

**NATIONAL
ASSOCIATION OF
SECURITIES DEALERS, INC.**

Report to Members / 1954

NASD

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purposes of the association

1. To promote the investment banking and securities business.
2. To standardize its principles and practices.
3. To promote high standards of commercial honor and to promote among members observance of federal and state statutes.
4. To provide a medium for membership consultations.
5. To cooperate with governmental agencies in the solving of problems affecting the public, the investment banking business and investors.
6. To adopt and enforce rules of fair practice in the securities business.
7. To promote just and equitable principles of trade and to protect the investor.
8. To promote self-discipline among members.
9. To investigate and adjust grievances between members and between the public and members.



report / of the Executive Director

A landmark was passed by the Association in 1954. On August 7th it observed its fifteenth anniversary.

membership

Membership exceeded all previous records by the end of the year. There were 3,204 members on December 31, a gain for the year of 157. The increase is a net figure, since 359 new members were admitted during the year while 202 memberships were terminated. In the five years 1949-54, membership rose 17 percent as a result of uninterrupted monthly increases of modest proportions. One of the fourteen Districts accounted for nearly 20 per cent of the membership gain in 1954. That was District #3, which includes Salt Lake City. Membership in Utah increased from 16 at the beginning of 1954 to 47 at the end of the year.

At the year-end, the membership was made up of 1,098 sole proprietors, 1,034 partnerships and 1,072 corporations.

branch offices

Expansion of the business of members is indicated in the number of branch offices registered. At the end of 1954 there were 1,579 such offices, a net gain for the year of 70.

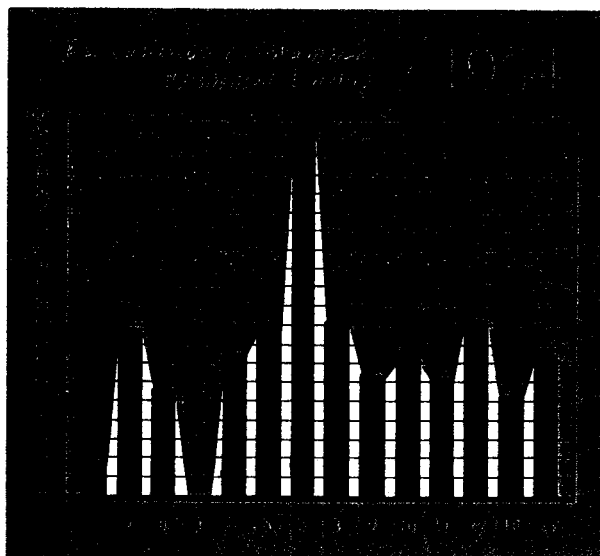
registered representatives

Of perhaps greater significance than the growth in membership and branch office operations are the statistics on registered representatives of members. At the year-end, there were 38,102 such registrants, a new high since registration was first required in 1946. Nearly 10,000 separate applications for registration were processed

while about 6,000 terminations were handled. The marked increase in registered representatives along with the increase in member firms in most districts is presented graphically in the center section of this report, showing significant membership trends during 1954.

examination program

Examination of members by staff personnel from the Districts Offices and the Executive Office is a continuing service both to the membership and to the Business Conduct Committees. In 1954, 1,087 members were visited by the 16 examiners employed for the purpose. This compares with 1,053 examinations in 1953. The objective of the Board of Governors is an annual examination of one-third of the membership. In recent years, this goal has been bettered.

