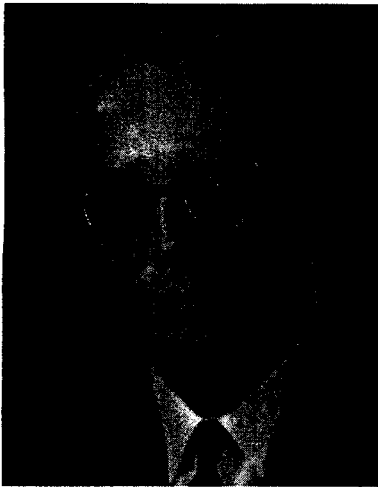




NATIONAL ASSOCIATION
OF
SECURITIES DEALERS
INC.



The Chairman's Report

1964 could be called a crucial year in the development of the NASD and the securities industry.

The Special Study of the Securities Markets completed in 1963 ushered in a period of extended negotiations between the Association and the SEC. In 1964, these discussions and meetings were intensified, first, on the implementation of new regulations and policies that were being vigorously pressed by the Commission, and second, on other reform measures responsive to the new law amending the Securities Acts.

Much of this report on NASD activities is devoted to a description of what has been accomplished by way of insuring investor protection and, at the same time, representing our members' attitudes and ideas at the conference table. It also describes why we have proceeded in certain directions and adopted specific policies.

At one time or another during the year, the Association has received reactions pro and con from segments within the membership, government and the press, either in connection with changes that have been made or proposed changes and policies that have been resisted by your representatives on the Board of Governors. All have been given serious consideration.

In particular, the subject of OTC newspaper quotations and two other Study Group recommendations calling for the abolition of so-called riskless transactions and requiring full disclosure of profits on confirmations have been singled out for extensive comment and discussion.

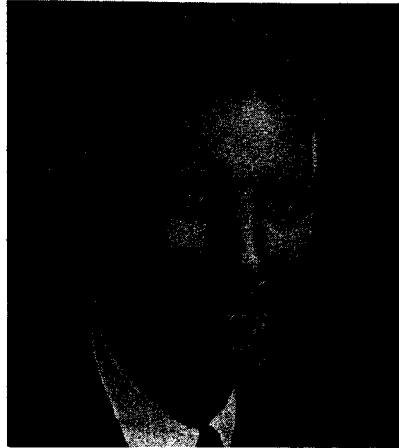
A continuing problem confronting the NASD is in obtaining adequate representation on District Committees and the Board of Governors from all segments within the business, particularly, smaller OTC firms. Many times in past years highly regarded and knowledgeable men from these smaller firms have felt that they could not afford to contribute the necessary time away from their own business in serving the Association. I hope that in future years we can improve upon the willingness of all to participate in Association activities.

The time and talent of my fellow Governors during this period, particularly in 1964, has been devoted more and more to thoughtful consideration and negotiation of these major policy matters having far-reaching effects on the public and the membership. This unusual dedication of the men serving on the Board, as well as on local, District and National committees is singularly unique among business organizations and points up the great value of responsible self-regulation that accrues to every NASD member—our right to design and enforce rules that are in the public interest covering the conduct of the securities business. If these rules are weak and ineffectual, investor protection is not served and, consequently, the value of self-regulation diminishes. It is also true that over-zealous regulatory reform, which ham-strings and diverts the free and normal course of business, is equally detrimental to the purposes of self-regulation and the public interest.

In this regard, your elected representatives on the Board have addressed themselves to these major problem areas as men responsible for building a strong future for the over-the-counter securities markets.

Sincerely,

Robert R. Miller
Chairman of the Board 1964



Robert W. Haack

The President's Report

The most far-reaching and significant development affecting the NASD and the regulation of the securities business during the last 25 years has been the SEC Special Study released in the latter part of 1963. The 1964 Amendments to the Securities Acts, passed by Congress in August, and the adoption of some of the 176 other definitive recommendations contained in this million dollar study will exert an important impact on the investment business for many years to come. Because of that impact, this 1964 Report goes into unusual detail as to Association activities during the past year, particularly those involving discussions and negotiations with the SEC.

In brief, our goals have been to improve the availability, caliber, and dissemination of analytical information for investor use; to improve where needed the mechanics of over-the-counter trading; and to couple these with a meaningful quotations system. These objectives, when achieved, will substantially increase the public's awareness of and appreciation for the over-the-counter market.

REORGANIZATION

One of the first major undertakings of the NASD in 1964 was the internal reorganization of the Association itself to cope more effectively with expanded activities and responsibilities.

Shortly after the retirement of Executive Director, Wallace H. Fulton, and the installation of the President on April 1, 1964, the staffs of the Executive Office and the various District Offices were re-aligned under a program of decentralized responsibility. In this way, decisions involving previously established policies and administrative procedures could be handled more quickly and efficiently by the organization's several departments and District Secretaries. Marc A. White, the Association's Counsel, was made Vice President and General Counsel and Jack A. Schindel, the Association's Comptroller, was appointed as Treasurer. Lloyd J. Derrickson was chosen Corporate Secretary and Associate General Counsel.

Duplicate Work Eliminated

A major effort was begun by the Board in 1964 to eliminate duplication of jurisdiction between regulatory agencies such as the stock exchanges, state authorities and the NASD. Informal agreements have been established with the New York Stock Exchange and other exchanges concerning the scheduling of member firm examinations. The Association's staff and that of the New York Stock Exchange are working together to further erase the wasted effort and eliminate unfairness inherent in duplicated disciplinary actions. A change in the By-Laws of the Association is now under study which will result in barring from NASD membership, firms and individuals revoked or suspended by the exchanges.

Also, during the past year, a Summary Procedure for handling certain Association complaint actions was adopted. This involves a change in Section 12 of the Association's Code of Procedure which will be reported to the membership in the near future and is designed to streamline the handling of cases where the facts are not in dispute and the penalty does not exceed censure and/or a fine of \$500.

Under the leadership of Chairman Miller and Governor Stevenson, the procedure for handling business conduct cases on appeal to the Board or called up for review was revised to provide more time at the three regularly scheduled Governors' meetings for discussion and decision concerning important policy matters affecting the Association's membership. Previously, business conduct matters consumed almost two days of a three-day meeting. Of particular significance, however, was the fact that the overall complaint and appeal procedures were not changed.

