

REPORT TO MEMBERS

1965

NASD

THE NATIONAL ASSOCIATION OF SECURITIES DEALERS

**To: NASD Members and Those Concerned
With the Progress and Future of the
Securities Industry**

The attached 1965 Annual Report of the NASD will provide you with a revealing picture of the Association's self-regulatory activities during the past twelve months, as well as describe a number of major issues and trends, possibly affecting the public investor and broker/dealer community in the future. We hope that each Association member will give this report wide distribution among Registered Representatives and employees.

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

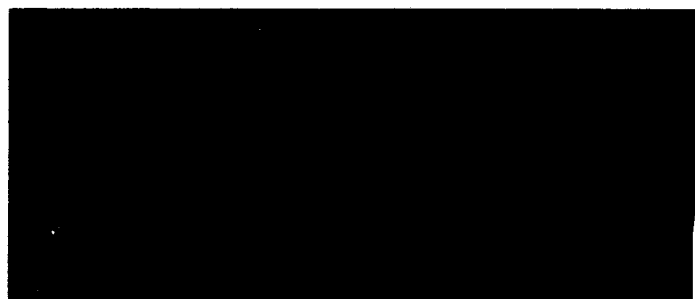
My year as Chairman was an interesting and a busy one. While we have not been able to reach a final or positive answer to some of the major problems and changes confronting our industry, we have been able to establish the intangible framework from which acceptable solutions will grow in the future.

In 1964 the Board reached the difficult decision to publish on an experimental basis wholesale quotations on National List securities. At the same time, the Securities and Exchange Commission agreed to give us time to study the effect that this might have on the markets for these securities. In addition our study is designed to measure the possible economic impact of implementing this and two other SEC recommendations; the elimination of so-called "riskless transactions," and the disclosure of profit on all retail principal transactions.

To make this Study, which began in 1965, a well known consulting firm was employed and a work plan was developed. This comprehensive analysis is now nearing completion. Most of you completed the burdensome questionnaire that was so important to this study, and some of you have received a second questionnaire, or have been interviewed personally. I assure you that I appreciate your cooperation, and I hope that we will all benefit from the better knowledge of the over-the-counter markets that will result. If we are going to make basic changes in a long established way of doing business, we must be sure that benefits will be derived accordingly.

Another important project on which your Board has been working is a study of the possibility of applying Automation to certain operations in the Over-the-Counter Market. One of the firm conclusions thus far reached is that the matching of orders in a computer is neither practical nor desirable, and that we must at all cost maintain the negotiated character of the Over-the-Counter Market. The Board does see interesting possibilities, however, for the gathering and dissemination of quotations and for the use of a computer network between dealers for the purpose of negotiating transactions. Study of this is continuing, but again, while this important job was begun in 1965, tangible accomplishment is at least another year away.

I do believe, however, that I can point to a definite accomplishment, though it is an intangible one. I am sure that the NASD membership as a whole is more aware of its responsibilities and is better informed than it was a year ago. Our Supervision Booklet has done much to assist the membership, as has the revised and more informative News Letter and other Special Reports.

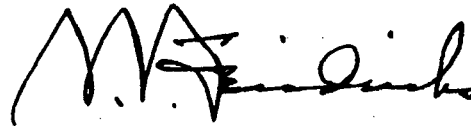


We must remember that this is our business, that it has been around a long time, and that it performs a very necessary function in a free enterprise economy. We must also remember that the public interest is our interest, and that it won't remain our business very long unless the public interest is served. However, we must not let others forget that the public interest can only be served by a healthy and profitable industry. Full disclosure of profits on sales transactions and proposals like SEC Chairman Cohen's recent request for extensive income and expense information from our entire membership require very careful consideration.

In a highly competitive, free enterprise system, such as in the Over-the-Counter market, disclosure of profits without the protection of agreements or minimum commission schedules can only lead to destructive price cutting which may appear to temporarily benefit the public but which in the end may well make it impossible for the public to be served at all.

I have every confidence that your NASD Board is fully capable of dealing with these problems and I know they will be better able to do so if you will make your thoughts known to them. It has been a most rewarding experience to work with such a dedicated group of men, and I wish to thank them sincerely for the many hours they have spent during this past year in devoted service to you and our industry.

Sincerely,

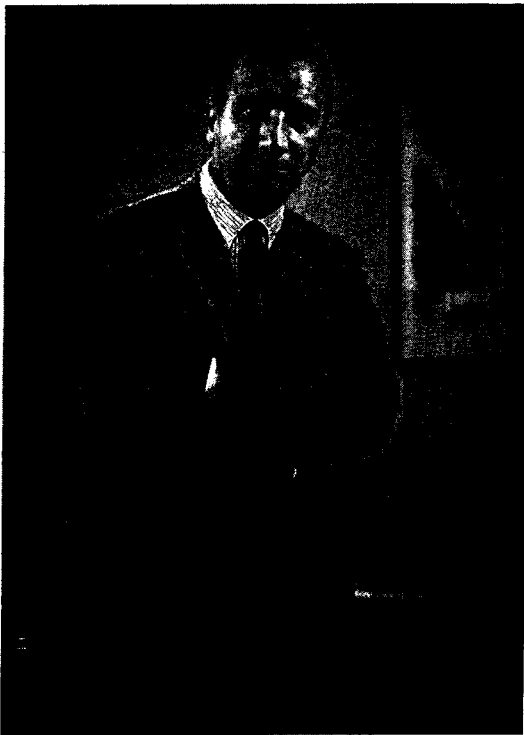
A handwritten signature in black ink, appearing to read "G. Shelby Friedrichs". The signature is fluid and cursive, with a large initial "G" and "S".

G. Shelby Friedrichs
1965 Chairman

NASD SELF-REGULATORY ACTIVITIES IN 1965

NASD Rule Changes, Studies or Independent Actions	
JANUARY	<ul style="list-style-type: none"> • Association approved revamping and modernizing assessment and fees schedule
FEBRUARY	<ul style="list-style-type: none"> • Implemented limited inter-dealer quotations system on National List stocks—retained retail quotes on all others—approved changed Masthead and new local quotations committee procedures • Injunction attempt by small group of members denied in court
MARCH	<ul style="list-style-type: none"> • Established Summary Complaint Procedure • Policy on Continuing Commissions under review
APRIL	<ul style="list-style-type: none"> • Management Consultant retained — impact study began on Quotations, Riskless Transactions and disclosure of profit
MAY	<ul style="list-style-type: none"> • Automation Committee chosen and application study to quotations and information retrieval begun • Comprehensive manual on supervision published to assist members in defining new concept of Office of Supervisory Jurisdiction • Mark-up Policy under study by Board committee
JUNE	<ul style="list-style-type: none"> • Board established policy regarding Firmness of Quotations • Members receive for their approval extensive By-Law changes providing for new disciplinary procedures and establishing new qualifications and registration standards for entrance into the securities business
JULY	<ul style="list-style-type: none"> • New rules on Supervision, Discretionary Accounts and Customer Records became effective
AUGUST	<ul style="list-style-type: none"> • Members join in Centralized Bookkeeping offered by Mid-West Stock Exchange
SEPTEMBER	<ul style="list-style-type: none"> • SEC agrees to NASD plan for administering SECO exams • Latest By-Law Amendments become effective allowing Association to proceed against individuals • 43% reduction in member dues announced • New branch office definition put into effect • Rules changed regarding pledging customer securities, guaranteeing against loss and sharing in customers' accounts
OCTOBER	<ul style="list-style-type: none"> • New OTC booklet for Issuers published • Policy on Disciplinary Publicity changed
NOVEMBER	<ul style="list-style-type: none"> • NASD opposes requests for Bank Mutual Fund exemption from Investment Companies Act • Guideline on Special Deals and Interpretation on Compensation of Salesmen announced
DECEMBER	<ul style="list-style-type: none"> • SEC proposal on broker/dealer financial reporting under study • Policy on Continuing Commissions revised

