Securities Corporation | New York |

To serve until January, 1958

| | | |
|--------------------|--|--------------|
| Edward H. Austin | Austin, Hart & Parvin | San Antonio |
| Earl K. Bassett | W. E. Hutton & Co. | New York |
| Howard H. Fitch | Barret, Fitch, North & Co. | Kansas City |
| Jo M. French | Blyth & Co., Inc. | Los Angeles |
| Beverly B. Munford | Davenport & Co. | Richmond |
| Lee H. Ostrander | William Blair & Company | Chicago |
| Frank L. Reissner | Indianapolis Bond and Share Corporation | Indianapolis |

To serve until January, 1959

| | | |
|----------------------|------------------------------------|-------------|
| Charles L. Bergmann | R. W. Pressprich & Co. | New York |
| Harold H. Cook | Spencer Trask & Co. | New York |
| Newton P. Frye | Central Republic Company | Chicago |
| Edmond E. Hammond | Paine, Webber, Jackson & Curtis | Boston |
| Dale F. Linch | Berwyn T. Moore & Company, Inc. | Louisville |
| Edward J. McKendrick | Johnson-McKendrick Co., Inc. | Minneapolis |
| Earl F. Waterman | Earl F. Waterman & Co. | Seattle |

*Serving unexpired term of Arnold Grunigen, Jr., deceased, January, 1956

COMMITTEES OF THE BOARD

Executive Committee

Frank H. Hunter
Chairman
Edward H. Austin
Earl K. Bassett
G. Price Crane
George A. Newton
Lee H. Ostrander
Oliver J. Troster
H. Warren Wilson
Wallace H. Fulton

Finance Committee

Earl K. Bassett
Chairman
G. Price Crane
Jo M. French
Frank H. Hunter
Frank L. Reissner
Harold P. Schlemmer
Wallace H. Fulton

National Business Conduct Committee

Edward H. Austin
Chairman
Charles L. Bergmann
Harold H. Cook
Howard H. Fitch
Jo M. French
Newton P. Frye
Edmond E. Hammond
Dale F. Linch
Edward J. McKendrick

National Uniform Practice Committee

Oliver J. Troster
Chairman
Thomas B. MacDonald
Vice-Chairman
Edward J. Armstrong
Henry H. Badenberger
B. S. Kampert
George F. King
Guenther M. Philipp
Ralph W. Welsh

National Quotations Committee

Frank L. Reissner
Chairman
William A. Fuller
Vice-Chairman
Albert C. Purkiss
Edgar B. Rouse
Justin J. Stevenson, Jr.
Oliver J. Troster
John W. Turner
Emmet K. Whitaker

Investment Companies Committee

William F. Shelley
Chairman
George D. Aldrich
Robert E. Clark
Robert L. Cody
Hugh W. Long
Joseph E. Welch

Legislation Committee

George A. Newton
Chairman
Charles L. Bergmann
Ewing T. Boles
Harold H. Cook
Howard H. Fitch
Newton P. Frye
Earl M. Scanlan

Information Committee

Jo M. French
Chairman
James P. Nolan
Frank L. Reissner
Sampson Rogers, Jr.
Carl Stolle
Oliver J. Troster
Earl F. Waterman
Wallace H. Fulton

Variable Annuities Committee

Lee H. Ostrander
Chairman
Edward S. Amazeen
W. Bruce McConnel, Jr.
John D. McCutcheon
Erwin A. Stuebner
Wilber W. Wittenberg
Alexander Yearley, IV

Foreign Securities Committee

Carl Marks
Chairman
John Fountain
Stephen M. Kellen
Henry Stravitz

Railroad Advisory Committee

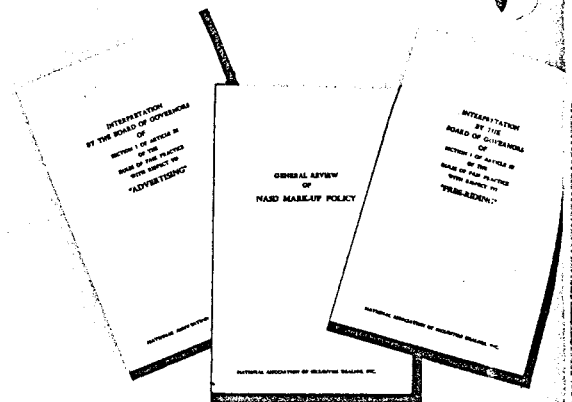
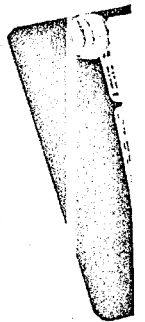
Pierpont V. Davis
Chairman
Charles L. Bergmann
George W. Bovenizer
Rowland H. George
Orrin G. Wood

