

PUBLISHED BY THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC., WASHINGTON, D. C.

## Start the Presses!

The Association has no ambitions to get into the publishing business.

But if members are conscious that they've been receiving more than the usual amount of mail from the NASD of late and that what tumbles out of the envelopes is a bit different from the past—well, members aren't the only ones whose consciousness of Association work is being penetrated (see Page 3).

Last Spring, a pamphlet was distributed to members and made available in quantities for them to send to their mailing lists. Nearly 350,000 copies of it—"National Association of Securities Dealers... What It Means to the Investor"—were supplied for the purpose.

In mid-Summer, a companion piece—a booklet: "National Association of Securities Dealers... What it Does... To Protect the Public..."—was released to members and copies offered in quantity at printing cost to the Association. About 5,000 copies of it were ordered.

The story of the Association is a tellable one. The public is not disinterested. Anyone who ever took advantage of an opportunity to talk about NASD with the average person can testify to that.

Some Associations and groups have a bankroll to foot the bills for telling their story to the public. NASD's budget for educational and promotional activities is an also-ran in the "miscellaneous" classification. But everyone connected with these activities in the Association is plugging away nonetheless.

As a result, coming up is a booklet on the over-the-counter market. It's being written and will be published by a private organization. High hopes are held for its reception.

Also "in the works" is a guidebook on selling mutual funds—the outgrowth of the work the Association has been doing in applying the so-called "Statement of Policy" on investment trust sales methods and practices.

Meantime, we've gotten out a "Handbook" on trading ethics, techniques and the jargon of the trading desk. It's been well-received and ought to prove continu-

## UNIFORM PRACTICE CHAIRMAN



George L. Morris

George Morris bears the heat of the day every day for NASD. His job as Chairman of the National Uniform Practice Committee is one of the most exacting of any Association chore. It calls for constant availability, resources of technical knowledge embracing everything from a transfer tax to an arbitrage in Republic of China 9's. "It CAN happen here", George has learned, aptly describes what he contends with from day to day. In many ways, the word "uniform" is unrelated to the everyday work of his Committee. But George and his associates on the Committee over the years, have supplied ways and means of settling disputes and problems growing out of unusual situations and transactions for which there is no precedent in the rules. What NASD members would do without this kind of informed judgment being brought to bear on such matters is one of those questions answered best by simply saying: "Let George do it!"

ously useful in its field.

These can be the beginnings of fruitful endeavors; to make members understand their Association a little better and the public understand members' business better.

## Affairs of NASD

Day-to-day administration of the Association's affairs is the responsibility of Executive Director Wallace Fulton who's been in that slot a dozen years or more. There is an Executive Committee of the Board of Governors with whom Fulton works on policy matters.

Administrative problems in recent months have become more numerous and complex, so much so that Fulton gave the Board and the fourteen District Chairmen at their recent meeting a bird's-eye view of what gives with the Executive Office.

"A meeting of the Governors," Fulton said in his review, "is not an occasion for a forum on administrative matters but I am sure you are all concerned with the efficiency of your administrative arm and with its problems which, if not now pressing for your consideration, may become pressing later on. Let me just in passing, discuss one or two phases of our routine.

"During the course of an average month, 20 new applications for membership are received and, in addition, nine resignations. Fifteen branch offices are opened each month and four closed. Seven members move to new addresses and six change their firm name. Four hundred applications for Registered Representatives are processed while terminations of 245 are being handled. A considerable amount of paper work and correspondence is connected with these hundreds of individual items." [One month's business, mind you].

Staff of the Executive Office, Fulton went on to say, consists of 23 employees, including office counsel, comptroller, two secretaries of national standing committees, four examiners, comptroller assistant, statistician, one secretary, four stenographers, two typists, four clerks, a telephone operator and a mail clerk. One of the standing committee secretaries supervises the membership department.

"It has always been my desire," Fulton told the Board and District Chairmen, "to keep the administrative staff as small as possible—to control costs and to insure absence of anything smacking of bureaucracy."

(Continued on page 2)

## NEW YORK GOVERNOR



Carl Stolle

Carl Stolle, one of the New York District's Governors, calls New Orleans his birth-place, Davenport, Ia., his growing-up place, Pittsburgh his business-training grounds and the firm of G. A. Saxton & Co., New York, "home base." Carl came up to the Board from the District Committee, including a year as Chairman thereof. He's got a hot potato of an assignment from Chairman Howard Buhse. As Chairman of the "Better Markets Committee" it's Carl's job to steer a clear, straight course through the maze of argument on listing and *not* listing securities, to the end that the over-the-counter market comes off better than second best.

