

NASD



**NATIONAL ASSOCIATION
OF SECURITIES DEALERS
REPORT TO MEMBERS 1961**

THE NASD AT WORK



John J. Kelly, Counsel, and Craig Severance, Chairman



H. Theodore Friedman, Allen C. Ennis, Jr., and Stephen S. Shady, Assistant Secretary



Richard A. Goldstein, Gustave A. Zischman, Vice-Chairman, and Alfred J. Ross

In New York, members of District 12 Committee meet to consider complaints filed against NASD members.



Howard M. Miller and Joseph P. Keating, Chairman of District 12



Joseph S. Mawera, John W. Karpovich, and Lawrence S. Altman

In Cleveland, Justin J. Stevenson, Jr., addresses a meeting of members in District 9.



On the Cover:

Applicants take the new qualifying examination for registered representatives.



George J. Bergen, *Secretary*,
and John W. Dayton, Jr.



Leslie B. Swan, Homer J. O'Connell,
and Jonas H. Ottens

THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC. REPORT TO MEMBERS 1961

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Executive Office: 1707 H Street, N.W., Washington 6, D.C.

THE PURPOSES OF THE NATIONAL ASSOCIATION OF SECURITIES DEALERS

To promote the investment banking and securities business

To standardize its principles and practices

To promote high standards of commercial honor and to promote among members observance of Federal and State securities laws

To provide a medium through which the membership may consult with governmental and other agencies

To cooperate with governmental authority in the solution of problems affecting this business and investors

To adopt and enforce rules of fair practice in the securities business

To promote just and equitable principles of trade for the protection of investors

To promote self-discipline among members

To investigate and adjust grievances between members and between the public and members



REPORT OF THE CHAIRMAN OF THE BOARD OF GOVERNORS

On the opposite page are the purposes of NASD, from its certificate of incorporation. During 1961, much was done to advance these purposes. We sought to promote the growth of our business. We encouraged fair practices, self-discipline, and high ethical standards among members. We cooperated with the Congress and the Securities and Exchange Commission.

I call the members' attention to several of the more important actions taken during the year:

A special committee completed a study of the feasibility of an over-the-counter clearing house. Their findings have led to the formation of the O-T-C Clearing Corporation which will become operational for a limited number of securities in metropolitan New York later in 1962. The eventual expansion of clearing house operations throughout the nation will aid in promoting the growth of our business and, at the same time, simplify its operations.

Members have been advised that NASD will review compensation arrangements for the distribution of securities of unseasoned companies.

NASD has completely revised the examination for new people entering the securities business. The new, more difficult examination requires study of the fundamentals of our business and knowledge of its operations. I feel sure that we have taken a substantial step forward in raising the level of training and sense of responsibility of people coming into all phases of the investment banking and securities business.

It was my privilege to offer testimony before the House Interstate Commerce Committee on legislation to authorize a study of securities markets and their regulatory agencies by the S.E.C. This study is now under way.

William L. Cary, Chairman of the S.E.C., has pointed out that if we are to avoid unduly restrictive regulation, we must share the responsibility for raising standards of ethical conduct among those in our business. We cannot fail to meet this challenge. We must encourage our ablest men to serve on NASD committees. It will be through their efforts that our effectiveness in self-regulation will be judged.

It has been rewarding to work with the many fine men in the securities business who give so generously of their time to serve on our District and National Committees. Equally rewarding has been the opportunity to work with the competent and diligent staff at NASD Executive and District Offices. Their training and competence are a proper tribute to the leadership of our Executive Director, Wallace H. Fulton, who has so wisely guided NASD since its inception.

It has been a great honor to serve as your Chairman.



William H. Clafin, III

William H. Clafin, III
William H. Clafin, III
Chairman

REPORT OF THE EXECUTIVE DIRECTOR



Wallace H. Fulton

The activities of NASD during the past year reflect the conditions which prevailed in the securities markets during 1961. The growing number of investors and the increased amount of public financing resulted in expansion of the investment banking and securities business. NASD membership continued to rise. At year end, there were 4,750 members, an all-time high and a net increase of 284 over 1960. The number of registered representatives totaled 102,305, another high and a gain of 8,477 for the year. Growth in the membership and the number of registered representatives was paralleled by the expansion of NASD activities into new areas, as well as along established lines.

NASD must do more than keep abreast of the day-to-day operation of the securities business. We must also be sensitive to undesirable trends and their consequences. Only through awareness and study can we be prepared to take appropriate steps to protect the public interest while preserving an atmosphere which is free of unnecessary restrictions and which will promote the growth of our business.

Most of the actions covered in this report were the result of extensive studies—each undertaken with a long range point of view. We believe they will be regarded in the future as having contributed significantly to the sound and steady growth of the securities business.

GROUNDWORK FOR CLEARING HOUSE STARTED

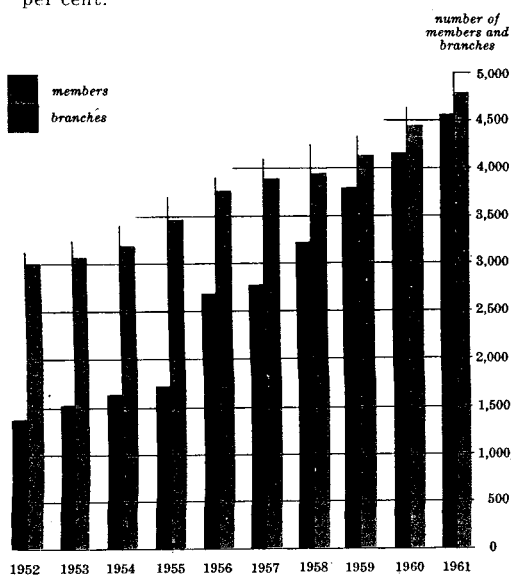
Early in 1961, the Chairman of the Board of Governors appointed a special committee to study the feasibility of an over-the-counter clearing house which would provide central facilities where contracts of members could be verified, matched, and grouped to expedite the delivery, receipt, and settlement process of the over-the-counter market.

The special committee concluded that current volume over-the-counter, together with the growth which may be anticipated in the future, justified the establishment of a permanent clearing house. Accordingly, the Board authorized the special committee to proceed with the groundwork for such a facility.

The Board decided that the clearing corporation should be an entity separate from NASD, owned by the NASD members who participate in its facilities. At the same time, it was agreed that NASD should be represented on its Board of Directors. Funds sufficient to cover organizational costs of the clearing house are being advanced by NASD and will be repaid by the clearing corporation as soon as its own funds are available.

Initially, the activities of the clearing house will be confined to transactions between clearing members in metropolitan New York for a selected group of securities. However, plans call for expansion of clearing facilities as rapidly as good judgment warrants to bring together the major trading communities located in the West, Midwest, and South. Ultimately,

During the past ten years, the number of members has increased 59 per cent, while the number of branches has increased 219 per cent.



it is expected that small as well as large dealers throughout the nation will be able to participate in the clearing facilities.

The National O-T-C Clearing Corporation is now effectively incorporated in the State of Delaware and bylaws have been drawn for the approval of participating members. Work is now in progress on matters of staff, location, rules, and procedures.

A clearing house means a significant reduction in the number of "fails" and elimination of the need to make and receive numerous deliveries of securities. Many transactions will be "washed" within the clearing operation, leaving only a fractional part of the current work in receiving and delivering securities.

The majority of members polled in New York have given assurance of financial support. It is reasonable to expect that The National O-T-C Clearing Corporation will become operational in metropolitan New York during 1962.

UNDERWRITING COMPENSATION TO BE REVIEWED➤

In December, the membership was advised that, in the future, the Board of Governors will review the offerings of issues of unseasoned companies. The review will determine whether arrangements covering compensation to the underwriters are fair and consistent with just and equitable principles of trade under Article III, Section I of the Rules of Fair Practice.

By this action, NASD activities have been extended into a new area. The decision to review was made after a study of prospectuses and offering circulars indicated that in some of these arrangements compensation received by underwriters was unfair and unreasonable. Responsibilities of underwriters extend beyond the successful distribution of securities. In arranging compensation for their services, underwriters must avoid over-reaching for unconscionable profits from the distribution of securities.