In 1965, the Association put into effect a substantial program of new or revised rules and policy changes that were the product of a great deal of detailed work, discussion and negotiation during the previous year. Additionally, exploratory meetings between the NASD and the SEC were carried forward on such major issues as automation, our OTC market study and the Association's markup policy. While the chart on the previous page briefly lists these events and changes in more or less chronological order, this report will attempt to give you background information and describe some of the details of our efforts.



Implementing the Revised Quotations System for National List Securities

As pointed out in last year's Annual Report, after many long months of discussion, negotiation, proposal and counter-proposal, between the NASD and the SEC, we were finally able to agree on a compromise quotations system. The NASD would publish inter-dealer quotations on 1,300 National List securities, retain a retail quoting system for some 2,700 other securities, and the Commission would allow us ample time to make an exhaustive and detailed study of OTC operating practices. This study was to gather the vital financial and statistical data necessary to continue our mutual review and discussion of the quotations issue, as well as two other SEC proposals regarding the elimination of riskless principal transactions and requiring full sales profit disclosure on confirmations.

To facilitate the change-over in our quoting procedures, NASD staff representatives met in advance of our February 15 target date with more than 120 different local quotations committees. New mastheads were developed for both inter-dealer and retail quotations lists, minimum requirements and standard procedures for listing were drawn up and more than 300 metropolitan newspapers were given background information and descriptive stories so that all readers would be fully apprised of our new system. Additionally, members were provided with advance copies of these new procedures and the descriptive material sent to newspapers so that customer inquiries concerning quotations could be answered quickly and fully.

Shortly before the change-over date, some 21 NASD members in the Pacific Northwest attempted to halt the new quotations program by seeking a temporary injunction. In the ensuing lower court hearing in which this injunction was denied, and later in the affirmation of this denial by an Appellate Court, a great deal of additional light was shed on the reasoning behind the Association's original decision to publish wholesale quotations. These well-publicized

hearings also served as a means of strongly fortifying and reemphasizing to all NASD members and the public exactly what was entailed in our thorough consideration of this problem and the extent of the alternatives open to the Association.

In the Spring, shortly after the implementation of the inter-dealer quotations system for actively traded stocks, the Association retained the nationally-known research consultant, Booz, Allen & Hamilton, to develop a work plan and carry out the intensive study which was part of our previous agreement with the Commission. This impartially conducted study has involved,

over a period of several months, detailed questionnaires to almost 4,000 NASD members, follow-up questionnaires on a selected basis to 150 other members and personal interviews with broker/dealers and issuers in different sections of the country.

While we are concerned with the effect of the new quotations system on the continued economic health of our members, the principal thrust of the study is to determine the effect on capital formation of this and other proposed changes regarding riskless transactions and disclosure of profit. The NASD Board is concerned that the raising of new capital might be impaired, that the depth and liquidity of markets for outstanding issues may be shrunk and that incentive for merchandising may be eliminated. Similarly, we are trying to determine if one of the by-products of these changes might involve diversion of interest into merchandise with larger profit margins or whether unwarranted trading activity would be encouraged, all of which would be to the detriment of the public interest and that of our members.

During 1965, a substantial number of OTC companies made application to have their stock quoted by the NASD on the National List or various local lists. The Association's four regional quotations offices processed 1,189 such applications for local listings of 592 separate issues by one or more of the 128 different quotations committees throughout the country. More than 600 of these applications were approved with the primary reason for non-approval being an insufficient number of stockholders or insufficient dealer interest to warrant publication. Additionally, more than 100 applications were approved throughout the year to have issues quoted on an inter-dealer basis in the National List.

Advantages of the OTC Market Explained to Issuing Companies

A new NASD booklet, "OTC—An Active Partner In Corporate Progress," was prepared and distributed in 1965 to every corporation currently quoted on either our local or National Lists. This booklet, which describes in detail the operations of the OTC market and its particular advantages to a wide variety of companies, was exceptionally well received by corporate presidents and financial officers, many of whom have ordered additional copies for their Boards of Directors and other personnel. The new publication was also offered in quantity to all NASD members and numerous colleges and universities. At the end of the year, 25,000 copies had been distributed.



Applying Automation Techniques to the OTC Market

One of the most exciting and important prospects for the OTC market, as well as one of its most difficult current problems, is the subject of automation which has been under study by the NASD since early Spring of 1965 when a special eight-man committee was appointed to examine the possibility of applying this new electronic equipment to some of our present business procedures.

Many different types of automated equipment are now being developed specifically for OTC broker/dealers, and it has been the responsibility of this committee to study and evaluate

all of these systems with a view toward the possible use of computerization in the instant dissemination of quotations between dealers, and the over-all improvement of the mechanics in the over-the-counter market through information retrieval and reporting. In its study, the Association's Automation Committee has met with major equipment manufacturers, SEC staff representatives and large market making firms.

The Association's goals in this sensitive area are to develop and implement an automated quotations system that will maintain and support the negotiated character of the OTC market and, at the same time, provide safeguards to protect the important functions of market makers. To accomplish these ends a basic policy has been adopted which, in any system we sponsor, precludes the possibility of electronic crossing or matching of orders.

The NASD Board of Governors has approved broad criteria for its proposed automation system as follows:

- Initially, a selected or limited number of actively traded securities will be quoted in the system.
- The system will be used to gather price and volume data on a daily basis for prompt dissemination to newspapers.
- The system will be designed so that dealers can use the equipment to negotiate transactions with the market maker of their choice through the computer.
- The Association will establish and define obligations, standards and qualifications of market makers allowed to participate in the automated system.
- A flat cost to all subscribers using the system will be maintained regardless of geographic distance from the central computer.

At year-end, the Automation Committee was in the process of developing detailed functional specifications which will be submitted to all equipment manufacturers for the purpose of obtaining firm proposals.