In particular, Fulton called attention to the growing complexity of complaint cases handled in recent months by District Committees and the Board. A few years ago, he said, fifteen or twenty complaint cases could have been completed in the time required now to dispose of a single proceeding of the nature and character of certain recent complaints. Costs, especially legal fees, have been rising as a result.

### "Financial Institutions"

The latest positive effort to clear away the dead-wood that has accumulated in the field of textbook literature on finance and banking is a book titled FINANCIAL INSTITUTIONS (Richard D. Irwin, Inc., Chicago). The new volume is the work of Erwin W. Boehmler, Professional Lecturer in Finance at Northwestern University who served as editor and co-author with Roland T. Robinson, Professor of Banking; Frank H. Gane, Associate Professor of Business Finance;

## INVESTMENT COMPANIES CHAIRMAN



H. I. Prankard, 2nd

Harry Prankard is a living example of the popular business creed that if you want to get a job done give it to a busy man. Harry is a partner of Lord, Abnett & Co., and president of three mutual funds. He got into the NASD act in a shot-gun sort of way when the SEC, a little over a year ago, was threatening to bludgeon the investment trust business with some staggering restrictions. He and several of his contemporaries halted the intended blow in mid-air, got the Commission to talk about other ways and means. The upshot was a "Statement of Policy" (That SOP, in NEWS style) which spelled out rules of the game in the promotion of mutual fund sales. Harry, after months of conferring, arguing and debating found out what it takes, in terms of stamina and patience, to work things out with the SEC.

and Loring C. Farwell, Lecturer in Finance—all of Northwestern. Boehmler is, in addition to his lecturing work, Educational Director of the IBA so he and his associates started out with practical knowledge of what makes the investment banking end of finance tick.

"This book," says Boehmler, "contributes to the efforts being made by the financial community to improve public understanding of the securities business. The comprehensive introduction to finance will give more students an understanding of saving and investing and the related institutions than is true of the traditional approach through money and banking courses. Under the old plan, even students of finance were not exposed to the whole field of financial institutions. A greater number of students can now learn about securities and investing—and that

## TEXAS GOVERNOR



Jesse A. Sanders, Jr.

Jesse Sanders is that rare Texas specimen—quiet, soft-spoken, a good listener. He hails from Dallas but New Englanders feel right at home with him. When he came on the Board, there was turned over to Jesse the job of bringing to life the "Handbook on the Over-the-Counter Trading—a treatise on techniques, ethics, and gobbledegook of the trading fraternity. Jesse and his Committee got the thing to the presses. It is the first reference manual in the field and was welcomed by shops all over the country. Jesse will tell you that "Bud" Devlin and especially "Win" Pizzini deserve the Kudos, if any.

earlier in their school careers than under the old practice."

Sounds good to the NEWS!

### Positioning

A new study on the over-the-counter market has been finished and released by the Wharton School. Its title: "Positioning of Securities." Basis of the study is data supplied by firms throughout the country via a questionnaire. Copies at 85 cents each are available from the University of Penna. Press, 3436 Walnut St., Philadelphia 4, Pa.

### Board Meeting

A meeting of the Board of Governors will be held at Osterville, Mass., September 17-18.

### NASD News

Published periodically by the Board of Governors under the supervision of the Member Relations Committee,

HARPER JOY, *Chairman*  
Editor, JAMES P. CONWAY

## NASD In There Pitching

(*Investment Dealers Digest*,  
July 23, 1951)

**T**WO excellent booklets, sensibly promoted, have recently been issued by NASD.

One is called "Handbook on Over-the-Counter Trading." It deals with ethics, customs and language of trading and is probably the first thing of its kind ever published.

This is practical stuff. The "household hints" it contains will help those whose 9 to 5 stint is in the trading room . . . even to saving money on TWX charges. Retail salesmen can avoid ulcers stirred up when a trade doesn't come off as they'd like it, by reading here about the rules of the trading game. The heads of the house can profit, too.

NASD's Unlisted Trading Committee responsible for this Handbook consists of Jesse A. Sanders, Jr., (Sanders & New-

som) Chairman; Paul Devlin (Blyth & Co.), Harry L. Nelson (Blyth & Co.), and Carl Stolle (G. A. Saxton & Co.).

Meanwhile, another NASD committee, on Public Relations, has released a book telling about NASD . . . "What it is . . . what it does to Protect the Public." The book is intended for distribution to the public. It deals with the birth of NASD, objectives, mechanics, obligations of members, penalties for transgressions, etc. The book is evidently the first step of a broad-scale public education program.