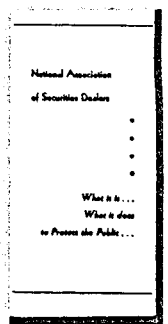
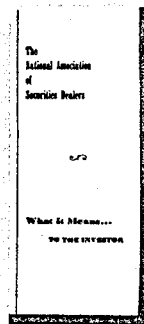
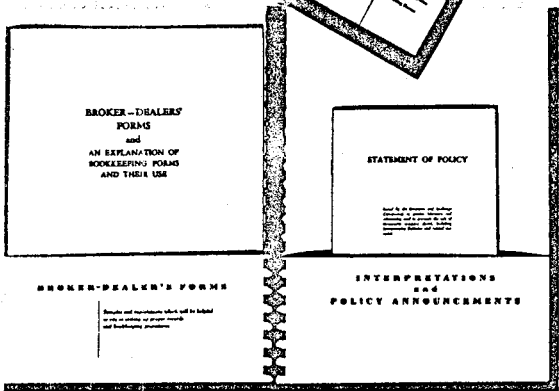
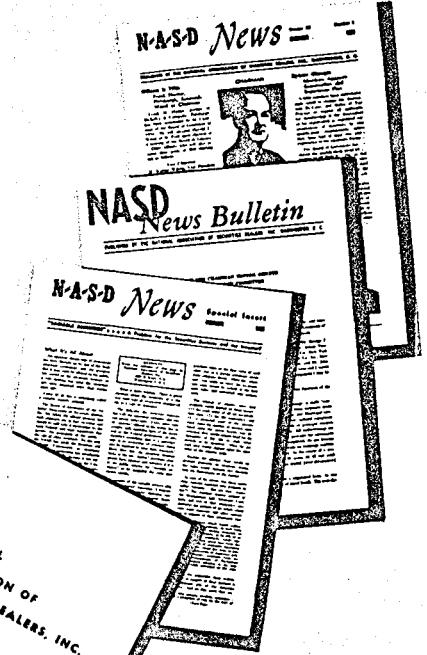
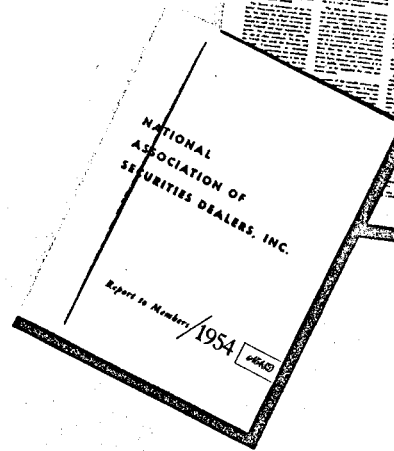
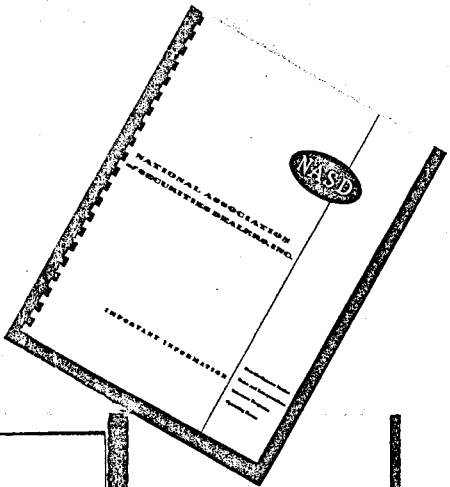
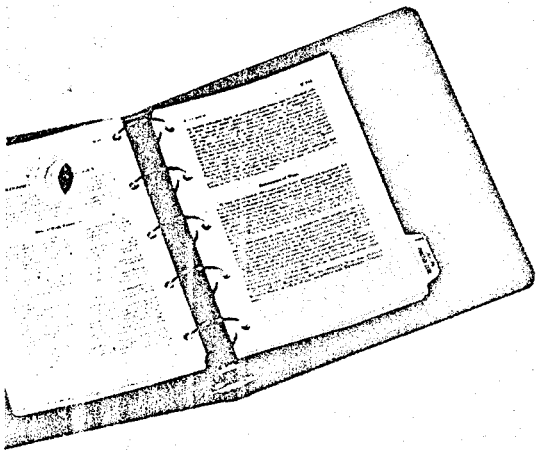
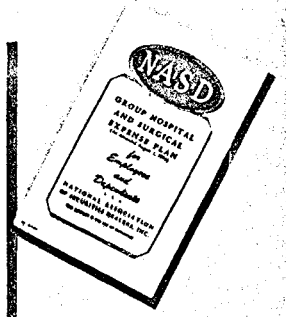
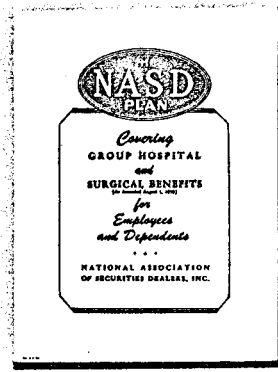
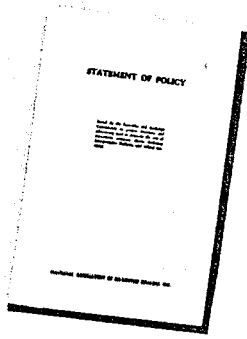
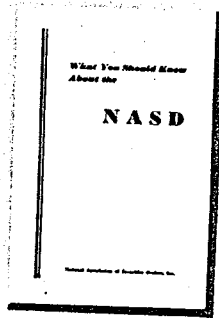
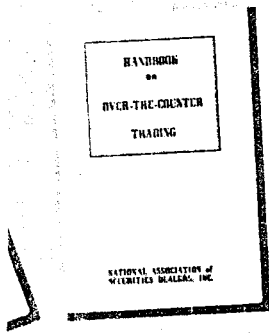
Publications . . .