Automated Bookkeeping to Improve Back Office Operations

Related to our study of automation as it applies to quotations and trading activities has been the Association's efforts to enable NASD members to participate in the centralized bookkeeping system operated by the Midwest Stock Exchange. An agreement was reached with this exchange early in the year so that the many advantages of this highly sophisticated system could be opened to qualified NASD members. As a result of a survey conducted by the Association, over 200 NASD members with 15,000 securities transactions a day showed interest in using this automated back office and accounting system. Approximately 30 of these firms met the initial volume requirements for economical participation in this system on a direct tie-in basis with the centralized computer and are now awaiting cost analysis and specific proposals by Midwest officials. Because of the unusual response to this plan by NASD members, the Midwest Stock Exchange Service Corporation now has a substantial waiting list of firms wishing to join its system.

New Rules on Supervision, Discretionary Accounts and Customer Records

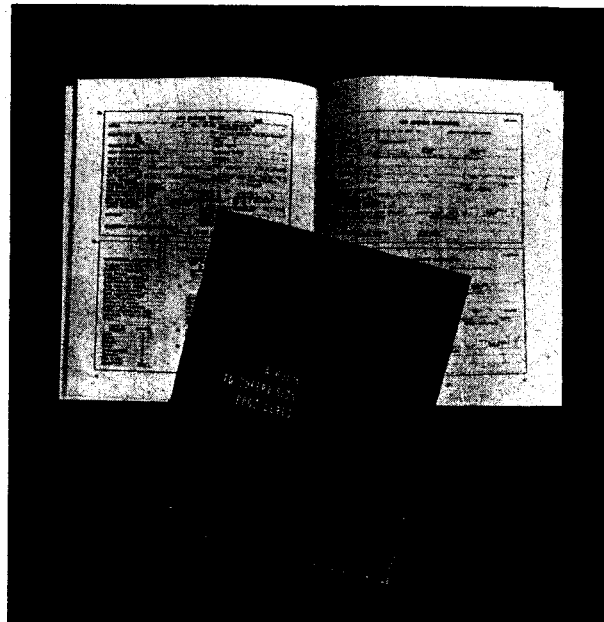
As explained in last year's Annual Report, the Association developed, and the membership approved, in 1964 three new rules primarily concerned with supervision of selling practices.

These rules were the result of lengthy negotiations with the SEC concerning recommendations in the Special Study. They were not made effective until July 1, 1965, so as to allow time to prepare an extensive manual on supervision procedures as an aid to the membership in understanding several new concepts which were being presented in these regulations for the first time, particularly that of Offices of Supervisory Jurisdiction.

The new rules required for the first time that firms must maintain written supervision procedures covering the acceptance of new accounts, the review and endorsement of transactions and correspondence, the periodic review of customer accounts, the inspection of Offices of Supervisory Jurisdiction, the investigation of individuals prior to their applying for registration with the Association and new requirements for handling discretionary accounts.

The Supervision Guide explains the background and need for the new requirements, presents methods of operation possible for firms of varying size, and shows samples of various forms, records, account cards, etc., which members have found useful in carrying out their supervisory obligations.

The Supervision Guide, as well as subsequent explanatory bulletins, proved highly beneficial to members in conforming their operations to the new requirements of Sections 15, 21 and 27 and in establishing definite internal supervisory controls.



New Rules and By-Law Changes Occasioned by the 1964 Securities Act Amendments

In our continuing program of modernizing and updating the Association's By-Laws and Rules of Fair Practice, an extensive package of amendments was approved and put into effect in 1965. Briefly, these amendments were in response to certain additional powers granted the NASD under the 1964 Securities Acts Amendments and provided for the establishment of various qualifications, requirements and standards for members and persons associated with members, as well as expanding our present statutory bars to admission. Additionally, these regulations permit the Association to proceed directly against persons associated with a member without necessarily joining the firm in a complaint action. These regulations also established registration requirements for certain classes of principals and representatives.

In still a different area, our Rules of Fair Practice have been amended to prohibit the lending or pledging of customers' securities in an amount which is not fair and reasonable in view of the indebtedness of the customer, unless specifically authorized. This new rule also requires segregation of customers' securities and prohibits guaranteeing a customer against loss and sharing in profits and losses without prior authorization by the member firm.

SEC Capital Rule

Action by the Securities and Exchange Commission in one area has also directly affected the Association's members. This is the SEC's new capital rule—15c3-1—which imposes a \$5,000 minimum capital requirement on all broker/dealers, except those engaged primarily in the distribution of mutual fund shares, of whom \$2,500 in minimum capital is required. To avail itself of the lower requirements a broker/dealer must limit its dealer transactions to the purchase, sale and redemption of registered investment company shares, the solicitation of accounts for savings and loan associations or the sale of a customer's securities for reinvestment in mutual funds. It must also promptly transmit all funds and deliver all securities, and it cannot otherwise hold funds or securities for customers.

Policy on Firmness of Quotes

In an attempt to improve upon the mechanics of trading in the OTC market, the NASD Board also developed a policy with respect to firmness of quotations supplied by members. The policy states that under the usual circumstances of making a firm trading market, dealers are expected to at least buy or sell a normal unit of trading in a quoted stock at the member's then prevailing quotations, unless clearly designated as not firm or good only for less than a normal unit of trading. The policy recognizes that members, of course, change inter-dealer quotations constantly in the course of trading, and at times contemporaneous transactions or substantial changes in inventory might well require dealers to temporarily quote a subject market.

Investment Company Matters

The Board of Governors, in the year just passed, formally approved two policy matters which affect the sale of shares of investment companies. One was to adopt guidelines to supplement the long-standing "Special Deals" interpretation which deems it conduct inconsistent with just and equitable principles of trade for a principal underwriter (or any of its representatives) in connection with the sale or distribution of investment company shares to give directly or indirectly to a member or a registered representative anything of material value in addition to the discounts or concessions set forth in the currently effective prospectus of the investment company. The guidelines cite various examples of what are considered items of material value. They include management stock, gifts or reimbursement of travel expenses in excess of \$25 per person, per year, loans and certain kinds of additional discounts.

A related action was a new interpretation making it a violation of Section 1 of the Rules of Fair Practice for a member to pay commissions, credits or rewards for the retail sale of mutual fund shares that do not bear a reasonable relationship to the discount set forth in the prospectus of an investment company and in the selling group agreement of its underwriter.

Additionally, in the mutual fund area, the Investment Companies Committee is aware of a number of problems having to do with selling practices and reciprocal business, including the handling of portfolio business, and involving national and regional stock exchanges, over-the-counter "give-ups," commission schedules and off-board trading. We are awaiting the release of the SEC's extensive study of mutual funds and related subjects before addressing ourselves further to these problems.

Continuing Commissions

Another action closely related to the sale of mutual fund shares, but also applicable to any securities accounts, was the broadening of the Board's policy with respect to payment of continuing commissions to persons no longer in the securities business.

