

*The
Annual Report
to
Members
1957*

National Association of Securities Dealers, Inc.

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TO MEMBERS OF THE NATIONAL



A MESSAGE

ASSOCIATION OF SECURITIES DEALERS, INC.

The final duty of a retiring Chairman of the Board of Governors of our Association is to submit to the membership the Annual Report for the year he has served in that office. This I do with the satisfaction of knowing that this report contains a wealth of information about the Association's activities in the year 1957. The whole membership should find it profitable to be familiar with this information.

The experience of serving on the Board of this Association is one that is certain to leave a lasting impression on a person. Certainly that is the case with me. As I look back on the experiences I have had, a number of things strike me as worthy of mention in this message.

Of first importance, it seems to me, is a new awareness of the contribution the Association has made and continues to make to the welfare of our business. Our Association has put a protective arm around the small dealer. It has compelled him to be a better business man in running his own shop and thereby made him more efficient and his business more profitable and secure. More than this, it has provided him with an entrance ticket to a vast arena where he can participate in an ever-growing volume of business, his share being dependent upon his own energies, ambitions, and capacity to grow.

The healthy condition of our dealer-members is one of the results of NASD's constant vigilance over them. It is one of the reasons our industry has been able to be of such service to our expanding economy in supplying the capital needed to finance this expansion. And NASD is one of the reasons why our business as a whole enjoys the position it occupies today and why it has made so remarkable a recovery from the uncertain days of the 1930's.

There is another aspect of service in NASD that is likely to leave an indelible impression. It is the knowledge of the contributions made by men who give liberally of time and effort away from their own business in order to see to it that the organization is directed by those whose true responsibility it is to guide it. As long as NASD can continue to obtain that kind of unselfish dedication to the best interests of our business at large, the Association can be relied upon to do well the job for which it was designed.

Finally, I should like to say that we who are the members of this Association are fortunate in having on the staff the calibre of people employed in the Executive Office in Washington and in the fourteen Districts. They are a devoted group who have earned the trust that must be placed in them in order that they may function effectively, and faithfully discharge the responsibilities assigned them by the Board of Governors.

It has been an honor to serve our Association. I shall always be grateful for the opportunity that service afforded of making new friends and of learning much about our business that could be acquired in no other way. Lastly, I know our Association is in good hands, and I feel confident that the best welfare of our business will be the primary consideration in the decisions to be made in the years ahead.

Respectfully,

April 1, 1958



FRANK L. REISSNER

FROM THE CHAIRMAN



Report of The Executive Director

The Association will pass an important landmark next June. At that time it will have been twenty years since Congress adopted the amendment to the Securities Exchange Act of 1934 which provided for the registration of securities associations under the Act. This enabling legislation is unique—in no other business area is a private organization given similar regulatory authority.

This report will not attempt to review, or evaluate the full regulatory record of the Association over the last two decades. However, it does seem timely to discuss Association activities that are in the nature of services to NASD members and to the public. Statistical summaries and other information on Association operations during the past year will be found on other pages of this report.

Prime objectives of the Association, as set forth in its certificate of incorporation, are:

“ . . . 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; . . . 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 . . . ”

The Association recognizes that its first obligation is to enforce its By-Laws and Rules of Fair Practice and to prescribe appropriate standards of conduct covering the business of its members. The number of complaints that have been filed against members found to have violated these rules and standards, and the disciplinary measures that have been taken attest to the conscientious manner in which the organization's Business Conduct Committees and the Board of Governors have discharged this particular duty.

When the Association publicly announces that a member has been expelled, it is an effort to strengthen public confidence by showing that the rules of proper business conduct are being enforced. It is also both a warning and a guide to the membership.

In carrying out its obligations, actions of the Association must be fair and uniform. This is the principle behind the continuing emphasis of the Board of Governors on compliance with the Board's interpretation concerning free-riding in the distribution of new securities. During 1957, for instance, three offerings of securities were made which indicated the possibility of free-riding. Questionnaires were sent by the Association's Executive Office to all underwriters and selling group members who had joined in these distributions. Those completed questionnaires which indicated possible free-riding were sent to the appropriate District Committees. The Board of Governors will review the fairness and uniformity of actions taken by the respective District Committees.

But the Association does much more for the business and the public interest. It is not solely a policeman. It has continuously accepted responsibilities related to other of its objectives.

