

1963 Report To Members
NATIONAL ASSOCIATION OF SECURITIES DEALERS



The Chairman

The past year has been an extremely busy one for those selected by the Membership to guide the policies and actions of the Association. It was the year in which the report of the Securities and Exchange Commission's special study group on the securities business was completed and published. The year also saw the introduction in the Congress of certain amendments to the Securities Acts of 1933 and 1934 which, as submitted, were endorsed by your Board of Governors. Since it is the belief of the Board that a self-regulating body of business men can effectively sustain the maintenance of high standards and principles of trade in the securities business, it is of paramount importance that members make available to the Association the very best talent in the financial community to carry out these objectives.

The special study has proposed many new rules for conduct of the securities business. Many of these suggestions pertain to over-the-counter trading or new issue matters. Sub-committees of the Board and members of the Association staff have spent hours and days digesting and analyzing the suggestions made. Action upon a complete revision of the Association's By-Laws and Rules of Fair Practice had been deferred until the complete Report of the Special Study group became available. Submission of a complete re-write of our By-Laws and Rules to the Membership for their adoption has been delayed so that those recommendations of the Study Group approved by the Board may be incorporated among them.

Your 1962 Chairman, Avery Rockefeller, Jr. was most helpful to this year's Board in continuing to serve the Association as head of an Advisory Committee to the Board and as Chairman of a Selection Committee to name a successor to our Executive Director, Mr. Wallace H. Fulton, who has served the Association as Executive Director since its beginning. Mr. Fulton plans

to retire on April 1, 1964. The Committee's selection of Robert W. Haack of Milwaukee, a man from our own industry, has received the unanimous acclaim of the Board and, we trust, of the membership as well. Mr. Haack will have the new title of President and will retire as 1964 Chairman of the Board of the Association upon assuming his new duties.

The death this year of Chairman Merrill M. Cohen of Minneapolis deprived the industry of one of its dedicated self-regulatory leaders. His philosophy regarding full protection of the public by the Association was known to Board members who had served with him during the prior two years.

The Association participated in numerous discussions with the Securities and Exchange Commission and with members of the Commission staff during the past year regarding the proposed legislation and the proposals in the special study. It is believed these conferences will prove productive. The new Board in 1964 will meet the problems presented as it approaches the membership for approval of revised and additional self-imposed regulations in the securities industry. These are designed to face our responsibility in making sure that our self-regulation is adequate and fair.

As your acting chairman during most of the past year, I wish to express appreciation not only for the cooperation and advice of members of the Board and of the National and District Committees, but also for the loyal and efficient work of the members of the Association's staff.

Hudson B. Lemkau
Acting Chairman of The
Board of Governors

The Executive Director

The securities business might well be tempted to call 1963 "the Year of the Report", since attention has remained focused during this period on the various segments of the SEC Special Study.

Nevertheless, there were many other significant trends and events during the year that have had a marked effect on the NASD and its members. Association membership dropped from 4,771 at the end of 1962, to 4,338 as of December 31, 1963. Branch office totals also declined slightly in comparison to the previous year—4,684 in 1963 down from 4,713 in 1962. For the second straight year, we lost more than 8,000 Registered Representatives. There were 84,187 registered at the end of 1963, as opposed to 94,444 registered at the end of 1962.

BY-LAWS REVISIONS

Faced with more than 150 specific recommendations in the SEC Special Study Report, the Association deferred any additional work on the major revisions to its By-Laws, Rules of Fair Practice and Code of Procedure which were expected to be completed this past year. It will be necessary to study and analyze all SEC recommendations with a view to possibly incorporating certain of these suggestions into the proposed By-Laws revisions. When this is finished a draft of these revisions must be approved by the Board of Governors and submitted to the NASD membership for vote.

NATIONAL OVER THE COUNTER CLEARING CORPORATION

The National Over-the-Counter Clearing Corporation began functioning on a trial-run basis in August of this year, and is now in full operation clearing more than 1400 different issues in the New York area.

EXAMINATION PROGRAM

During 1963, the Association conducted 1,785 examinations of members' main offices, and 1,571 examinations of branches. These figures represent 41.1% and 33.5% respectively of the total offices in each category. The numbers and percentages were the highest for any year since the examination program was instituted, and reflect the utilization of a larger staff and greater emphasis on branch office examinations.

1963 was the first year in which all Districts have had at least one permanent examiner. In April, we also instituted a program of having two special examiners concentrate on members who are underwriters of mutual fund shares or sponsors of contractual plans. The examining force consists of 39 men, including 12 trainees employed in 1963.

A compilation of complaint actions in 1963 is contained on the chart accompanying this report. In disposing of complaints this year, District Business Conduct Committees and the Board have



expelled 67 members and revoked the registrations of 132 representatives; suspended 17 members and 42 registered representatives; fined 240 members and 167 registered representatives; censured 281 members and 199 registered representatives and dismissed actions against 88 members and 54 registered representatives. Total fines and costs collected during 1963 were \$201,955.69.

Also in 1963, we computed mark-ups on 28,685 transactions which showed 44.7 percent were under 3% and 37.7 percent were between 3% and 5%. A complete breakdown of those computed mark-up transactions is shown on the accompanying graph. In addition, the Association received and processed more than 17,000 requests for Regulation T extensions.

During 1963, the NASD staff was increased to 181 employees. The quotations department, legal department and examination staff were all expanded to handle the growing work load in these areas.

UNDERWRITING ARRANGEMENTS

Since the inception of the Committee on Underwriting Arrangements, approximately 1,820 new issues have been received at the Executive Office. Of these, 183 (10.1%) appeared to be unfair and unreasonable and underwriters were so advised.

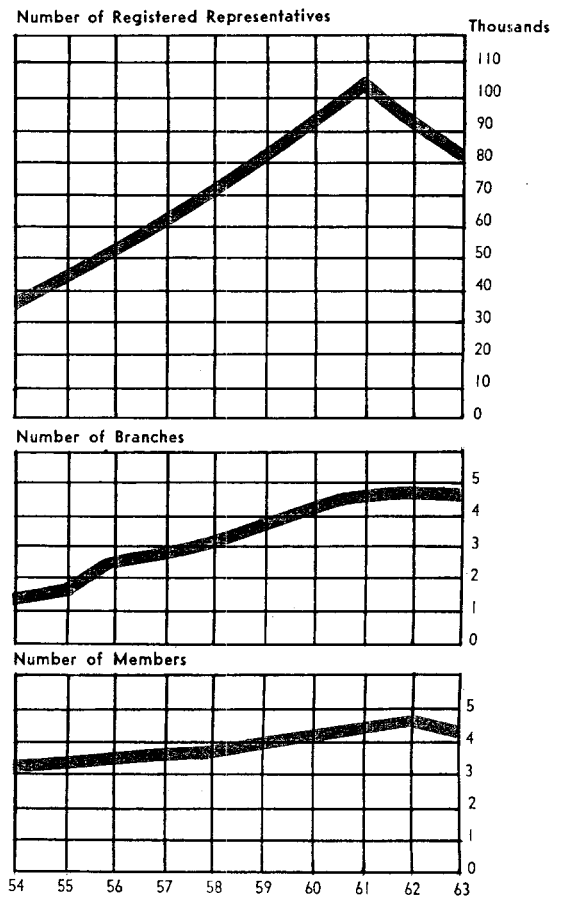
At the Committee's invitation alternative proposals have been submitted to the extent that total net reductions amounting to roughly \$2.7 million have been made. Where underwriters appeared to ignore the Committee's suggestions, recommendations have been made to appropriate District Committees for the filing of complaints.