To assist in carrying out its purposes, the Association has undertaken a substantial publications program. Many of the varied items of this program are shown on this page. The listing is not complete, but it does indicate the variety of informative material which is made available to members.

At the center of the display is the Association Manual, containing the Certificate of Incorporation of the Association, its By-Laws and Rules of Fair Practice, the Uniform Practice Code, the Code of Procedure for Handling Trade Practice Complaints, interpretations of the Rules and examples of their application, and exceptions, amendments and other pertinent data, including the list of Association members.

Other items shown include two basic manuals on the Association's group insurance program; one of the series of NASD News Bulletins; the NASD News, published approximately three times annually; the kit for new members, containing much of the material shown separately here; reprints of Association interpretations; a booklet for investors on the over-the-counter market; an explanatory item on the NASD designed for salesmen; and the Statement of Policy on investment company sales literature.

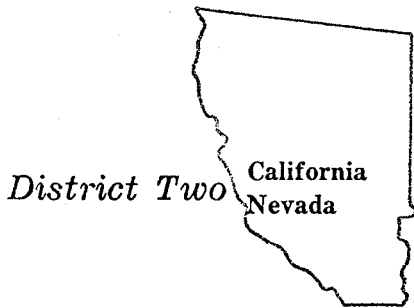




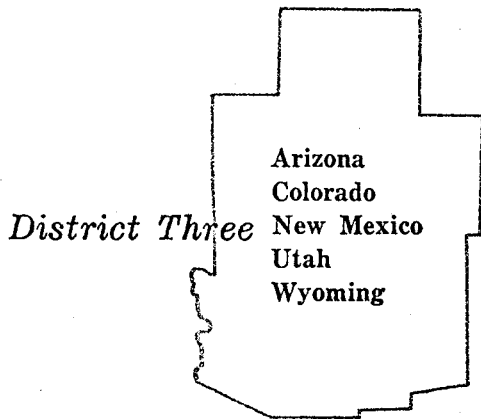
District Committees



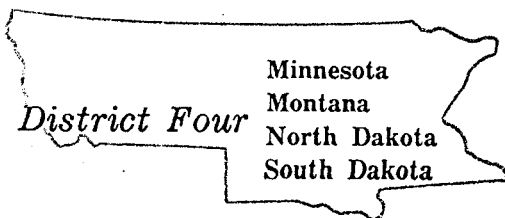
Al Hughbanks, *Chairman* Hughbanks Incorporated, Seattle
 James F. Miller, *Vice-Chairman* Blyth & Co., Inc., Portland
 Elbert H. Greene Zilka, Smither & Company, Inc., Portland
 William A. Nielsen Merrill Lynch, Pierce, Fenner & Beane, Spokane
 Hugh R. Schlichting Wm. P. Harper & Son & Company, Seattle
 Samuel S. Whittemore Pacific Northwest Company, Spokane
 D. J. Conway, *Secretary* 425 Bush Street, San Francisco 8



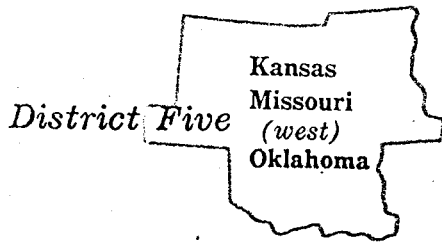
Frank Dyer, Jr., *Chairman* Wagenseller & Durst, Inc., Los Angeles
 Albert E. Schwabacher, Jr., *Co-Chairman* Schwabacher & Co., San Francisco
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 Thomas G. Foster Merrill Lynch, Pierce, Fenner & Beane, San Francisco
 Chester M. Glass, Jr. William R. Staats & Co., Los Angeles
 Richard Lawson Lawson, Levy & Williams, San Francisco
 Robert Revel Miller Revel Miller & Co., Los Angeles
 N. Connor Templeton Mitchum, Jones & Templeton, Sacramento
 Lewis J. Whitney, Jr. Dempsey-Tegeler & Company, Los Angeles
 D. J. Conway, *Secretary* 425 Bush Street, San Francisco 8