Welfare of the Business

It seeks to promote the welfare of the securities business and public participation in the over-the-counter market by sponsorship of thousands of securities quotations which are gathered in Association offices and distributed to news wire services and to daily and weekly publications in every section of the country. More over-the-counter securities are quoted in more publications today than ever before, and there are plans for further extensions in the present year. The Association's efforts to broaden publication of prices on securities has been instrumental in having issuers supply more information on their companies to their stockholders and investors generally.

Orderly conduct of the business transacted between members is a sound way to build good

customer relations. This is fostered through NASD's Uniform Practice Code. It is this Code, of course, which supplies the machinery used by members in conducting their business. Without sound rules and guides for negotiating and completing transactions, the over-the-counter business would be difficult indeed for member and customer.

Few organizations serving any industry are able to supply two such vital tools to the promotion and safe-conduct of the business of members as are represented by NASD's quotations system and its Uniform Practice Code.

Educational Programs

Educational efforts have always commanded an important part of the interest and expenditures of the Association. Both the membership and the public have been served by these endeavors. An example in this field is the annual support supplied to the Joint Committee on Education which is concerned with broadening knowledge of the securities business at the teaching level in our colleges. Numerous booklets designed to educate people on markets and to acquaint them with over-the-counter securities are published and distributed by the Association directly or in cooperation with trade publishers. In assuming responsibility for administration as to its members of the Securities and Exchange Commission's Statement of Policy covering investment company sales literature and advertising, the NASD undertook a massive job of education of members and their salesmen. The public has benefited from the supervision the Association has supplied in this direction. Its usefulness to members is evidenced by the thousands of items processed annually by the Association.

Also educational and in the public interest have been the requirements established by the

Association that securities salesmen and others dealing with the public must register with the Association and abide by the same rules and regulations as do members, and that these registered representatives are subjected to the same disciplinary procedures as are members. Collateral to these requirements has been the establishment of standards of experience or knowledge for admission to membership or for employment of salesmen by members. It is no longer possible for inexperienced persons to obtain NASD membership simply by being legally engaged in the securities business. Such persons must pass an examination and in order to do that must undertake a certain amount of study and inquiry. This program is being strengthened as time and experience indicate.

Member Services

The Group Life Insurance and the Group Medical Insurance programs, as sponsored by the Association, are important services to members. Coverage has been expanded as actuarial experience has permitted. The hospitalization and medical phase has been greatly enlarged to provide full-scale major medical coverage against the greater expense of serious illnesses.

The Association is constantly alert for competitive developments that could be a threat to the business of members. Variable annuities and efforts by banks to return to the revenue bond business are two areas where in the past few years the Association has been working to protect its members from unfair, improper or unregulated competition. In so doing, the Association is also taking action to safeguard the public.

Legislation

The Association has been effective in its dealings with the Government agencies, State

and Federal, that have statutory interest in the regulation of the securities business. In this connection it is pertinent to review some of the legislation which is receiving our attention at present:

The Fulbright Bill is still pending and stands approved by the Senate Banking Committee. It now has been placed on the list of matters to be considered in the Senate. Several bills by Senator Capehart of Indiana relating to proxy solicitation have been presented; a Senate-passed bill raising the Regulation A exemption from \$300,000 to \$500,000 is on the calendar; three bills are pending that would permit banks to underwrite revenue bonds, one of which has passed the Senate. The Senate has passed and sent to the House a "fee bill" which would impose an increased fee, payable to the SEC for the privilege of doing business, on transactions in securities, whether listed or unlisted, of 5 cents a thousand dollars; and, of course, there are SEC-sponsored amendments to the five statutes it administers.

Conclusion

The Association, it will be seen from the above, seeks in all appropriate ways to promote the welfare of its members and the public interest by direct efforts to broaden knowledge of the securities business among investors; by support of projects which are educational internally and externally; and by representing the interests of members before Government agencies and legislative bodies.

Respectfully submitted,



Executive Director



Statistical Highlights . . . 1957

Membership

The Association had 3,867 members on December 31, 1957. The net gain for the year was 110.

Registered Representatives

There were 60,842 registered representatives enrolled at the end of 1957. That was a net gain of 7,965 for the year, the result of 21,240 new registrations and 13,275 terminations.

Branch Offices

Members had 2,780 branches registered, a net gain of 115.