The first case appealed to the Board of Governors has resulted in the affirmation of 30-day suspensions and \$1,000 fines against the co-underwriters. In the second case which was reviewed, the Board increased the penalty imposed by the District Committee from censure and a fine of \$750 to censure and a fine of \$1,000. In this case, an allegation of failure to file required information with the Association, which was dismissed by the District Committee, was reversed by the Board. Other cases are pending.

SEC SPECIAL STUDY

The first segment of the SEC Special Study Report was released in April of 1963, and succeeding segments were made public in July and August. Of the 12 chapters in the Study, several were concerned only with the stock exchanges. However, the NASD and the over-the-counter market were the subjects of some or all of most chapters. Special and Standing committees of the Board have analyzed the recommendations concerning the Association and, for the last four months, have participated in negotiations and discussions with the SEC staff. Special NASD committees on Selling Practices and Advertising were organized and each has spent a great deal of time in studying the subject matter in these areas designated as priority by the SEC. Among subjects on which the Special Study made recommendations—in terms of importance to the over-the-counter markets and to the Association—are these:

QUOTATIONS—The Special Study urges substantial revisions to the Association's quotations system also requiring an agency basis in handling riskless transactions;



SELLING PRACTICES, ADVERTISING AND SALES LITERATURE—The Special Study suggested many new controls or additional standards including clarification of standards of suitability;

INTERNAL REORGANIZATION—There are many recommendations having to do with the examination of members and handling of disciplinary matters, as well as changes in duties and responsibilities of the Board, District Committees and the Executive Office;

QUALIFICATIONS FOR ENTRANCE INTO THE BUSINESS—Higher standards are sought for both principals and registered representatives.

INVESTMENT COMPANIES—Recommendations include banning the sale of contractual plans, standards to control reciprocal brokerage business, and preventing improper switching and high-pressure selling practices.

Special Study recommendations also include proposed changes in administration of the Free-Riding and Withholding Interpretation and the Five Per-cent Policy.

Legislation based on a portion of the Special Study recommendations was introduced in Congress in June of 1963. Among other things, this legislation proposed that the Association be authorized to set capital requirements for its member broker/dealers and that all broker/dealers engaged in intrastate as well as interstate business be required to register with the Commission and to join a national securities association. The legislation also proposed that certain issuers of securities not listed on exchanges be required to publish and file reports and proxy statements with stock holders containing information similar to that which is filed by listed companies.

The Chairman of the Board and other Association officers testified in favor of this proposed legislation in hearings held before the Senate Banking and Currency Subcommittee. The Bill, S-1642, was subsequently passed by the Senate.

TABULATION OF COMPLAINT PROCEEDINGS AND DISPOSITION																	
January 1, 1963—December 31, 1963																	
COMPLAINTS					PENALTIES												
Dist. #	Pending Jan. 1 '63	Filed	Closed	Pending Dec. 31 '63	Expulsion				Suspension			Fine		Censure		Dismiss	
					M	RR	C	NP	M	RR	C	M	RR	M	RR	M	RR
1	11	22	28	5	1	2	—	2	—	—	—	18	8	21	10	6	5
2N	13	18	20	11	2	4	1	—	1	—	—	13	12	13	10	4	3
2S	29	30	38	21	4	18	1	1	2	3	—	10	23	11	19	14	18
3	16	9	21	4	7	12	6	—	2	1	1	3	3	4	3	6	2
4	12	12	5	19	—	2	—	—	—	—	—	2	1	3	—	2	—
5	20	14	27	7	—	—	—	1	2	—	5	19	4	21	31	3	2
6	8	12	18	2	2	3	1	—	2	1	1	6	2	11	2	2	2
7	24	57	48	33	3	6	—	7	5	17	—	25	20	38	23	4	7
8	22	17	22	17	1	4	—	2	—	2	—	13	11	14	12	7	1
9	11	1	9	3	2	3	3	—	—	1	—	5	3	5	2	2	—
10	13	12	15	10	4	4	—	2	1	—	—	6	4	9	5	1	—
11	31	36	42	25	6	15	3	5	1	3	—	18	15	26	21	11	4
12	123	157	175	105	34	54	19	9	1	14	—	94	55	92	58	23	10
13	13	11	17	7	1	5	—	1	—	—	—	8	6	13	3	3	—
Totals	346	408	485	269	67	132	34	30	17	42	7	240	167	281	199	88	54

M—Member Firm
RR—Registered Representative

C—RR Cause
NP—Non Payment

On November 21, we again testified, this time before a subcommittee of the House Interstate and Foreign Commerce Committee, expressing the NASD's endorsement of this proposed securities legislation. This SEC legislative package which has passed the Senate has not been reported out by the House committee.

OTHER LEGISLATION

As at many other times in the evolution of the Association, the Board of Governors, today, finds itself faced with problems and conflicts that at first glance may not be identifiable with precise responsibilities of the organization under its By-Laws and rules. Nevertheless, these issues demand consideration and action. Banks, for example, are seeking to return to the securities business. Insurance companies continue to look for ways to offer Variable Annuities without the responsibilities and safe guards of the securities acts. The President and Congress are anxious to curtail the serious loss of American dollars by imposing a tax on foreign securities. The answers to these and many other problems will continue to be found by the NASD with the help and support of the membership.