A special committee of the Board of Governors—the Committee on Underwriting Arrangements—has been appointed to review offerings and to furnish guidance to members and their counsel. In addition, the Committee will furnish guidance on that part of the Board's interpretation on free-riding and withholding covering sales to persons not normally considered public purchasers. All communications between members and the Committee on Underwriting Arrangements will be channeled through the Executive Office. We believe that the Committee's advice will prove helpful in establishing needed guidelines for the membership.

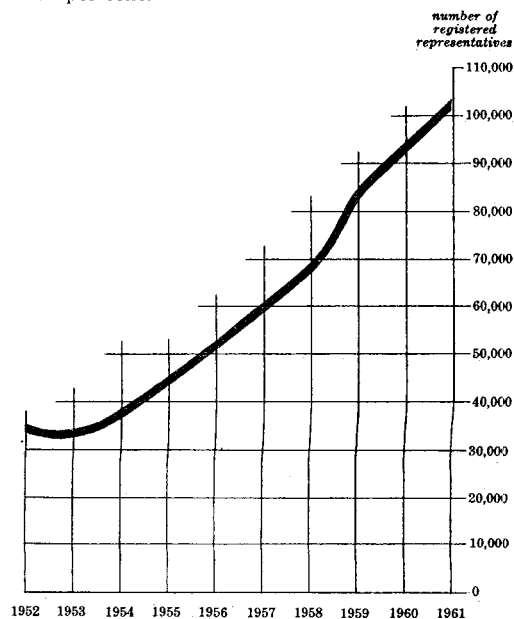
In connection with implementation of the free-riding and withholding interpretation, the Executive Committee of the Board authorized an investigation of the distribution of 66 "hot issues." A total of 3,191 questionnaires were completed by underwriters and selling group members. The questionnaires, which disclose the disposition of the issues, have been referred to the appropriate District Committees for determination of compliance with the interpretation.

NEW QUALIFYING EXAMINATION ADOPTED

Of particular significance for the future is the new, more difficult qualifying examination for registered representatives which was prepared during 1961 and became effective on January 2, 1962.

Work on the project was begun early in the year when the Board of Governors authorized The Psychological Corporation to consult with the Executive Office Staff for the preparation of a new examination—an examination which would require individuals entering the business as registered representatives to know the fundamentals of the business and to

During the past ten years, the number of registered representatives has increased 199 per cent.



understand the rules which govern it. Throughout the year, some 7,000 individuals participated in the experimental testing of more than 600 trial questions. The new test is a two hour examination consisting of 125 objective questions in each of three forms.

In conjunction with the examination, a study outline was developed. The study outline lists the specific topics covered in the examination and contains a section of reference materials. No longer may an applicant for registration simply memorize the answers to published questions in order to prepare for the examination. Study of the NASD Manual and other reference materials is required if the applicant is to master the broad list of topics included in the study outline. The Securities and Exchange Commission has agreed to accord confidential treatment to the questions and answers in the new examination forms. Consequently, they will not be published for study purposes.

During 1961, we also completed arrangements to have all examinations administered under controlled conditions at 63 examination centers throughout the nation. Examinations administered in foreign countries will be monitored by the United States Consular Service.

The establishment of a qualifying examination providing incentive for intensive study of our business on the part of those entering it, has been supported by the majority of the membership in all phases of our business. The examination will be taken by *all* new people who must be registered, whether they propose to work full time or part time, conduct a general securities business or specialize in a particular phase of it, or be traders or salesmen. We believe the new examination represents a major forward step in improving the training, sense of responsibility, and over-all ability of registered representatives.

Another phase of our efforts to upgrade the training of those who are preparing to enter the securities business is evident in our plans to cooperate with all organizations and institutions who wish to improve the quality and availability of educational courses and reference materials.

OVER-THE-COUNTER RESEARCH PROJECT APPROVED

In September, the Board of Governors engaged the Wharton School of the University of Pennsylvania to bring up-to-date the most important sections of its 1949-1952 study of the over-the-counter market. This study will not duplicate research being conducted by other groups in the securities business. Upon its completion, we will have at hand basic information about the size of the over-the-counter market.

STAFF EXPANDED

Administrative action taken during the year affirms NASD's plans to meet its responsibilities in the future, as well as for the present. Additional staff personnel were employed to assist the National Uniform Practice Committee and the National Quotations Committee in expanding their services to our business.

Fourteen new inspectors were added to the staff last summer. Their first assignment was attendance at a four-week training course conducted in Washington, D.C. by the Executive Office Staff. Later, they received additional training in the field working with experienced inspectors. By the end of the year, they were qualified to make inspections of members' books and records without assistance.

An independent review of internal procedures was conducted by Price Waterhouse & Co. Their findings and recommendations will help assure that NASD is working at maximum efficiency in its expanded activities.

Testing centers at 63 locations throughout the nation have been established for administration of the NASD qualifying examination for registered representatives.



COMPLAINT ACTIONS INCREASED

Inspections of 1,493 main offices and 470 branch offices were made during 1961, approximately the same number of inspections made during 1960. However, due to growth in membership, the percentage of members inspected was reduced to 31.4 per cent, which amounted to slightly less than our goal of inspection for one-third of the membership annually. The recently expanded inspection force should enable us to meet this goal in 1962.

Inspections and free-riding and withholding questionnaires resulted in 422 complaints filed, the largest number in our history for a twelve month period. In addition, there were 64 complaints filed under the Minor Violations Procedure. Detailed statistics of complaint proceedings will be found on page 8.

Analysis of mark-up practices made from 1961 inspection reports revealed that of 23,189 transactions computed—78.4 per cent were made at mark-ups under 5 per cent, while 40.9 per cent were made at mark-ups of 3 per cent or less. Mark-ups of 10 per cent or more involved 6.9 per cent of transactions. In many instances, these transactions were the cause of disciplinary action.

CHANGES IN BYLAWS UNDER STUDY

A review of the Bylaws, Rules of Fair Practice, interpretations, and resolutions is now being made in the Executive Office. As a result of this study, we hope to simplify and modernize various provisions in the light of experience and present conditions. A number of the proposed changes will require approval of the membership and a ballot may be expected during 1962.

COOPERATING WITH CONGRESS AND SEC

In June, 1961, the Commerce and Finance Subcommittee of the House Interstate Commerce Committee conducted hearings on a resolution calling for the Congress to appropriate \$750,000 to finance a study of securities markets. NASD took the position that since the laws and regulations governing the business had not been studied for more than 25 years, we would support an objective appraisal of them. Congress approved the resolution in September. The study is now under way, and we are giving it our full cooperation.

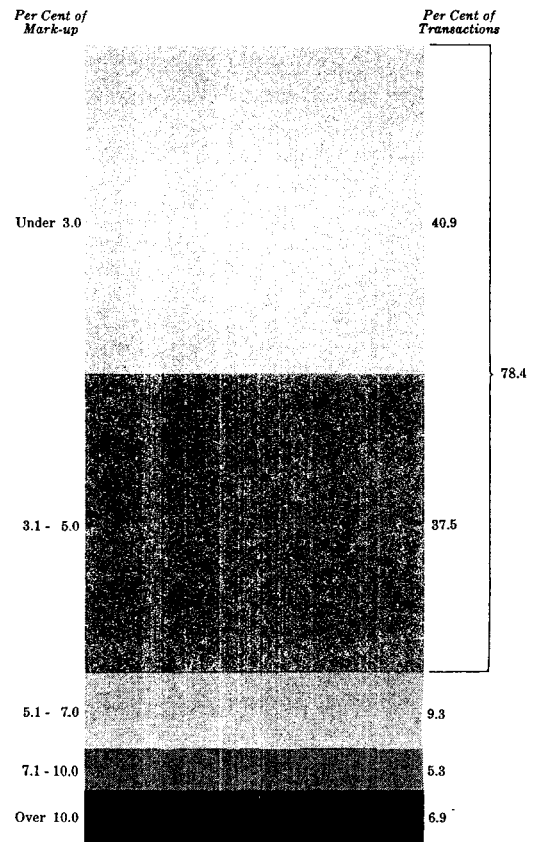
Over the past year and a half, a completely new group of men has been appointed to the Securities and Exchange Commission. During the past year, we have had frequent meetings with members of the Commission and their staff. Problems of the securities business have been discussed in an atmosphere which is cordial and conducive to working out appropriate solutions.