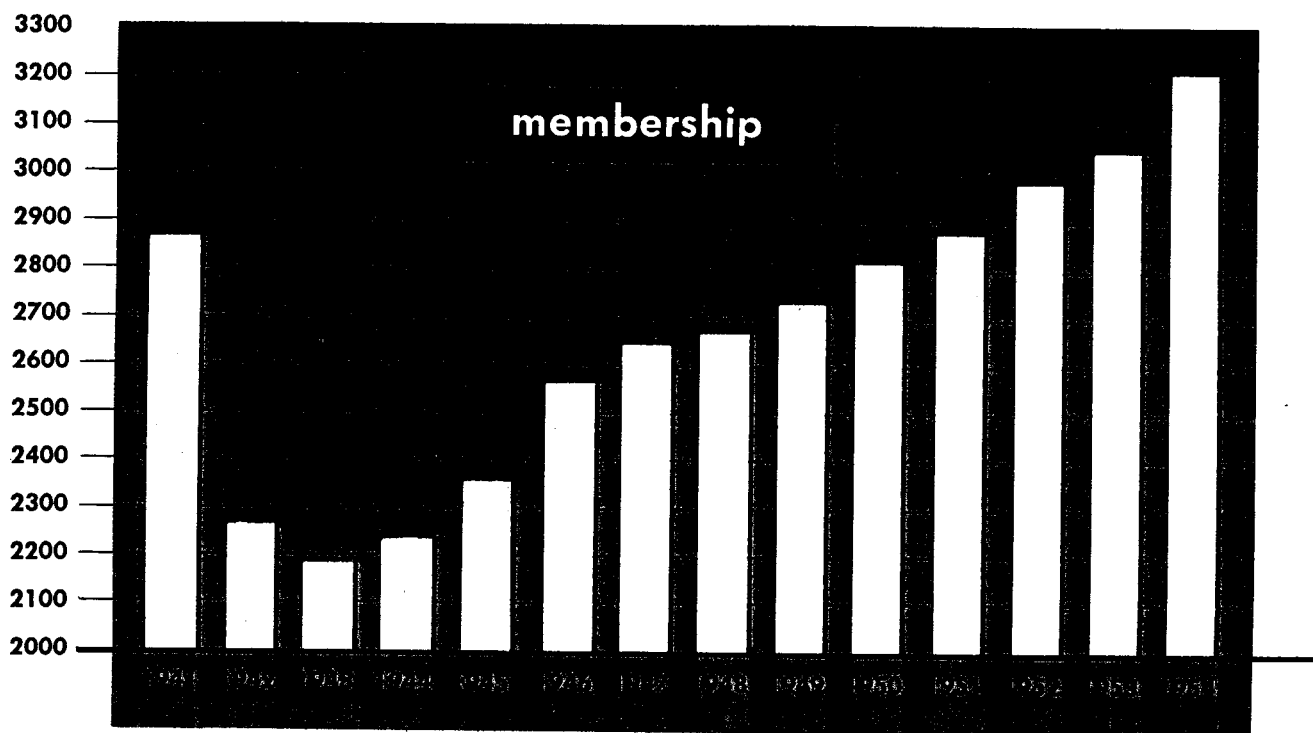


The above chart shows the percentage of members examined in each of the fourteen Districts in 1954. As a whole, 34% of the membership had been examined by the year-end.

During the year, progress was made toward elimination of so-called "multiple examinations." There have been many instances where two or more regulatory agencies inadvertently have assigned examiners so that there was overlapping of examinations. The Association, certain of the Stock Exchanges, the SEC, and many of the State Administrators are cooperating to eliminate incidents of this kind. The program to date has avoided much

business, however, the Board of Governors believes, should not automatically qualify a person for the responsibility to be undertaken.

For a number of years, successive Boards of Governors have sought a reasonable and practical solution to the problem of imposing standards on those who would join the Association. Special committees and the staff have spent many weeks studying the matter in all of its



duplication of examining effort and the harassment to members previously existing. Information obtained by the examining bodies is not exchanged, the arrangement involving only a simple reference as to dates of examinations made by each of the organizations.

qualifications for membership

The Association has authority to impose standards of conduct upon members of the organization, but the statute under which it operates and, therefore, its By-Laws and Rules, affords no yardsticks to be applied to those seeking membership. For all practical purposes, an applicant need only be registered with the Securities and Exchange Commission and, where necessary, licensed by a State. Legal permission to engage in the securities

ramifications. There were discussions with the SEC from time to time and numerous drafts of proposals looking toward a solution of the problem were prepared. However, it was not until 1954 that appreciable progress was made on a proposal that gives promise of bringing the matter before the membership for a vote in the not too distant future.

Since changes are constantly being made in the proposal now under consideration, a detailed recitation of the provisions would serve no useful purpose at this time. However, it can be said that the proposal looks toward a general tightening up of the requirements respecting the past character of applicants whose activities were in any way related to the securities business, plus minimum experience standards and an examination procedure for all applicants.

investment company program

The year also saw the Investment Companies Committee conclude its longstanding negotiations with the SEC on a series of amendments to the Commission's Statement of Policy which the Association administers for its members.

Originally, a detailed guidebook was planned to encompass various changes and interpretations since the start of this program in 1950. It was decided, at the request of the SEC, however, to limit Statement of Policy changes to those important ones which could be covered by simple amendments and to accompany them with bulletins to the membership explaining how the amendments would apply. This has been done.

Briefly, the changes make it possible to calculate rates of return on investment company shares substantially in accordance with general practice as to all equity securities; relieve the members from an arbitrarily worded legend on the sales charge; provide clearer standards for comparisons of one investment company with another; permit use of a chart depicting investment company performance on the basis of reinvestment of capital gains distributions; reduce the qualifications previously required in descriptions of voluntary plans of continuous investment; and require certain limitations on charts and tables showing results of assumed investments in investment company shares.

The practice of presenting such changes to the membership in interpretative bulletins with full advance notice is to be followed in the future on any important administrative interpretations in this area that may be necessary in the light of changing conditions.

mark-up statistics

A total of 19,000 transactions were surveyed by Association examiners during 1954; 81.4 per cent were consummated at mark-ups of less than 5 per cent and 39.7 per cent were for less than 3 per cent. These figures are in line with studies made in 1953 and earlier years. As a general thing, where mark-ups exceeded 5 per cent, a large number of the transactions were found to be in securities traded in the lower price range. Some of the transactions in the over-5 per cent category became the basis of complaints against members by District Business Conduct Committees.

business conduct

The year was an active one for Business Conduct Committees; 47 complaints were filed, against 22 in 1953. Ten complaints filed in 1954 originated with customers of members. District Committees and the Board disposed of 33 complaints during the year. Elsewhere in this report are details of the actions taken.

member meetings

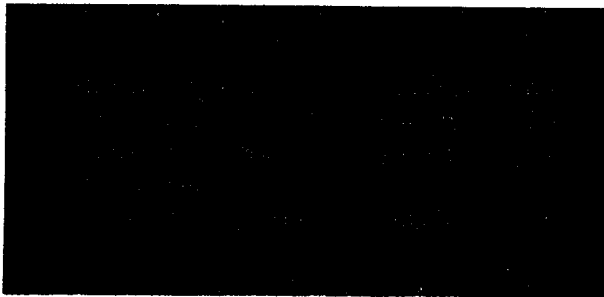
The Chairman of the Board of Governors and the Executive Director again in 1954 devoted considerable time to the vital work of meeting personally with members in many sections of the country. Nineteen such meetings were held. These meetings serve, as no other medium can, to acquaint the membership with the work of the Association, the problems it is studying and the solutions being considered. They also afford a forum for open discussion of members' questions about all Association affairs and activities.

