

# NASD

# News

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NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC., 1707 H ST., N.W., WASHINGTON, D. C.

## 1964 CHAIRMAN ELECT ROBERT W. HAACK TO BE NEW NASD PRESIDENT ASSUMING STAFF JOB OF RETIRING EXECUTIVE DIRECTOR WALLACE H. FULTON

Robert W. Haack, confirmed at the January Board meeting as 1964 Chairman, will serve in this post for only two months until he assumes the new position of NASD President, taking over staff leadership of the Association from retiring Executive Director, Wallace H. Fulton. Mr. Haack's resignation as Vice President of Robert W. Baird & Co., Inc., in Milwaukee will become effective April 1, when he moves to the NASD executive headquarters in Washington.

At the January Board meeting, the Governors also selected Robert R. Miller, a partner of Hornblower & Weeks in Los Angeles and Vice Chairman elect, to succeed Mr. Haack as Chairman. Justin J. Stevenson, Jr., a partner of W. E. Hutton & Co., in Cincinnati, was elected to fill the vacant Vice Chairman position. (See story and pictures on page 2.)

Prior to his selection as Board Chairman and subsequently as NASD President, Mr. Haack served as Chairman of the National Business Conduct Committee, a member of the Association's Executive Committee, and as District Committee 8 Vice Chairman. Since his election to the Board in 1962, he has participated in many Association and industry discussions concerning the SEC report and helped represent the NASD in testimony before several Congressional committees. This experience and intimate knowledge of current Association problems will prove helpful to the new NASD leader in developing and

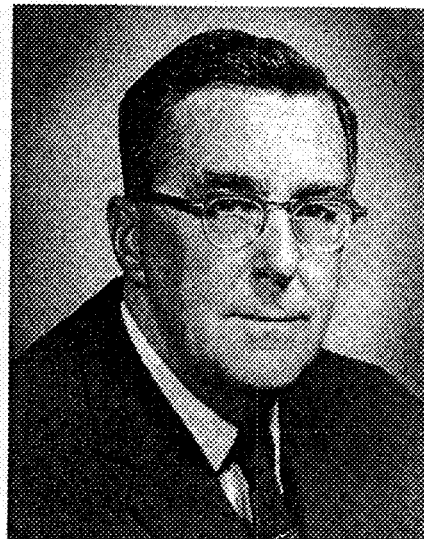


*Robert W. Haack, NASD's new President, assumes his staff duties April 1, 1964.*

carrying out Association programs during the years ahead, and also in presenting the viewpoint of the securities business and membership in future discussions with the SEC and Congress.

Mr. Haack's election as President took place at a special meeting of the Board of Governors in New York on November 20, 1963. He was proposed for the job by a "Selection Committee," which was given the task of choosing a candidate for the position of executive head of the Association after Mr. Fulton announced his retirement a year ago.

The selection committee was Chairmaned by Avery Rockefeller, Jr., 1962 Board Chairman and a partner of Dominick & Dominick.



*Wallace H. Fulton, retiring after serving the NASD for 25 years.*

Other members of the committee were George J. Leness, president, Merrill Lynch, Pierce, Fenner & Smith, Inc.; Howard E. Buhse, partner, Hornblower & Weeks; Hudson B. Lemkau, partner, Morgan Stanley & Co., all of New York; Frank H. Hunter, partner, McKelvy & Co., Pittsburgh; G. Shelby Friedrichs, partner, Howard, Weil, Labouisse, Friedrichs and Company, New Orleans; Merl McHenry, partner, J. Barth & Co., San Francisco and George A. Newton, partner, G. H. Walker & Co., St. Louis.

In a press conference after this special Board meeting, Mr. Haack pointed out that the post of President entails no redefinition of the duties presently carried out by Mr. Fulton as the NASD Executive Di-

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## ROBERT R. MILLER TO TAKE OVER FROM HAACK AS CHAIRMAN ON APRIL 1 JUSTIN J. STEVENSON WILL BE NEW VICE CHAIRMAN OF BOARD

At the January Board meeting, the Governors elected Robert R. Miller, partner, Hornblower & Weeks, Los Angeles, Calif., to succeed Robert W. Haack as NASD Chairman on April 1, when Mr. Haack assumes his new staff position of President. Mr. Miller had previously been elected Vice Chairman for 1964, a post he will hold until April.

A native Californian, Mr. Miller attended public school in Los Angeles, and graduated from the University of California in 1938. After graduation he joined his family's brokerage firm, Revel Miller & Co., and spent two years in the securities business before being called to active duty in the Army in 1940.

Mr. Miller served in the infantry throughout World War II, and re-joined the Revel Miller Company in 1946. He was made President of the concern in 1949 and held that position until 1960 when he became a partner of Hornblower & Weeks.

Mr. Miller served four years on District Committee 2 and was Co-chairman in 1957. He came on the NASD Board in 1962, and has been a member of the National Business Conduct Committee and the Executive Committee. This past year, Mr. Miller was Chairman of a special committee appointed by the Board to study, analyze and make recommendations concerning administrative and business conduct activities of the Association.