Finally, I commend the members of the staff. During the past year, they have been placed under constant pressure to accomplish more and more. They have consistently endeavored to advance the interests of NASD members and the public. Through their efforts, much was achieved in 1961.



Wallace H. Fulton
Executive Director

NASD inspections show that 78.4 per cent of mark-ups on transactions computed in 1961 were under 5 per cent.



REPORTS OF COMMITTEES OF THE BOARD OF GOVERNORS

NATIONAL BUSINESS CONDUCT COMMITTEE

The National Business Conduct Committee, composed of members of the Board of Governors, reviews all disciplinary actions taken by each of the 13 District Business Conduct Committees. When it appears that a District Committee decision or penalty is not in accord with Board policy, the National Business Conduct Committee is authorized to call the case up for review by the Board. In addition, the National Business Conduct Committee deals with all appeals to the Board from actions by the several District Business Conduct Committees.

Disciplinary actions are considered at the outset by the District Business Conduct Committees. They receive complaints from the public or initiate complaints when it appears that members have violated NASD Rules of Fair Practice and interpretations, or Securities and Exchange Commission regulations. When cases are appealed or called for review, the National Business Conduct Committee holds hearings and drafts recommendations to the Board. At a meeting of the Board, the Committee presents facts and arguments for the full Board's final decision.

Decisions of the Board may be appealed to the Securities and Exchange Commission and then to the courts. During 1961, eighty-four cases were appealed or called up for review by the Board. The SEC decided six of the NASD cases, upholding the Association's actions in each instance.

In the disciplinary field, the Committee was concerned about the increasing number of attempts by registered representatives to by-pass the Board's interpretation on free-riding and withholding by deceiving their employers.

COMPLAINT PROCEEDINGS AND DECISIONS — JANUARY 1, 1961 — DECEMBER 31, 1961

COMPLAINTS					DECISIONS									
Dist. Number	Pending Jan. 1, 1961	Filed 1961	Closed 1961	Pending Jan. 1, 1962	Dismissed		Fines		Expulsions		Suspensions		Censures	
					M	RR	M	RR	M	RR	M	RR	M	RR
1	4	15	17	2	2	1	4	2	4	4	—	—	11	3
2	33	25	28	30	5	1	16	13	4	4	—	3	9	6
3	17	20	22	15	8	1	3	1	6	2	1	1	8	1
4	1	9	4	6	—	—	3	—	—	—	—	—	4	—
5	15	33	27	21	4	2	20	5	—	1	—	—	23	30
6	1	7	—	8	—	—	—	—	—	—	—	—	—	—
7	15	37	38	14	6	1	26	—	3	4	2	—	25	—
8	21	34	33	22	11	—	18	7	—	5	—	1	13	4
9	4	3	6	1	4	1	2	2	—	—	—	—	2	2
10	44	31	30	45	2	1	9	2	8	7	—	—	17	4
11	17	30	23	24	7	4	9	6	1	2	3	3	8	7
12	50	216	66	200	3	1	22	1	14	15	2	2	44	3
13	23	26	25	24	5	1	7	2	1	2	2	—	18	10
Total	245	486a	319b	412c	57	14	139	41	41	46	10	10	182	70

M—Member
RR—Registered Representative

a—includes 64 Minor Violation Complaints
b—includes 28 Minor Violation Complaints
c—includes 36 Minor Violation Complaints

NATIONAL UNIFORM PRACTICE COMMITTEE

The National Uniform Practice Committee coordinates custom, practice, usage, and trading of the NASD membership in its day-to-day securities transactions. The Committee gives virtually daily rulings in accordance with 61 sections of the Uniform Practice Code, which governs the dealings of securities firms with each other, as opposed to their transactions with the public.

The Committee frequently assists in the settlement of trade disagreements between members, through arbitration. In addition, the Committee supervises the "buy-in" and "sell-out" procedures and trading in rights and warrants. A special memorandum was added to the Uniform Practice Code in 1961 to clarify the proper procedure to be followed by purchasers when "buying-in" after a seller has failed to complete a transaction.

Six formal announcements issued in 1961 pertained to the manner of trading warrants attached to securities initially offered to the public.

The Committee is particularly concerned about continuing widespread failure by members to check confirmations and exchange comparisons at time of the sale in accordance with Section 9 of the Uniform Practice Code.

INVESTMENT COMPANIES COMMITTEE

The Investment Companies Committee studies trends in distribution of shares of investment companies and when indicated recommends corrective action to the Board of Governors. The Committee also supervises the work of the Investment Companies Department in its continuing review of sales literature under standards established by the Securities and Exchange Commission's Statement of Policy.

During 1961, the Committee continued its study of reciprocal business and distribution problems and sent recommendations to the Board designed to curtail unethical reciprocal brokerage business as a reward for sale of shares or as an inducement to increase sale of shares. The Board has adopted these proposals, and they are now pending before the SEC, which is making its own study of this problem. The Board also has adopted an interpretation prohibiting members or salesmen from accepting compensation in the form of shares of management stock in addition to the normal sales charge.

The Committee is concerned about the growing use of arrangements for the purchase of mutual fund shares which are later pledged as collateral for loans to pay life insurance premiums.

More investment company literature was reviewed by the Investment Companies Department during 1961 than in any prior year. Approximately 4,600 of the 10,400 units of literature filed required comment. In all, more than 76,700 units of literature have been filed since the review program began in 1950.

NATIONAL QUOTATIONS COMMITTEE

The National Quotations Committee promotes publication of quotations on securities traded over-the-counter on the widest possible scale and under NASD sponsorship. According to current estimates, quotations on about 3,000 over-the-counter issues are published regularly in more than 350 newspapers throughout the country.

A survey of newspaper quotations made in 1960 disclosed that quotations were appearing under individual dealer sponsorship in 75 cities. The Committee has been concerned about the unfair competitive advantage

which accrues to a firm which has exclusive control over quotations published in a newspaper. A major objective in 1961 was the elimination of dealer by-lines in favor of NASD supervision through local quotations committees. By year end, only 27 cities had dealer by-lines.

The responsibility of the Committee also entails supervision of the compilation and publication of quotations in the daily National List and National and Regional Weekly Lists. On December 31, the daily National List was composed of 864 issues, including 458 industrials and utilities, and 193 investment companies.

During 1961, the standard requiring quoted companies to furnish annual reports to stockholders has received particular attention. A survey is now being made to determine the reporting practices of companies quoted nationally and regionally to determine whether more frequent reporting to stockholders should be required.

At year end, arrangements were completed to start releasing quotations for the daily National List and the daily Eastern Regional List twice a day instead of once a day, starting on January 2, 1962.

FOREIGN SECURITIES COMMITTEE

The Foreign Securities Committee is made up of specialists who consider problems arising out of the trading technique and validation of foreign corporate and government securities. Its work includes the development of equitable and uniform trade practices for foreign securities and is similar to the work of the National Uniform Practice Committee for domestic over-the-counter trading.

During 1961, several meetings took place to consider the issue of Japanese American Depositary Receipts—(ADRs). The Committee met with representatives of the Japanese Government, Japanese broker-dealers, and the depositary banks that issue ADRs, and with representatives of the Securities and Exchange Commission.

At a meeting in Washington, in October, the Committee chairman advised the SEC staff that the Committee was seriously concerned that public investors would not be sufficiently informed as to the currency and other restrictions of the Japanese Government. It was urged that the SEC not permit trading in ADRs for Japanese securities until more meaningful forms of disclosure could be worked out. Since then, none of these registrations have become effective.

INSURANCE TRUSTEES

The NASD Group Life Insurance Plan grew substantially in 1961. The amount of insurance in force reached \$107 million, covering 9,728 individuals in 972 firms. The average number of individual lives covered has reached 10 for each participating firm, creating an improved spread of risk.