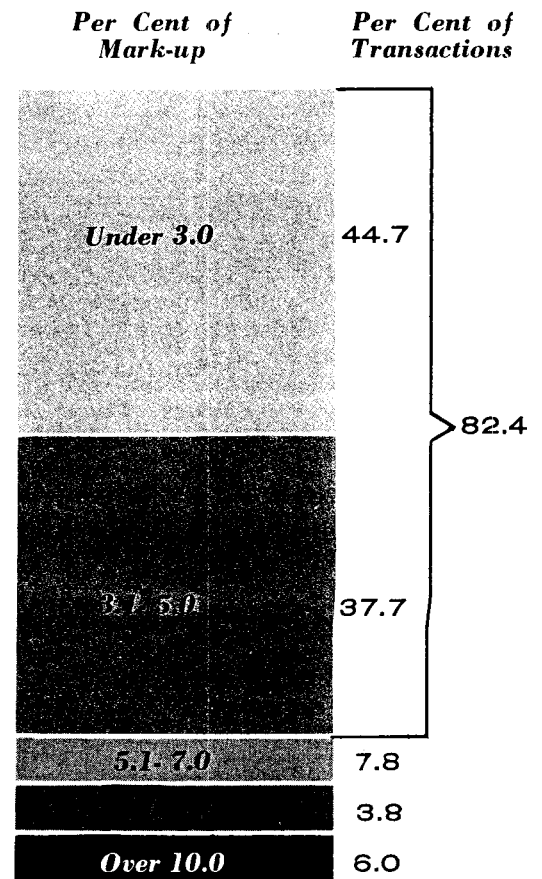
Earlier in the year, the Association participated jointly with the Investment Company Institute in filing a brief in opposition to the Prudential Insurance Company's application to the SEC to exempt Variable Annuities from the Investment Company Act of 1940. Subsequently, the SEC denied Prudential's application.

The Company then appealed to the Court of Appeals for the Third Circuit in Pennsylvania. Special counsel for the NASD appeared with Commission counsel before the appellate court on October 22, 1963, again joined by the Investment Company Institute. The appellate court upheld the SEC decision.

In September, a resolution was adopted which reiterated this Association's opposition to a proposed Congressional bill which would legalize a rule of the Comptroller of the Currency allowing national banks to underwrite certain types of revenue bonds. Previously, the Association filed a statement in opposition to this proposed legislature. Although the bill has been favorably reported out of the House Committee, as yet, it has not passed Congress.

Earlier in 1963, the Comptroller of the Currency issued another ruling allowing national banks to maintain collective trust funds for managed agency accounts. Again in September, two bills were introduced in Congress which would support the Comptroller's administrative action. Although this legislation has not been considered by a committee in public hearings, it's the intention of the NASD Board to present testimony opposing banks entering into this type of activity, which is very similar to a mutual fund.

The Foreign Securities Tax Bill has been approved by the House Ways and Means Committee and it is generally expected throughout the business to be voted into law by Congress some time in the second session. Since the bill provides for the imposition of this tax on a retroactive basis to July, 1963, it has dramatically accomplished a decrease in the outflow of U. S. dollars even though, not as yet passed. The Association's Uniform Practice Committee



NASD inspections show that 82.4 per cent of mark-ups on transactions computed in 1963 were under 5 per cent.



The Association's traveling examiner force is usually drawn from the leading accounting schools in the country. New examiners, shown above, are put through a rigorous six week training course at the Executive Office before being assigned to various Districts.

Shown at Senate Hearings on new securities legislation are (l. to r.) Harrison A. Williams, Jr., (D-N.J.), Chairman of the Subcommittee on Securities of the Senate Banking and Currency Committee; Matthew Hale, Chief of Staff of the Committee and Hudson B. Lemkau, Vice-Chairman of the Board of Governors.



and Foreign Securities Committee worked quickly and efficiently with the Treasury Department to amend the bill so as to allow NASD members to accomplish their responsibilities under its provisions with a minimum of paper work.

Since this is my last report as Executive Director, I wish to express my deep gratitude to every member of the NASD staff for the unwavering support and valued assistance given me during the past 25 years.

The securities business today is a better, freer and more prosperous one, needing *only limited* governmental surveillance, because of the influence and the work of the NASD since it came into being. For this reason Governors, committeemen and members of Special Committees, who have served the Association over the past quarter-century, deserve the everlasting thanks of the business for their courage and their determination.

*Wallace H. Fulton,
Executive Director*



Merrill M. Cohen

On June 20, 1963, the Association and the entire securities business suffered a great loss when Board Chairman Merrill M. Cohen passed away in New York while attending an NASD meeting. Mr. Cohen's experience, leadership and probing intellect were deeply respected by those who knew him and his untimely death has left a feeling of emptiness in the lives of all who were privileged to work with him.

The following resolution of the NASD Board of Governors was enacted at the September Meeting and expresses the feeling of the Governors:

"RESOLVED, That the Board of Governors of the National Association of Securities Dealers, Inc., acknowledges the outstanding contribution made to the securities business and the public interest by Merrill M. Cohen.

"He gave unsparingly of his time, thought, and energy to the Association, whose purposes and objectives he so vigorously and ably advanced, and thus earned the gratitude of his contemporaries in the securities business. His contribution to the proceedings before the Board of Governors provided full indication of his ability and leadership.

"Be it further RESOLVED, That a copy of this resolution be given to Sylvia, his widow."

The Committees

NATIONAL BUSINESS CONDUCT COMMITTEE

The National Business Conduct Committee, composed of nine members of the Board of Governors, processed 72 District cases in 1963 which were either called up for review or appealed to the Board.

It is the responsibility of the NBCC to study all business conduct decisions made in the 13 Districts to ascertain if these decisions are constant with Board policies and rules. If not, the NBCC may, on behalf of the Board, call a case up for review. Any member or registered representative may appeal a decision to the Board of Governors and the National Business Conduct Committee. Additional hearings may be conducted either on review or appeal and recommendations are then made by the NBCC to the Board for its final decision.

During 1963, 408 formal complaints were filed by the Association as a whole; 485 were closed and 269 are still pending. Twenty-four complaints were filed under the minor violations procedure and 29 were closed by this method.

Nineteen decisions of the Board of Governors were appealed to the SEC during 1963 and six decisions were handed down by the Commission, all of which upheld the Association.

Robert W. Haack, *Chairman*
Robert R. Miller, *Vice-Chairman*
John W. Callaghan
G. Shelby Friedrichs
Gus G. Halliburton
Joseph Ludin
Malcolm F. Roberts
Van S. Trefethen
Norman B. Ward, Jr.

QUOTATIONS COMMITTEE

The National Quotations Committee has the responsibility for the selection and supervision of newspaper quotations published nationally. In addition, during 1963, the Committee prepared to assist local quotations committees in establishing minimum standards appropriate for their local community. A program to extend supervision of all quotations was initiated during the past year and additional staff members are now being hired and will be based in Denver, Boston, Atlanta and Kansas City.

Since early summer, when Chapter VII of the SEC Special Study concerning quotations was released, the Committee has focused its attention on a thorough analysis of the 16 specific recommendations made in this area. One full committee meeting was held and several preliminary conferences were arranged with the SEC staff. While certain of the Special Study quotations recommendations were accepted by the Committee as being worthwhile, other recommendations were rejected as being unworkable and not in the best interests of the public or the business. In particular, the Committee strongly opposed the Special Study recommendations regarding the publishing of wholesale quotations and making mandatory the execution on an agency basis of so-called riskless transactions. In transmitting the Special Study report to Congress, the SEC Commissioners stated that these recommendations that were of such a radical nature and which might drastically change current business methods in the OTC markets, should receive further study.