As originally published in the Manual, this policy permitted members to pay continuing commissions to former registered representatives on business they had developed before leaving the industry, or to their widows or other beneficiaries—provided a bona fide contract calling for such payments was in existence while the salesman was still registered.

The Board amended this policy to make it possible for sole proprietors and other members to make similar contractual arrangements with a successor or other existing firms so that former members, their widows or other beneficiaries may be paid continuing commissions on business done before their retirement or death.

The Board also added two conditions to the policy: one, that there may be no solicitation of new business by such former employees or members or by their beneficiaries; and two, that no payment of any kind may be made to any person not eligible for membership or as

an associated person because of a revocation, expulsion or suspension still in effect—regardless of any contractual arrangements.

Review of NASD Markup Policy

One of the most intensive studies undertaken in 1965 has been our review of the NASD Markup Policy. A special committee of present and former Board members has been working on modernizing and clarifying this important area of the Association's regulatory responsibility. The Committee has carefully studied the application of the policy in cases arising during the last five years, and has also taken into consideration the SEC's Special Study recommendations which suggested certain rather far-reaching changes. A number of meetings with NASD and SEC staffs have been held.

The Board neither contemplates nor intends any substantive changes in its basic policy. In situations where there is no independent market, the Committee has sought to insure maximum protection to the investor without stifling the vital function of the small dealer willing to take the risks of making a market in an inactively traded security. We are attempting to achieve a means toward uniform application of Board opinion at the District level by condensing, reorganizing and re-emphasizing certain aspects of the policy for the sake of clarity and stating more explicitly the basis from which markups and markdowns are to be computed in various circumstances. A final version of the markup policy is expected to be submitted to the Board of Governors for approval in 1966.

Significant Decline in Business Conduct Cases

As noted in our brief statistical review on page 21, there has been a decline of more than 50% in Association disciplinary actions and the volume of cases filed in 1965 which is due in part to the extra management effort put forth by NASD members and a greater understanding of Association rules by both supervisory personnel and registered representatives. During the twelve month period through December, 1965, 36 members were either expelled or suspended. In the same period the previous year, 81 were so disciplined. Also in 1965, 87 registered representatives were expelled or suspended, while in the previous year, this figure reached 139. These encouraging statistics become even more meaningful when related to our high percentage rate of member firm examinations which was almost identical in both 1964 and 1965.

Assessment Reduction and other Financial Matters

After considerable study, the Board of Governors approved in 1965 a rate of assessments and fees for the fiscal year beginning October 1 which has resulted in a reduction to NASD members of over one million dollars. The actual rates were identical to those in effect the previous year, but a special credit equal to 43 per cent of each member's assessment was applicable to all memberships which became effective through September 30, 1965. Members admitted after this date are not entitled to this 43 per cent credit in fiscal 1966.

The special credit was authorized specifically to reduce the Association's accumulated surplus. This surplus had built up because the Association's income had been higher than anticipated over the past several years, while at the same time, certain operating economies were accomplished.

This was also the last year for assessments to be based on the gross dollar amount of underwritings, sales of investment company shares and other over-the-counter securities. These three factors are being replaced by a factor based on each member's gross income for the year ending June 30, 1966.

The Qualification Examination Program

During 1965, the membership continued to expand and strengthen its training programs. A survey of new registrants conducted by the Association indicated that only 17 per cent had not attended college. Forty per cent of new registrants joined firms that retail only mutual fund shares, 30 per cent joined NYSE member firms, and 30 per cent joined firms doing a general securities business that were members of a regional exchange or had no exchange affiliation.

The Qualification Examination Department gave 24,377 examinations in 1965, of which 14,352 were taken by applicants becoming registered with the Association. In addition, approximately 10,025 examinations were given at the NASD test centers for applicants meeting the requirements of the exchanges and five states that rely upon the NASD to administer their examination programs.

During the year, a new rule was adopted which required the successful completion of the Examination for Principals by any person becoming a Principal of a member for the first time. This examination has been coordinated with similar examinations at the New York and Pacific Coast Stock Exchanges so that allied members of the exchanges may satisfy their NASD and exchange examination requirements at one test session. This coordination will be extended to the American Stock Exchange in the near future.

Beginning in 1966, the NASD will also administer the examinations required by the Securities and Exchange Commission of dealers and salesmen who are not members of the Association. The examination given to non-members will be similar to the NASD examination, will be of comparable difficulty, and the same fee will be charged. It is expected that approximately 12,000 applicants will be examined under this SECO program during the first year.

NASD Opposition to Bank-Operated Mutual Funds

One of the significant areas of NASD activity in 1965 was our continuing effort to oppose banks re-entering the securities business by sponsoring and operating commingled investment accounts. A House of Representatives bill that would have removed SEC jurisdiction and accompanying investor protections in connection with these bank funds was introduced in the second session of the 88th Congress, was strongly opposed by the Association and subsequently did not receive Committee action or a favorable recommendation before the end of the session. A similar bill was introduced in the Senate during the first session of the 89th Congress and we have again opposed any switching of SEC regulatory responsibility and important investor protections to Federal banking agencies whose normal responsibility does not extend to this area.

We believe that Congress in considering this legislation, and any other legislation of similar import, should weigh whether commercial banks should return to the securities business at all. In 1933, in passing the Glass-Steagall Banking Act, Congress specifically sought to separate the securities business from the general banking business. Many of the abuses and conflicts which Congress found as a result of the intermingling of the banking and investment businesses prior to 1933 could easily recur should the commercial banks' sponsorship of collective investment funds become widespread as a result of legislation such as contemplated.

During the period that these bills were pending, the First National City Bank of New York made application to the SEC to register its own commingled investment account under the 1940 Investment Company Act. However, at the same time, the bank asked for certain extensive exemptions from the statute which had been specifically included to guard against conflict of interest and to provide investor safeguards.

The NASD and the Investment Company Institute moved that the SEC deny City Bank's requested exemptions; briefs were filed and there was oral argument before the Commission. In addition to the arguments under the Investment Company Act of 1940, the NASD and the ICI challenged the authority of the SEC or any agency to accept the National City proposal so long

as the 1933 Banking Act retained its bar on banks re-entering the securities business. Coincidental with our testimony before the Senate Banking and Currency Committee in opposition to the proposed legislation exempting bank-managed funds from SEC regulation, the Commission ruled in favor of City Bank's application. Most recently, the Association has filed a petition with the SEC for rehearing in the First National City case. If this petition is denied we will consider an appeal to the courts.

NASD Activities in Connection with Foreign Securities

During 1965, the Association's Foreign Committee, along with the IBA and the Association of Stock Exchange Firms, continued efforts to obtain a favorable interpretation of the 1964 Securities Acts Amendments as they relate to the registration of foreign securities. It was the Committee's view that registration requirements for foreign securities should be amended to provide a general exemption (as originally passed by the Senate in 1964) subject to the SEC's right to terminate such exemption in specific instances.