Board of Governors Increased

Two recommendations of the SEC Special Study Report calling for investment company representation on the NASD Board and the inclusion of the Association's President as a voting member of this governing body were deemed constructive and adopted by the Association. Changes in the NASD By-Laws to accomplish these ends were submitted to the membership for vote and approved in September. S. Whitney Bradley, Vice President and Director of Eaton & Howard, Incorporated, was appointed to a three-year term on the Board as the first such Governor-at-Large from the mutual fund industry.

During 1964, NASD Governors considered several other SEC Study Report recommendations pertaining to reorganization of the Association. The Study Report recommended that the National Business Conduct Committee, in liaison with the Board of Governors, should have final power of decision in disciplinary matters. This suggestion was rejected since it would tend to reduce the appeal rights of members. Other Study Report recommendations calling for the utilization of staff hearing officers in complaint proceedings and the public reporting of all disciplinary actions taken by the NASD were similarly dropped by the SEC staff after objections were raised by the Association.

QUOTATIONS

One of the most complex problems ever faced by the NASD has been the subject of quotations. After the release of the SEC Special Study in the Fall

of 1963, the Board of Governors considered carefully the three recommendations contained therein on the subject of publishing inter-dealer newspaper quotations, eliminating the riskless transaction and making mandatory disclosure of profit in principal transactions.

Quotations Questionnaire Developed

In the Fall of 1963, the Board of Governors almost unanimously expressed its opposition to all three recommendations and it was recommended that a questionnaire be prepared and distributed to the membership so that a more complete statistical correlation could be established for the NASD point of view that these recommendations would have a detrimental effect on the capital markets and the securities business. At the January, 1964, Board meeting this opposition was affirmed.

Of more than 4,000 members who completed and returned the form, 1,240 firms stated that they did only a mutual fund business. From the remaining 2,800 firms, over 1,000 stated that they specialized in fields other than over-the-counter securities. This left a hard core of more than 1,700 firms to whom the retailing of over-the-counter securities was an important segment of business. Eighty percent of these 1,700 firms, doing however only 20% of the total OTC business, preferred the status quo, i.e., retail quotations, continuation of non-inventory principal transactions, and no disclosure of profit. But 20% of the firms doing 80% of the business desired a change, primarily in the area of quotations.

The questionnaire revealed that the quotations problem was not exclusively a matter of large firm versus small firm or Wall Street versus Main Street. There were large and small firms on both sides of this question, although generally the smaller firms operating outside of highly competitive metropolitan areas preferred the retail quotations system. The questionnaire also was consistent with previous SEC studies in that it showed a large majority of the over-the-counter business is presently done on an agency basis.

In March of 1964, the final results of this NASD questionnaire were submitted to the SEC staff and the Association was advised that the Commission was making its own study concerning the impact of wholesale quotations and disclosure recommendations on the depth and liquidity of markets.

At approximately the same time a large New York newspaper with national distribution informed the Association that it contemplated publishing only bid prices in its quotations list because it appeared that the Association was not going to take immediate action on the Special Study recommendations. Conferences were held with representatives of this newspaper and they agreed to await the outcome of Association negotiations with the SEC staff.

SEC Rules Imminent

During the period when the Association was digesting and analyzing the results of its questionnaire, it was learned that the Commission had rule proposals under contemplation which would have abolished riskless transactions entirely and imposed a requirement to disclose profits to customers in principal transactions. In all likelihood, these proposals would have received serious consideration in the event the NASD remained adamant toward the Study Report recommendations and persisted in its views concerning publishing inter-dealer quotations.

Counter Proposal Explored

In the belief that the adoption of such rules would make the subject of inter-dealer quotations practically academic, the Association informally explored with the Commission staff the question of whether or not the SEC would be receptive to the development of an improved retail quotations system that would narrow spreads but still would be short of a complete change to inter-dealer prices. The SEC staff did not flatly reject the possibility and, subsequently, a counter-proposal was developed that did, in brief, impart narrower markups for those securities quoted on the NASD National List. Both the press and the membership were advised as to the details of this counter-proposal.

Late in April of 1964, a representative of a New York afternoon newspaper informed the Association that he was immediately beginning the publication of inter-dealer quotations on a daily basis. In an attempt to prevent any further changes in the quotations until the Association had completed negotiations with the SEC, other newspapers were contacted and each agreed to cooperate with the NASD pending the outcome of discussions with the Commission.

Concurrently, it was learned that the SEC staff had begun a series of personal broker/dealer interviews covering pricing methods in the over-the-counter market. The Commission staff also requested that the Board of Governors endorse proposed SEC interviews with customers of these same firms. The Board strongly objected to the customer interviews and the project was not undertaken.

Arguments Stressed With SEC

In June of 1964, a formal presentation of the Association's counter-proposal was made to the SEC staff. Members of the Board of Governors voiced the considerations and points of argument which had been discussed for approximately nine months in connection with the quotations problem. Strong emphasis was placed on the possible economic impact on NASD members; the effect on depth and liquidity of markets; the effect on the raising of capital by issuers; the possibility of firms diverting their sales efforts to different types of investments; the need for salesmen and management to be properly compensated for their merchandising efforts and the possibility of excessive trading activity as well as numerous other factors.

SEC Raises Legal Questions

During this presentation of the Association's counter-proposal, Commission staff personnel cited several points concerning the quotations issue which previously had never been raised or documented in support of their position.

First, it was stated that the NASD's present quotations system appeared to be in violation of Section 15(c)(2) of the Exchange Act in that these retail spreads were fictitious and misleading. The Commission staff argued that the retail quotations were arbitrarily conceived through a mathematical formula and they indicated that the public was, in fact, misled by this system. The SEC staff said "the present retail quotations did not represent prices at which identifiable persons offer to sell securities. In addition, the purpose of the markup that is added to the inside offer is not entirely clear. Under these circumstances, the quotations are fictitious within the meaning of the Exchange Act."

Quotations Challenged As Allowing Discrimination

It was further stated that published retail quotations appeared to be in violation of Section 15A(b)(8) of the Exchange Act. One of the policies expressed

in this Section of the Act is "to remove impediments to, and perfect the mechanism of, a free and open market." Also contained in Sec. 15A of the Act is a statutory prohibition against unfair discrimination between customers. The SEC staff further stated that because of retail quotations, investors may be unaware of the amount of, or even the existence of, a service fee being charged in a riskless transaction and thus are unable to test the quality of an execution. They also maintained that the retail quotations system results in specific instances of unsophisticated customers, because of their ignorance of the business, paying more for securities than knowledgeable investors.