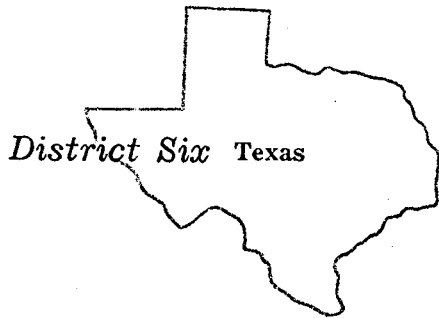
Donald L. Patterson, *Chairman* Boettcher and Company, Denver
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 Robert M. Kirchner, *Vice-Chairman* Kirchner, Ormsbee & Wiesner, Inc., Denver
 Benton M. Lee, *Vice-Chairman* Dean Witter & Co., Phoenix
 Byrd P. Crist The J. K. Mullen Investment Company, Denver
 Bernard F. Kennedy, Bosworth, Sullivan & Company, Incorporated, Denver
 Leon Macart Macart, Jones & Company, Pueblo
 William E. Sweet, Jr. Peters, Writer & Christensen, Inc., Denver
 Frederick D. Walter Walter & Company, Denver
 Kenneth W. Cole, *Secretary* 212 Boston Building, Denver 2



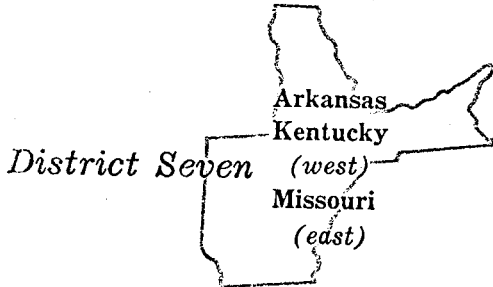
Morlan H. Bishop, *Chairman* M. H. Bishop & Co., Minneapolis
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 James S. Graham Allison-Williams Company, St. Paul
 B. Burnham Harris Harold E. Wood & Company, St. Paul
 Joseph L. Seybold Kalman & Company, Inc., Minneapolis
 Arthur C. Tarras A. C. Tarras and Company, Winona
 Ray Weidenborner Henderson-Weidenborner Co., St. Paul
 Clinton C. White Piper, Jaffray & Hopwood, Minneapolis



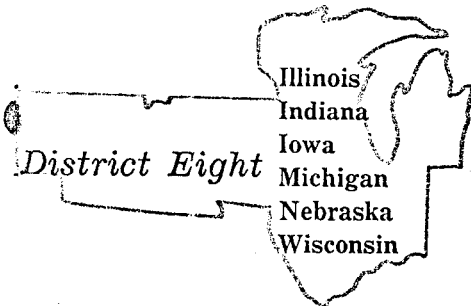
Arthur R. Hanni, *Chairman* Seltsam, Hanni & Company, Inc., Topeka
 Donald K. Clinger, *Vice-Chairman* Lathrop, Herrick & Clinger, Inc., Wichita
 Julian L. Gumbiner Stern Brothers & Co., Kansas City
 Hayward H. Hunter George K. Baum & Company, Kansas City
 H. I. Josey H. I. Josey and Company, Oklahoma City
 John Latshaw E. F. Hutton & Company, Kansas City
 Robert B. Fizzell, Jr., *Secretary* 9 West 10th Street, Kansas City 5



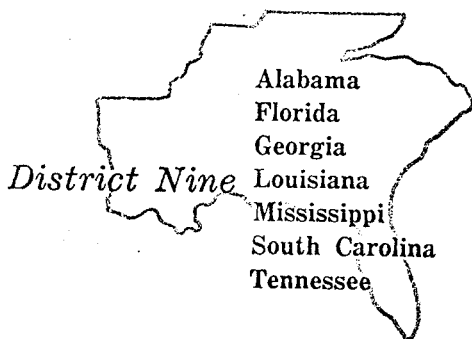
Barron McCulloch, *Chairman* Barron McCulloch & Company, Fort Worth
 Charles J. Eubank Chas. J. Eubank Company, Waco
 William G. Hobbs, Jr. Russ & Company, San Antonio
 Louis J. Kocurek Rauscher, Pierce & Co., Inc., San Antonio
 Neill T. Masterson, Jr. Chas. B. White & Co., Houston
 Walter M. Sorensen Rotan, Mosle & Co., Houston
 Nelson Waggener Walker, Austin & Waggener, Dallas
 Paul J. Fagan, *Secretary* 720 Insuromedic Life Building, Dallas 1