Justin J. Stevenson, Jr., a partner of W. E. Hutton & Co., in Cincinnati, and a senior member of the Board of Governors, was also selected at the January meeting to fill the vacant Vice Chairman position in April. Mr. Stevenson was born in Columbus, Ohio, and graduated from Princeton University in 1933.

He joined the W. E. Hutton firm shortly after graduation and has been with the firm to the present time, except for a four year stint in

the Navy as a Lt. Commander in World War II.

Mr. Stevenson was made a partner of the firm in 1949, and has been a member of the NASD's District Committee 9, serving as Chairman in 1961. Mr. Stevenson came on the NASD Board in 1962. He is a member of the Commonwealth Club in Cincinnati, and a Director of the Union Iron & Steel Company and the F & F Koenigkramer Co.

### HIGH COURT DECISION SUPPORTS COMMISSION

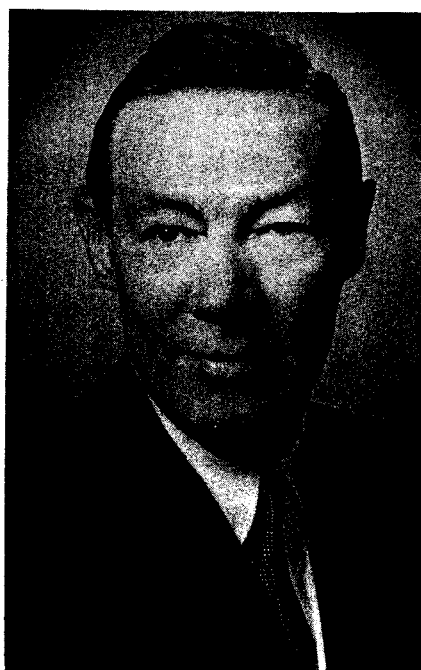
A significant Supreme Court decision, handed down late in October, denied relief from an SEC injunction against an investment adviser firm and stated that non-disclosure of material facts in making a recommendation constituted fraud, even though customers did not lose money in these transactions.

Capital Gains Research Bureau, the investment adviser, had carried its case to the Supreme Court requesting relief from the SEC injunction compelling the company to disclose to clients a practice of purchasing shares shortly before recommending the same securities for long term investment, and immediately selling the shares at a profit upon a rise in the market price following the recommendation.

In the majority opinion of the Supreme Court, it was pointed out that Congress, in requiring the Commission to establish fraud and deceit in securing an injunction under the 1940 Investment Adviser Act, had intended a broad remedial construction of fraud which encompassed non-disclosure of material facts such as were present in this case.



*Robert R. Miller, a partner of Hornblower & Weeks in Los Angeles, will become NASD Board Chairman in April.*



*Justin J. Stevenson, Jr., a partner of W. E. Hutton in Cincinnati will fill the vacant Vice Chairman post.*

## NASD CODE AMENDED FOR PROPOSED TAX

In anticipation of the passage of the proposed Interest Equalization Tax on foreign securities, the NASD has amended its Uniform Practice Code to require broker/dealer members to state on confirmations that the buyer of a foreign security is subject to the tax when applicable or when not covered by one or more of the exemptions in the Bill.

The NASD's new amendment to its code also requires a member, who effects sales in foreign securities, to have in his possession either a Certificate of American Ownership relating to the sale or a Blanket Certificate of American Ownership relating to the account before sending a confirmation which does not contain the legend, "Buyer Subject to Interest Equalization Tax." Exemption from the tax is afforded those foreign securities acquired from persons designated by certificate as American owners.

The amendment to Section 28 of the Uniform Practice Code complies with certain provisions of the proposed Act which permit easier handling on the part of members doing a business in foreign securities. The procedure is permitted, however, only if a rule such as Section 28(c) is in effect.

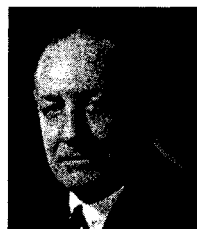
As noted above, the tax does not apply if the securities were obtained from an American owner. Originally, proof of such fact was to be evidenced by possession by the purchaser of a certificate of American ownership received from the seller. Because of the difficulties and burdens this would place on the broker/dealer, the Treasury Department consented to change its position and permit confirmations received from a member to be conclusive proof on the part of the purchaser that the purchase was from a United States person if the contrary was not indicated thereon. The Act was amended by the House Ways and Means Committee, ac-

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## NEW NASD GOVERNORS



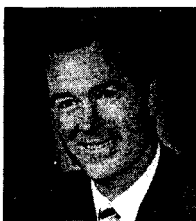
*Gordon Bent  
Bacon, Whipple &  
Company  
Chicago*



*Allan C. Eustis, Jr.  
Spencer Trask &  
Company  
New York*



*Julian L. Gumbiner  
Stern Brothers &  
Company  
Kansas City*



*Robert C. Hill  
Hill, Richards &  
Co., Inc.  
Los Angeles*



*Julian A. Kiser  
Kiser, Cohn &  
Shumaker, Inc.  
Indianapolis*



*William C. Porter  
Dittmar & Co., Inc.  
San Antonio*



*W. James Price, IV  
Alex. Brown &  
Sons  
Baltimore*

### GOVERNORS APPROVE ENLARGING BOARD BY SELECTING MUTUAL FUND REPRESENTATIVE

The selection of an NASD Governor at Large, to be chosen from the Investment Company Industry, was approved by the Board of Governors at the January Meeting.