In support of its views on this subject, the SEC staff introduced transcripts of broker/dealer interviews. These recorded interviews, conducted by the SEC staff, involved both large and small firms engaged primarily in the over-the-counter securities business. A common thread running through more than 80% of these management interviews indicated that merchandising efforts were often not the determining factor in a particular firm's pricing policies but rather the sophistication or lack of sophistication of the specific customer. In making this point, the SEC staff alleged that the retail pricing system acted as a protective umbrella over the high-cost, low-volume broker/dealer, and only through the opportunity for undisclosed profits were these firms able to survive.

Board Reconsiders Its Position

After study of these questions raised by the SEC staff, the Board of Governors concluded that the Association was in fact vulnerable with respect to some of the legal problems raised.

At the September, 1964 Board meeting, NASD Governors considered the quotations issue in light of the legal questions which had been cited by the Commission. In addition, the Association was mindful of the SEC's possible adoption of proposals concerning riskless transactions and disclosure of profit in the event that the NASD continued to resist publication of inter-dealer quotations. Considerable weight was also given to the fact that the 1964 Securities Acts Amendments stated that the Association had the responsibility to provide fair and informative quotations on both the retail and wholesale level; and it was known that the Congressional Committees concerned with this legislation were equally adamant in their support of the SEC position. Any extensive discussion of this problem in an open public forum would have only served to detract from the stature of the OTC market with no possible opportunity for gain.

After taking into consideration all of these factors, the Governors discussed and approved a recommendation of the National Quotations Committee relating to an inter-dealer quotations system involving a low bid and high offer for securities carried on the National List. Subsequent study, however, revealed that this system was unfeasible and impractical. In addition, the SEC staff indicated that this proposal was still not fully responsive to their original recommendations.

Point in Time System Adopted

The Board, at a special meeting in December 1964, then adopted a recommended inter-dealer quotations system as of a point in time for securities on the National List. Less actively traded local securities were to be quoted, as in the past, with a retail markup and the mastheads for both lists were to be changed. In adopting this new system, it was agreed that the Association would be given

sufficient time by the SEC to make an exhaustive study not only of the effect of this quotations change but also of the possible effects of the SEC imposing rules covering riskless transactions and disclosure of profits.

Press Schedules Inter-Dealer Prices

In December, 1964, the Association was advised by a representative of the New York Times that it intended to publish inter-dealer quotations early in 1965, if the NASD did not carry out the proposed changes in its system. A survey of other newspapers in the New York area, including the Wall Street Journal, indicated that for competitive reasons these publications would be forced to do likewise. It was apparent, therefore, that if the Association did not take affirmative action in the area of quotations, or postponed implementing its proposed new system, important national newspapers would have obtained and published inter-dealer prices on their own initiative. Further, it appeared that the SEC would have followed through with its recommendation to establish rules in the area of riskless transactions and disclosure of profits.

SEC Accepts New Quote System

The SEC accepted the Association's new quotations procedures which were adopted in December, 1964, to become effective February 15, 1965.

By adopting these new inter-dealer quotation procedures for National List securities on a test basis, and at the same time retaining retail quotations for less actively traded local stocks, the Board of Governors has been able to reach a solution to an extremely difficult problem.

Additionally, this compromise negotiated with the Commission achieved the necessary time for the NASD to undertake an exhaustive study, not only of the effect of the new quotations system, but also of the possible effects of SEC imposition of rules in the other two areas. It is hoped that this research study will be a valuable contribution to the data on which the Commission and the NASD must rely when again discussing the subject of quotations, riskless transactions and disclosure of profit.

Why No Membership Vote

Some Association members have inquired as to why the change in quotations procedures was not submitted for membership vote. This question fails to give recognition to the nature of the Board's action which was to change the type of quotations given to the press by our local quotations committees for securities on the National List. Changes in these procedures over the past years were always by Board directive. As no rule of conduct or similar requirement was imposed on the membership, the action did not involve a change in our By-Laws or Rules of Fair Practice which does require a membership vote.

Moreover, it was felt that the membership, voting without detailed knowledge of the prolonged negotiations with the Commission, the legal implications, the pressure from newspapers, and the sentiments of Congressional Committees, would not have been in a position to cast a completely informed vote. Additionally, a resultant negative vote would certainly have precipitated rules in the areas of riskless transactions and disclosure of profit.

SELLING PRACTICES

Although the subject of quotations has been the primary concern of the Board over the last year and has occupied considerable time of certain members of the staff, various committees of the Association have been working on other recommendations of the Special Study which have long range effects on the business.

In the area of Selling Practices, the Association has been able to apply good business practice to many of the SEC Study Group recommendations concerned with the relationships between broker/dealers and their customers. The changes to the Rules of Fair Practice regarding discretionary accounts, customer records, and supervision, voted and approved in November by the membership, are a direct result of lengthy negotiation with the SEC staff on this broad subject. Effective dates for these new rules will not be established until the Association has finished work on a booklet designed to assist members in developing supervision programs.

Solicited or Unsolicited Resisted

The basic approach in discussions with the SEC was to cloak with practicality those recommendations which were needed or desirable, and to resist those which were unreasonable or unnecessary. For example, NASD representatives demonstrated that it was undesirable to impose on the industry a requirement to designate each customer order as "solicited" or "unsolicited."

Suitability Rule Change Resisted By NASD

One of the Special Study's recommendations was that the Association give consideration to revising its rule on suitability (Article III, Section 2 of the Rules of Fair Practice) to impose upon a salesman the duty of determining that securities sold to a customer are suitable given the customer's situation, holdings and needs. While the Association was sympathetic with the idea that all recommendations of purchases or sales to customers be made upon some reasonable basis, the Board believed strongly that to impose such an obligation on the investment banking fraternity would be unwise and impractical, and would interject the possibility of hindsight judgment in determining whether there could conceivably have been any reasonable basis for a sale or purchase.

Fair Dealing Guidelines

As an alternative, the Commission accepted the Guideline on Fair Dealing which calls to the attention of all members various practices in this area and focuses on instances where businessmen believed the practices were improper. But no affirmative obligation to ascertain a customer's resources and needs was imposed upon a salesman nor was the extremely difficult test of suitability imposed upon the securities business.