In December, the Board of Governors sent a questionnaire to the entire membership soliciting information regarding methods of doing business in the OTC market and member attitudes on certain of the Study Group recommendations. At year end, the replies to this questionnaire were being tabulated and discussions with the SEC staff regarding quotations were continuing.

John W. Bunn, *Chairman*
Glen A. Darfler
S. Richard Harris
Clarence A. Horn
Milton F. Lewis
Gilbert M. Lothrop
Ralph E. Phillips, Jr.
William C. Porter
John I. Rohde
Justin J. Stevenson, Jr.

QUALIFICATION EXAMINATION COMMITTEE

During the past year the Qualification Examination Program was marked by a number of changes and new practices that served to broaden as well as refine the activity. Through December, 10,607 examinations for qualification with the Association were processed. The first-attempt failure rate for this period was 29.6 per cent.

Two entirely new forms of the examination for registered representatives were devised by the Psychological Corporation and were put into use on July 1. The two forms that had been in use were retired. In addition, the association has arranged with Psychological Corporation for the creation of 150 new questions to be completed in 1964. At the present time these new questions are being tested experimentally at a number of examination centers.

In keeping with the objectives of coordinating the NASD examination with the stock exchanges and various states, the number of examination centers throughout the United States was increased to 69 and the time available for examinations at each center was expanded to four hours. The responsibility of each center was increased greatly during the year.

On July 1 the examinations for registered representatives of the NASD and the New York and American Stock Exchanges were fully coordinated, thus enabling a candidate for registration with a combination of these authorities to satisfy all requirements by taking one series of questions at a single examination session. At the same time, in addition to the coordination, the Qualification Examination Department became responsible for the administration of all stock exchange examinations which were to be given at the NASD examination centers. In the six months since the inception of this service, the NASD has administered 3,100 Exami-

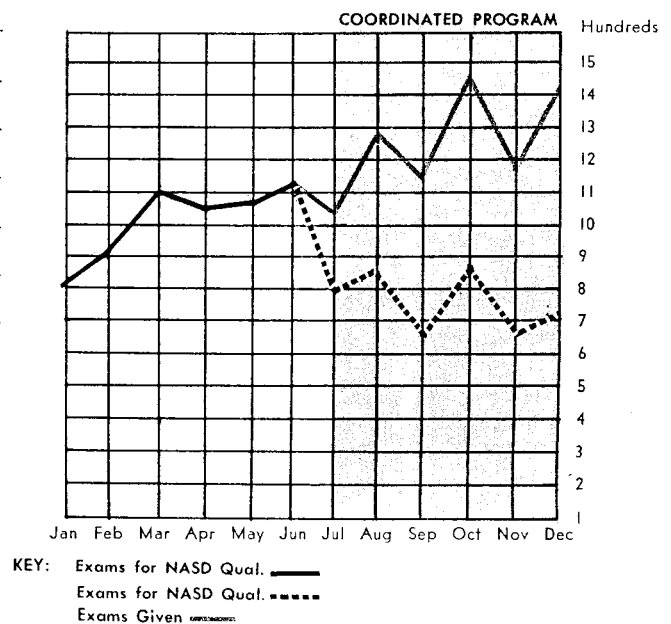
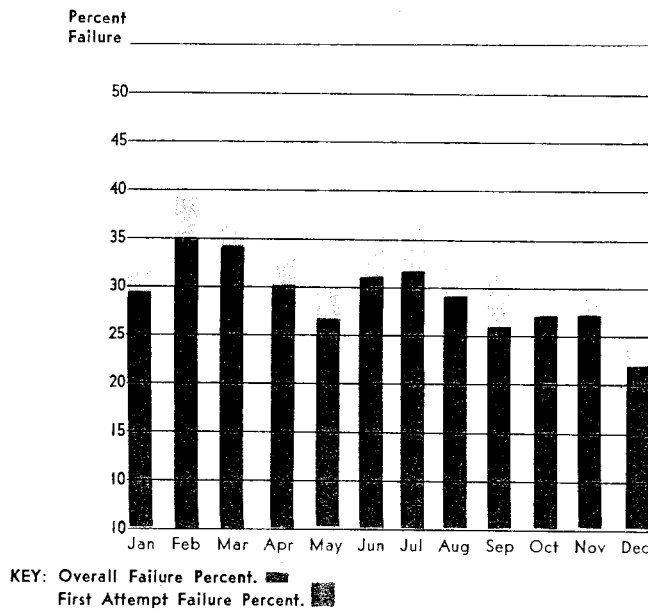
Merl McHenry, *Chairman*

George F. Patten, Jr.

Cornelius Roach

Paul E. Youmans

GRAPHICAL SUMMARY OF THE EXAMINATION PROGRAM BY MONTH



nations to 1,753 individuals who were seeking qualification with the exchanges.

Since 1962, the NASD has endeavored to work with the individual states to bring into coordination their respective examination programs. Essentially, the goal was to have the state accept the NASD examination as sufficient to qualifying within the particular state and, further, in the case of those states which require an additional examination on the laws of the state, to be able to offer this State Law Test at the NASD examination centers within the state. On September 1, Oklahoma became the first state to adopt this program in full.

During 1963, Oklahoma, Kansas, Iowa, Texas, Illinois, and Minnesota agreed to accept the NASD Examination as qualifying within their state, thus making a total of seventeen states which accept the NASD examination out of twenty-eight states requiring General Securities Examinations.

Beginning in October each candidate who failed the NASD examination was provided with an analysis of his examination results indicating to him those areas in which he needed more study and training in order to qualify with the NASD.

Upon Direction of the Board of Governors a new examination for partners, officers and sole proprietors was created and became effective December 1. This examination is presently available at all NASD Centers.

In an effort to provide candidates with some assistance and direction in their preparation for the investment business, the Association introduced the new Training Guide in the fall of 1963. The Training Guide was prepared by the Psychological Corporation with the assistance of the NASD staff and is essentially a summary of the substance and regulations of the investment business, designed to be used with standard texts and other training materials. Approximately 20,000 copies have been ordered by firms and candidates, both in and out of the Association, in addition to the nearly 11,000 copies sent free to all members and branch offices.

UNIFORM PRACTICE COMMITTEE

The National Uniform Practice Committee has the responsibility of enforcing the various trade practice standards set forth in the Uniform Practice Code. During 1963, the Committee proposed four amendments to the Uniform Practices Code which were subsequently approved by the Board of Governors. Sections 17, 28, 32 and 58 were all amended during the year. In addition, the Committee distributed 12 advisory notices concerning various procedures under the Code.

George J. Denzer, *Chairman*
Thomas B. MacDonald, *Vice-Chairman*
Edward J. Armstrong
Roy W. Jordan
John H. Kirvin
Joseph W. Menges

FOREIGN SECURITIES COMMITTEE

The Foreign Securities Committee of the Association is composed of representatives of member firms who are experts in this specialized segment of the business. It is the responsibility of the Committee to analyze trading problems in foreign issues and establish uniform standards.