Albert E. Gummersbach, *Chairman* Dempsey-Tegeler & Company, St. Louis
 Haworth F. Hoch, *Vice-Chairman* McCourtney-Breckenridge & Company, St. Louis
 Edward J. Costigan, Jr. Edward D. Jones & Co., St. Louis
 Edwin H. Morfeld Morfeld, Moss & Hartnett, St. Louis
 Spencer H. Robinson Hill Brothers, St. Louis
 Edwin C. Sanders Edwin C. Sanders & Company, St. Louis
 Eugene L. Villareal E. L. Villareal & Company, Little Rock
 Charles S. Glazer, *Secretary* 408 Olive Street, St. Louis 2



Andrew M. Baird, *Chairman* A. G. Becker & Co., Incorporated, Chicago
 Carl A. Falk, *Vice-Chairman* Buffett-Falk & Company, Omaha
 Ekdal J. Buys Buys, MacGregor and Company, Grand Rapids
 James G. Dern Smith, Barney & Co., Chicago
 Theodore C. Henderson T. C. Henderson & Co., Inc., Des Moines
 Robert J. Hovorka The First Boston Corporation, Chicago
 Joseph T. Johnson The Milwaukee Company, Milwaukee
 T. Gordon Kelly Collett & Company, Inc., Indianapolis
 Howard C. Morton McMaster Hutchinson & Co., Chicago
 Robert H. O'Keef The Marshall Co., Milwaukee
 Charles A. Parcells, Jr. Charles A. Parcells & Co., Detroit
 Richard W. Simmons Blunt Ellis & Simmons, Chicago
 John F. Brady, *Secretary* 10 South LaSalle Street, Chicago 3



Einer Nielsen, *Chairman* J. C. Bradford & Co., Nashville
 James T. Beeson, *Vice-Chairman* Clement A. Evans & Company, Inc., Augusta
 Hugh D. Carter, Jr. Courts & Co., Atlanta
 T. J. Feibleman T. J. Feibleman & Company, New Orleans
 James S. Millard Millard and Company, Chattanooga
 Edgar M. Norris Greenville
 T. Nelson O'Rourke T. Nelson O'Rourke, Inc., Daytona Beach
 Erwin R. Schweickhardt Schweickhardt & Co., New Orleans
 Ogdan Shropshire Shropshire & Company, Mobile
 George J. Bergen, *Secretary* First National Bank Building, Atlanta 3
 Bennett Whipple, *Assistant Secretary* National Bank and Commerce Building, New Orleans 12

District Ten

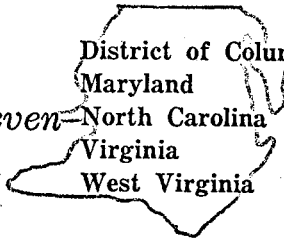
Kentucky
(east)
Ohio



John B. Joyce, *Chairman*..... John B. Joyce & Company, Columbus
Walter J. Carey..... Cunningham, Gunn & Carey, Inc., Cleveland
Fred W. Hudson..... Ball, Burge & Kraus, Cleveland
W. R. Hunter..... Hunter, Prugh, Ball & Davidson, Inc., Dayton
Joseph B. Reynolds..... Benj. D. Bartlett & Company, Cincinnati
Charles A. Richards..... Field, Richards & Co., Cincinnati
Walter Trinkle..... The Kentucky Company, Louisville
Elbridge S. Warner..... Hayden, Miller & Co., Cleveland
H. Allan Watts..... W. L. Lyons & Co., Louisville
Joseph J. Van Heyde, Secretary..... 16 East Broad Street, Columbus 15

District Eleven

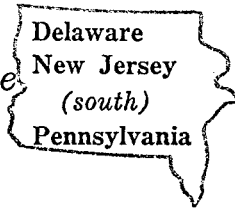
District of Columbia
Maryland
North Carolina
Virginia
West Virginia



Joseph J. Muldowney, *Chairman*..... Scott & Stringfellow, Richmond
Joseph P. Kreeger, *Vice-Chairman*.. Jones, Kreeger & Hewitt, Washington
Arthur L. Baney..... E. R. Jones & Company, Baltimore
J. Wilmer Butler..... Baker, Watts & Co., Baltimore
Robert B. Dixon..... McDaniel Lewis & Co., Greensboro
William W. Mackall..... Mackall & Coe, Washington
J. Nathan McCarley, Jr..... McCarley & Company, Inc., Asheville
Ludwell A. Strader.. Strader, Taylor & Company, Incorporated, Lynchburg
L. Victor Seested, Secretary..... 1511 K Street, N. W., Washington 5

District Twelve

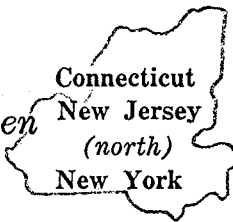
Delaware
New Jersey
(south)
Pennsylvania