ADVERTISING INTERPRETATION

The Association's revised Advertising Interpretation, distributed to the membership in August of 1964, is further illustration of efforts to recognize the value

of certain recommendations contained in the SEC Special Study while keeping in mind the practicalities of the business so that unneeded burdens would not be imposed. For example, the Association rejected the SEC suggestion that members disclose all positions and all ownership of options, rights or warrants in advertising and sales literature recommendations, as well as intended or possible disposition of these securities positions. Such requirements not only would have been unreasonable, but might in themselves have been misleading.

Burdensome Disclosures Out

In addition, on the same general grounds, the Association rejected another SEC suggestion that members be required to disclose their underwriting activity within the past two years as it pertained to recommended issues. The Interpretation as it was finally written does require fair disclosure of the making of a market in a recommended security, if such is the case, and where applicable, that the member intends to buy or sell the security for the firm's own account. However, ownership of options, rights or warrants need not be disclosed where such activity is nominal. The revised Interpretation requires, for the first time, that advertising matter be filed with the Association within five days after use, unless it has received prior clearance either by the NASD or from a registered stock exchange designated by the Board of Governors as having standards similar to the Association.

IDENTIFICATION OF QUOTATIONS

In October of 1964, the SEC put into effect Rule 15c2-7, relating to the identification of quotations in the Sheets distributed daily by the National Quotations Bureau. Briefly, this rule provides that a correspondent appearing in the Sheets for another dealer must so designate and identify the dealer for whom he is acting. More importantly, in any arrangement in which two or more parties appear in the Sheets quoting the same security, it is necessary for each to identify for whom he is acting. The rule is designed to avoid duplicate quotations which give the appearance of more activity in a security than actually exists.

In discussing this rule in its proposed form with the SEC, the Association's Trading Committee acknowledged that there had been certain abuses in the quotations appearing in the Sheets in the past. The objective of the Association was to alter the substance so that contemplated changes would have no adverse effect on day to day industry practices of reputable firms.

Initial Draft Restrictive

In its initial draft form, the rule would have prevented any arrangement such as a joint account or accommodation between broker/dealers. After many discussions between the Trading Committee and the SEC, an exemption was granted from the requirements of the rule if, in any such arrangement, only one of the broker/dealers participating furnished a quotation to the sheets. Also, through discussions between the SEC and the Association, Commission releases on the rule carried examples of its application to assist those called upon to comply with it. Although the rule requires reporting certain facts to the National Quotations Bureau, it works no real hardship.

FREE CREDIT BALANCES

During the Fall of 1964, the SEC distributed for industry comment a proposed rule requiring dealers to make certain disclosures of possible risks connected with a customer's credit balances. Again, in its initial form, this rule would have been unwieldy and contained detailed requirements as to whether interest would or would not be paid and, if so, the rate and basis of compensation. In addition, the proposed rule required written notice to be given at the time an account was opened stating that free credit balances were subject to payment without prior notice and that such funds would become part of the assets of the broker/dealer. However, the rule as finally promulgated only requires notice to customers that free credit balances are carried, such funds are not segregated and may be used in the operation of the business, and that they are payable on demand. As a result of SEC negotiations with the NASD and other industry groups, the free credit balances rule is not as unwieldy as originally proposed.

SEC PROPOSED MINIMUM CAPITAL RULE

The NASD has had extensive discussions relating to the Commission's proposed Minimum Capital Rule, which may have an impact on Association members. In the first draft, these capital requirements would have been related to the number of branch offices of a firm, the number of salesmen, underwriting commitments and the type of business in which the member was engaged. This proposal would have also prohibited the use of subordinate capital, given no asset value to restricted stock and would have required a reserve against customers' free credit balances. The Association, in concert with other industry groups, addressed itself to these problem areas and the rule which is now ready for enactment is a greatly simplified version recognizing and correcting earlier objections. It requires \$5,000 minimum capital for those in the general securities business and \$2,500 for those firms that deal exclusively in mutual funds.

QUALIFICATION EXAMINATIONS

The year 1964 witnessed a strong and continuing improvement in the efforts of members to train and prepare applicants for entry into the securities business. The Qualification Examination Department administered nearly 20,000 examinations. 10,941 were taken by applicants becoming registered with the Association for the first time. In addition, approximately 9,000 examinations were administered at the NASD test centers for the exchanges and individual states, as part of the program to coordinate and centralize all examinations in the securities field, thus minimizing the time and travel necessary for an applicant to satisfy all examinations required of him. This program grew throughout the year, and in the month of December alone, nearly 2,000 examinations were administered for all agencies.

The cooperation of State authorities in this program was excellent. Twenty-three of the thirty-one states that require the General Securities Examinations, now accept the NASD Examination as qualifying, six more than a year ago.

At year end, a Coordinated Examination for Principals was introduced, making it possible for prospective Allied Members of the NYSE to satisfy their NASD and NYSE Principal Examination requirements for officers and partners at one test session.

INVESTMENT COMPANIES ACTIVITIES

During the past year, the NASD Investment Companies Committee completed the basic work involved in re-drafting Article III, Section 26 of the Rules of Fair Practice, which governs activities of members in sales of mutual fund shares. One objective of the revision to Section 26 is to include provisions dealing with reciprocal business which was the subject of extensive comment in the SEC Special Study Report. It is expected that the revised rule will be submitted to the membership for approval in the Spring of 1965.

Also during the past year, the Investment Companies Committee assisted the Board of Governors in preparing testimony presented by the Association in opposition to proposed bank legislation dealing with common trust funds before the House Subcommittee on Commerce and Finance. This legislation, which was never brought to Congressional vote, would have allowed banks to sponsor common trust funds, without regulation comparable to that required of mutual funds and other securities.

Of particular help to Association members selling mutual funds was the development in 1964 of sample withdrawal plan tables previously forbidden by SEC policy. After extensive discussions between the Investment Companies Committee and the SEC, members for the first time are permitted to use performance data in offering systematic withdrawal plans to the public.

In addition to this work, the Investment Companies Committee supervises the mutual fund sales literature review program conducted by the Association in connection with administering the SEC's Statement of Policy. Under this activity, the Association has reviewed over 103,000 pieces of literature since the establishment of the program in 1950.

THE FOREIGN COMMITTEE

Much of the work of the Association's Foreign Committee in 1964 was concentrated on the Interest Equalization Tax legislation. First proposed in President Kennedy's 1963 Balance of Payments message to Congress and finally signed into law by President Johnson in August, 1964, this legislation imposes a tax of up to 15% on Americans' purchases of foreign securities from foreigners and is intended to reduce that segment of the overall dollar outflow.