uniform "blue sky" laws

Cooperative efforts by all segments of the business and the major regulatory bodies to obtain more uniformity in the provisions and applications of state "Blue Sky" laws are continuing. For more than a year, a special committee of legal authorities on the subject and representatives of the securities business have been discussing means of accomplishing the uniformity all parties have conceded is desirable. A draft of the study group's proposals in this direction is expected by mid-1955. It is understood a number of states are waiting to see this draft before instituting action to amend their statutes.

finances

Detailed financial statements will be found on Pages 14, 15 and 16. Revenue for the fiscal year ended September 30, 1954, amounted to \$792,534, as compared with \$739,750 for 1953. Revenue for 1954 includes \$67,320 collected from fines and costs, of which \$47,360, under previous practice, would have been deferred and credited to revenue for 1955. Major sources of revenues for 1954 are as follows:



Total expenditures for the 1954 fiscal year amounted to \$647,747.80, against \$599,063 the year before.

group insurance

The year 1954 was one of substantial growth in the Group Life Insurance Plan. At the end of 1954, 837 members were participating, against 775 a year earlier, and these participants had \$56,223,300 of insurance in force, against \$29,805,800 at the end of 1953. There are presently 6,629 individuals—partners, officers, and employees—covered by the group insurance plan. A detailed report from the insurance trustees appears on page 17.

transactions between members

The Uniform Practice Code of the Association prescribes techniques and methods by which members' business can be conducted in an orderly manner. During the year, the National Uniform Practice Committee completed its eight-year effort aimed at a standard form of "when-issued" contract. The form is now in general use and should go a long way toward eliminating difficulties of a technical nature heretofore encountered in settling "when-issued" contracts. A major assignment discharged by the Committee involved Missouri Pacific Railroad contracts made under the 1949 plan of reorganization, all of which were cancelled under terms of a Committee ruling. Among continuing problems receiving the attention of this Committee and the staff are: (1) uniformity in trading and delivery of new issues of preferred stocks on a flat or plus-accrued dividend basis; (2) failure of many members to send out proper comparisons and confirmations; and (3) lengthy "fails to receive or deliver," caused by neglect of sellers to observe "good delivery" requirements involving legal transfers—such as certificates in the name of estates, corporations, trusts, etc.

rights booklet

The Association distributed to members a booklet prepared by John F. Childs and Marjorie H. Cruthers on the important matter of compensation to dealers for the handling of pre-emptive rights. The booklet was prepared on the basis of a study by a joint committee representing all elements of the business, including the Association, which gave careful consideration to methods of improving offerings of common stocks through pre-emptive rights. The booklet was mailed to all Association members and registered branch offices.

new legislation

The year saw the culmination of 13 years of effort, through conferences between the securities business and the SEC, to obtain legislation permitting more realistic operations under the various federal laws that govern the business. Congress adopted, just before the Fall adjournment, important amendments to the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, and the Investment Company Act of 1940. The Association played an important role, together with other representative groups of the business, in the extensive considerations given to the changes eventually adopted.

Among other things, the new legislation permits—when implemented by SEC rules now being written—underwriters or dealers to disseminate information, make offers, and solicit offers to buy from customers in connection with new issues of securities during the period between initial registration and actual effectiveness. While it will continue to be unlawful to make contracts of sale prior to the effective date, it is contemplated that solicitations of offers to buy may be made orally or in writing in an expanded tombstone advertisement, a summary prospectus, and the current red herring prospectus. Another important change is the reduction, from one year to 40 days after the effective date, of the period in which delivery of a prospectus is required—except as to investment company securities, as to which the original prospectus requirement is continued.

Wallace H. Fulton
Executive Director

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1625 K STREET, N. W.

Washington 6, D. C.

TO MEMBERS:

This annual report of the Association, covering the year 1954, contains a review of the year's activities, complete financial statements of revenue and expense, including the funding of the past service of the Retirement Plan, and lists of those serving on the District Committees and the Board of Governors.

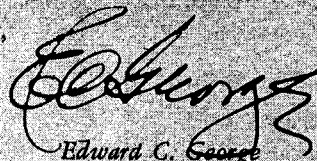
Among the more significant items are those dealing with the work of the Association and the part it played in the amendment to the Securities Acts, the work being done on the hoped-for changes in state Blue Sky Laws, and the progress being made toward establishing admission standards for those who would engage in the securities business and endeavor to join our Association.

The most important function of the Association continues to be the enforcement of the By-Laws and the Rules of Fair Practice. The fact that forty-seven complaints were filed by the District Committees during 1954 emphasizes the need to continue this effort to insure that all in the industry conduct their business on a high level.

The organization in 1954 observed its fifteenth birthday. Since the start, the Association has grown in stature and has discharged its major assignment in the field of self-regulation very well. Problems of prime importance will show up in the future and I believe, as the Association continues to mature, they will continue to be resolved for the benefit of the industry.

My term on the Board of Governors comes to an end with the submission of this report to the membership. The position as Chairman has been a rewarding one, and I wish to thank all who have aided me in the administration of the affairs of the Association. This word of appreciation and thanks includes all committee members and governors who have given generously of their time and abilities and, as well, the Association staff and Wallace H. Fulton, our Executive Director.