Francis M. Brooke, Jr., *Co-Chairman*..... Brooke & Co., Philadelphia
James E. Crehan, *Co-Chairman*..... Moore, Leonard & Lynch, Pittsburgh
Raymond A. Cox..... Itterly-Walter, Inc., Harrisburg
Gordon Crouter.. DeHaven & Townsend, Crouter & Bodine, Philadelphia
Kirkwood B. Cunningham.. Cunningham, Schmertz & Co., Inc., Pittsburgh
John L. Emery..... Simpson, Emery & Company, Inc., Pittsburgh
Milton G. Hulme..... Hulme, Applegate & Humphrey, Inc., Pittsburgh
Eugene H. Lear..... Reed, Lear and Company, Pittsburgh
Norbert W. Markus..... Smith, Barney & Co., Philadelphia
Richard L. Newburger..... Newburger & Co., Philadelphia
Frederick T. Seving..... Butcher & Sherrerd, Philadelphia
William H. P. Townsend..... E. W. Clark & Co., Philadelphia
Edward R. Gilleran, Secretary
Fidelity-Philadelphia Trust Building, Philadelphia 9

District Thirteen

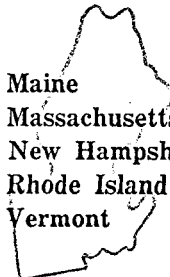
Connecticut
New Jersey
(north)
New York



Allen J. Nix, *Chairman*..... Riter & Co., New York
Ralph C. Sheets, *Vice-Chairman*..... Blyth & Co., Inc., New York
Ernest W. Borkland, Jr..... Tucker, Anthony & Co., New York
W. Scott Cluett..... Harriman Ripley & Co., Incorporated, New York
John S. French..... A. C. Allyn and Company, Incorporated, New York
Philip H. Gerner..... George D. B. Bonbright & Co., Rochester
Robert C. Johnson..... Kidder, Peabody & Co., New York
Graham Jones..... Cooley & Company, Hartford
Edgar J. Loftus..... W. C. Langley & Co., New York
Joseph Ludin..... Dillon, Read & Co., Inc., New York
Eugene G. Statter..... Hoyt, Rose & Company, New York
W. Enos Wetzel..... W. E. Wetzel & Company, Trenton
George E. Rieber, Secretary..... 25 Broad Street, New York 4

District Fourteen

Maine
Massachusetts
New Hampshire
Rhode Island
Vermont



Edward S. Amazeen, *Chairman*..... Coffin & Burr, Incorporated, Boston
Warren D. Arnold..... F. S. Moseley & Co., Boston
William H. Claflin, 3rd..... Tucker, Anthony & Co., Boston
E. Merrill Darling..... Kidder, Peabody & Co., Boston
Joseph D. Gay..... Maine Securities Company, Portland
Royal W. Leith..... Burgess & Leith, Boston
Gilbert M. Mears..... G. H. Walker & Co., Providence
Francis C. Doyle, Secretary..... 80 Federal Street, Boston 10

ARTICLE III
 Rules of Fair Practice
 The conduct of his business shall observe the
 moral honor and equitable principle

REPORT ON Business Conduct

On January 1, 1955, there were 27 complaints pending. During the year, 125 additional were filed and 37 disposed of, leaving 115 pending at the end of the year.

Fines were assessed against seven firms; five firms were expelled and one was suspended. Nine members and one registered representative were censured.

The registrations of ten employees of members were revoked and one employee had his registration suspended. Nine proceedings were pending review by the Board of Governors at the year's end.

The tabulation below sets forth the record of proceedings handled in 1955.

Complaints

Discussions

| Distr. No. | Complaints pending January 1, 1955 | Complaints filed since Jan. 1, 1955 | Complaints closed since Jan. 1, 1955 | Dis-missed | | Expul-sions | | Suspen-sions | | Cen-sured | | Fines | |
|--------------|------------------------------------|-------------------------------------|--------------------------------------|------------|----------|-------------|-----------|--------------|----------|-----------|----------|----------|----------|
| | | | | M | R | M | R | M | R | M | R | M | R |
| 1 | 0 | 2 | 1 | | | | | 1 | | | | 1 | |
| 2 | 1 | 8 | 2 | 2 | | 1 | | | | | | | |
| 3 | 0 | 65 | 0 | | | | | | | | | | |
| 4 | 0 | 1 | 1 | 1 | | 1 | | | | | | | |
| 5 | 1 | 0 | 0 | | | | | | | | | | |
| 6 | 1 | 4 | 3 | | | 1 | | | | 1 | | 1 | |
| 7 | 0 | 2 | 1 | | | | | | | 1 | | | |
| 8 | 4 | 8 | 7 | 4 | | 3 | | 1 | 2 | | | 1 | |
| 9 | 0 | 4 | 3 | 1 | | 2 | 1 | | | | | | |
| 10 | 0 | 3 | 0 | | | | | | | | | | |
| 11 | 4 | 3 | 1 | 1 | | 1 | | | | | | | |
| 12 | 1 | 5 | 3 | | 1 | | | | | 2 | | 2 | 1 |
| 13 | 13 | 18 | 14 | 6 | 1 | 2 | 3 | | | 3 | 1 | 2 | |
| 14 | 2 | 2 | 1 | 1 | 1 | | | | | | | | |
| Total | 27 | 125 | 37 | 16 | 3 | 5 | 10 | 1 | 1 | 9 | 1 | 7 | 1 |

M = Member.
 R = Registered Representative.