The Foreign Committee, through the Association's President, presented a statement opposing this legislation at hearings held in July by the Senate Committee on Finance. Although the Interest Equalization Tax was enacted, representatives of the Foreign Committee held numerous conferences with Treasury officials and worked out many technical problems concerned with administrative procedures and reporting of transactions under the tax so that the OTC market was not burdened with excessive paper work.

In addition, the Foreign Committee along with representatives from other industry groups have been in constant contact with the SEC on the 1964 Amendments to the Securities Acts as they relate to foreign securities.

FINANCES

During the fiscal year ended September 30, 1964, the Association's income exceeded expenses by \$304,490 and based on member payments for 1965 it is anticipated that an even larger addition to surplus will be realized during the current fiscal year. These additions to surplus are primarily attributable to two factors. First, the reduction of certain operating costs was accomplished in the latter part of 1964. Second, there has been a very substantial increase during recent months in income from the greater volume of application and examination fees relating to the registration of registered representatives. These trends were not evident when the budget and rates of assessments and fees were established in advance of the current fiscal year as is required by the By-Laws.

Steps To Reduce Surplus

Because the Board of Governors deems this amount of surplus unnecessary, several steps for reducing the accumulated balance and eliminating further excesses of income were considered at a meeting in January, 1965. Initially, the Board has authorized that member dues payable as of October 1, 1965, be reduced by an amount approximately equivalent to the excess of income over expenses for 1965. An accurate prediction of the amount and effect of this reduction is not possible at this time, but it now appears that there will be a substantial reduction in 1965 dues. A further reduction in surplus will be considered again in 1966.

New Assessment Basis

The Board of Governors also authorized a new basis for members' assessments subject to approval of the SEC. The new assessment basis was approved to eliminate inequities that exist under the present system and also to provide an easier and more economical basis for members to compile. Concurrent with this change will be the elimination of the present assessments on gross dollar amount of underwritings, investment company sales by sponsors and other over-the-counter sales of securities. However, it will not be possible to make this change until next year due to the relatively short period of time remaining before the next assessment reporting date. Reporting requirements now in effect will continue through June 30, 1965. Members will be furnished a complete explanation of the new basis within several months.

A change in the maximum limitation in assessments was also approved for future years. The present maximum per member is \$15,000. Tentatively, the maximum will be raised to approximately 1% of the Association's budgeted expenses for each fiscal year.

AUTOMATION

The possible use of automated equipment in the over-the-counter market place has become an increasingly important subject which the NASD has been following closely, and to this end an Automation Committee was recently appointed. The Committee will investigate the matter of dissemination of quotations between dealers, possible adaptation of automation to trading techniques, costs, and the

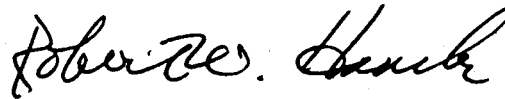
role, if any, of the NASD in such a program. Recognition will be given to the characteristics and problems of a negotiated market as it exists over-the-counter, and as compared to an auction market.

In the same vein, the Association is mindful of the back office costs of its members and the increasing importance of reducing expenses. Discussions have been entered into between the Association and James E. Day, President of the Midwest Stock Exchange, concerning the feasibility of making available the facilities of the Midwest Stock Exchange Service Corporation to NASD members who are not members of this Exchange. This computerized, low cost, centralized book-keeping system could prove to be of great benefit to those of our members who might use it.

We are also discussing with the Midwest Stock Exchange the possible use by NASD members of their "common back-office". This would enable firms with 20 transactions per day to substantially reduce their costs.

The foregoing briefly describes Association activities relating to implementation of the Special Study as well as some day to day operating problems.

Where need for additional regulation has been demonstrated, we have endeavored to give recognition to the practicalities of the investment business. Conversely, we have steadfastly resisted additional rules where they were unnecessary or, in our belief, impractical.



ROBERT W. HAACK
President



Gordon Bent
Bacon, Whipple & Co.
Chicago, Ill.



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



Julian L. Gumbiner
Stern Brothers & Co.
Kansas City, Mo.



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

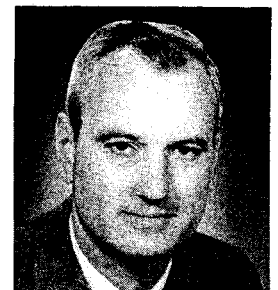
**TO SERVE
UNTIL
JANUARY,
1967**



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



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



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

1964-1965

** Deceased February 25, 1965*

**TO SERVE
UNTIL
JANUARY,
1968**



Clifford B. Barrus, Jr.*
Barrett & Company
Providence, R. I.



S. Whitney Bradley**
Eaton & Howard,
Incorporated
Boston, Mass.



A. Sherman Ellsworth
Wm. P. Harper & Son
& Co.
Seattle, Wash.



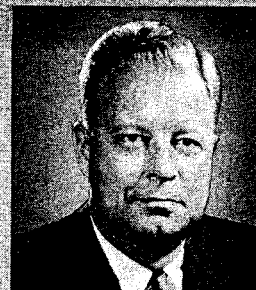
Robert M. Gardiner
Reynolds & Co.
New York, N. Y.



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



Gordon S. Macklin, Jr.
McDonald & Company
Cleveland, Ohio



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



John Wasserman
Asiel & Co.
New York, N. Y.

** Re-elected to full term
** Governor-at-Large*



Robert R. Miller
Hornblower & Weeks
Hemphill, Noyes
Los Angeles, Calif.
Chairman 1964



John W. Dayton, Jr.
Clark, Dodge & Co., Inc.
New York, N. Y.
Vice Chairman 1964



Justin J. Stevenson, Jr.
W. E. Hutton & Co.
Cincinnati, Ohio
Vice Chairman 1964



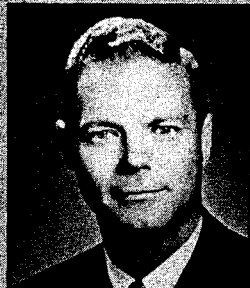
Craig Severance
New York Securities Co.
New York, N. Y.
Treasurer 1964



Robert W. Haack
President



Clifford B. Barrus, Jr.**
Barrett & Company
Providence, R. I.



Robert M. Clark*
Blunt, Ellis & Simmons
Chicago, Ill.