Sincerely,



Edward C. George
Chairman of the Board of Governors.

board of governors

OFFICERS

Harold E. Wood, Chairman William H. Potter, Jr., Vice-Chairman
George F. Noyes, Vice-Chairman Roy W. Doolittle, Treasurer

to serve until / *January, 1956*

William J. Collins
Roy W. Doolittle
Allen C. DuBais
George F. Noyes
William H. Potter, Jr.
Frank B. Reid
Harold E. Wood

William J. Collins & Co.
Doolittle & Co.
Wertheim & Co.
The Illinois Company
The First Boston Corporation
Fulton, Reid & Co.
Harold E. Wood & Company

Portland, Ore.
Buffalo, N. Y.
New York, N. Y.
Chicago, Ill.
Boston, Mass.
Cleveland, Ohio
St. Paul, Minn.

to serve until / *January, 1957*

G. Price Crane
Arnold Grunigen, Jr.
Frank H. Hunter
George A. Newton
Earl M. Scanlan
Oliver J. Troster
H. Warren Wilson

Arnold & Crane
J. Barth & Co.
McKelvy & Company
G. H. Walker & Co.
Earl M. Scanlan and Co.
Troster, Singer & Co.
Union Securities Corp.

New Orleans, La.
San Francisco, Calif.
Pittsburgh, Pa.
St. Louis, Mo.
Denver, Colorado
New York, N. Y.
New York, N. Y.

to serve until / *January, 1958*

Edward H. Austin
Earl K. Bassett
Howard H. Fitch
Jo M. French
Beverley B. Munford
Lee H. Ostrander
Frank L. Reissner

Austin, Hart & Parvin
W. E. Hutton & Co.
Barret, Fitch, North & Co.
Blyth & Co., Inc.
Davenport & Co.
William Blair & Company
Indianapolis Bond and Share
Corporation

San Antonio, Texas
New York, N. Y.
Kansas City, Mo.
Los Angeles, Calif.
Richmond, Va.
Chicago, Ill.
Indianapolis, Ind.

committees of the board

executive committee

Harold E. Wood, *Chairman*
William H. Potter, Jr.
George F. Noyes
Roy W. Doolittle
Frank H. Hunter
Allen C. DuBois
H. Warren Wilson
Wallace H. Fulton

finance committee

Allen C. DuBois, *Chairman*
Harold E. Wood
William H. Potter, Jr.
Roy W. Doolittle
William J. Collins
Jo M. French
Wallace H. Fulton

national business conduct committee

Frank H. Hunter, *Chairman*
Edward H. Austin
Earl K. Bassett
Howard H. Fitch
Lee H. Ostrander
Frank L. Reissner

national uniform practice committee

Oliver J. Troster, *Chairman*
Henry H. Badenberger, *Vice Chairman*
Edward J. Armstrong
B. S. Kampert
Thomas B. MacDonald
Guenther M. Philipp
Ralph W. Welsh

legislation committee

George A. Newton, *Chairman*
Earl K. Bassett
G. Price Crane
Beverley B. Munford
Lee H. Ostrander
Earl M. Scanlan

investment companies committee

William F. Shelley, *Chairman*
Robert L. Cody
Hugh W. Long
Woodford Matlock
S. L. Sholley
Joseph E. Welch

information committee

George F. Noyes, *Chairman*
Edward H. Austin
Howard E. Buhse
Arnold Grunigen, Jr.
Harper Joy
James P. Nolan
Wallace H. Fulton

foreign securities committee

Carl Marks, *Chairman*
John C. Fountain
Stephen M. Kellen
Henry Stravitz

u.p.s. special railroad advisory committee

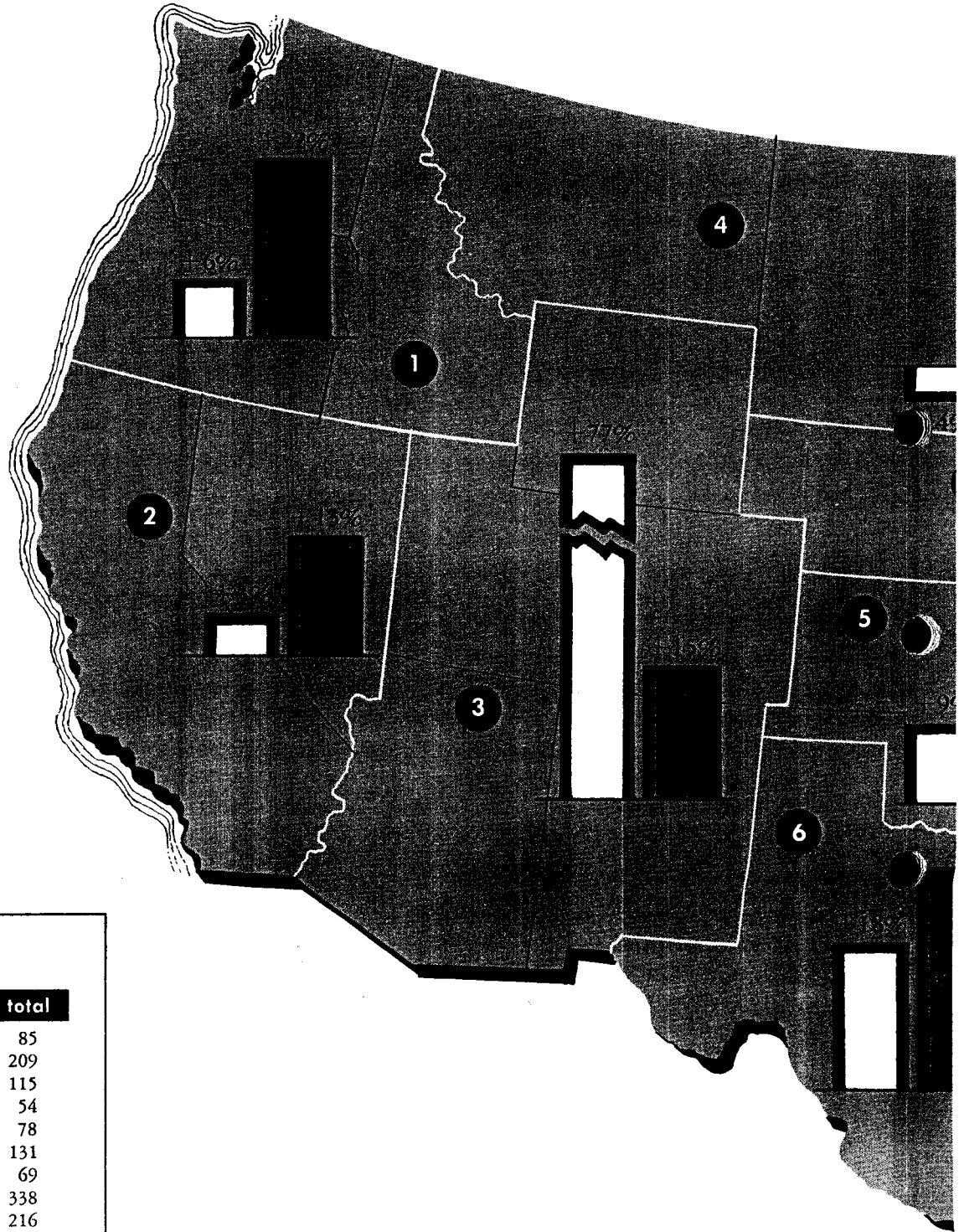
Pierpont V. Davis, *Chairman*
Charles L. Bergmann
George W. Bovenizer
Rowland H. George
Orrin G. Wood