Qualification Examinations

A total of 14,841 applicants for membership or registration took examinations during the year. In 1956, 14,309 took these examinations. 74 per cent of applicants for registration as registered representatives were required to take the examination since they lacked one year's experience in the securities business.

Regulation T

The Association's offices pass on members' requests for extensions of credit to customers. In 1957, a total of 22,098 such requests were received on which 21,620 extensions were granted. In 1956, 19,403 applications and 19,047 extensions were processed.

Member Examinations

Staff examiners completed 1,245 examinations of members' books, records, etc. in 1957, or 32 per cent of the membership, the largest number examined in a single year. In addition, 130 branch offices of members were examined. In 1956, 1,028 members were examined, or 27 per cent of the membership.

Mark-Ups

In their member examinations, the staff reviewed 24,332 individual transactions. 35.9 per cent of these were at mark-ups of 3 per cent or less; 37.3 per cent at 3.1 to 5 per cent; 7 per cent at mark-ups of 5.1 to 6 per cent; 3.2 per cent at mark-ups of 6.1 to 7 per cent; 5.5 per cent at mark-ups of 7.1 to 10 per cent; 11.1 per cent at mark-ups over 10 per cent.

Complaints

There were 116 complaints pending against members at the end of 1957. During the year, 154 complaints were filed; 96 had been pending at the beginning of the year. In 1957, 134 complaints were closed, resulting in these actions against members: 34 dismissed; 53 fines; 33 expulsions; 2 suspensions; 53 censures; 33 appeals or reviews by the Board of Governors; 3 appeals to the SEC. In addition, registered representatives named in complaints were disciplined as follows: 14 fines; 31 expulsions; 7 suspensions; 28 censures. Fines assessed against members in 1957 amounted to \$44,415; against registered representatives, \$10,650.

Committee Reports

(Lists of members of these Committees will be found on Pages 14, 15, & 16.)

Following are extracts from reports of National Committees covering activities in 1957

VARIABLE ANNUITIES

Pressure from proponents of "variable annuity" contracts continues unabated on the several fronts involved, and counter-pressure by the securities business to make sure such contracts are sold only as securities and under proper controls continues with equal strength. At this time no early solution is apparent.

As authorized by the Board of Governors, the Association has appealed from the adverse decision of the District Court in the case brought by the Securities and Exchange Commission seeking to have "variable annuity" contracts declared securities that must be registered with the Commission and subject to the regulatory controls that govern offerings of other types of issues in which the investor accepts the risks of the market.

Argument before the United States Court of Appeals is expected some time this summer.

In New Jersey, the securities industry has been able to hold the line for two years against legislation which would permit Prudential Insurance Company to offer "variable annuity" contracts in the state under the guise of "insurance." The legislation has been reintroduced.

Two major companies, Equitable Life Assurance Society of New York and the John Hancock, of Boston, are seeking, through somewhat differing legislative means, to obtain authority to invest in common stocks for trustee pension plans to the same extent that trust companies now are permitted to do. These two companies apparently desire no more than this much authority, so as to become more competitive in the pension and profit-sharing field.

INVESTMENT COMPANIES

More complete information to assist investors in making sound judgment about a possible purchase of investment company shares, and consequently the opportunity for

better selling by dealers, should be major results of recent amendments to the Statement of Policy.

The Executive Office shortly will publish the Statement of Policy, as amended November 5, 1957, in booklet form, together with written interpretations and supplemental material from the Manual that relates to transactions in investment company shares. This booklet will be on an 8½" x 11" format to make it more readable, and will be sold to members at cost of publication.

The Committee has been concerned over abuses in sales literature emphasizing income possibilities of investment company shares. A series of interpretations under Section (b)(1) of the Statement of Policy should overcome the practice of giving the impression that income from investment company shares is far larger than it actually is by the mistaken and improper inclusion with income dividends and distributions from profits realized from the sale of securities.

During 1957, 7,969 pieces of sales literature were reviewed, some 1,500 more than in 1956. Comment was supplied some 900 firms regarding 7,600 pieces of literature, nearly 100% more than in 1956, and about three times as many as in 1951, first full year of administration of the Statement of Policy.

The Committee-recommended policy program designed to promote prompt payment by dealers for shares of investment companies ordered from underwriters became effective November 15, 1957, and there has been a substantial speed-up since in receipt of payment from dealers. Some underwriters report the average time has been cut from two weeks to from seven to ten days. Uniformly, the reaction from responsible elements in the business—dealers as well as underwriters—has been that this was needed and constructive.