Rules of Fair Practice
 NASD Manual
 pages C-7 • C-19

Statement of Revenue, Expenditures, and Composition of Accumulated Balance

| | <i>Year ended September 30,</i> | |
|--|---------------------------------|---------------------|
| | <i>1955</i> | <i>1954</i> |
| Accumulated balance—beginning of year..... | \$459,027.91 | \$574,325.02 |
| Contribution to Retirement Trust Fund for past service benefits..... | | 20,906.00 |
| | <u>\$459,027.91</u> | <u>\$553,419.02</u> |
| Revenue: | | |
| Assessments..... | \$584,616.40 | \$602,980.16 |
| Registered representatives' fees..... | 123,230.00 | 89,600.00 |
| Fees from branch office registrations..... | 16,770.00 | 16,510.00 |
| Admission fees, etc..... | 11,839.50 | 8,905.09 |
| Fines and costs..... | 6,647.97 | 67,319.92 |
| Interest..... | 6,002.73 | 7,218.52 |
| | <u>\$749,106.60</u> | <u>\$792,533.69</u> |
| Expenditures: | | |
| Salaries: | | |
| National Office and Committees..... | \$137,942.23 | \$140,575.23 |
| District Offices..... | 190,846.89 | 185,762.18 |
| Travel and meetings..... | 82,297.00 | 86,958.48 |
| Publications, printing, stationery, etc..... | 63,016.02 | 44,559.83 |
| Complaints and investigations—travel, transcripts, etc..... | 26,601.97 | 22,832.86 |
| Fees—legal, actuarial, information and quotations..... | 83,845.91 | 63,633.84 |
| Rent..... | 37,637.55 | 35,821.75 |
| Office and miscellaneous..... | 51,976.05 | 31,985.76 |
| Insurance and taxes..... | 16,176.00 | 13,628.87 |
| Retirement..... | 20,264.00 | 21,989.00 |
| | <u>\$710,604.24</u> | <u>\$647,747.80</u> |
| Accumulated balance—end of year..... | 497,530.17 | 698,204.91 |
| Reserve for Retirement Trust Fund Contribution for past service benefits..... | | 239,177.00 |
| Remainder (Note)..... | <u>\$497,530.17</u> | <u>\$459,027.91</u> |
| Composition of Accumulated Balance | | |
| | <i>September 30,</i> | |
| | <i>1955</i> | <i>1954</i> |
| Cash..... | \$177,281.93 | \$210,933.55 |
| U. S. Treasury securities, at cost..... | 347,592.11 | 498,995.00 |
| Advance to U. S. Committee for German Corporate Dollar Bonds..... | | 5,000.00 |
| Other advances, deposits and accrued interest..... | 6,527.35 | 4,943.08 |
| Accounts payable..... | (26,134.08) | (15,517.69) |
| Accrued and withheld payroll taxes..... | (5,443.95) | (5,076.09) |
| Assessments collected in advance..... | (2,293.22) | (1,072.94) |
| | <u>\$497,530.17</u> | <u>\$698,204.91</u> |
| Reserve for Retirement Trust Fund Contribution..... | | 239,177.00 |
| As above (Note)..... | <u>\$497,530.17</u> | <u>\$459,027.91</u> |

Note

The Board of Governors on October 3, 1955, approved an amendment to the Employee Retirement Plan which provides for retirement at age 65, instead of retirement after ten years service, for those participants who were over age 55 at the effective date of the Plan. The resolution provided that the change will not be effective until receipt of a ruling from the Internal Revenue Service that the amendment meets the requirements of Section 401(a) of the Internal Revenue Code. A single contribution of about \$45,000 will be required to fund this change in the terms of the Plan.

PRICE WATERHOUSE & CO.

1000 VERMONT AVENUE, N.W.
WASHINGTON 5, D.C.

January 15, 1956.

National Association of Securities Dealers, Inc.
1625 K Street, N. W.
Washington 6, D. C.