The NASD Comprehensive Major Medical Plan added 114 firms during the year, bringing the total number of participating firms to 493—a 39 per cent increase in the number of employees and dependents covered.

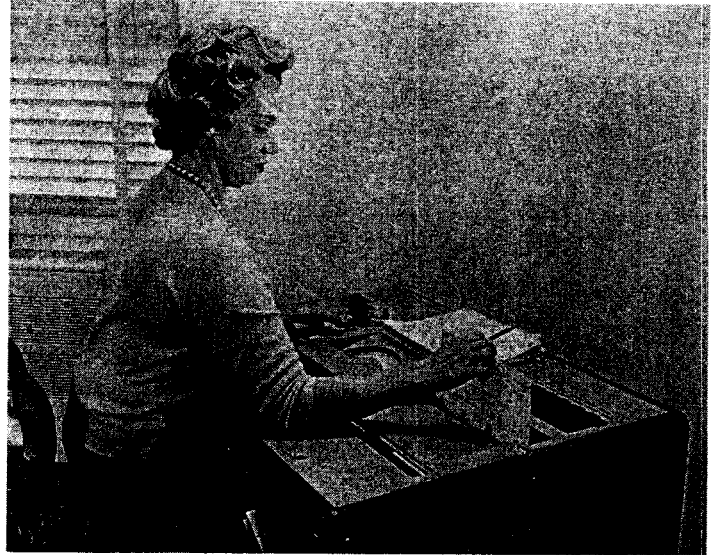
OTHER COMMITTEES

The Legislation Committee studies and advises the Board of Governors on changes in laws pending before the Congress which may have a bearing upon the securities business. The Trading Committee is an advisory Committee to which problems of over-the-counter trading are referred. The Information Committee supervises the publication of the NASD News.

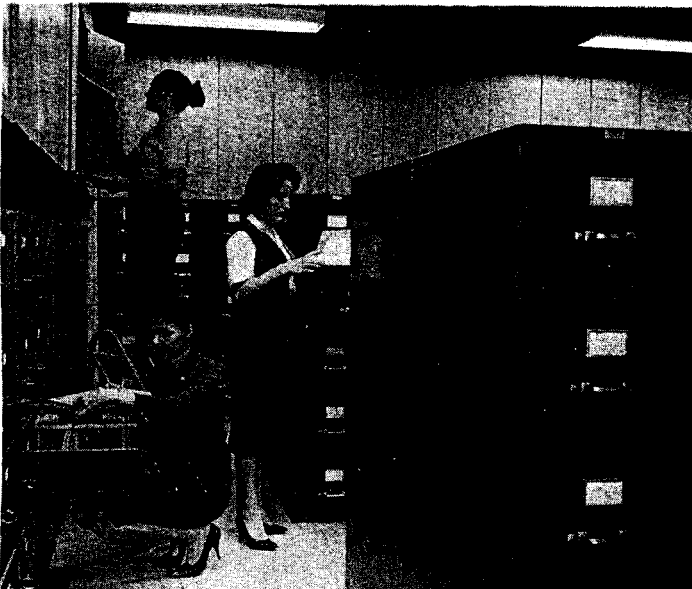
THE NASD AT WORK



In New York, Joseph P. Lieb computes net capital after an inspection at a member's office, and Theodore T. Wdowiak calls a member for information to complete an inspection report.



Helen Bailey scores answer sheets of the qualifying examination for registered representatives on an IBM 805 electronic scoring machine. During 1961, 30,790 answer sheets were scored at the Executive Office.



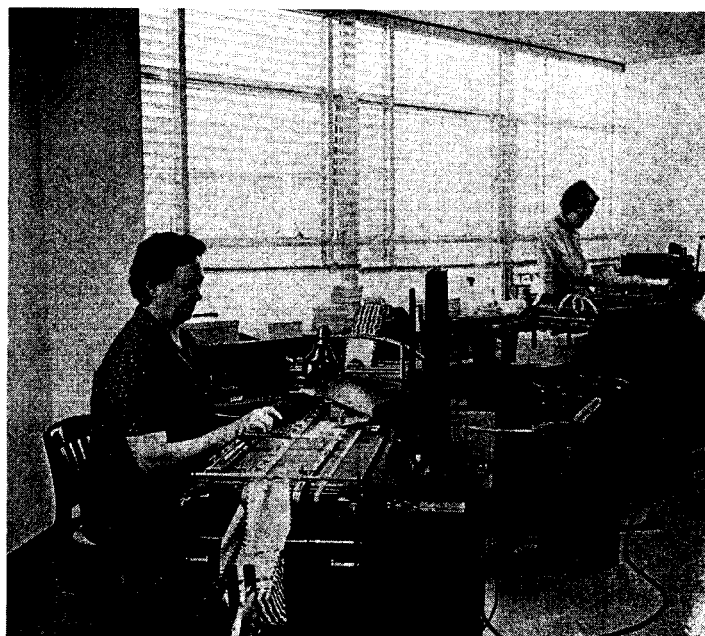
Ruth Silvey, Bessie Turner, and Barbara Campbell file records of inspection reports and complaint proceedings. During the year, 1963 main and branch offices were inspected and 422 complaints were filed.



Fenton P. Cogar and William L. Lanford prepare a report of underwriting compensation for securities offerings of unseasoned companies.



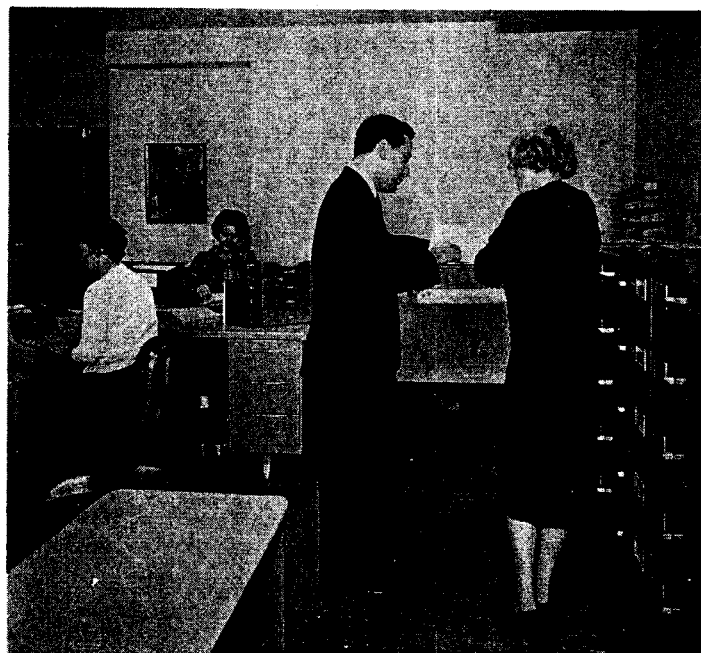
Elizabeth M. King supervises Lois Galloway, Allene Van Horn, and Kay Testi in the preparation of member firms' life and medical insurance records. At year end, 1,133 member firms were participating in the NASD group insurance plan with coverage amounting to more than \$107 million.



Mildred Clark operates the Addressograph for a mailing to member firms and branch offices. Elizabeth Youngblood runs an announcement to members on the Multilith press.



Jacqueline Allen files a card listing employees of a member firm. Thomas P. Snelson, supervisor of the Membership Department, reads a microfilmed record of an application for registration.



Edna Allman, Gertrude Baumgardt, Ralph T. Goetz, and Bernice France at work in the Membership Department where individual histories of all registered representatives are maintained.