One of our more important tasks has been development of a memorandum that

would give the Securities and Exchange Commission a sound basis for arriving at an interpretation of Section 22(d) of the 1940 Investment Company Act aimed at elimination of the mushrooming practice of granting discounts from public offering prices to organized groups.

Over the past half-dozen years, investors in increasing numbers have adopted as a means of purchasing investment company shares either the voluntary or contractual plans for acquiring shares at periodic intervals. The question increasingly has been asked whether Association Rules permit the vesting of rights to continuing commissions on such business by dealers to salesmen by contract, agreement, or otherwise upon their death or termination of employment. There are many ramifications to this matter, and the Executive Director has suggested that it would be helpful if the Board of Governors could receive specific Committee recommendations looking toward development by the Board of a definite policy in this area.

Many insurance agents have written the Executive Office that the cancellation of life insurance to obtain the proceeds for purchase of investment company shares and the concurrent purchase of term insurance should be declared to be an unethical practice by this Association.

The Executive Director referred the matter to the Committee for its consideration, and we have discussed it on several occasions. We believe that indiscriminate cancellation of life insurance and liquidation of cash surrender proceeds for the purchase of investment company shares is, generally speaking, an unsound practice. But we also believe that the propriety of the recommendation must depend on the circumstances of each case, and should be reviewed by Association examiners in the field.

Reciprocal business is one of the most difficult and far-reaching problems before the Committee. We are pursuing the matter under the authority granted us by the Board, but it involves many different elements of the securities business, and since the Committee has had many other matters on which immediate action has been required, until now, it simply has not been able to give this question the deliberation it requires.

UNIFORM PRACTICE

Two amendments to the Uniform Practice Code were recommended by the National Uniform Practice Committee in 1957 and

thereafter adopted by the Board of Governors, to become effective April 1, 1958.

Section 10 of the Code, which prescribes requirements for confirmations, was extended in its scope to deal with an issue created by a dispute between members. As amended, this Section reads: "Confirmations shall include, in addition to an adequate description of the security and the price at which the transaction was made, any other information deemed necessary to insure that the buyer and seller agree as to details of the transaction. Such 'other information' should include, if applicable, but need not be limited to, such phrases as 'ex-warrants,' 'ex-stock,' 'registered,' 'flat,' 'part-redeemed,' 'Canadian Funds,' 'with proxy,' etc."

Complaints having been received from members that Section 16 ("Units of Delivery") tended to be ambiguous and imprecise, the Section has been amended to read as follows: "Each delivery of stock shall be in certificates aggregating the exact number of shares called for by the contract, except as in the case of a part delivery as provided in Section 59 of this Code. Unless otherwise agreed at the time of the transaction, a certificate for more than 100 shares is not a good delivery. If the contract is for 100 shares or less, one certificate for the exact number of shares, or certificates totalling the exact number of shares, may be delivered. If the contract is for more than 100 shares, delivery shall be in certificates from which units of 100 shares can be made. Acceptance of any delivery not meeting the requirements of the foregoing provisions of this section or of an amount in excess of that called for by the contract, shall be at the option of the purchaser; and such acceptance may be against receipt pending a transfer into suitable units, upon completion of which transfer the purchaser shall make prompt settlement with the seller."

Dividend disputes continued to occupy the Committee and its Secretary during the year, although there are encouraging signs that more and more companies are responding favorably to our requests that notice be given in advance of record dates on dividend declarations. Closing of transfer books of bankrupt companies added to a heavier volume than ever before of "routine" problems having to do with "buy-ins," stamping of comparisons, ex-dividend dates, delivery dates, and special rulings, as well as demands upon the Committee for numerous formal rulings in specific and general situations.

QUOTATIONS

Substantial progress was made during 1957 in extending the publication of over-the-counter quotations, both of securities included in the "national" list sponsored by the Association as well as those covered by "regional" and local lists distributed through NASD facilities. In 1958, the National Quotations Committee is hopeful that coverage of securities in daily and weekly lists by the Wall Street Journal can be further expanded. In addition, prospects are excellent that daily newspapers in major financial centers will find it possible this year to enlarge their coverage of quotations of over-the-counter issues at the "national" and local levels through easier access to the prices being released by the Association.