In mid-November, the SEC issued the proposed rules to implement the foreign securities provisions of the 1964 Securities Acts Amendments. We again pointed out the possible serious consequences this might have for American investors as well as for our Balance of Payments. We also drew the Commission's attention to the displeasure expressed by foreign governments and corporations with the proposed rules and in particular the objection by the Canadian and Mexican governments and companies to the separate standards set up for the latter.

At year-end, it is not yet known whether or not the SEC would accept Association proposals to exempt foreign issues from the impact of the reporting provisions in the 1964 Amendments.

SEC Financial Report Proposal

As Chairman Friedrichs noted in his opening remarks in this Report, one of the most critical issues facing the NASD in the approaching months of 1966 is the SEC's recent proposal to require extensive income and expense reports on a continuing basis from all broker/dealers. At our annual organizational Board meeting in January of 1966, your elected Governors gave lengthy consideration to this Commission proposal which could have far-reaching implications affecting the financial community for many years.

The Association has informed the SEC that it believes we should not endorse such reports, which represent at the very least, a substantial burden to our members, unless the needs for these reports are clearly demonstrated and the uses to which the reports would be put are specifically defined. We plan to discuss this matter further with the Commission so that the securities industry can be fully informed as to all of the needs for, and proposed utilization of, these reports as now envisioned by the SEC.

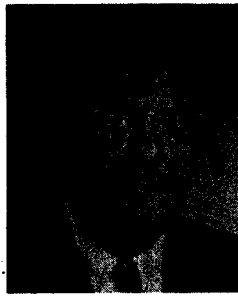
As stated many times in the past several years, an important Association goal is to improve the availability and caliber of information for investor use and, at the same time, to increase the public's awareness of and appreciation for the over-the-counter market. Where specific needs for new legislation or changes in regulatory direction have been demonstrated, we have addressed ourselves to the task, ever-mindful of the practicalities of the securities business and the need to guard against placing unwarranted burdens on our membership. In the same context, we have, and will continue, to steadfastly resist the unnecessary or the impractical.



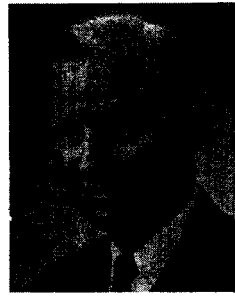
Robert W. Haack
President

**OFFICERS AND
BOARD OF GOVERNORS
1965-1966**

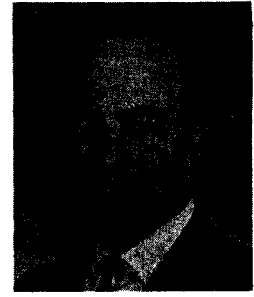
TO SERVE UNTIL JANUARY 1966



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

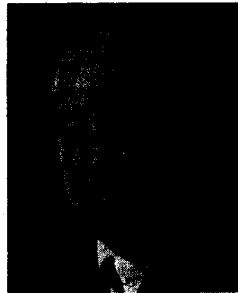


Gus G. Halliburton
Equitable Securities
Corporation
Nashville, Tenn.
Vice Chairman 1965

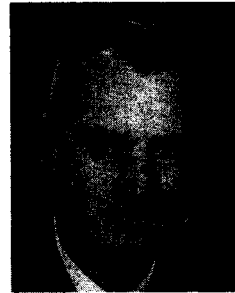


Norman B. Ward, Jr.
Singer, Deane & Scribner
Pittsburgh, Pa.
Vice Chairman 1965

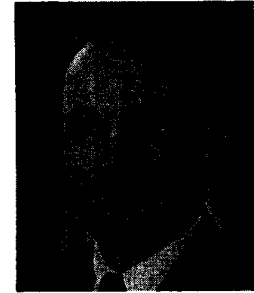
TO SERVE UNTIL JANUARY 1967



Allan C. Eustis, Jr.
Spencer Trask & Co.
New York, N. Y.
Chairman 1966

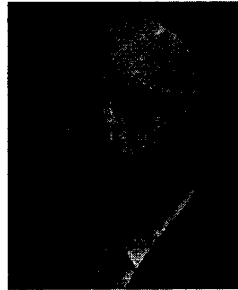


W. James Price
Alex. Brown & Sons
Baltimore, Md.
Vice Chairman 1966

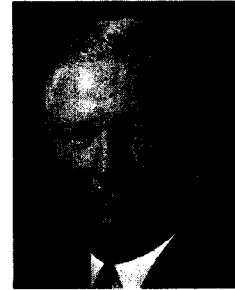


Julian A. Kiser
Kiser, Cohn & Shumaker,
Inc.
Indianapolis, Ind.
Vice Chairman 1966

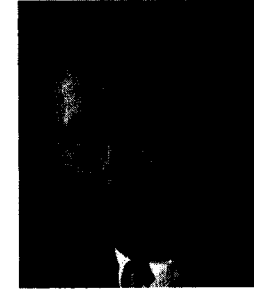
TO SERVE UNTIL JANUARY 1968



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

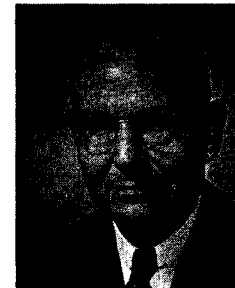


S. Whitney Bradley†
Eaton & Howard,
Incorporated
Boston, Mass.



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

TO SERVE UNTIL JANUARY 1969



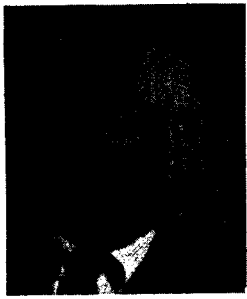
Herbert R. Anderson
Distributors Group,
Incorporated
New York, N. Y.



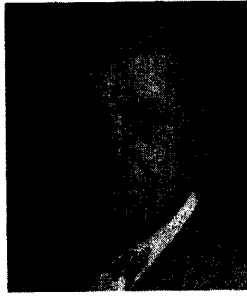
Charles E. Crary
E. F. Hutton & Company
Tucson, Arizona

*Also a member of the Board

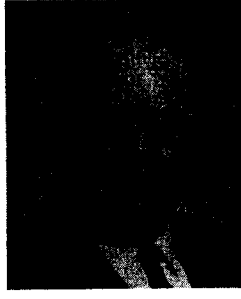
†Governor-at-large.



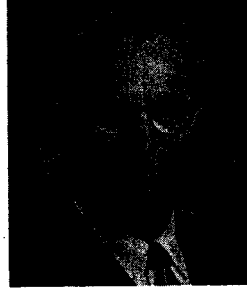
John W. Callaghan
Goldman, Sachs & Co.
New York, N. Y.
Chairman, Finance
Committee 1966



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



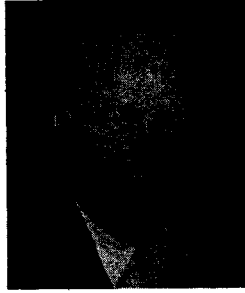
Malcolm F. Roberts
Hornblower & Weeks
—Hemphill, Noyes
Denver, Col.