FINANCIAL STATEMENT

Year ended September 30,

	1961	1960
<i>Income:</i>		
Assessments	\$ 964,020	\$ 954,353
Registered representatives' fees:		
Applications	411,980	379,280
Examinations	292,200	277,990
Branch office fees	54,503	50,209
Admission fees and other income	54,730	54,320
Fines and costs	86,316	112,045
Interest	33,367	45,969
	<u>1,897,116</u>	<u>1,874,166</u>
<i>Expenses:</i>		
Salaries and office services:		
National office and committees	367,435	327,112
District offices	464,409	430,087
Travel and meetings—Board of Governors, District Committees and other, except for staff investigators	158,418	139,078
Publications, printing and stationery, net	124,782	122,288
Postage	44,395	33,504
Travel of staff investigators, transcripts and miscellaneous expenses of investigations and complaints	100,721	109,616
Fees—legal, administration of qualification examinations, compilations of quotations and other (including \$25,000 in 1961 for revision of registered representatives' examination)	166,879	131,570*
Rent	126,003	108,464
Furniture and equipment	39,913	91,212
Office and miscellaneous	66,678	67,360*
Insurance and taxes	54,522	42,542
Retirement (including \$65,217 in 1961 for providing increased benefits based upon past service)	99,145	29,727
	<u>1,813,300</u>	<u>1,632,560</u>
Excess of income over expenses	83,816	241,606
Accumulated balance:		
Beginning of year	1,117,258	875,652
End of year, of which \$38,532 in 1961 and \$36,765 in 1960 is restricted	1,201,074	1,117,258

*Minor restatements made for comparative purposes.

Composition of Accumulated Balance

	September 30,	
	1961	1960
Cash	\$ 245,263	\$ 264,046
U. S. Government securities at cost (approximate market)	984,672	880,063
Special investment account (marketable securities at cost, cash and accrued interest)	38,532	36,765
Other assets	26,298	26,247
Accounts payable	(71,246)	(70,667)
Accrued and withheld taxes	(19,339)	(15,873)
Assessments collected in advance	(3,106)	(3,323)
	<u>1,201,074</u>	<u>1,117,258</u>

National Association of Securities Dealers, Inc.
1707 H Street, N. W.
Washington 6, D. C.

Washington 6, D. C.
November 27, 1961

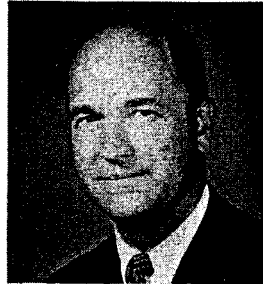
In our opinion, the accompanying financial statement presents fairly the recorded income and expenses of the National Association of Securities Dealers, Inc. for the years ended September 30, 1961 and September 30, 1960 and the composition of its accumulated balance at each of those dates, in conformity 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.

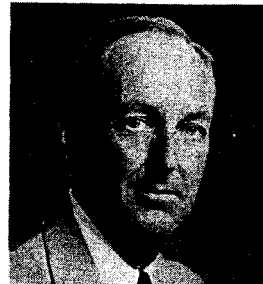
OFFICERS 1961-1962 AND BOARD



William H. Claflin, III
Chairman, 1961
Tucker, Anthony
& R. L. Day
Boston



Robert L. Cody
Vice-Chairman, 1961
North American
Securities Company
San Francisco



Graham Jones
Vice-Chairman, 1961
Cooley & Company
Hartford

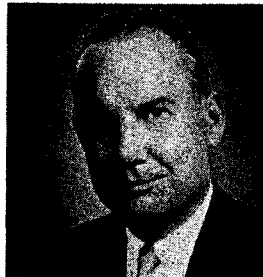


Blanche Noyes
Treasurer, 1961
Hemphill, Noyes & Co.
New York

SERVED UNTIL
JANUARY 1962



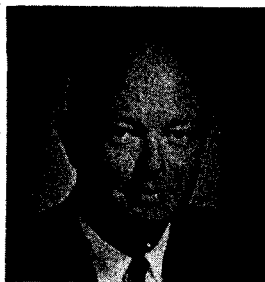
Andrew M. Baird
A. G. Becker
& Co., Incorporated
Chicago



Claude F. Turben
Merrill, Turben
& Co., Inc.
Cleveland



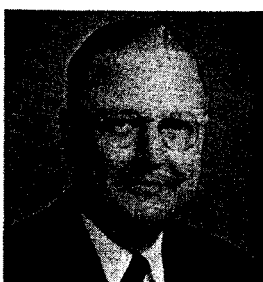
Samuel S. Whittemore
Pacific Northwest
Company
Spokane



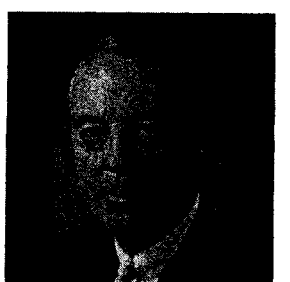
Avery Rockefeller, Jr.
Chairman, 1962
Dominick & Dominick
New York



Edward H. Ladd 3d
Vice-Chairman, 1962
The First Boston
Corporation
New York

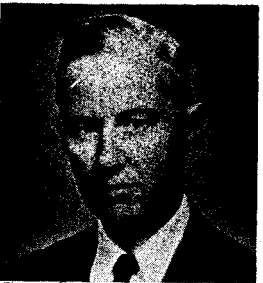


Paul E. Youmans
Vice-Chairman, 1962
Bosworth, Sullivan
& Company, Inc.
Denver



Robert E. Daffron, Jr.
Treasurer, 1962
Harrison & Co.
Philadelphia

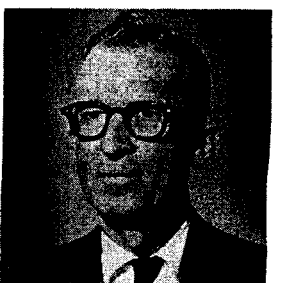
TO SERVE UNTIL
JANUARY 1963



Gus G. Halliburton
Equitable Securities
Corporation
Nashville

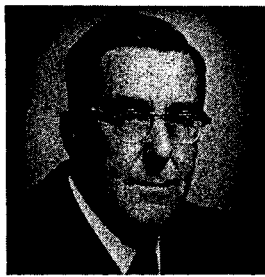


William S. Hughes
Wagenseller
& Durst, Inc.
Los Angeles



Edward S. Lewis, Jr.
Lewis and Company
Jackson, Mississippi

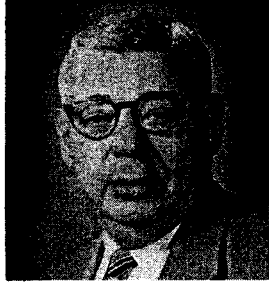
OF GOVERNORS



Wallace F. Fulca
Executive Director



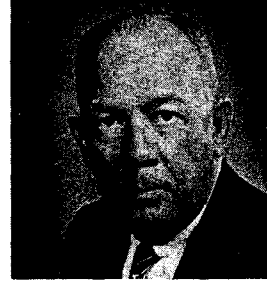
John W. Bunn
Stifel, Nicolaus
& Company, Incorporated
St. Louis



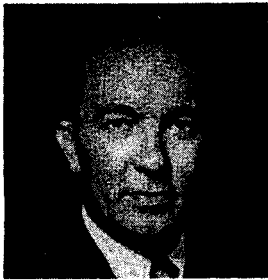
Merrill M. Cohen
J. M. Dain
& Co., Inc.
Minneapolis



Robert W. Fleming
Folger, Nolen, Fleming
& Co., Inc.
Washington



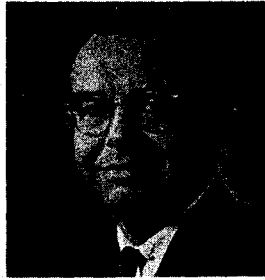
Earl G. Fridley
Fridley & Froedking
Houston



A. Jackson Goodwin, Jr.
Lee Higginson Corporation
Chicago

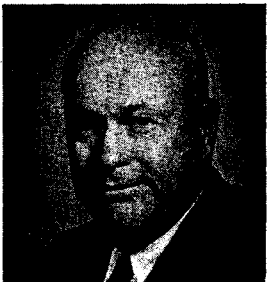


Hudson B. Lemkau
Morgan Stanley & Co.
New York



Merl McHenry
J. Barth & Co.
San Francisco

TO SERVE UNTIL
JANUARY 1964



John W. Dayton, Jr.
Clark, Dodge & Co.,
New York



James H. Goddard
J. H. Goddard
& Company, Inc.
Boston



Robert W. Haack
Robert W. Baird
& Co., Incorporated
Milwaukee



Robert P. Miller
Hornblower & Weeks
Los Angeles



George F. Patten, Jr.
George Patten
Investment Co.
Portland, Oregon



Craig Severance
F. Oberstadt & Co.
New York



Justin J. Stevenson, Jr.
W. B. Rutter & Co.
Nashua

TO SERVE UNTIL
JANUARY 1965

COMMITTEES OF THE BOARD OF GOVERNORS—1961

EXECUTIVE COMMITTEE

William H. Claffin, III, *Chairman*
Andrew M. Baird
Robert L. Cody
Robert E. Daffron, Jr.
Graham Jones
Edward H. Ladd 3d
Blancke Noyes
Avery Rockefeller, Jr.
Paul E. Youmans
Wallace H. Fulton