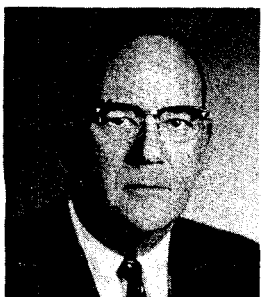


George F. Patten, Jr.
George Patten Investment
Co.
Portland, Ore.

**TO SERVE
UNTIL
JANUARY,
1965**

* Elected to serve unexpired term of Robert W. Haack
** Elected to serve unexpired term of James H. Goddard who resigned
† Became President on April 1, 1964

BOARD OF GOVERNORS



G. Shelby Friedrichs
Howard, Weil, Labouisse,
Friedrichs and Co.
New Orleans, La.
Chairman 1965



Gus G. Halliburton
Equitable Securities Corporation
Nashville, Tenn.
Vice Chairman 1965



Norman B. Ward, Jr.
Singer, Deane & Scribner
Pittsburgh, Pa.
Vice Chairman 1965

**TO SERVE
UNTIL
JANUARY,
1966**



John W. Callaghan
Goldman, Sachs & Co.,
New York, N. Y.
*Chairman, Finance
Committee 1965*



W. Scott Cluett*
Harriman Ripley & Co.,
Inc.
New York, N. Y.



Joseph Ludin**
Dillon, Read & Co., Inc.
New York, N. Y.



Malcolm F. Roberts
Hornblower & Weeks
Hemphill, Noyes
Denver, Col.



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

* Elected to serve unexpired term of Joseph Ludin
** Retired January, 1965

Committees for 1964

Executive Committee

Robert R. Miller, *Chairman*
John W. Dayton, Jr.
G. Shelby Friedrichs
Gus G. Halliburton
George F. Patten, Jr.
Craig Severance
Justin J. Stevenson, Jr.
Norman B. Ward, Jr.
Robert W. Haack
(All Governors)

Finance Committee

Craig Severance, *Chairman*
John W. Callaghan
Gus G. Halliburton
Joseph Ludin
Robert R. Miller
Justin J. Stevenson,
Robert W. Haack
(All Governors)

National Business Conduct Committee

G. Shelby Friedrichs, *Chairman*
Van S. Trefethen, *Vice Chairman*
Gordon Bent
Allan S. Eustis, Jr.
Julian L. Gumbiner
Robert C. Hill
Julian A. Kiser
William C. Porter
W. James Price
(All Governors)

National Quotations Committee

Norman B. Ward, Jr., *Chairman (Governor)*
Glen A. Darfler
Gus G. Halliburton (*Governor*)
S. Richard Harris
Clarence A. Horn
Milton F. Lewis
Gilbert M. Lothrop
Ralph E. Phillips, Jr.
William C. Porter (*Governor*)
John I. Rohde

Committee on Qualification Examination Program

Merl McHenry, *Chairman*
George F. Patten, Jr. (*Governor*)
Cornelius Roach
Paul E. Youmans

Insurance Trustees

William H. Clafin III
Glenn E. Anderson
Robert W. Haack
Jack A. Schindel, *Treasurer*

Uniform Practice Committee

George J. Denzer, *Chairman*
John H. Kirvin, *Vice Chairman*
Edward J. Armstrong
George R. Becker
Gerard J. Ehler
Roy W. Jordan
Thomas P. Lynch
Philip M. Neagle
Donald G. Rundle

Foreign Committee

Henri L. Froy, *Chairman*
John A. Nevins, *Vice Chairman*
Hans Ben
John W. Callaghan (*Governor*)
Jerome C. Cuppia, Jr.
Edwin S. Marks
Walter F. Saunders
Alexander C. Schwartz
Robert F. Seebeck
Hans A. Widenmann

Investment Companies Committee

Arthur H. Haussermann, *Chairman*
Edward B. Burr
Robert L. Cody
George W. Fulk
Franklin R. Johnson
Glenn N. Lempereur
Rowland A. Robbins
Norman B. Ward, Jr. (*Governor*)
Joseph E. Welch

Information Committee

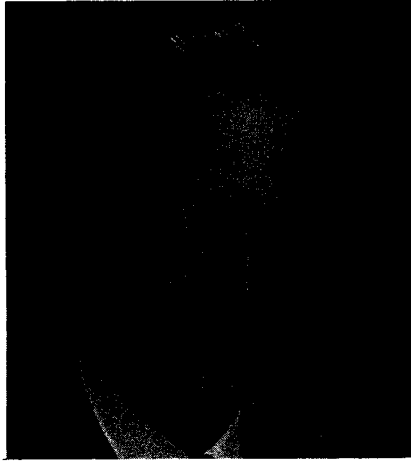
George F. Patten, Jr., *Chairman*
Clifford B. Barrus, Jr.
W. James Price
Malcolm F. Roberts
Robert W. Haack
(All Governors)

Legislation Committee

John W. Dayton, Jr., *Chairman*
Julian A. Kiser
Malcolm F. Roberts
Justin J. Stevenson, Jr.
(All Governors)

Trading Committee

James F. Jacques, *Chairman*
Harold Blumenthal
John W. Bunn
John C. Hecht
Raymond J. Kiernan
Edward H. Ladd 3d
Louis P. Singer
Alfred F. Tisch
Norman B. Ward, Jr. (*Governor*)



William C. Porter
1910 — 1965

THE death of William C. Porter on February 25, 1965, was a deep and grievous loss for his many friends in the securities business and his fellow members of the Board of Governors. Born and raised in Dallas, Texas, Bill Porter graduated from Southern Methodist University and entered the securities business in 1935 as a cashier for Dittmar & Company in San Antonio. Successively, he became Treasurer, Vice President and finally President of his firm in 1958. From 1957 to 1959, he was a Governor of the Investment Bankers Association and, in 1961, was chosen a member of the NASD's District Committee No. 6. He became Chairman of this committee in 1963 and was elected to the Board of Governors the following year. Bill Porter's many contributions to the Association in both a personal and business sense will not be forgotten by those who were privileged to know and work with him.