In 1963, the Committee devoted a major portion of its efforts in studying the Administration's proposed Interest Equalization Tax on foreign securities and the effect the passage of this legislation would have on the business. Representatives of the Committee met with Treasury Department officials and also made recommendations to the NASD Board of Governors concerning the development of a position statement regarding this proposed tax.

Henri L. Froy, *Chairman*
John A. Nevins, *Vice-Chairman*
Hans Ben
Jack M. Bloch
Jerome C. Cuppia, Jr.
Albert deJong
Maurits E. Edersheim
Derek Grewcock
Max Halpert
Edwin S. Marks
Marshall S. Mundheim

INVESTMENT COMPANIES COMMITTEE

The Investment Companies Committee studies industry practices in distribution of investment company shares, and, when necessary, recommends appropriate corrective action to the Board of Governors. Under the supervision of the Committee, the Investment Companies Department administers for members the provisions of the SEC's Statement of Policy.

During 1963, the Committee was primarily absorbed in continuing work on the current revision of Section 26 of the Rules of Fair Practice, and with discussions with the SEC Staff arising from recommendations made in the SEC's Special Study of Securities Markets.

Two bulletins were prepared and distributed to all members who are underwriters or sponsors of investment company shares. The first of these warned members of possible legal pitfalls in use with the public of prepared trust instruments, which the Committee found were being distributed to dealers by some underwriter members. The second reflected the position of the SEC Staff, taken at the urging of the Committee, that underwriters of investment company shares might allow a 90-day grace period after a customer's initial purchase of shares, during which a letter of intention might be executed and the initial purchase counted toward fulfillment of the terms of that letter.

Although the number of pieces of sales literature submitted for comment or filing under the Statement of Policy decreased during 1963 from approximately 10,200 to 6,200, the volume of material requiring comment, either in writing or by telephone, increased from approximately 3,500 pieces in 1962 to some 4,200 pieces in 1963, reflecting a general strengthening of interpretation under the Statement of Policy. A total of almost 94,000 pieces of literature have now been reviewed since the inception of the literature review program in 1950.

Arthur H. Haussermann, *Chairman*
Edward B. Burr
Robert L. Cody
George W. Fulk
Franklin R. Johnson
Glenn N. Lempereur
Rowland A. Robbins
Craig Severance
Joseph E. Welch

Glenn E. Anderson
L. Raymond Billett
Wallace H. Fulton

INSURANCE TRUSTEES

The various NASD-sponsored insurance plans showed a slight decrease in participation during 1963. In the Life Insurance program, the number of firms participating fell from 991 to 891. The number of individuals covered went from 8,984 to 8,517. The amount of insurance in force at the end of 1963 was \$96,851,350, down from \$100,651,050.

Although the number of participating firms in the major medical plan declined slightly, the number of individuals covered was increased. During the past year, the major medical plan was redesigned to permit varying levels of benefits, subject to certain restrictions by geographical area, which could be elected by participants.

Even though premium rates were increased to meet the rising cost of medical care, a substantial number of individuals took the opportunity to improve their coverage. The Association also introduced in 1963, a new program of disability income and accidental death insurance. More than 4,890 individuals are now participating in this coverage.

Other Committees

EXECUTIVE COMMITTEE

Hudson B. Lemkau, *Chairman*
John W. Bunn
Robert W. Fleming
A. Jackson Goodwin, Jr.
Robert W. Haack
Merl McHenry
Robert R. Miller
Craig Severance
Wallace H. Fulton

FINANCE COMMITTEE

Robert W. Fleming, *Chairman*
Earl G. Fridley
C. Shelby Friedrichs
Gus G. Halliburton
Wallace H. Fulton

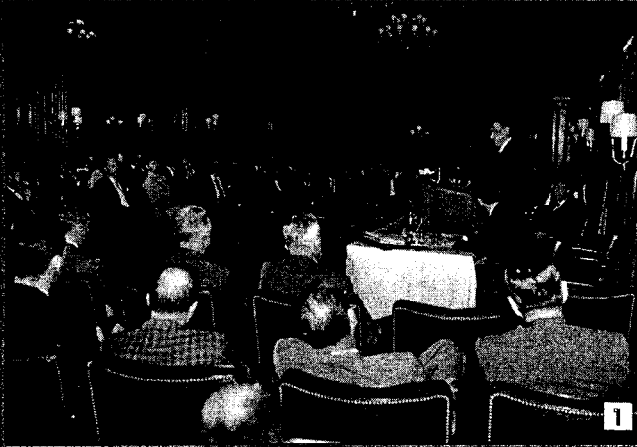
INFORMATION COMMITTEE

James H. Goddard, *Chairman*
George F. Patten, Jr.
Malcolm F. Roberts
Wallace H. Fulton

LEGISLATION COMMITTEE

A. Jackson Goodwin, Jr., *Chairman*
Van S. Trefethen
Norman B. Ward, Jr.

THE MEMBERS



1. Governor, Justin Stevenson, talks to NASD members in Toledo. 2. District Committee 2 officers pass out NASD literature to Hawaiian members. 3. Officers of District Committee 3 hold membership meeting in Albuquerque. 4. Governor John Bunn discusses NASD Rules with St. Louis members. 5. Texas Governor Earl Fridley and District Committee 6 officers meet with Houston members.



OFFICERS & BOARD OF GOVERNORS

**TO SERVE
UNTIL
JANUARY,
1964**



Hudson B. Lemkau
Morgan Stanley & Co.
New York
Acting Chairman 1963



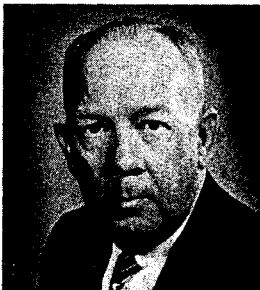
Merl McHenry
J. Barth & Co.
San Francisco
Vice Chairman 1963



Robert W. Fleming
Folger, Nolan, Fleming
& Co., Inc.
Washington, D. C.
Treasurer 1963



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



Earl G. Fridley
Fridley & Frederking
Houston



A. J. Goodwin, Jr.
Lee Higginson Corp.
Chicago



James M. Howe*
Chapman, Howe & Co.
Chicago

**TO SERVE
UNTIL
JANUARY,
1965**



Robert W. Haack*
Robert W. Baird &
Co., Incorporated
Milwaukee
Chairman 1964



Robert R. Miller**
Hornblower & Weeks
Los Angeles
Vice Chairman 1964



John W. Dayton, Jr.
Clark, Dodge & Co.,
Incorporated
New York
Vice Chairman 1964



Craig Severance
New York Securities Co.
New York
Treasurer 1964



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



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



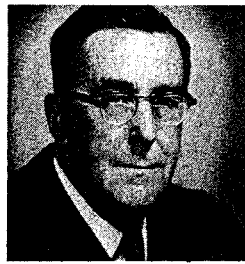
Justin J. Stevenson, Jr.**
W. E. Hutton & Co.
Cincinnati