In our opinion, the accompanying financial statement presents fairly the recorded revenue and expenditures of the National Association of Securities Dealers, Inc., for the year ended September 30, 1955, and the composition of the accumulated balance at that date. Our examination of the financial statement was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

Group Life Insurance

ONCE again the Trustees can report a year of continued expansion in the NASD Group Life Insurance Program. The following table illustrates growth of the plan:

| | 1/1/1950 | 1/1/1952 | 1/1/1954 | 1/1/1956 |
|-------------------------------|--------------|--------------|--------------|--------------|
| Number of Firms Participating | 610 | 691 | 775 | 851 |
| Number of Individuals Covered | 3,769 | 4,787 | 5,656 | 7,195 |
| Amount of Insurance in Force | \$20,956,700 | \$24,711,200 | \$29,805,800 | \$61,593,850 |

Although the number of participating firms has not increased greatly in the last few months, there has been a steady climb in the number of persons insured per firm. Such an increase tends to broaden the risk base in the entire plan. As this number increases, the average amount of insurance per person tends to decrease, and the plan is therefore less subject to wide fluctuation in claim ratios.

From the standpoint of death claims, the Group Life Insurance Plan appears to be emerging from a period of unfavorable experience. During the

months of June, 1955, through October, 1955, death claims exceeded premiums paid by substantial margins. In the month of June alone, the ratio of claims paid to premiums received was over

| | 1/1/1950 | 1/1/1952 | 1/1/1954 | 1/1/1956 |
|-------------------------------|--------------|--------------|--------------|--------------|
| Number of Firms Participating | 610 | 691 | 775 | 851 |
| Number of Individuals Covered | 3,769 | 4,787 | 5,656 | 7,195 |
| Amount of Insurance in Force | \$20,956,700 | \$24,711,200 | \$29,805,800 | \$61,593,850 |

145%. However, it was logical to expect a reaction from the unusually favorable experience of the fiscal year ended April 30, 1955. Also as anticipated, the number and volume of claims now appear to have declined. In November and December, the claim ratio had returned to a low figure, and at the end of December the ratio of death claims paid to premiums received for the first eight months of the policy year was 82%. While this ratio is still not favorable, it is hoped that subsequent months will produce continued improvement.

Hospital and Surgical Insurance

During the year 1955, the NASD Group Hospital and Surgical Expense Plan continued its steady growth as indicated below:

| | 1/1/1953 | 1/1/1954 | 1/1/1955 | 1/1/1956 |
|-------------------------------|----------|----------|----------|----------|
| Number of Firms Participating | 362 | 354 | 486 | 398 |
| Number of Employees Covered | 1,818 | 2,019 | 2,212 | 2,495 |
| Number of Dependents Covered | 897 | 932 | 1,033 | 1,126 |

The hospitalization plan has not been reopened on a non-medical basis for participating firms since October 1, 1954, and it is encouraging to note that a number of firms have elected to submit evidence of insurability for employees and dependents in order to obtain this coverage. The Trustees believe it may be possible to broaden the plan somewhat as to coverage. The insurance company is now studying this possibility, and in the event the plan is modified, it may again be made available to non-participating firms without evidence of insurability.

The ratio of hospital and surgical claims to premiums received for the policy year ending July 31, 1955, was 70%; an excellent result for this type of plan. This year, however, during the month of December an unprecedented number and volume of hospital claims have been received

and paid. Favorable experience during the first four months of the current policy year has therefore been somewhat offset as we approach a sea-

| | 1/1/1953 | 1/1/1954 | 1/1/1955 | 1/1/1956 |
|-------------------------------|----------|----------|----------|----------|
| Number of Firms Participating | 362 | 354 | 486 | 398 |
| Number of Employees Covered | 1,818 | 2,019 | 2,212 | 2,495 |
| Number of Dependents Covered | 897 | 932 | 1,033 | 1,126 |

son which, in the past, has always shown a high level of accident and sickness claims.

The insurance company and the Trustees are also studying the possibility of establishing a group major medical program that would provide substantial benefits in the event of serious accident or prolonged illness. Benefits would be on a co-insurance basis, under which the covered individual would pay a portion of his medical bills up to a specified amount and the insurance company would pay the remainder. Such a plan would be designed to supplement our existing basic hospitalization plan.

Trustees:

L. Raymond Billett
Clement A. Evans
Wallace H. Fulton

Purposes

OF THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

(1) To promote through cooperative effort the investment banking and securities business, to standardize its principles and practices, to promote therein high standards of commercial honor, and to encourage and promote among members observance of Federal and State securities laws;

(2) To provide a medium through which its membership may be enabled to confer, consult, and cooperate with governmental and other agencies in the solution of problems affecting investors, the public, and the investment banking and securities business;

(3) To adopt, administer and enforce rules of fair practice and rules to prevent fraudulent and manipulative acts and practices, and in general to promote just and equitable principles of trade for the protection of investors;

(4) To promote self-discipline among members, and to investigate and adjust grievances between the public and members and between members.