In addition to the direct efforts made last year in the interests of more and better quotations appearing in the newspapers, the National Quotations Committee held four meetings during the year, in New York, Chicago, Dallas and San Francisco, with Regional and District Quotations Committee members and Association staff members in order to make more effective the combined efforts of all engaged in this work. The results of these meetings should be a better understanding of our common objectives, fewer misunderstandings, and contributions towards our goal of increasing and improving newspaper coverage of over-the-counter markets.

BUSINESS CONDUCT

During 1957, a total of 154 complaints were filed against members. From 2 to 28 complaints were filed in thirteen of the fourteen Districts. It was the most active year of enforcement work since the Association was formed.

District Committees and the Board of Governors completed proceedings in 134 complaints, 31 of which came before the Board either on appeal or on review. Two appeals to the Securities and Exchange Commission resulted in findings of continuing importance to the Association. The significance of these is discussed below.

Meanwhile, an accompanying page lists members expelled by action of the District Committees or the Board. In all, 33 members were expelled. 20 of these expulsions involved failure to observe the capital ratio rule prescribed by the SEC and/or failure to keep proper books and records. In several instances

these violations might be attributed to inexperience. The Association has rules which require either that an individual seeking membership qualifies by past experience or by taking a written examination, but the Association has no right to deny membership merely on the basis of general inexperience.

In addition, 31 registered representatives had their registrations revoked. Also, 2 members were suspended for periods of 2 weeks to 30 days and 7 registered representatives were suspended for periods of from 15 days to 3 years. In 53 cases, fines were imposed against members involved and 14 registered representatives were penalized by fines. The largest fine imposed on a member, including costs of the proceedings, was \$9,530.09; the largest fine against a registered representative was \$5,000.00. Fifty-three members and 28 registered representatives were censured. Thirty-four complaints against members and 8 against registered representatives were dismissed.

One of the cases appealed to the SEC was the decision of the Board of Governors upholding a District Committee which found a member in violation of our Rules for failure to accept delivery of a block of securities purchased from another member. It was contended that the contract between the parties was subject to certain conditions, but the confirmations exchanged by the parties failed to disclose the existence of such conditions. Relying on the provisions of our Uniform Practice Code that confirmation should evidence any conditions upon which a contract was contingent, we found the purchasing member in violation, imposed censure and added a provision that if the securities in question were not accepted for delivery within 30 days, the firm would be suspended until delivery was made and accepted.

The SEC reversed this decision on two counts: (1) the Association does not have the power to impose a conditional penalty to take place at a future time in the event that a member does not take the action required by the Board of Governors; and (2) the Commission found that not every failure to perform a contract violates the NASD Rule. To come within the NASD Rule, it should appear that the breach was committed without equitable excuse or justification.

The second reversal of an Association decision also involved a delivery dispute. In this instance, a selling dealer, through error, tendered "old certificates" to a dealer who had contracted to purchase "new certificates." The

old certificates were refused, and after a considerable period of delay and discussion between the parties, the purchasing dealer executed a "buy-in" against the failure to deliver on the contract and sought to collect from the seller the difference between contract price and "buy-in" cost. The seller was unwilling to make settlement without further effort to arbitrate the difference of opinion. He was found guilty of violation of Section 1 of our Rules of Fair Practice. However, on appeal, the SEC held in effect that it is not a function of NASD to decide private contract rights between the parties and that not every failure to perform a contract violates our Rules—it must also appear that such failure was unethical or dishonorable.

The major significance attaching to these decisions of the Commission is this: actions of this Association, its Committees and the Board, must be arrived at carefully in the exer-

cise of sound judgment and with proper recognition of applicable precedents. This is not to say that our District Committees, the National Business Conduct Committee of the Board of Governors, or the Board as a body, at any time acts without due care and diligence in interpreting and applying applicable By-Laws and Rules of Fair Practice to each set of circumstances involved in a complaint. The men serving on Committees and the Board are not lawyers and their proceedings are not required to conform to those of a court of law.

It is precisely this fact that imposes on us the obligation of reviewing the matters that come before us as business men, having always in mind the meaning and intent of the standards of conduct being applied. The cases in which the SEC prescribed differently than the Association created standards which must, in the future, be considered in comparable matters that come before the NASD.

Disciplinary Actions . . .