national quotations committee

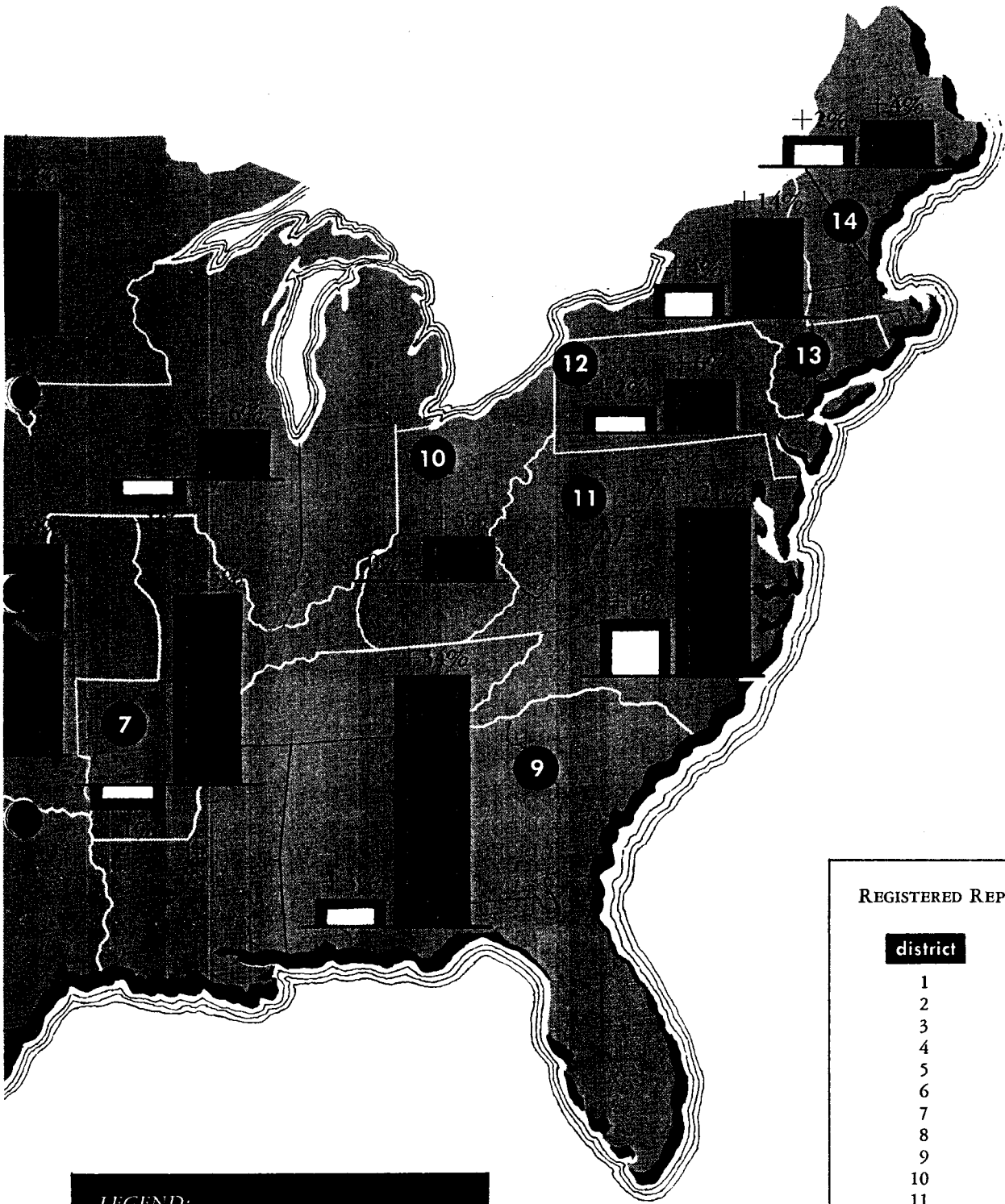
Frank B. Reid, *Chairman*
Oliver J. Troster, *Vice Chairman*
Frederick M. Asbeck
John Brick
William A. Fuller
Raymond B. Garcia
Wilbur E. Hess
Haworth F. Hoch
Hayward H. Hunter
Bernard F. Kennedy
John P. Labouisse
Clemens T. Lueker
L. Brooks Ragen
Edgar B. Rouse
William Z. Suplee
Francis V. Ward

membership



1954



MEMBERSHIP	
district	total
1	85
2	209
3	115
4	54
5	78
6	131
7	69
8	338
9	216
10	136
11	152
12	178
13	1219
14	224
TOTAL: 3204	
<i>5% increase over 1953.</i>	