FINANCE COMMITTEE

Andrew M. Baird, *Chairman*
William H. Claffin, III
William S. Hughes
Blancke Noyes
Claude F. Turben
Samuel S. Whittemore
Wallace H. Fulton

BUSINESS CONDUCT COMMITTEE

Edward H. Ladd 3d, *Chairman*
Avery Rockefeller, Jr., *Vice-Chairman*
John W. Bunn
Merrill M. Cohen
Robert W. Fleming
Earl G. Fridley
A. Jackson Goodwin, Jr.
Hudson B. Lemkau
Merl McHenry

QUOTATIONS COMMITTEE

Francis J. Cunningham, *Chairman*
Glen A. Darfler, *Vice-Chairman* and
Chairman, Midwestern Region
S. Richard Harris, *Chairman,*
Eastern Region
William C. Porter, *Chairman,*
Southwestern Region
Ralph E. Phillips, Jr., *Chairman,*
Pacific Coast Region
Clarence A. Horn
Gilbert M. Lothrop
John D. Ohlandt, Jr.
John I. Rohde

UNIFORM PRACTICE COMMITTEE

Henry H. Badenberger, *Chairman*
Thomas B. MacDonald, *Vice-Chairman*
Edward J. Armstrong
George J. Denzer
Guenther M. Philipp
Ralph W. Welsh

INFORMATION COMMITTEE

Claude F. Turben, *Chairman*
A. Jackson Goodwin, Jr.
Edward S. Lewis, Jr.
Wallace H. Fulton

FOREIGN SECURITIES COMMITTEE

Henri L. Froy, *Chairman*
John A. Nevins, *Vice-Chairman*
Hans Ben
Jack M. Bloch
John Fountain
Derek Grewcock
Max Halpert
Edwin C. Marks

INVESTMENT COMPANIES STEERING COMMITTEE

William H. Claffin, III, *Chairman*
Robert L. Cody
Avery Rockefeller, Jr.,

INVESTMENT COMPANIES COMMITTEE

Franklin R. Johnson, *Chairman*
Robert L. Cody
John R. Haire
Arthur H. Haussermann
Rowland A. Robbins
Henry J. Simonson, Jr.
Joseph E. Welch

LEGISLATION COMMITTEE

Samuel S. Whittemore, *Chairman*
Robert E. Daffron, Jr.
J. Robert Neal

TRADING COMMITTEE

H. Neill Brady, *Chairman*
Arthur W. Bertsch
Lewis R. Bulkley
R. Victor Mosley
Stanley M. Waldron

NASD STAFF

EXECUTIVE OFFICE—WASHINGTON, D.C.

Wallace H. Fulton, *Executive Director*
 Donald H. Burns, *Assistant to Executive Director*
 Marc A. White, *Counsel*
 Lloyd J. Derrickson, *Assistant Counsel*
 Jack A. Schindel, *Comptroller*
 Ray Moulden, *Secretary, Investment Companies Committee*
 Charles Mundt, *Assistant Secretary*
 M. T. Norman, *Assistant Secretary*
 John H. Hodges, Jr., *Special Assistant to Executive Director*
 and *Secretary, National Quotations Committee*
 Joseph J. McGowan, *Assistant Secretary**
 Howard Emen, *Secretary, National Uniform Practice Committee**
 Thomas P. Snelson, *Supervisor, Membership Department*
 William Lanford, *Compliance Department*
 Fred G. O'Fiesh, *Office Manager*

* Stationed in New York office.

Total Executive Office personnel, including inspectors, clerical
 and Insurance Trust Unit

72 (7 in
 New
 York)

DISTRICT OFFICES

District 1 Seattle Eugene R. Gibson, <i>Secretary</i>	District 8 Chicago John F. Brady, <i>Secretary</i>
District 2 San Francisco George J. Durfey, Jr., <i>Co-Secretary</i>	District 9 Cleveland Vincent J. Nelson, <i>Secretary</i>
Los Angeles James H. Resh, <i>Co-Secretary</i>	District 10 Washington, D. C. Richard Peters, <i>Secretary</i>
District 3 Denver Kenneth W. Cole, <i>Secretary</i>	District 11 Philadelphia Edward R. Gilleran, <i>Secretary</i>
District 4 Kansas City William S. Clendenin, <i>Secretary</i>	District 12 New York George J. Bergen, <i>Secretary</i>
District 5 New Orleans Edward J. Newton, <i>Secretary</i>	John J. Kelly, <i>Counsel</i> Louis Korahais, <i>Assistant Counsel</i> Herbert S. Sheidy, <i>Assistant Secretary</i> Edward Craig Dearborn, <i>Chief Inspector</i> Theodore Schmidt, <i>Chief Inspector</i>
District 6 Dallas William J. Radding, Jr., <i>Secretary</i>	District 13 Boston Francis C. Doyle, <i>Secretary</i>
District 7 Atlanta S. Bennett Whipple, <i>Secretary</i>	