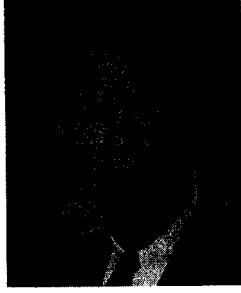
Van S. Trefethen
Shuman, Agnew & Co.
San Francisco, Calif.



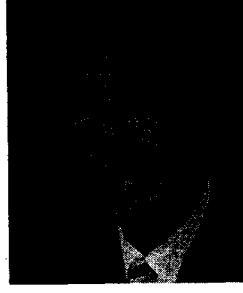
Julian L. Gumbiner
Stern Brothers & Co.
Kansas City, Mo.
Chairman, Finance
Committee 1966



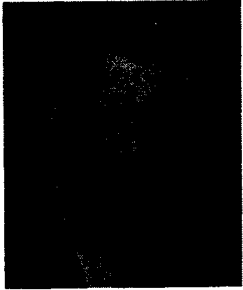
Gordon Bent
Bacon, Whipple & Co.
Chicago, Ill.



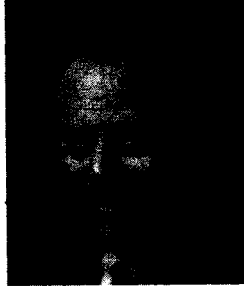
C. Pharr Duson
Rotan, Mosle & Co.
Houston, Texas



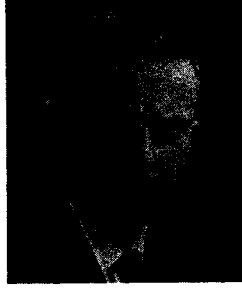
Robert C. Hill
Hill, Richards & Co., Inc.
Los Angeles, Calif.



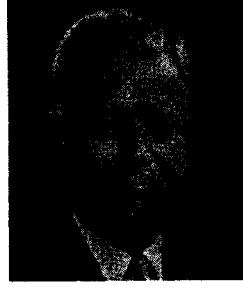
Robert M. Gardiner
Reynolds & Co.
New York, N. Y.



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



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



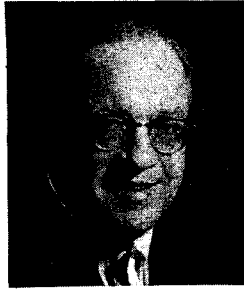
Richard B. Walbert
Blyth & Co., Inc.
Chicago, Ill.



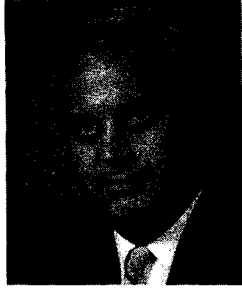
John Wasserman
Asiel & Co.
New York, N. Y.



Robert V. H. Harned
Warren W. York & Co.
Allentown, Pa.



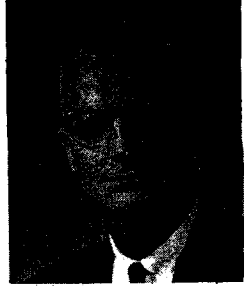
Joseph D. Krasowich
Gregory & Sons
New York, N. Y.



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



Ralph E. Phillips, Jr.
Dean Witter & Co.
Los Angeles, Calif.



Arthur Stansel
Courts & Co.
Birmingham, Ala.

Committees for 1965

Executive Committee

G. Shelby Friedrichs,
Chairman
John W. Callaghan
Allan C. Eustis, Jr.
Gus G. Halliburton
Malcolm F. Roberts
Van S. Trefethien
Norman B. Ward, Jr.
Robert W. Haack
(All Governors)

Finance Committee

John W. Callaghan,
Chairman (Governor)
G. Shelby Friedrichs
(Governor)
Julian L. Gumbiner
(Governor)
Julian A. Kiser
(Governor)
W. James Price
(Governor)
Robert W. Haack
(Governor)
Jack A. Schindel
(Ex Officio)

National Business Conduct Committee

Allan C. Eustis, Jr.,
Chairman
W. James Price,
Vice-Chairman
Clifford B. Barrus, Jr.
A. Sherman Ellsworth
Robert M. Gardiner
Arthur N. Honig
Gordon S. Macklin, Jr.
Richard B. Walbert
John Wasserman
S. Whitney Bradley
(All Governors)

National Quotations Committee

Norman B. Ward, Jr.,
Chairman (Governor)
Gordon Bent
(Governor)
Glen A. Darfler
C. Pharr Duson
(Governor)
Gus G. Halliburton
(Governor)
S. Richard Harris
Milton F. Lewis
Gilbert M. Lothrop
Ralph E. Phillips, Jr.
John I. Rohde
John K. Roney

Committee on Qualification Examination Program

Merl McHenry,
Chairman
George F. Patten, Jr.
Cornelius Roach
Richard B. Walbert
(Governor)

Insurance Trustees

William H. Claflin 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
John Wasserman
(Governor)

Foreign Committee

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

Investment Companies Committee

Robert L. Cody,
Chairman
S. Whitney Bradley
(Governor-at-Large)
Edward B. Burr
George W. Fulk
Franklin R. Johnson
John A. McCandless
W. James Price
(Governor)
Rowland A. Robbins
Joseph E. Welch

Information Committee

Clifford B. Barrus, Jr.,
Chairman
Gordon Bent
W. Scott Cluett
Malcolm F. Roberts
Robert W. Haack
(All Governors)

Legislation Committee

Robert C. Hill,
Chairman
C. Pharr Duson
Arthur N. Honig
Julian A. Kiser
Robert W. Haack
(All Governors)

Trading Committee

James F. Jacques,
Chairman
John W. Bunn
S. Richard Harris
Raymond J. Kiernan
Edward H. Ladd 3d
Allen L. Oliver, Jr.
Louis P. Singer
John Wasserman
(Governor)

Automation Committee

Robert M. Gardiner,
Chairman (Governor)
N. Gregory Doescher
G. Shelby Friedrichs
(Governor)
Joseph T. Fuller
Edward Glassmeyer
Joseph D. Krasowich
John A. McCue
Robert W. Haack
(Governor)

Special Study Committee

Julian A. Kiser
Chairman (Governor)
Glenn E. Anderson
Clifford B. Barrus, Jr.
(Governor)
Robert E. Daniel
W. Yost Fulton
Maurice Hart
G. Shelby Friedrichs
(Governor)
Robert W. Haack
(Governor)