NASD's Public Relations Committee: Harper Joy (Pacific Northwest Co.), L. Raymond Billett (McCormick & Co.), Clement A. Evans (Clement A. Evans & Co.), Howard H. Fitch (Barret, Fitch & Co.), Robert A. Magowan (Merrill Lynch), Ralph E. Phillips (Dean Witter & Co.), George H. Stubbs, Jr., (Stubbs, Smith & Lombardo).

## Salesmen Trading Accounts

**Salesmen** who had accounts with firms they did not work for and who maintained such accounts without the knowledge of their employers were the cause of a few headlines in the daily press in recent months and the Association has handled some cases of this kind which never made headlines.

The situation and its inherent dangers call for some remedial action. The Association has had a committee studying the problem. The object is a rule which would, at least, prohibit an employee of a member from having accounts with other firms without the express knowledge of his own firm. The rule might go further in the way of specific requirements.

So far, the Committee has not succeeded in working out all of the bugs in the rule-drafting job. There are wheels within wheels here as in most comparable undertakings. However, progress is being made and by the Fall meeting of the Board it is expected a set of recommendations can be submitted.

## Locking Stall Doors

**Albert W. Tweedy** of Boston is New England's representative on the Board of Governors. When "Bert" took his place on the Board he knew quite a bit about NASD.

One thing perplexed him: the business of locking the door after the horse had been stolen. Something ought to be done

about that door, "Bert" felt. He found others on the Board felt the same way.

**About that time**, the subject of some tests or standards for people coming into the securities business was being hashed over in the councils of NASD. "Bert" was a natural to guide the job to be done in that field.

"I have been looking over some recent applications," he said recently. "The first I have here shows the applicant's last ten years' business experience was in the wholesale butcher business; next is a 'free lance writer, Turkish newspaper'; another sold cemetery lots; another ran a grocery store; another was a chief of police; another a district court clerk; a moving picture projectionist; deputy collector internal revenue, with time out to run for Congress.

"Our Committee started out with the idea of a written examination for applicants for positions in the business but the task, we could see, would be tremendous and require a staff of people."

**The Committee**, after many comparable starts, decided that the only practical avenue of approach to a solution of the problem was the adoption of a requirement that members certify that registered representatives have adequate training and experience. The import would be to impress on members the wisdom of qualifying people for selling securities and of the member's obligation of determining that by character and repute an individual could be certified for a position. More will be heard about this effort.

## LETTERS

A short time ago one of our salesmen offered to a client Southern Union Gas Company common stock at 20. The Quotation Sheets and several brokers on the street quoted the inside market 19 $\frac{3}{8}$ —19 $\frac{5}{8}$ . About the time the order was to be confirmed, the client called the salesman and said that he had just received a postal card from the Trading Department of a large house quoting the stock 19 $\frac{3}{8}$ —19 $\frac{5}{8}$ . The customer called the large house and verified that they would sell 300 shares to him at 19 $\frac{5}{8}$ .

Client told our salesman that he would give us the order at 19 $\frac{5}{8}$  providing it was "worth your while," and our Trading Department consulted the larger house referred to above and several other houses quoting stock 19 $\frac{3}{8}$  to 19 $\frac{5}{8}$  and found that we could not buy stock from them at less than 19 $\frac{5}{8}$ .

Here is a clear case where the so-called inside market did not exist and where the small dealer was offered stock on the same basis as the public.

This is a rather complicated problem in our industry and I don't know that anything specific can be done to correct it. I do believe, however, that members should keep in mind the wholesale and retail market for the benefit of the industry as a whole.

Yours,

Chicago

W. C. Gibson.

*Comments on Mr. Gibson's experience will be welcomed.*

If you want a lesson in organized confusion, read this organ [the NASD NEWS, May, 1951] . . . Be careful, son. You've fallen in love with the sound of your own words. . . .

Yours,

Boston, Mass.

J. H. B.

Long experience has shown me that the easiest thing in the world is to edit the other fellow's production. For what it is worth I am sending along herewith copy of the NASD NEWS (May) with comments. The general impression I have is that I think the juzzing is somewhat overdone, especially in view of the general intelligence of its readers.

Sincerely,

Boston

Waldo Kendall

. . . the new "pitch" on the NASD NEWS is excellent. . . .

Sincerely,

Denver

John J. Sullivan

## Police, Promote

"Where does NASD's job of policing the business come in conflict with its responsibility to promote the welfare of the business?"

"Is there conflict, one with the other?"

These questions in one form or another, regularly come before the Board of Governors. There have always been differences of opinion and there probably always will be as between any group of twenty-one men.

Up to now, when any show of hands was necessary, those who believed the Association should engage in activities to help the business have been in the majority.