District Committees 1964

DISTRICT COMMITTEE NO. 1

Hammitt E. Porter, *Chairman*
Goodbody & Co., Spokane

Robert A. Nathane,
Vice-Chairman
Merrill Lynch, Pierce, Fenner &
Smith, Inc., Seattle

A. Sherman Ellsworth
Wm. P. Harper & Son & Co.
Seattle

Lloyd E. Legg
Pacific Northwest Co., Portland

Preston E. Macy
Murphey Favre, Inc., Spokane

Kurt H. Olsen
Harris, Upham & Co., Portland

John I. Rohde
John R. Lewis, Inc., Seattle

Howard B. Somers
Lind, Somers & Co., Portland

Theodore F. Schmidt, *Secretary*
340 White-Henry-Stuart Bulding
Seattle 1, Washington

DISTRICT COMMITTEE NO. 2

Donald M. Wright, *Co-Chairman*
Paine, Webber, Jackson & Curtis
Los Angeles

Paul N. Duggan, *Co-Chairman*
Sutro & Co., San Francisco

Robert C. Crary
J. Barth & Co.
Los Angeles

Peter J. Eichler
Bateman, Eichler & Co.
Los Angeles

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

Richard F. Guard
Schwabacher & Co., Honolulu

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

Lawrence R. Johnson
Elworthy & Co., San Francisco

Kenneth H. Sayre
Irving Lundborg & Co.
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

William J. Radding, Jr.,
Secretary
Room 1012, Russ Building
San Francisco 4, California

James H. Resh, *Secretary*
210 W. 7th Street
Los Angeles 14, California

DISTRICT COMMITTEE NO. 3

Roscoe B. Ayers, *Chairman*
Hornblower & Weeks
Hemphill, Noyes, Denver

Harvey S. Glade, *Vice-Chairman*
Goodbody & Co., Albuquerque

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

Alexander W. Forsyth
Calvin Bullock, Ltd., Denver

Elmer G. Longwell
Boettcher and Company, Denver

Robert L. Mitton
Robert L. Mitton Investments
Denver

Maurice O. O'Neill, Jr.
Walston & Co., Inc., Phoenix

Robert P. Woolley
Robert P. Woolley Company
Salt Lake City

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

Kenneth W. Cole, *Secretary*
Boston Building
Denver 2, Colorado

DISTRICT COMMITTEE NO. 4

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

Milton Luce, Jr., *Vice-Chairman*
Luce, Thompson & Co.
Kansas City

Daniel S. Bracken
Waddell & Reed, Inc.
Kansas City

Rolla J. Gittins
Dempsey-Tegeler & Co., Inc.
St. Louis

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

Glenn L. Milburn
Milburn, Cochran & Company,
Inc., Wichita

Thomas J. Miller
Harris, Upham & Co., Tulsa

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

Dale C. Tinstman
First Nebraska Securities Corp.
Lincoln

Edward J. Holoka, *Secretary*
Room 1105, Waldheim Building
6 East 11th Street
Kansas City 6, Missouri

DISTRICT COMMITTEE NO. 5

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

Arthur Stansel, *Vice-Chairman*
Courts & Co., Birmingham

Vernon J. Giss
Stephens, Inc., Little Rock

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

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

John O. Kroeze
Kroeze, McLarty & Duddleston
Jackson

Edward J. Newton, *Secretary*
1124 Richards Building
New Orleans 12, Louisiana

DISTRICT COMMITTEE NO. 6

Richard L. Bradley, *Chairman*
Equitable Securities Corporation
Houston

J. Ries Bambenek
Dallas Union Securities Co., Inc.
Dallas

Henry M. Beissner
Moroney, Beissner & Co., Inc.
Houston

Robert R. Gilbert, Jr.
Sanders & Company, Dallas

W. Lewis Hart
Funk, Hobbs & Hart, Inc.
San Antonio

C. Rader McCulley
First Southwest Company, Dallas

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

Richard D. Brown, *Secretary*
706 Southland Center
Dallas 1, Texas

DISTRICT COMMITTEE NO. 7

Orin M. Phelps, *Chairman*
The Phelps Company, Miami

John B. Ellis, *Vice-Chairman*
Courts & Co., Atlanta

Jack M. Bass, Jr.
Jack M. Bass & Company
Nashville

J. Coleman Budd
The Robinson-Humphrey
Company, Inc., Atlanta

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

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

Bennett Whipple, *Secretary*
Commerce Building
34 Broad Street, N. W.
Atlanta 3, Georgia

DISTRICT COMMITTEE NO. 8

Grant A. Feldman, *Chairman*
Piper, Jaffray & Hopwood
Minneapolis

Donald T. Fletcher,
Vice-Chairman
William Blair & Co., Chicago

Gordon L. Teach,
Vice-Chairman
Shearson, Hammill & Co.
Chicago

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

J. Robert Doyle
Doyle, O'Connor & Co., Inc.
Chicago

Edde K. Hays
Dean Witter & Co., Chicago

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

Ernest Kosek
Ernest Kosek & Co.
Cedar Rapids

John D. MacNaughton, Jr.
MacNaughton-Greenawalt & Co.
Grand Rapids

Paul R. Noonan
Dixon Bretscher Noonan, Inc.
Springfield

Herbert Schollenberger
Campbell, McCarty & Co.
Detroit

Robert E. Westervelt
Bell and Farrell, Inc., Madison

John F. Brady, *Secretary*
Harris Bank Building
111 W. Monroe Street
Chicago 3, Illinois

DISTRICT COMMITTEE NO. 9

Gordon S. Macklin, Jr.,
Chairman
McDonald & Co., Cleveland

Henry J. Arnold
Geo. Eustis & Co., Cincinnati

Ned K. Barthelmas
The First Columbus Corporation
Columbus

Morey L. Booth
Stein Bros. & Boyce, Louisville

Gilbert A. Davis, *Vice-Chairman*
Harrison & Company, Cincinnati

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

Harry T. Greene
Greene & Ladd, Dayton

Leo J. Kelly
Bache & Co., Cleveland

Jack R. Staples
Fulton, Reid & Co., Inc.
Cleveland

Vincent J. Nelson, *Secretary*
1823 Superior Building
815 Superior Avenue
Cleveland 14, Ohio

DISTRICT COMMITTEE NO. 10

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

Henry H. Phillips, Jr.,
Vice-Chairman
Branch, Cabell & Co., Richmond

Edgar M. Boyd
Baker, Watts & Co., Baltimore

G. Powell Davis
Investment Corp. of Virginia
Norfolk

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

Robert J. Powell, Jr.
Powell, Kistler & Co.
Fayetteville

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

John S. R. Schoenfeld
Ferris & Company
Washington, D.C.

Richard Peters, *Secretary*
888 Seventeenth St., N. W.
Washington 6, D.C.