LEGEND:

 MEMBERS
 REGISTERED REPRESENTATIVES

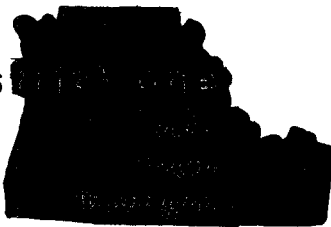
REGISTERED REPRESENTATIVES

district	total
1	674
2	3785
3	1113
4	829
5	1720
6	1063
7	589
8	4223
9	1350
10	1240
11	1638
12	2822
13	13,249
14	3807
TOTAL: 38,102	

11% increase over 1953.

district committees

district



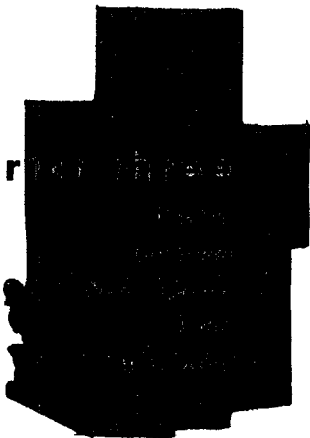
Harold M. Martin, Chairman Murphey Favre, Inc., Spokane
 Al Hughbanks, Vice-Chairman . . . Hughbanks Incorporated, Seattle
 James F. Miller Blyth & Co., Inc., Portland
 William A. Nielsen . . Merrill Lynch, Pierce, Fenner & Beane, Spokane
 L. Brooks Ragen Foster & Marshall, Portland
 Hugh R. Schlichting Wm. P. Harper & Son & Company, Seattle
D. J. Conway, Secretary 425 Bush Street, San Francisco 8

district



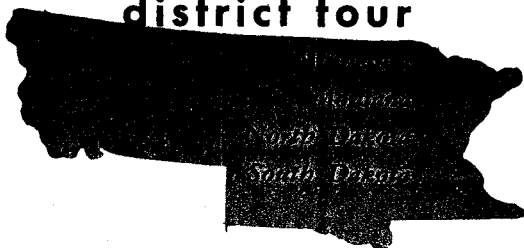
Wendell W. Witter, Chairman . . Dean Witter & Co., San Francisco
 Lewis J. Whitney, Jr., Co-Chairman
 Dempsey-Tegeler & Company, Los Angeles
 Willard G. DeGroot Bateman, Eichler & Co., Los Angeles
 Frank Dyer, Jr. Wagenseller & Durst, Inc., Los Angeles
 Thomas G. Foster
 Merrill Lynch, Pierce, Fenner & Beane, San Francisco
 Chester M. Glass, Jr. William R. Staats & Co., Los Angeles
 Richard Lawson Lawson, Levy & Williams, San Francisco
 Harold G. Mason Mason Brothers, San Francisco
 Robert Revel Miller Revel Miller & Co., Los Angeles
 Albert E. Schwabacher, Jr. . . . Schwabacher & Co., San Francisco
D. J. Conway, Secretary 425 Bush Street, San Francisco 8

district



Donald L. Patterson, Chairman . . . Boettcher and Company, Denver
 J. Alma Burrows, Vice-Chairman
 Edward L. Burton & Company, Salt Lake City
 Benton M. Lee, Vice-Chairman Dean Witter & Co., Phoenix
 Robert L. Mitton, Vice-Chairman
 Robert L. Mitton, Investments, Denver
 George P. Clark . . . Merrill Lynch, Pierce, Fenner & Beane, Denver
 O. Jerry Jorgenson Peters, Writer & Christensen, Inc., Denver
 Robert M. Kirchner Carroll, Kirchner & Jaquith, Inc., Denver
 Leon Macart Macart, Jones & Company, Pueblo
 Frederick D. Walter Walter & Company, Denver
A. Marvin Lungren, Secretary
701 Denver Club Building, Denver 2

district four



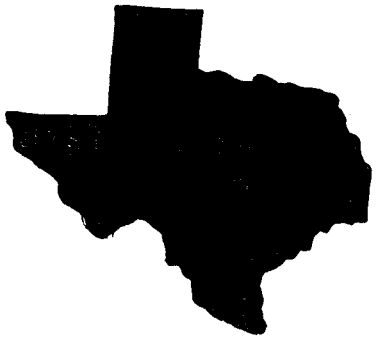
Thomas H. Garrett, Chairman
 Paine, Webber, Jackson & Curtis, St. Paul
 Morlan H. Bishop, Secretary M. H. Bishop & Co., Minneapolis
 James P. Arms J. P. Arms, Incorporated, Minneapolis
 Charles R. Bennett J. M. Dain & Company, Minneapolis
 James S. Graham Allison-Williams Company, St. Paul
 John G. Kinnard John G. Kinnard and Company, Minneapolis
 Joseph L. Seybold Kalman & Company, Inc., Minneapolis
 Ray Weidenborner Henderson-Weidenborner Co., St. Paul
 Wright G. Wells Wright Wells & Company, Austin

dist



Missouri

Frank W. North, Chairman . . . Barret, Fitch, North & Co., Kansas City
 Arthur R. Hanni, Vice-Chairman
 Seltsam, Hanni & Company, Inc., Topeka
 Donald K. Clinger Lathrop, Herrick & Clinger, Inc., Wichita
 Hayward H. Hunter George K. Baum & Company, Kansas City
 John Latshaw E. F. Hutton & Company, Kansas City
 Frederick H. MacDonald Burke & MacDonald, Kansas City
 Robert B. Fizzell, Jr., Secretary . . . 9 West 10th Street, Kansas City 5