Decisions of District Committees and the Board of Governors during 1957 resulted in the following expulsions from membership:

William Douglas Bradford
Los Angeles

Capitol Securities, Inc.
Salt Lake City

Branch Carden & Company, Inc.
Roanoke, Virginia

Cloud, Price & Harris, Inc.
Houston

James D. Creger & Co.
Whittier &
Hollywood, California

Cromwell & Co.
Dallas

Daniel & Co., Ltd.
Washington, D. C.

The Fenner Corporation
New York City

Fidelity Securities Company
Denver

Finance Engineering Associates
Fort Worth

First Securities of Denver
Denver

Foster-Mann, Inc.
New York City

David Gordon *
New York City

A. J. Gould and Co., Inc.
New York City

Harrison & Frey, Inc.*
Cincinnati

Barrett Herrick & Co., Inc.
New York City

Hunter Securities Corporation *
New York City

Intermountain Securities, Inc.
Denver

Investors Service Corporation
Dallas

Jensen-Beckwith & Hudson
Salt Lake City

Kyger & Co.
Houston

The Lawrence & Murray Co., Inc.
New York City

Horace Linson Michener
Philadelphia

Nielson Investment Company
Twin Falls, Idaho

Michael Raymond Co., Inc.
New York City

Paul Scarborough, Jr.
Hampton, Virginia

Melvin F. Schroeder
Denver

Selleneit Brokerage Company
Salt Lake City

Sheehan & Co.
Forest Hills, New York

Shelley, Roberts & Co.
Denver

Southwestern Securities Company
Dallas

Stein, Botwinick & Company, Inc.
New York City

Western States Investment Company
Salt Lake City

*—*Appeared in 1956 Annual Report.*

Statement OF INCOME, EXPENDITURES AND COMPOSITION OF ACCUMULATED BALANCES

	<i>Year ended September 30,</i>	
	<u>1957</u>	<u>1956</u>
<i>Income:</i>		
Assessments	\$ 713,642	\$ 767,681
Registered representatives' fees	222,200	177,700
Fees from branch office registrations	26,370	25,310
Admission fees, etc.	13,163	13,505
Registered representative examination fees	157,255	—
Fines and costs	42,750	44,426
Interest	18,919	13,513
Total	<u>\$1,194,299</u>	<u>\$1,042,135</u>
<i>Expenditures:</i>		
Salaries and office services:		
National office and committees	\$ 205,803	\$ 150,788
District offices	275,799	242,494
Travel and meetings	121,136	111,919
Publications, printing and stationery, net	115,430	95,677
Complaints and investigations—travel and transcripts	36,617	27,754
Fees—legal, actuarial, information and quotations, net	199,506	103,330
Rent	55,332	44,961
Office and miscellaneous	63,578	48,677
Registered representative examination program—outside services and supplies	15,788	31,339
Insurance and taxes	20,967	15,657
Retirement	23,129	23,122
Total expenditures	<u>\$1,133,085</u>	<u>\$ 895,718</u>
Contribution to Retirement Trust Fund for past service benefits	—	45,070
Total expenditures	<u>\$1,133,085</u>	<u>\$ 940,788</u>
Excess of income over expenditures	61,214	101,347
Accumulated balance—beginning of year	598,877	497,530
Accumulated balance—end of year	<u>\$ 660,091</u>	<u>\$ 598,877</u>

Composition of Accumulated Balances

	<i>September 30,</i>	
	<u>1957</u>	<u>1956</u>
Cash	\$ 233,593	\$ 254,763
U. S. Treasury securities, at cost	445,934	397,026
Other assets	34,458	8,284
Accounts payable	(42,260)	(53,827)
Accrued and withheld payroll taxes	(9,218)	(6,724)
Assessments collected in advance	(2,416)	(645)
Total	<u>\$ 660,091</u>	<u>\$ 598,877</u>

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

Washington, D. C.
January 7, 1958

In our opinion, the accompanying financial statement presents fairly the recorded income and expenditures of the National Association of Securities Dealers, Inc. for the years ended September 30, 1957 and September 30, 1956 and the composition of the accumulated balances at those dates, in accordance with generally accepted accounting principles applied on a consistent basis. Our examination of the 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.

Price Waterhouse & Co.