DISTRICT COMMITTEE NO. 11

Osborne R. Roberts,
Co-Chairman
Schmidt, Roberts & Parke
Philadelphia

Arthur F. Humphrey, Jr.,
Co-Chairman
Hulme, Applegate & Humphrey,
Inc., Pittsburgh

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

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

J. Mabon Childs
Chaplin, McGuiness & Co.
Pittsburgh

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

James C. Lear
Reed, Lear and Company
Pittsburgh

Thomas Lynch, III
Moore, Leonard & Lynch
Pittsburgh

Samuel K. McConnell, Jr.
Woodcock, Moyer, Fricke &
French, Inc., Philadelphia

Richard O. Smith
Stroud & Company, Incorporated
Philadelphia

William Z. Suplee
Suplee, Yeatman, Mosley Co.,
Inc., Philadelphia

Richard O. Whayland
A. E. Masten & Company
Pittsburgh

Francis C. Doyle, *Secretary*
Philadelphia National Bank
Building
Broad and Chestnut Streets
Philadelphia 7, Pennsylvania

DISTRICT COMMITTEE NO. 12

John Wasserman, *Chairman*
Asiel & Co., New York

Joseph D. Krasowich,
Vice-Chairman
Gregory & Son, 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

John Brick
Paine, Webber, Jackson & Curtis
New York

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

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

Warren C. Heidel
Putnam & Co., Hartford

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

Orin T. Leach
Estabrook & Co., New York

Ira B. MacCulley
Equitable Securities Corporation
New York

John D. Ohlandt
New York Hanseatic
Corporation, New York

H. Peter Schaub, Jr.
Harry P. Schaub, Inc., Newark

J. Raymond Smith
Weeden & Co., New York

Gilbert H. Wehmann
White, Weld & Co., New York

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

George J. Bergen, *Secretary*
25 Broad Street
New York 4, New York

DISTRICT COMMITTEE NO. 13

Francis A. Farr, *Chairman*
Chace, Whiteside & Winslow,
Inc., Boston

Joseph Mattison, Jr.,
Vice-Chairman
Estabrook & Co., Inc., Boston

Dudley H. Bradlee, II
Hornblower & Weeks—
Hemphill, Noyes, Boston

S. Whitney Bradley
Eaton & Howard, Inc., Boston

Robert Cummings
Cummings & Co., Inc.
Providence

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

Gilbert M. Elliott, Jr.
The State Investment Co.
Portland

Joseph Gannon
May & Gannon, Inc., Boston

T. Edmund Williams
Hooper-Kimball, Inc., Boston

William S. Clendenin, *Secretary*
80 Federal Street
Boston 10, Massachusetts

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

Financial Statement

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC. STATEMENT OF INCOME, EXPENSES AND COMPOSITION OF ACCUMULATED BALANCE

	Year ended September 30,	
	1964	1963
Income:		
Assessments	\$1,885,331	\$1,507,237
Registered representatives' fees:		
Applications	522,985	365,635
Examinations	240,688	196,515
Branch office fees	148,271	77,595
Fines and costs	144,039	192,543
Interest	71,216	53,785
Admission fees and other income	34,277	49,740
	<u>3,046,807</u>	<u>2,443,050</u>
Expenses:		
Salaries and office services:		
National office and committees	654,908	578,475
District offices	817,916	710,003
Travel and meetings—Board of Governors, District Committees and other, except for staff investigators	222,934	193,343
Publications, printing and stationery, net	150,855	155,763
Postage	61,527	57,523
Travel of staff investigators, transcripts and miscellaneous expenses of investigations and complaints	157,703	164,561
Fees—legal, administration of qualification examinations, compilations of quotations and other, net	170,090	257,691
Rent	187,995	170,470
Furniture and equipment	46,120	21,927
Office and miscellaneous	117,000	105,339
Insurance and taxes	92,913	72,551
Retirement	62,356	59,835
	<u>2,742,317</u>	<u>2,547,481</u>
Excess of income or (expenses)	304,490	(104,431)
Accumulated balance (Note):		
Beginning of year	1,211,746	1,316,177
End of year, of which \$42,354 in 1964 and \$42,168 in 1963 is restricted	<u>1,516,236</u>	<u>1,211,746</u>
Composition of Accumulated Balance (Note):	September 30,	
	1964	1963
Cash	\$ 204,187	\$ 277,650
Investment securities, principally United States Treasury obligations, at cost which approximates market	1,359,464	989,081
Special investment account (marketable securities at cost, cash and accrued interest)	42,354	42,168
Other assets	42,257	34,933
Accounts payable, accrued and withheld taxes	(129,434)	(125,326)
Assessments collected in advance	(2,592)	(6,760)
	<u>1,516,236</u>	<u>1,211,746</u>

Note—Reference is made to the comments under the caption Finances on page 12.

To the Board of Governors of the National Association of Securities Dealers, Inc.

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, 1964 and September 30, 1963 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 includes such tests of the accounting records and such other auditing procedures as we considered necessary.

Washington, D.C.
December 11, 1964

Price Waterhouse & Co.

Statistics - 1964

DECEMBER 31	1964	1963	1962
Total Members:	3,955	4,338	4,771
Branch Offices:	4,799	4,684	4,713
Registered Representatives:	76,741	84,187	94,444

Total Members Admitted in 1964:	188
Total Members Terminated in 1964:	571
(Type of Organization)	
Corporations	291
Partnerships:	74
Sole Proprietors:	206
	<hr/>
Total	571

1964	Complaints Filed:	312
	Complaints Closed:	350

1963	Complaints Filed:	408
	Complaints Closed:	484

Reason for Termination

Normal Resignation	271
Death of Sole Proprietor	16
Retirement of Principal	3
Mergers	18
Absorbed by Another Member	62
Lack of Production or Operating Loss	16
State Capital Rule	2
Not Doing OTC Business	11
Cancellations	2
Terminations for Cause:	170
By SEC	8
NASD Disciplinary Action	62
Non-payment of Fines and Costs	17
Non-payment of Assessment	70
Failure to File Assessment Report	13
	<hr/>
Total	571

Main Office Examinations in 1964

Total Examined	2,059
Percent Examined	52%

Branch Office Examinations in 1964

Total Examined	1,263
Percentage Examined	26.2%

Total Examinations in 1964	<hr/> 3,322
-----------------------------------	-------------

DESIGNED AND LITHOGRAPHED BY HENNAGE • WASH., D. C.

NATIONAL ASSOCIATION OF SECURITIES DEALERS INC.
888 17th STREET, N.W., WASHINGTON, D. C. 20006