* Elected to serve unexpired term of Merrill M. Cohen

* Chairman until April 1, 1964, then President
** becomes Chairman April 1, 1964
*** becomes Vice Chairman April 1, 1964

1963-64

Wallace H. Fulton†
Executive Director



**TO SERVE
UNTIL
JANUARY,
1966**



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



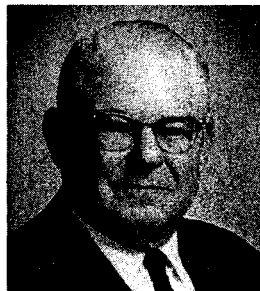
G. Shelby Friedrichs
Howard, Weil, Labouisse,
Friedrichs and Co.
New Orleans



Gus C. Halliburton
Equitable Securities
Corporation
Nashville



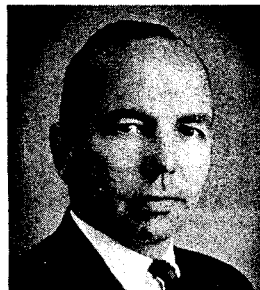
Joseph Ludin
Dillon, Read & Co., Inc.
New York



Malcolm F. Roberts
Hornblower & Weeks
Denver



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

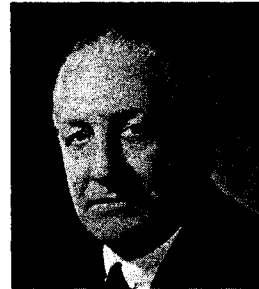


Norman B. Ward, Jr.
Singer, Deane & Scribner
Pittsburgh

**TO SERVE
UNTIL
JANUARY,
1967**



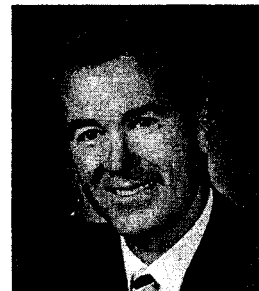
Gordon Bent
Bacon, Whipple & Co.
Chicago



Allan C. Eustis
Spencer Trask & Co.
New York



Julian L. Gumbiner
Stern Brothers & Co.
Kansas City



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



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



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



W. James Price
Alex. Brown & Sons
Baltimore

† To serve until April 1, 1964

Financial Statement

	<i>Year ended September 30,</i>	
	<u>1963</u>	<u>1962</u>
<i>Income</i>		
Assessments	\$1,507,237	\$1,093,867
Registered representatives' fees:		
Applications	365,635	407,490
Examinations	196,515	397,345
Branch office fees	77,595	60,921
Fines and costs	192,543	234,265
Interest	53,785	47,865
Admission fees and other income	49,740	70,383
	<u>2,443,050</u>	<u>2,312,136</u>
<i>Expenses</i>		
Salaries and office services:		
National office and committees	578,475	471,742
District offices	710,003	560,586
Travel and meetings—Board of Governors, District Committees and other, except for staff investigators	193,343	189,252
Publications, printing and stationery, net	155,763	153,163
Postage	57,523	48,144
Travel of staff investigators, transcripts and miscellaneous expenses of investigations and complaints	164,561	151,126
Fees—legal, administration of qualification examinations, compilations of quotations and other	257,691	235,496
Rent	170,470	149,777
Furniture and equipment	21,927	51,116
Office and miscellaneous	105,339	90,765
Insurance and taxes	72,551	60,768
Retirement	59,835	35,098
	<u>2,547,481</u>	<u>2,197,033</u>
Excess of (expenses) or income	(104,431)	115,103
Accumulated balance:		
Beginning of year	1,316,177	1,201,074
End of year, of which \$42,168 in 1963 and \$40,286 in 1962 is restricted	1,211,746	1,316,177

Composition of Accumulated Balance

	<i>September 30,</i>	
	<u>1963</u>	<u>1962</u>
Cash	\$ 277,650	\$ 278,979
Investment securities, principally United States Treasury obligations, at cost which approximates market	989,081	1,082,219
Special investment account (marketable securities at cost, cash and accrued interest)	42,168	40,286
Other assets	34,933	29,236
Accounts payable, accrued and withheld taxes	(125,326)	(111,935)
Assessments collected in advance	(6,760)	(2,608)
	<u>1,211,746</u>	<u>1,316,177</u>

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

Washington, D. C.
December 3, 1963

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, 1963 and September 30, 1962 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.