Since this action of the Board requires an amendment to the NASD By-Laws, the change must be submitted to and approved by a majority of the Association members voting. This procedure will probably take place at the same time that the Board submits to the membership for approval, the extensive revisions in the By-Laws which have been in process for the last year.

rector.

Mr. Haack also reaffirmed his belief in the industry's ability to police itself without extensive governmental control. "If I didn't believe that the businessman could regulate himself better than the government, I wouldn't be here today," he said.

The new NASD President is a graduate of the Harvard Business School, which he attended under a scholarship provided by Milwaukee alumni of the institution. He attended public schools in Wauwatosa, a Milwaukee suburb, and then graduated from Hope College, Holland, Michigan. His first job in the financial community of Milwaukee was as a bank runner. He joined the predecessor of the Baird firm upon graduating from the Harvard Business School in 1940.

Mr. Haack enlisted in the Navy in 1942, and served in the Southwest Pacific. Upon returning to the investment business in 1945, he eventually became head of the Baird Company trading department, then syndicate manager, institutional sales manager and a member of the Executive Committee in charge of administrative management of the firm.

Mr. Fulton's retirement comes after 25 years of service as Executive Director of the NASD, and before that as one of many individuals active in the industry movement that gave the securities business the unique privilege of self-regulation it enjoys today. His entire business career has been associated with the investment business and he is a recognized authority on the subject of regulation and ethical standards for the OTC markets.

Mr. Fulton was born in Oakland, California, before the turn of the century, and attended the University of California and the University of Minnesota. After serving in the Army during World War I, he joined Walker's Manual, Inc., in

1924, a San Francisco statistical publication for the investment business. In six years, he advanced to the presidency of the organization and held that position until 1934.

In 1933, Mr. Fulton became interested in the early efforts of the securities business to establish voluntary ethical standards, growing out of the various codes operated under the National Industrial Recovery Act. Mr. Fulton became secretary of District 1 (California) of the Investment Bankers Code Committee and in 1934, was made Director of Compliance for this organization.

When the NIRA was declared unconstitutional in 1935, the Investment Bankers Code Committee, as such, went out of business and Mr. Fulton returned to his publishing firm in California and also served voluntarily for a year as secretary of the California Securities Dealers Association. In the meantime, the securities business had formed its own voluntary organization, the Investment Bankers Conference Committee. This group later became the Investment Bankers Conference, Inc., and Mr. Fulton was asked to be its first Director. Between 1936 and 1939, Mr. Fulton helped in coordinating the effort that finally resulted in the Maloney Amendment to the 1934 Securities Act, which provided for NASD as a national self-regulatory association.

Mr. Fulton guided the infant organization through the first problem riddled period of its existence in which the legality of NASD disciplinary decisions were tested, and rules and codes of procedure established.

During the ensuing years, the NASD has grown from a membership of 2,000 to more than 4,000, and has become the only over-the-counter self-regulatory organization.

Mr. Fulton has not announced any definite plans after retirement other than a long vacation.

cordingly.

The NASD's new code section has been approved by the Treasury Dept. as conforming to the proposed Act's requirements. The result for the public will be that standard confirmations involving foreign securities from any NASD member will now represent conclusive proof in the hands of purchasers that the securities came from an American source unless the confirmation otherwise is imprinted with the legend.

Insofar as the member is concerned when buying for his own account, he may treat a confirmation from another member or a Blanket Certificate of American Ownership with respect to the seller's account as conclusive proof of prior American ownership. The presumption does not operate, however, in any case where a purchaser or member making the acquisition has actual knowledge that the confirmation or certificate is misleading in any material respect.

The purpose of the proposed Act is to control the outflow of U. S. dollars, thus, improving this country's balance of payments position. As presently written, the proposed tax is temporary and will terminate on December 31, 1965.

Although the proposed legislation has not yet been enacted, it has the immediate effect of accomplishing its purpose, since there is a retroactive feature incorporated in the Bill to July 19, 1963, and it may pass Congress in that form. Consequently, any purchaser of a foreign security from a foreign source subsequent to July 19, 1963, would have to pay the tax if not covered by one of the exemptions.

Certificates of American Ownership or Blanket Certificates of American Ownership may be obtained from the local District Director of Internal Revenue or the Uniform Practice Committee.