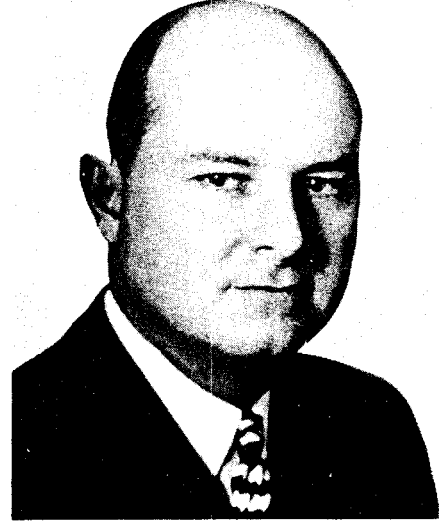
Officers . . . 1958



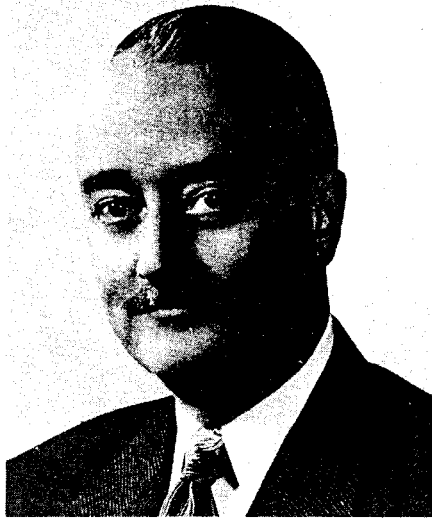
Charles L. Bergmann
Chairman



Edmond E. Hammond
Vice-Chairman



Richard W. Simmons
Vice-Chairman



Dale F. Linch
Treasurer



Wallace H. Fulton
Executive Director

Board of Governors

FORMER CHAIRMEN OF THE BOARD OF GOVERNORS

- 1939—*B. Howell Griswold, Jr.
Baltimore
1940—*Francis A. Bonner
Chicago
1941—Robert W. Baird
Milwaukee
1942—H. H. Dewar
San Antonio
1943—Henry G. Riter, 3rd
New York City
1944—Ralph Chapman
Chicago
1945—Ralph E. Phillips
Los Angeles
1946—*William K. Barclay, Jr.
Philadelphia
1947—Herbert F. Boynton
New York City
1948—L. Raymond Billett
Chicago
1949—Clement A. Evans
Atlanta
1950—John J. Sullivan
Denver
1951—Howard E. Buhse
Chicago
1952—Clarence A. Bickel
Milwaukee
1953—Carl Stolle
New York City
1954—Edward C. George
Chicago
1955—Harold E. Wood
St. Paul
1956—Frank H. Hunter
Pittsburgh
1957—Frank L. Reissner
Indianapolis

* Deceased

To Serve Until January 1959

Charles L. Bergmann	R. W. Pressprich & Co., New York City
Harold H. Cook	Spencer Trask & Co., New York City
Edmond E. Hammond	Paine, Webber, Jackson & Curtis, Boston
Dale F. Linch	Berwyn T. Moore & Company, Inc., Louisville
Edward J. McKendrick	McKendrick, Haseltine & Wilson, Inc., Minneapolis
Richard W. Simmons	Blunt Ellis & Simmons, Chicago
Earl F. Waterman	Earl F. Waterman & Co., Seattle

To Serve Until January 1960

Ernest W. Borkland, Jr.	Tucker, Anthony & R. L. Day, New York City
Francis M. Brooke, Jr.	Brooke & Co., Philadelphia
Arthur A. Christophel	Reinholdt & Gardner, St. Louis
Thomas G. Foster	Merrill Lynch, Pierce, Fenner & Smith, San Francisco
Allen J. Nix	Riter & Co., New York City
Donald L. Patterson	Boettcher and Company, Denver
Alexander Yearley, IV	The Robinson-Humphrey Company, Inc., Atlanta

To Serve Until January 1961

Glenn E. Anderson	Carolina Securities Corporation, Raleigh
Curtis H. Bingham	Bingham, Walter & Hurry, Inc., Los Angeles
James G. Dern	Smith, Barney & Co., Chicago
J. Gordon Hill	Watling, Lerchen & Co., Detroit
James F. Jacques	First Southwest Company, Dallas
Glenn L. Milburn	The Small-Milburn Company, Inc., Wichita
Ralph C. Sheets	Blyth & Co., Inc., New York City



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Purposes

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.

(From the Certificate of Incorporation)