Financial Statement

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

	<u>Year ended September 30,</u>	
	<u>1965</u>	<u>1964</u>
Income:		
Assessments	\$2,210,473	\$1,885,331
Registered representatives' fees:		
Applications	577,975	522,985
Examinations	316,580	240,688
Branch office fees	152,882	148,271
Fines and costs	152,426	144,039
Interest	101,871	71,216
Admission fees and other income	41,250	34,277
	<u>3,553,457</u>	<u>3,046,807</u>
Expenses:		
Salaries and office services:		
National office and committees	735,642	654,908
District offices	847,294	817,916
Travel and meetings—Board of Governors, District Committees and other, except for staff investigators	227,227	222,934
Publications, printing and stationery, net	154,243	150,855
Postage	64,712	61,527
Travel of staff investigators, transcripts and miscellaneous expenses of investigations and complaints	114,579	157,703
Fees—legal, administration of qualification examinations, compilations of quotations and other, net	201,508	170,090
Rent	220,657	187,995
Furniture and equipment	22,119	46,120
Office and miscellaneous	124,570	117,000
Insurance and taxes	102,964	92,913
Retirement	86,708	62,356
	<u>2,902,223</u>	<u>2,742,317</u>
Excess of income	651,234	304,490
Accumulated balance:		
Beginning of year	1,516,236	1,211,746
End of year, of which \$40,393 in 1965 and \$42,354 in 1964 is restricted	<u>2,167,470</u>	<u>1,516,236</u>
Composition of Accumulated Balance:	September 30,	
	1965	1964
Cash	\$ 234,300	\$ 204,187
Investment securities, principally United States Treasury obligations, at cost which approximates market	1,978,840	1,359,464
Special investment account (marketable securities at cost, cash and accrued interest)	40,393	42,354
Other assets	45,353	42,257
Accounts payable, accrued and withheld taxes	(127,490)	(129,434)
Assessments collected in advance	(3,926)	(2,592)
	<u>2,167,470</u>	<u>1,516,236</u>

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 year ended September 30, 1965 and the composition of its accumulated balance at that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. 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.

Washington, D.C. 20036
December 14, 1965

Price Waterhouse & Co.

District Committees 1965

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



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

Kurt H. Olsen, Vice-Chairman
Harris, Upham & Co., Portland

A. L. Hawn
E. M. Adams & Co., Portland

Lloyd E. Legg
Pacific Northwest Co., Portland

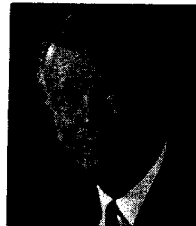
Preston E. Macy
Murphey Favre, Inc., Spokane

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

Jackson H. Welch
Jackson H. Welch Investments,
Yakima

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

2. CALIFORNIA, NEVADA AND HAWAII



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

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

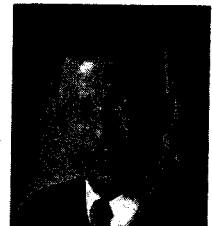
Peter J. Eichler
Bateman, Eichler & Co.,
Los Angeles

Carl G. Gebhart
Mitchum, Jones & Templeton,
Incorporated, Los Angeles

Richard F. Guard
Schwabacher & Co., Honolulu

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

Lawrence R. Johnson
Elworthy & Co., San Francisco



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

G. Willard Miller, Jr.
Dean Witter & Co., San Francisco

Kenneth H. Sayre
Irving Lundborg & Co.,
San Francisco

Maurice Schwarz, Jr.
Sutro & Co., Los Angeles

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

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

William J. Radding, Jr., Secretary
Room 1540, Russ Building
San Francisco 4, California

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



Harvey S. Glade, Chairman
Schwabacher & Co.,
Salt Lake City

Robert L. Mitton, Vice-Chairman
Robert L. Mitton Investments,
Denver

John C. Clay
Bosworth, Sullivan & Company,
Inc., Cheyenne

Alexander W. Forsyth
Calvin Bullock, Ltd., Denver

Eugene L. Neidiger
Earl M. Scanlan & Co., Denver

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

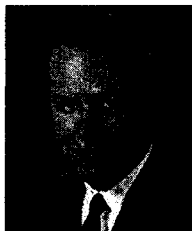
Frederick B. Tossberg
Boettcher and Company, Denver

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

George S. Writer
Francis I. duPont & Co., Denver

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

4. KANSAS, MISSOURI, NEBRASKA AND OKLAHOMA



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

Dale C. Tintzman, Vice-Chairman
First Nebraska Securities Corp.,
Lincoln

Don D. Anderson
Don D. Anderson & Co., Inc.
Oklahoma City

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

Clay E. Coburn
Blyth & Co., Inc., Kansas City

George H. Erker
Reinholdt & Gardner, St. Louis

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

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

Russell K. Sparks
Barret, Fitch, North & Co.,
Incorporated, Kansas City

Edward J. Holoka, Secretary
911 Main Street
Kansas City 3, Missouri

5. ALABAMA, ARKANSAS, LOUISIANA, MISSISSIPPI AND WESTERN TENNESSEE



Arthur Stansel, Chairman
Courts & Co., Birmingham

Vernon J. Giss, Vice-Chairman
Stephens, Inc., Little Rock

Robert H. Jordan
Mid-South Securities Co., Memphis

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

John O. Kroeze
Kroeze, McLarty & Duddleston,
Jackson

Henry S. Lynn, Sr.
Sterne, Agee & Leach, Inc.,
Birmingham

Morrell F. Trimble
Merrill Lynch, Pierce, Fenner &
Smith, Incorporated, New Orleans

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

6. TEXAS



C. Rader McCulley, Chairman
First Southwest Company, Dallas

Robert M. Ayres, Jr.
Russ & Company, Inc., San Antonio

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

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

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

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

Albert E. Magill, Jr.
Underwood, Neuhaus & Co.,
Incorporated, Houston

William L. Ramey, Secretary
706 Southland Center
Dallas 1, Texas

* Deceased—March 12, 1966

7. FLORIDA, GEORGIA, SOUTH CAROLINA AND EASTERN TENNESSEE



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

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

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

Clinton T. McCreedy
Goodbody & Co., Miami

Zoltan Salkay, Vice-Chairman
Hayden, Stone Incorporated,
Jacksonville

A. Curtis Walker
Walker & Company, Columbus

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

8. ILLINOIS, INDIANA, IOWA, MICHIGAN AND WISCONSIN



Gordon L. Teach, Chairman
Shearson, Hammill & Co.,
Incorporated, Chicago

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

C. Wilbur Britton
C. W. Britton & Co., Sioux City

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

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

Harold A. Franke
The Milwaukee Company,
Milwaukee

R. Ron Heiligenstein
Mid-America Bond & Share Co.,
Decatur

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

A. Paul Ogilvie, Jr.
Hornblower & Weeks—Hemphill,
Noyes, Chicago

Herbert Schollenberger
Carl M. Loeb, Rhoades & Co.,
Detroit

Benjamin M. Storey, Jr.
Kalman & Company, Inc., St. Paul

Robert E. Westervelt
The Marshall Company, Madison

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

9. KENTUCKY AND OHIO



Gilbert A. Davis, Chairman
Harrison & Company, Cincinnati

Ned K. Barthelmas, Vice-Chairman
The First Columbus Corporation,
Columbus

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

Harry T. Greene
Greene & Ladd, Dayton

Leo J. Kelly
Bache & Co., Cleveland

John S. Rankin
Almstedt Brothers, Louisville

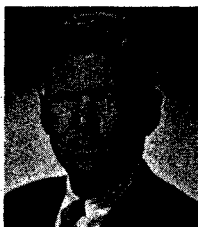
Thomas Reis
Seasongood & Mayer, Cincinnati