Here is the crux of the question—being an extract from a list of "objectives" of NASD: "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..."

To most Governors, that is a clear command: (1) to promote the welfare of the business; (2) to standardize practices, promote high standards of conduct. Most Governors have felt the Association's reputation must, for the long term, be built on doing the business a service in both fields. This has been especially true in recent years. It explains why the Association the last two years has gone to bat for the business in various ways—taxes, legislation, regulation, public relations. Meanwhile, the policing job has not been allowed to languish.

Considerable discussion took place at the last meeting of the Board on the subject of "Invest in America" campaigns. Before the Board was a suggestion that the Association take an active role in the national promotion of such campaigns. It stirred up an interesting debate in which nearly everyone in the room took part.

No one was against the "Invest in America" idea. On the contrary. But what some of the Governors were worried about was the possibility that such campaigns might become too prominently identified with the securities business. One cautioning comment went something like this: "Let's be careful we don't appear to be 'fronting' for campaigns to get people to buy stocks. We found ourselves in that position once. Let's be sure it doesn't happen again."

There were other comments in the same vein—Governors wanting to support a constructive and wholesome endeavor but wary about the position the business

could place itself in.

Upshot of it was that there was more or less unanimous agreement that the Association certainly favored local efforts to spread knowledge of investment and saving, where people in the securities business were cooperating with groups of industrial and commercial organizations, providing technical information and literature and speakers and the like.

Governors wanted no part of such efforts where the securities business went it alone or led the movement.

## "Two Other Firms"

The Board of Governors decided early this year that the Association ought to keep an eye on so-called Regulation "A" filings—underwritings involving less than \$300,000 which do not have to be registered.

Results of a once-over-lightly study by a staff member produced these facts for a Board report:

In a period of two and one-half months, 39 Reg. "A" offering proposals were filed with the Association by members in keeping with the request of the Board that copies of such filings be submitted to NASD.

The 39 issues were for a total of \$7,000,000. Not peanuts. Some surprising things were unearthed in NASD follow-ups of these filings. In a number of cases, the firm listed as underwriter of an offering informed the Association they were NOT the underwriters and in a few such cases averred they were completely unaware of the issue. In a few other instances, the firm named as underwriter had authorized the issuer to designate it as such but the firm said it had no interest in the deal.

In other cases, members advised they had received unsolicited orders for an issue but did not know they were listed as underwriters. A prominent firm listed as underwriter in one offering said this was in error, the underwriting was being handled by two other firms [no humor intended]. Another prominent firm said that its only connection with the underwriting was in supplying the necessary forms to the issuer. It confessed having no knowledge that it had been designated as underwriter.

Trade publications which devote a great deal of time to gathering information on underwritings have advised the Association that they often find it impossible to get information on Reg. "A" deals because men in underwriting firms who commonly monitor issues of their houses know nothing of such "A" projects. Yet

## Group Insurance

Success of the Association's group life insurance plan for members and employees is evidenced in the fact that the amount of such insurance now in force exceeds \$23,000,000. Moreover, in July the Trustees disbursed a dividend of 17 per cent, equal to approximately two months' premium charges for every participating member. A total of \$59,999.70 was disbursed.

The Trustees' report for the year ended April 30, 1951, showed death claims paid in that period of \$205,200.

In response to numerous requests, the Insurance Trustees studied the possibility of additional types of group insurance for members and are prepared to submit a program for Hospitalization and Surgical Expense Insurance. Submission of the plan is waiting upon Congress' action on so-called fringe benefits under wage stabilization.

The Trustees believe the plan they have negotiated will afford members and their employees benefits to an extent not generally available and at a cost which only large, group—subscribers could obtain.

## Stock-Buying "Formulas"

Promised for release this September is a report on a study of so-called formula plans for purchases of common stock. The study was sponsored by the Life Insurance Association of America and is being made by the School of Commerce of Emory University. This study, according to Dr. James J. O'Leary of the Association Research Program, will be devoted to formula plans in use for timing of common stock purchases and sales and it also tests analytically the investment experience of investors under the various types of formula plans.

## "W-I" Contracts

George L. Morris, Chairman of the National Uniform Practice Committee reports that his Committee continues to work on a uniform contract for transactions in "when-issued" and "when-distributed" securities.

---

the firm is identified as underwriter.

There is another side of this Reg. "A" business that is almost as puzzling. Only 25 per cent of such filings in the two and one-half months being discussed were made by Association members. The other 75 per cent were "offered" by issuers or others not in the securities business. Another interesting fact: over 21 per cent of all issues were listed or traded on exchanges.