Total District personnel including inspectors and clerical employees

63
 Total NASD Staff 135



Donald H. Burns
Assistant to Executive Director



Marc A. White
Counsel



Jack A. Schindel
Comptroller

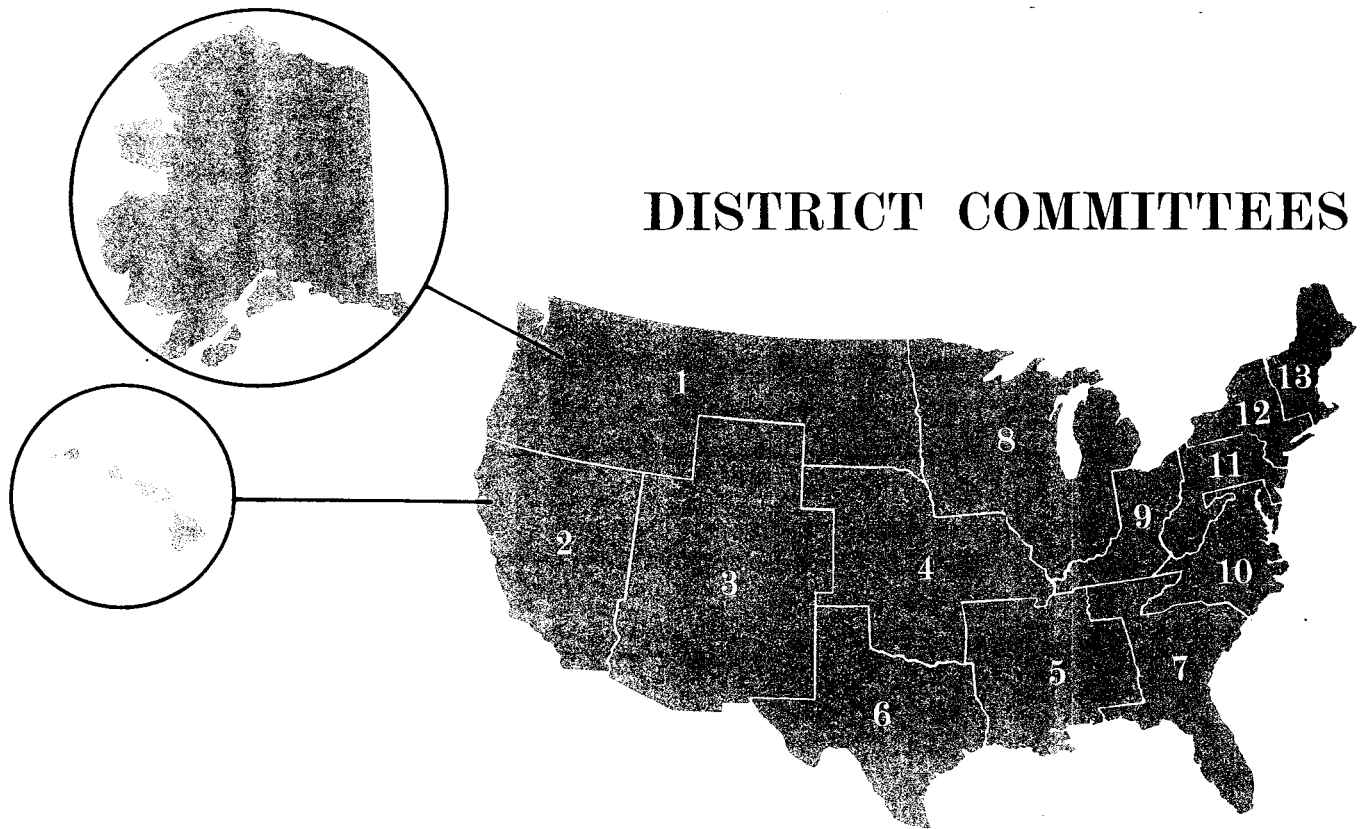


Ray Moulden
*Secretary, Investment
 Companies Committee*



John H. Hodges, Jr.
*Special Assistant to Executive Director
 and Secretary,
 National Quotations Committee*

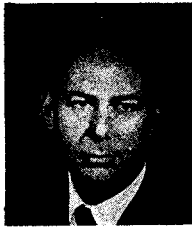
DISTRICT COMMITTEES



1 ALASKA, IDAHO, MONTANA, NORTH DAKOTA, OREGON, SOUTH DAKOTA AND WASHINGTON



John K. Marshall
Chairman



Eugene R. Gibson
Secretary

John K. Marshall
Chairman
Harris Upham & Co.
Spokane

William T. Patten, Jr.
Vice-Chairman
Blyth & Co., Inc.
Seattle

Robert H. Atkinson
Atkinson and Company
Portland

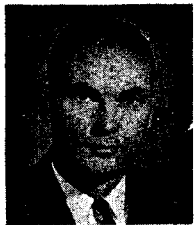
Colin A. Campbell
Southwick, Campbell,
Waterman Co.
Seattle

David A. Davidson
D. A. Davidson & Co.
Great Falls,
Montana

John A. Fagerstedt
Paine-Rice & Company
Spokane

George F. Patten, Jr.
George Patten
Investment Co.
Portland

Eugene R. Gibson
Secretary
White-Henry-
Stuart Building
Seattle



Richard M. Davis
Chairman



Francis S. McComb
Co-Chairman

2 CALIFORNIA, NEVADA AND HAWAII

Richard M. Davis
Chairman
Davis, Skaggs & Co.
San Francisco

Francis S. McComb
Co-Chairman
Wagenseller &
Durst, Inc.
Los Angeles

Richard W. Abrahamson
Weeden & Co.
San Francisco

Frank Bowyer
Schwabacher & Co.
San Francisco

A. B. Fox
Stern, Frank, Meyer & Fox
Los Angeles

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

Arthur N. Honig
Brush, Slocumb & Co., Inc.
San Francisco

William R. MacCormack
Evans MacCormack & Co.
Los Angeles

Milbank McFie
Merrill Lynch, Pierce,
Fenner & Smith, Inc.
Los Angeles

Van S. Trefethen
Shuman, Agnew & Co.
San Francisco

William T. Walker, Jr.
William R. Staats & Co.
Los Angeles

Hart D. Wood
Hart Wood and Company, Ltd.
Honolulu

George J. Durfey, Jr.
Co-Secretary
Russ Building
San Francisco

James H. Resh
Co-Secretary
210 West 7th Street
Los Angeles



George J. Durfey, Jr.
Co-Secretary



James H. Resh
Co-Secretary

**3 ARIZONA, COLORADO, NEW MEXICO,
UTAH AND WYOMING**

Gerald P. Peters, Jr.
Chairman
Peters, Writer
& Christensen, Inc.
Denver

Willard A. Johnson
Vice-Chairman
Merrill Lynch, Pierce,
Fenner & Smith, Inc.
Denver

Edward F. Altman
Stone, Altman
& Company, Inc.
Denver

Harry T. Buchenau
Bosworth, Sullivan
& Company, Incorporated
Denver

Walter J. Coughlin
Coughlin and Company, Inc.
Denver

Charles E. Crary
E. F. Hutton & Company
Tucson

Leon A. Lascor
The J. K. Mullen
Investment Company
Denver

J. Arthur Pett
Dempsey-Tegeler
& Co., Inc.
Salt Lake City

Malcolm F. Roberts
Hornblower & Weeks
Denver

Kenneth W. Cole
Secretary
Boston Building
Denver



Gerald P. Peters, Jr.
Chairman



Kenneth W. Cole
Secretary

4 KANSAS, MISSOURI, NEBRASKA AND OKLAHOMA

Dumont G. Dempsey
Chairman
Newhard, Cook & Co.
St. Louis

T. Bates Huffaker
Vice-Chairman
Merrill Lynch, Pierce,
Fenner & Smith, Inc.
Kansas City

Don Adkison
Bache & Co.
Tulsa

G. Kenneth Baum
George K. Baum & Company
Kansas City

Clay E. Coburn
Stern Brothers & Co.
Kansas City

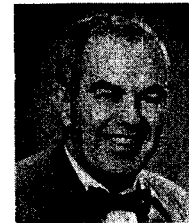
Walter I. Cole
Beecroft, Cole & Company
Topeka

Lawrence M. Mullen, Jr.
Associated Fund, Inc.
St. Louis

Elliot H. Stein
Scherck, Richter
Company, Inc.
St. Louis

M. J. (Zack) Warren
Storz-Wachob-
Bender Corporation
Omaha

William S. Clendenin
Secretary
Waldheim Building
6 East 11th Street
Kansas City



Dumont G. Dempsey
Chairman



William S. Clendenin
Secretary

**ALABAMA, ARKANSAS, LOUISIANA,
MISSISSIPPI AND IN TENNESSEE**
*Montgomery, Dickson, Hickman, Lewis and Lawrence Counties
and the remainder of the State west of them*

G. Shelby Friedrichs
Chairman
Howard, Weil,
Labouisse, Friedrichs
and Company
New Orleans

T. Clyde Ulmer
Vice-Chairman
Courts & Co.
Birmingham

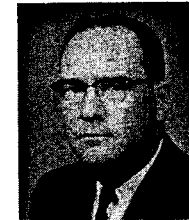
Harry D. Allen
Merrill Lynch, Pierce,
Fenner & Smith, Inc.
Memphis

C. Homer Kees
Ducournau & Kees
New Orleans

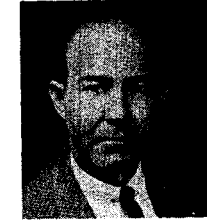
Louis A. Lanford
Hill, Crawford
& Lanford, Inc.
Little Rock

Miles A. Watkins
Stubbs, Watkins
& Lombardo, Inc.
Birmingham

Edward J. Newton
Secretary
Richards Building
New Orleans



G. Shelby Friedrichs
Chairman



Edward J. Newton
Secretary

TEXAS

Jesse R. Phillips, Jr.
Chairman
A. G. Edwards & Sons
Houston

Albert E. Bernet, Jr.
Schneider, Bernet
& Hickman, Inc.
Dallas

C. Pharr Duson
Rotan, Mosle & Co.
Houston

Richard King, III
King, Nelson
& Calvert, Inc.
Corpus Christi

Frank R. Newton, Jr.
Lentz, Newton & Co.
San Antonio

William C. Porter
Dittmar & Company, Inc.
San Antonio

Roderic B. Thomas
Dallas Rupe & Son, Inc.
Dallas

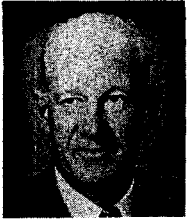
William J. Radding, Jr.
Secretary
Southland Center
Dallas