Donald G. Rundle
Lawrence Cook & Co., Cleveland

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

E. Craig Dearborn, Secretary
1823 Superior Building,
815 Superior Avenue,
Cleveland 14, Ohio

10. DISTRICT OF COLUMBIA, MARYLAND, NORTH CAROLINA AND VIRGINIA



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

G. Powell Davis, Vice-Chairman
Investment Corp. of Virginia
Norfolk

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

James F. Clardy
Hornblower & Weeks—Hemphill,
Noyes, Charlotte

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

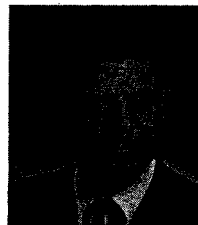
J. Woodward Redmond
J. W. Redmond & Company,
Washington, D. C.

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

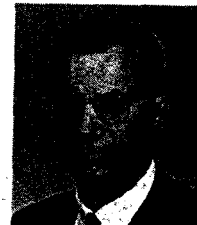
William A. Wallace, Jr.
Davenport & Co., Richmond

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

11. DELAWARE, PENNSYLVANIA, WEST VIRGINIA AND SOUTHERN NEW JERSEY



**Thomas Lynch, III,
Co-Chairman**
Moore, Leonard & Lynch, Inc.,
Pittsburgh



**Richard O. Smith,
Co-Chairman**
Stroud & Company, Inc.
Philadelphia

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

J. Mabon Childs
Chaplin, McGuinness & Co.,
Pittsburgh

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

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

Nathan K. Parker
Kay, Richards & Company,
Pittsburgh

John B. Richter
Butcher & Sherrerd, Philadelphia

Harold F. Scattergood
Boenning & Co., Philadelphia

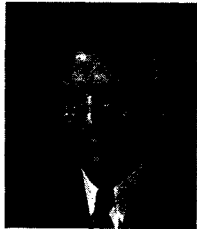
William G. Simpson
Simpson, Emery & Company, Inc.,
Pittsburgh

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

12. CONNECTICUT, NEW YORK AND NORTHERN NEW JERSEY



Herbert R. Anderson, Chairman
Distributors Group, Incorporated,
New York

Ira B. MacCullley, Vice-Chairman
Equitable Securities Corporation
New York

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

Wesley M. Bishop
Smith, Bishop & Co., Syracuse

John Brick
Paine, Webber, Jackson & Curtis,
New York

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

J. Howard Carlson
Carl M. Loeb, Rhoades & Co.
New York

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

Arne Fuglestadt
Lee Higginson Corporation,
New York

Phillip Hettleman
Hettleman & Co., New York

Orin T. Leach
Estabrook & Co., New York

John F. Moran
Cooley & Company, Hartford

John D. Ohlandt
N. Y. Hanseatic Corporation
New York

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

J. Raymond Smith
Weeden & Co., New York

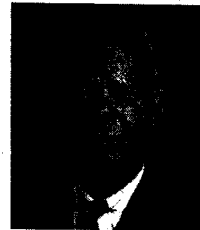
William H. Todd
Kuhn, Loeb & Co., Incorporated
New York

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

Nicholas H. Witte
The First Boston Corporation,
New York

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

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



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

Robert Cummings, Vice-Chairman
Cummings & Co., Inc., Providence

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

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

Francis R. Coghill
White, Weld & Co., Boston

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

Joseph Gannon
May & Gannon, Inc., Boston

David W. Kelly
Shearson, Hammill & Co.,
Incorporated,
Springfield

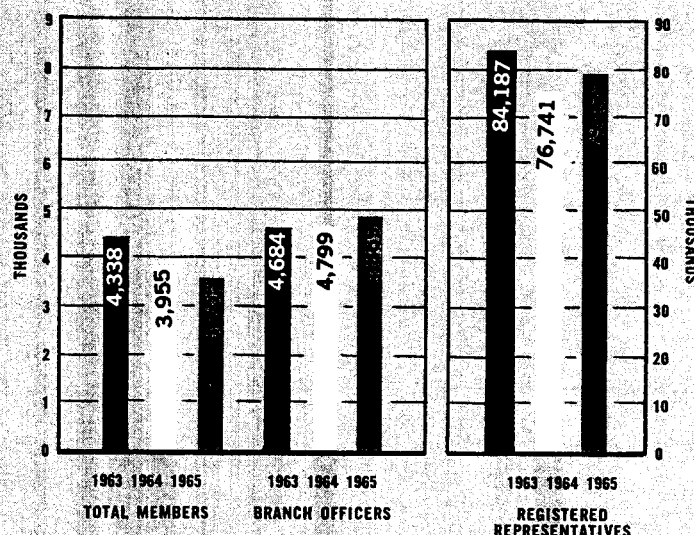
John E. Sullivan
F. L. Putnam & Company, Inc.,
Boston

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

The Statistical Picture - 1965

Totals of both branch offices and registered representatives increased slightly during 1965, offsetting a 5 per cent decline in membership. A three year breakdown is shown at the right.

However, the membership decline has slowed to nearly half that of the previous year. A total of 221 members were accepted in 1965, compared to 188 in 1964. Terminations totalled 421, as detailed in the table below.



COMPLIANCE

The NASD conducted 2,766 examinations of member offices during 1965. Over 43 per cent (or 1,626) of all main offices and more than 23 per cent (or 1,140) of all branch offices were examined.

The number of complaints filed dropped sharply to 125 in 1965, compared to 312 in the previous year. A total of 34 Summary Complaints were filed under the new procedure and 20 were closed during the year. The number of regular complaints closed in 1965 was 232.

QUALIFICATION EXAMINATIONS

The NASD administers qualification examinations for registered representatives and principals at 73 centers throughout the United States that hold over 140 examination sessions each month. Over 25 different examinations are inventoried and administered by the NASD.

More than 24,000 examinations were administered in 1965; of these, 14,352 were for NASD qualification and 10,025 for other agencies.

Terminations

Normal Resignation	220
Death of Sole Proprietor	12
Retirement of Principal	12
Mergers	14
Absorbed by Another Member	62
Lack of Production or Operating Loss	15
State Capital Rule	4
Not Doing OTC Business	7
Cancellations	5
Terminations for Cause	70

By SEC—9

NASD Disciplinary Action—19

Non-payment of Fines & Costs—11

Non-payment of Assessment—25

Failure to file Assessment Report—6

Total 421

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