Philip R. Neuhaus, Chairman . . Underwood, Neuhaus & Co., Houston
 Charles J. Eubank Chas. J. Eubank Company, Waco
 William G. Hobbs, Jr. Russ & Company, San Antonio
 Barron McCulloch Fort Worth
 John W. Pancoast Dewar, Robertson & Pancoast, San Antonio
 Walter M. Sorensen Rotan, Mosle & Co., Houston
 Nelson Waggener Walker, Austin & Waggener, Dallas
 Paul J. Fagan, Secretary
 1126 Reserve Loan Life Building, Dallas 1

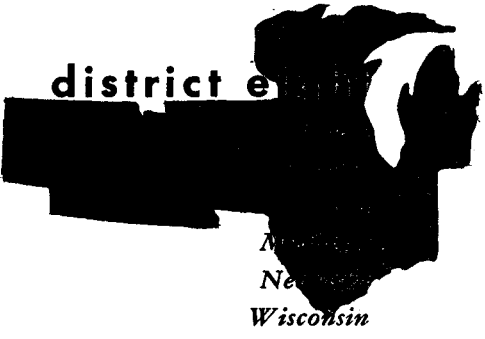
district



Kansas
(west)
(east)

Elvin K. Popper, Chairman I. M. Simon & Co., St. Louis
 Albert E. Gummersbach, Vice-Chairman
 Dempsey-Tegeler & Company, St. Louis
 Edward J. Costigan, Jr. Edward D. Jones & Co., St. Louis
 J. H. Fotheringham Kerwin, Fotheringham & Co., Inc., St. Louis
 Haworth F. Hoch McCourtney-Breckenridge & Company, St. Louis
 Edwin C. Sanders Edwin C. Sanders & Company, St. Louis
 Eugene L. Villareal E. L. Villareal & Company, Little Rock
 Charles S. Glazer, Secretary 408 Olive Street, St. Louis, 2

district e



Michigan
New
Wisconsin

Richard W. Simmons, Chairman . . . Blunt Ellis & Simmons, Chicago
 Carl A. Falk, Vice-Chairman . . . Buffet-Falk & Company, Omaha
 John D. McHugh, Vice-Chairman
 James J. McNulty and Company, Chicago
 Andrew M. Baird A. G. Becker & Co., Incorporated, Chicago
 Ekdal J. Buys John R. Schermer and Company, Grand Rapids
 James G. Dern Smith, Barney & Co., Chicago
 Arthur S. Grossman Straus, Blosser & McDowell, Chicago
 Joseph T. Johnson The Milwaukee Company, Milwaukee
 T. Gordon Kelly Collett & Company, Inc., Indianapolis
 Alfred R. Kramer Kramer-Gardner Company, Burlington
 Robert H. O'Keef The Marshall Co., Milwaukee
 Charles A. Parcels, Jr. Charles A. Parcels & Co., Detroit
 John F. Brady, Secretary . . . 10 South La Salle Street, Chicago 3

distri



Louisiana
Mississippi
South Carolina
Tennessee

Alexander Yearley, IV., Chairman
 The Robinson-Humphrey Company, Atlanta
 Einer Nielsen, Vice-Chairman . . . J. C. Bradford & Co., Nashville
 James T. Beeson Clement A. Evans & Company, Inc., Augusta
 John P. Labouisse
 Howard, Weil, Labouisse, Friedrichs and Company, New Orleans
 James S. Millard Millard and Company, Chattanooga
 Edgar M. Norris Greenville
 T. Nelson O'Rourke T. Nelson O'Rourke, Inc., Daytona Beach
 Ogden Shropshire Shropshire & Company, Mobile
 Ernest C. Villere St. Denis J. Villere & Co., New Orleans
 George J. Bergen, Secretary, First National Bank Bldg., Atlanta 3

district

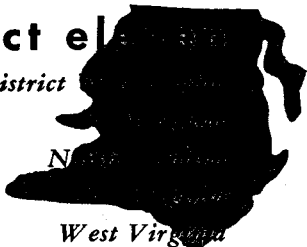
Kentucky



Dale F. Linch, Chairman... Berwyn T. Moore & Company, Louisville
Frederick M. Asbeck... Olderman, Asbeck & Co., Inc., Cleveland
Lee W. Hoefinghoff... L. W. Hoefinghoff & Co., Inc., Cincinnati
Fred W. Hudson... Ball, Burge & Kraus, Cleveland
W. R. Hunter... Hunter, Prugh, Ball & Davidson, Inc., Dayton
John B. Joyce... John B. Joyce & Company, Columbus
Walter Trinkle... The Kentucky Company, Louisville
Charles A. Richards... Field, Richards & Co., Cincinnati
Elbridge S. Warner... Hayden, Miller & Co., Cleveland
Joseph J. Van Heyde, Secretary, 16 East Broad Street, Columbus 15