1963 District Committees



Robert H. Atkinson
Chairman



Eugene R. Gibson
Secretary

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

Robert H. Atkinson
Chairman
Atkinson and Company
Portland

Hammitt E. Porter
Vice-Chairman
J. A. Hogle & Co.
Spokane

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

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

Preston E. Macy
Murphey Favre, Inc.
Spokane

Robert A. Nathane
Merrill Lynch, Pierce
Fenner & Smith, Incorporated
Seattle

Howard B. Somers
Lind, Somers & Co.
Portland

Eugene R. Gibson
Secretary

White-Henry-
Stuart Building
Seattle



Frank Bowyer
Co-Chairman



Wm. R. MacCormack
Co-Chairman

Frank Bowyer
Co-Chairman
Schwabacher & Co.
San Francisco

William R. MacCormack
Co-Chairman
Evans, MacCormack &
Co., Inc.
Los Angeles

Richard W. Abrahamson
Weeden & Co.
San Francisco

Paul N. Duggan
Sutro & Co.
San Francisco

Robert M. Fomon
E. F. Hutton & Company, Inc.
Los Angeles

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

Richard F. Guard
Schwabacher & Co.
Honolulu

John G. Hodge
Walston & Co., Inc.
San Francisco

Eugene A. Shurtleff
Blyth & Co., Inc.
San Francisco

Alfred J. Stalker
Kidder, Peabody & Co.
Los Angeles

George W. Weedon
Crowell, Weedon, & Co.
Los Angeles

Donald M. Wright
Paine, Webber, Jackson &
Curtis
Los Angeles

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

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

Roscoe B. Ayers
Vice-Chairman
Hornblower & Weeks
Denver

John C. Crawford
Bosworth, Sullivan &
Company, Incorporated
Denver

Alexander W. Forsyth
Calvin Bullock, Ltd.
Denver

Harvey S. Glade
J. A. Hogle & Co.
Albuquerque

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

Elmer G. Longwell
Boettcher and Company
Denver

Orville C. Neely
Merrill Lynch, Pierce,
Fenner & Smith, Inc.
Denver

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

George S. Writer
Peters, Writer &
Christensen, Inc.
Denver

Kenneth W. Cole
Secretary
Boston Building
Denver



Charles E. Crary
Chairman



Kenneth W. Cole
Secretary

4 KANSAS, MISSOURI, NEBRASKA AND OKLAHOMA

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

Lawrence M. Mullen, Jr.
Vice-Chairman
Associated Fund, Inc.
St. Louis

Walter I. Cole
Beecroft, Cole & Company
Topeka

Norman E. Heitner
Yates, Heitner & Woods
St. Louis

Milton Luce, Jr.
Luce, Thompson & Co., Inc.
Kansas City

Thomas J. Miller
Harris, Upham & Co.
Tulsa

Anthony L. O'Brien
Bache & Co.
Kansas City

Richard A. Schmelzle
Fusz-Schmelzle & Co., Inc
St. Louis

Dale C. Tinstman
First Nebraska Securities
Corp.
Lincoln

Edward J. Holoka
Secretary
6 East 11th Street
Kansas City



G. Kenneth Baum
Chairman



Edward J. Holoka
Secretary

5 ALABAMA, ARKANSAS, LOUISIANA, MISSISSIPPI AND, IN TENNESSEE

*Montgomery, Dickson, Hickman, Lewis and Lawrence Counties and
the remainder of the State west of them*

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

Herman Bensdorf, 2nd
Vice-Chairman
Herman Bensdorf &
Company
Memphis

Ford T. Hardy
Merrill Lynch, Pierce,
Fenner & Smith, Inc.
New Orleans

Arthur J. Keenan
St. Denis J. Villere & Co.
New Orleans

Arthur Stansel
Courts & Co.
Birmingham

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

Edward J. Newton
Secretary
1124 Richards Building
New Orleans



Louis A. Lanford
Chairman



Edward J. Newton
Secretary



William C. Porter
Chairman



William J. Radding Jr.
Secretary

6 TEXAS

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

Richard L. Bradley
Equitable Securities
Corporation
Houston

C. Pharr Duson
Rotan, Mosle & Co.
Houston

Robert R. Gilbert, Jr.
Sanders & Company
Dallas

C. Rader McCulley
First Southwest Company
Dallas

Joe P. Nelson
King, Nelson & Calvert, Inc.
Corpus Christi

Leon N. Walthall, Jr.
Dewar, Robertson &
Pancoast
San Antonio

William J. Radding
Secretary
Southland Center
Dallas



Wm. H. Zimmerman
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

William H. Zimmerman
Chairman
Johnson, Lane, Space &
Co., Inc.
Columbus

Matthew B. Pilcher
Vice-Chairman
Mid-South Securities Co.
Nashville

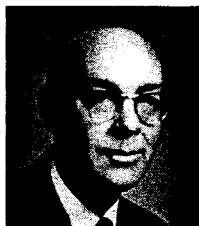
John B. Ellis
Courts & Co.
Atlanta

Phil E. Pearce
G. H. Crawford Co., Inc.
Columbia

Orin M. Phelps
The Phelps Company
Miami

Zoltan Salkay
Hayden, Stone & Co., Inc.
Jacksonville

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



A. Paul Ogilvie
Chairman



John F. Brady
Secretary

8 ILLINOIS, INDIANA, IOWA, MICHIGAN, MINNESOTA AND WISCONSIN

A. Paul Ogilvie
Chairman
Hornblower & Weeks
Chicago

William L. Liebman
Vice-Chairman
Loewi & Co., Inc.
Milwaukee

Richard J. Swiat
Vice-Chairman
Olmsted & Mulhall, Inc.
Kalamazoo

Kenneth J. Brown, Jr.
K. J. Brown & Co., Inc.
Muncie

Grant A. Feldman
Piper, Jaffray &
Hopwood
Minneapolis

Donald T. Fletcher
William Blair & Company
Chicago

Edde K. Hays
Dean Witter & Co.
Chicago

Otto J. Koch, Jr.
The Marshall Co.
Milwaukee

Ernest Kosek
Ernest Kosek & Co.
Cedar Rapids

Paul R. Noonan
Dixon Bretscher
Noonan, Inc.
Springfield

Gordon L. Teach
A. C. Allyn & Co.
Chicago

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

9 KENTUCKY AND OHIO

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

Gordon S. Macklin, Jr.
Vice-Chairman
McDonald & Company
Cleveland

Henry J. Arnold
Geo. Eustis & Co.
Cincinnati

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

Ned K. Barthelmas
The First Columbus
Corporation
Columbus

Morey L. Booth
Stein Bros. & Boyce
Louisville

Gilbert A. Davis
Harrison & Company
Cincinnati

Thomas P. Dupree
F. L. Dupree & Co.
Harlan

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

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



Seth M. Fitchet
Chairman



Vincent J. Nelson
Secretary

10 DISTRICT OF COLUMBIA, MARYLAND, NORTH CAROLINA AND VIRGINIA

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

Robert King, Jr.
Vice-Chairman
First Securities Corporation
Durham

R. S. Abernethy, Jr.
Interstate Securities
Corporation
Charlotte

Thomas L. Anglin
Mackall & Coe
Washington

G. Powell Davis
Investment Corp. of
Virginia
Norfolk

Robert T. Norman
Auchincloss, Parker &
Redpath
Washington, D. C.

Henry H. Philips, Jr.
Branch, Cabell & Co.
Richmond

Joseph W. Sener, Jr.
John C. Legg & Company
Baltimore

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



W. James Price, IV
Chairman



Richard Peters
Secretary

11 DELAWARE, PENNSYLVANIA, WEST VIRGINIA AND IN NEW JERSEY

Burlington and Ocean Counties and the remainder of the State south of them

William Gerstley, II
Co-Chairman
Gerstley, Sunstein & Co.
Philadelphia

David W. Hunter
Co-Chairman
McKelvy & Company
Pittsburgh

David A. Burt
Hazlett, Burt & Watson
Wheeling

Willard S. Boothby, Jr.
Eastman Dillon, Union
Securities & Co.
Philadelphia

Thomas W. L. Cameron
Hopper, Soliday & Co.
Philadelphia

John Gribbel, II
Elkins, Morris, Stokes & Co.
Philadelphia

Arthur F. Humphrey, Jr.
Hulme, Applegate &
Humphrey, Inc.
Pittsburgh

James C. Lear
Reed, Lear and Company
Pittsburgh

Edgar J. Loftus
American Securities
Corporation
Philadelphia

Thomas Lynch, III
Moore, Leonard & Lynch
Pittsburgh

Osborne R. Roberts
Schmidt, Roberts & Parke
Philadelphia

Richard O. Smith
Stroud & Company,
Incorporated
Philadelphia

Francis C. Doyle
Secretary
Philadelphia Nat'l Bank
Bldg.
Broad & Chestnut Streets
Philadelphia