Jesse R. Phillips, Jr.
Chairman



William J. Radding, Jr.
Secretary



Clinton T. McCreedy
Chairman



Bennett Whipple
Secretary

7 FLORIDA, GEORGIA, SOUTH CAROLINA AND IN
TENNESSEE, *Robertson, Cheatham, Williamson, Maury and
Giles Counties and the remainder of the State east of them*

Clinton T. McCreedy
Chairman
R. S. Dickson & Co., Inc.
Miami

Roy F. Hunt, Jr.
Vice-Chairman
Alester G. Furman
Co., Incorporated
Greenville

H. George Carrison
The Pierce, Carrison,
Wulbern Corp.
Jacksonville

Matthew B. Pilcher
Mid-South Securities Co.
Nashville
Julian W. Tindall
J. W. Tindall & Co.
Atlanta

William H. Zimmerman
The Johnson, Lane,
Space Corporation
Columbus

Bennett Whipple
Secretary
Commerce Building
34 Broad Street, N. W.
Atlanta



Richard B. Walbert
Chairman



John F. Brady
Secretary

8 ILLINOIS, INDIANA, IOWA, MICHIGAN
MINNESOTA AND WISCONSIN

Richard B. Walbert
Chairman
Blyth & Co., Inc.
Chicago

Harry B. Graefe
Vice-Chairman
First of Iowa Corporation
Des Moines

Robert W. Haack
Vice-Chairman
Robert W. Baird & Co.
Milwaukee

Walter E. Auch
Bache & Co.
Detroit

Gordon Bent
Bacon, Whipple & Co.
Chicago

Robert Z. Bronn
Kalman & Company, Inc.
St. Paul

Robert M. Clark
Blunt Ellis & Simmons
Chicago

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

William L. Liebman
Loewi & Co., Incorporated
Milwaukee

A. Paul Ogilvie
Hornblower & Weeks
Chicago

Robert A. Podesta
Cruttenden, Podesta & Co.
Chicago

Richard J. Swiat
Olmsted & Mulhall, Inc.
Kalamazoo

John F. Brady
Secretary
Harris Bank Building
111 W. Monroe Street
Chicago



Justin J. Stevenson, Jr.
Chairman



Vincent J. Nelson
Secretary

9 KENTUCKY AND OHIO

Justin J. Stevenson, Jr.
Chairman
W. E. Hutton & Co.
Cincinnati

Harvey L. Hawkins
Vice-Chairman
Hawkins & Co.
Cleveland

Lawrence L. Ball
Hunter, Prugh,
Ball & Davidson, Inc.
Dayton

Charles F. Conners
Pohl & Company, Inc.
Cincinnati

Watson B. Dabney
J. J. B. Hilliard & Son
Louisville

Seth M. Fitchet
Merrill Lynch, Pierce,
Fenner & Smith, Inc.
Cleveland

Leslie B. Schwinn
L. B. Schwinn & Co.
Cleveland

W. Roger Springate, Jr.
Security & Bond Company
Lexington

Leland A. Walters
Vercoe & Company
Columbus

Vincent J. Nelson
Secretary
The East Ohio Building
1717 East Ninth Street
Cleveland



Eugene H. Cassell
Chairman



Richard Peters
Secretary

10 DISTRICT OF COLUMBIA, MARYLAND
NORTH CAROLINA AND VIRGINIA

Eugene H. Cassell
Chairman
C. F. Cassell & Co., Inc.
Charlottesville

Bernard J. Nees
Vice-Chairman
Johnston, Lemon & Co.
Washington

Thomas L. Anglin
Mackall & Coe
Washington

Robert King, Jr.
First Securities
Corporation
Durham

R. Eldridge Longest
Scott & Stringfellow
Richmond

Harry L. McAllister
R. S. Dickson
& Company, Incorporated
Charlotte

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

C. T. Williams, Jr.
C. T. Williams
& Company, Inc.
Baltimore

Richard Peters
Secretary
1710 H Street, N. W.
Washington

DELAWARE, PENNSYLVANIA, WEST VIRGINIA
AND IN NEW JERSEY, *Burlington and Ocean Counties*
and the remainder of the State south of them

Harold F. Carter
Co-Chairman
Hornblower & Weeks
Philadelphia

Ralph S. Richards, Jr.
Co-Chairman
Richards & Company
Pittsburgh

Walter H. Babbitt
W. H. Babbitt
& Company, Incorporated
Pittsburgh

Edward F. Beatty
W. H. Newbold's Son & Co.
Philadelphia

Ernest M. Brown
M. M. Freeman & Co., Inc.
Philadelphia

David A. Burt
Hazlett, Burt & Watson
Wheeling

William Gerstley, II
Gerstley, Sunstein & Co.
Philadelphia

Robert V. Harned
Warren W. York
& Co., Incorporated
Allentown

David W. Hunter
McKelvy & Company
Pittsburgh

Edgar J. Loftus
W. E. Hutton & Co.
Philadelphia

Harry B. Snyder
Yarnall, Biddle & Co.
Philadelphia

Norman B. Ward, Jr.
Norman Ward & Co.
Pittsburgh

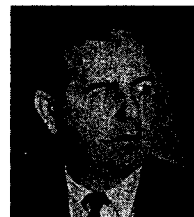
Edward R. Gilleran
Secretary
123 South Broad Street
Philadelphia



Harold F. Carter
Co-Chairman



Ralph S. Richards, Jr.
Co-Chairman



Edward R. Gilleran
Secretary

CONNECTICUT, NEW YORK AND IN NEW JERSEY,
Mercer and Monmouth Counties and the remainder of the
State north of them

Craig Severance
Chairman
F. Eberstadt & Co.
New York

Gustave A. Alexisson
Vice-Chairman
Walston & Co., Inc.
New York

John W. Callaghan
Goldman, Sachs & Co.
New York

John W. Dayton, Jr.
Clark, Dodge & Co., Inc.
New York

Allen C. Eustis, Jr.
Spencer Trask & Co.
New York

George T. Flynn
Hornblower & Weeks
New York

H. Theodore Freeland
American Securities
Corporation
New York

Robert M. Gardiner
Reynolds & Co.
New York

Herbert A. Goldstone
Wertheim & Co.
New York

James F. Keresey
Baker, Weeks & Co.
New York

Daniel V. McNamee, Jr.
First Albany Corporation
Albany

Victor M. Miller
G. A. Saxton & Co., Inc.
New York

Homer J. O'Connell
Blair & Co., Incorporated
New York

Jonas H. Ottens
Salomon Brothers
& Hutzler
New York

Robert A. Powers
Smith, Barney & Co.
New York

Alfred J. Ross
Dick & Merle-Smith
New York

Leslie B. Swan
Chas. W. Scranton & Co.
New Haven

Warren K. Van Hise
Parker and Weissenborn
Incorporated
Newark

George J. Bergen
Secretary
25 Broad Street
New York



Craig Severance
Chairman



George J. Bergen
Secretary

MAINE, MASSACHUSETTS, NEW HAMPSHIRE,
RHODE ISLAND AND VERMONT

Carlisle F. Morrison
Chairman
H. P. Wood Company, Inc.
Boston

Carleton H. Simmons
Vice-Chairman
Hayden, Stone & Co.
Boston

Clifford B. Barrus, Jr.
Barrett & Company
Providence

John M. Bleakie
W. E. Hutton & Co.
Boston

Walter T. Burns
Burns, Barron & Co.
Portland

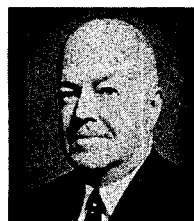
Paul B. Hanrahan
Hanrahan & Co., Inc.
Worcester

Roscoe A. Hayes
Paine, Webber,
Jackson & Curtis
Boston

Thomas Whiteside
Chace, Whiteside
& Winslow, Inc.
Boston

Roger B. Whitman
F. S. Moseley & Co.
Boston

Francis C. Doyle
Secretary
80 Federal Street
Boston



N S

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC., 1707 H STREET, N. W., WASHINGTON 6, D. C.