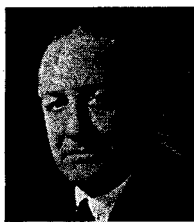
William Gerstley, II
Co-Chairman



David W. Hunter
Co-Chairman



Francis C. Doyle
Secretary



Allan C. Eustis, Jr.
Chairman



George J. Bergen
Secretary

12 CONNECTICUT, NEW YORK AND, IN NEW JERSEY

Mercer and Monmouth Counties and the remainder of the State north of them

Allan C. Eustis, Jr.
Chairman
Spencer Trask & Co.
New York

Robert M. Gardiner
Vice-Chairman
Reynolds & Co.
New York

Herbert R. Anderson
Distributors Group,
Incorporated
New York

Stuart M. Beringer
P. W. Brooks & Co.,
Incorporated
New York

Wesley M. Bishop
Smith, Bishop & Co.
Syracuse

Elliott Bliss
Halle & Stieglitz
New York

William M. Cahn, Jr.
Schwabacher & Co.
New York

Sidney G. Duffy
Blyth & Co., Inc.
New York

H. Theodore Freeland
American Securities
Corporation
New York

Warren C. Heidel
Putnam & Co.
Hartford

James F. Keresev
Donaldson, Lufkin &
Jenrette, Inc.
New York

Joseph D. Krasowich
Gregory & Son
New York

H. Stanley Krusen
Shearson, Hammill & Co.
New York

Ira B. MacCulley
Equitable Securities
Corporation
New York

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

Warren K. Van Hise
Parker and Weissenborn
Incorporated
Newark

John Wasserman
Asiel & Co.
New York

Cleveland S. White
F. S. Smithers & Co.
New York

George J. Bergen
Secretary
25 Broad Street
New York



John M. Bleakie
Chairman



William S. Clendenin
Secretary

13 MAINE, MASSACHUSETTS, NEW HAMPSHIRE, RHODE ISLAND AND VERMONT

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

Clifford B. Barrus, Jr.
Vice-Chairman
Barrett & Company
Providence

S. Whitney Bradley
Eaton & Howard, Inc.
Boston

Thomas C. Eayrs, Jr.
Stone & Webster Securities
Corporation
Boston

Francis A. Farr
A. C. Allyn and Company
Boston

Joseph Mattison, Jr.
Estabrook & Co.
Boston

Edward N. McMillan, Jr.
Merrill Lynch, Pierce,
Fenner & Smith, Inc.
Boston

Thomas Whiteside
Chace, Whiteside &
Winslow, Inc.
Boston

T. Edmund Williams
Hooper-Kimball, Inc.
Boston

William S. Clendenin
Secretary
80 Federal Street
Boston

PURPOSES

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

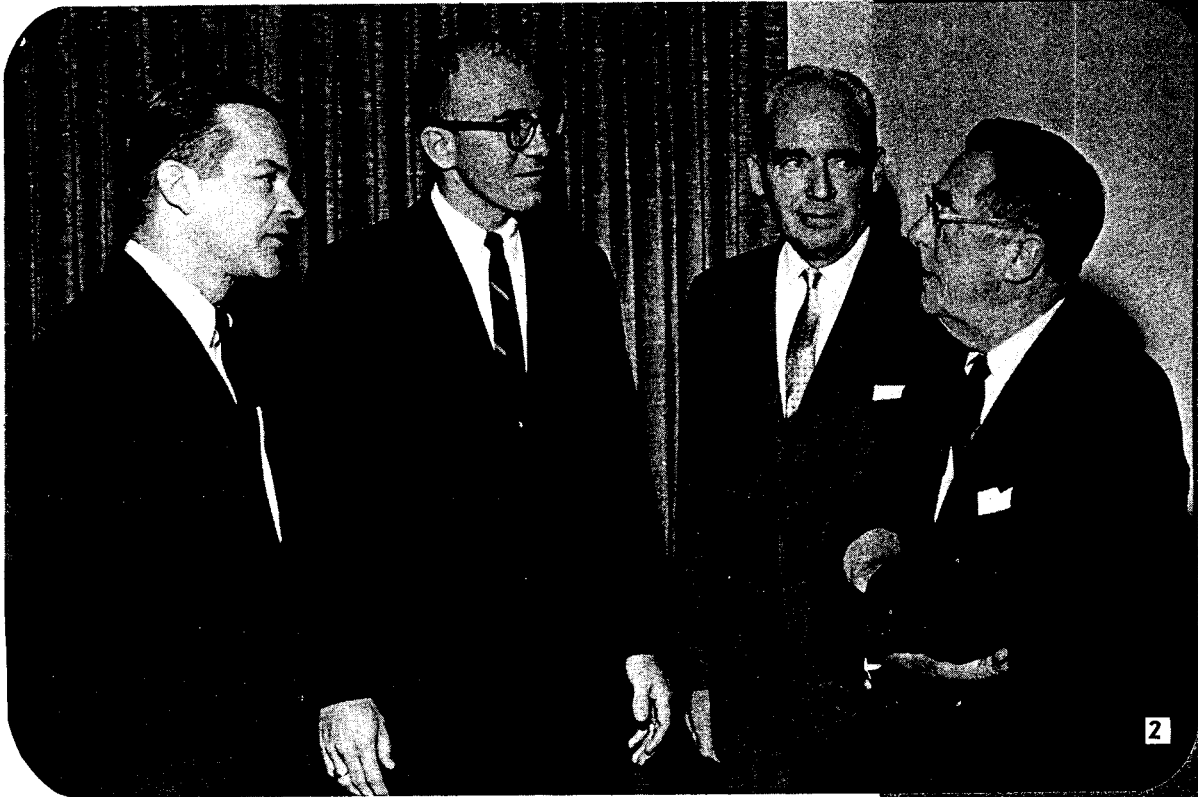
To promote just and equitable principles of trade for the protection of investors

To promote self-discipline among members

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



THE
STAFF





1. Comptroller Jack Schindel, seated; James Obeid, Assistant to Comptroller and Sally Howe, Office Manager. 2. Executive Director Wallace Fulton, right, talks to Bruce Simpson, left, Director of Qualification Exams and John Hodges and Don Burns, Assistants to Executive Director. 3. Tom Snelson, right, Director of Membership Dept., discusses application with Ralph Goetz, Assistant. 4. Legal staff, left to right, Marc White, Counsel, and Assistant Counsels Lloyd Derrickson, Frank Wilson and Paul Welch. 5. Left to right are Ed Gilleran, Chief of Examiners; Don Benson, Director of Information and Lee Monett, Secretary to the Uniform Practice and Foreign Securities Committees. 6. Investment Companies Dept. Director, Ray Moulden, seated, discusses problem with his staff; left to right, Charles Mundt, Assistant Secretary; Jim Ratzlaff, Committee Secretary and Martha Norman, Assistant Secretary. 7. Secretary of Underwriting Arrangements Committee, Alling Brown, standing, goes over records with department assistant, George Warner.

NATIONAL ASSOCIATION OF SECURITIES DEALERS INC.
1707 H STREET N.W., WASHINGTON, D.C. 20006