district eleven

District

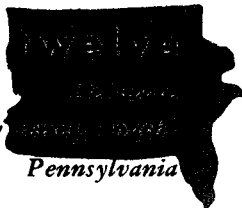


Arthur L. Baney, Chairman... E. R. Jones & Company, Baltimore
Glenn E. Anderson, Vice-Chairman
Carolina Securities Corporation, Raleigh
Edwin B. Horner... Scott, Horner & Mason, Inc., Lynchburg
Joseph P. Kreeger... Jones, Kreeger & Hewitt, Washington
William W. Mackall... Mackall & Coe, Washington
F. Grainger Marburg... Alex. Brown & Sons, Baltimore
Joseph J. Muldowney... Scott & Stringfellow, Richmond
W. Olin Nisbet, Jr... Interstate Securities Corporation, Charlotte
L. Victor Seested, Secretary, 1625 K Street, N.W., Washington 6

district

New

Pennsylvania

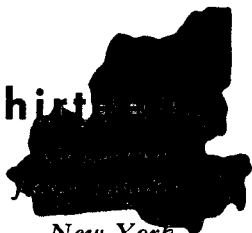


Addison W. Arthurs, Co-Chairman
Arthurs, Lestrangle & Co., Pittsburgh
R. Victor Mosley, Co-Chairman
Stroud & Company, Incorporated, Philadelphia
Francis M. Brooke, Jr... Brooke & Co., Philadelphia
James E. Crehan... Moore, Leonard & Lynch, Pittsburgh
Kirkwood B. Cunningham
Cunningham, Schmertz & Co., Inc., Pittsburgh
John L. Emery... Simpson, Emery & Company, Inc., Pittsburgh
Norbert W. Markus... Smith, Barney & Co., Philadelphia
Richard L. Newburger... Newburger & Co., Philadelphia
John S. Patton... McJunkin, Patton & Company, Pittsburgh
Joseph Lincoln Ray... Sunbury
Frederick T. Seving... Butcher & Sherrerd, Philadelphia
George Winchester... Laird, Bissell & Meeds, Wilmington
*Edward R. Gilleran, Secretary
Fidelity-Philadelphia Trust Building, Philadelphia 9*

district thirteen

New

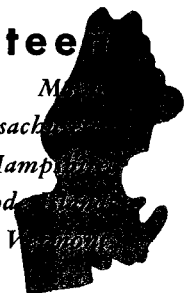
New York



Harold H. Cook, Chairman... Spencer Trask & Co., New York
Robert C. Johnson, Vice-Chairman
Kidder, Peabody & Co., New York
Ernest W. Borkland, Jr... Tucker, Anthony & Co., New York
John S. French
A. C. Allyn and Company, Incorporated, New York
Philip H. Gerner... George D. B. Bonbright & Co., Rochester
Charles C. Glavin... The First Boston Corporation, New York
Henry Holbrook Hyde... Putnam & Co., Hartford
Edgar J. Loftus... W. C. Langley & Co., New York
Allen J. Nix... Riter & Co., New York
John J. O'Kane, Jr... John J. O'Kane, Jr. & Co., New York
Ralph C. Sheets... Blyth & Co., Inc., New York
W. Enos Wetzel... W. E. Wetzel & Company, Trenton
George E. Rieber, Secretary... 111 Broadway, New York 6

district fourteen

Massachusetts
New Hampshire
Rhode Island



E. Merrill Darling, Chairman... Kidder, Peabody & Co., Boston
Warren D. Arnold... F. S. Moseley & Co., Boston
Horace O. Bright... Elmer H. Bright & Co., Boston
Wilfred N. Day... Chas. A. Day & Co., Incorporated, Boston
Joseph D. Gay... Maine Securities Company, Portland
Royal W. Leith... Burgess & Leith, Boston
Gilbert M. Mears... G. H. Walker & Co., Providence
Francis C. Doyle, Secretary... 80 Federal Street, Boston 10

business conduct

On January 1, 1954, there were 14 complaints pending. During the year, 47 additional were filed and 33 disposed of, leaving 28 pending at the end of the year.

Fines were assessed against 12 firms; four firms were expelled and one was suspended for varying periods. Eleven members and eight registered representatives were censured.

The registrations of seven employees of members were revoked and three employees had their registrations suspended for varying periods.

Five proceedings were pending review by the Board of Governors at the year's end.

District Number	complaints		Complaints Closed Since Jan. 1, 1954	decisions									
	Complaints Pending January 1, 1954	Complaints Filed Since Jan. 1, 1954		Dis-missed		Fines		Expul-sions		Suspen-sions		Cen-sured	
				M	R	M	R	M	R	M	R	M	R
1	0	0	0										
2	1	4	3	1			2		1			1	2
3	0	3	3			3	1					2	1
4	0	0	0										
5	2	0	1										1
6	0	3	2			2	1					1	2
7	1	1	2			2	1		1			2	2
8	0	10	4	2		2			2				
9	0	1	1	1									
10	3	0	3	3									
11	2	2	2	1							1	1	
12	0	2	0										
13	4	19	10	5		3		4	3				
14	1	2	2			2	2			1	2	4	
Total	14	47	33	13		14	7	4	7	1	3	11	8

M—MEMBER R—REGISTERED REPRESENTATIVE

statement *of Revenue, Expenditures and Composition of Accumulated Balance*

	<u>Year ended September 30,</u>	
	<u>1954</u>	<u>1953</u>
Accumulated balance—beginning of year.....	\$ 574,325.02	\$433,638.22
Contribution to Retirement Trust Fund for past service benefits (Note 2)	20,906.00	
	<u>\$ 553,419.02</u>	<u>\$433,638.22</u>
Revenue:		
Assessments	\$ 602,980.16	\$618,490.01
Registered representatives' fees.....	89,600.00	73,400.00
Fees from branch office registrations.....	16,510.00	15,460.00
Admission fees (including \$455 for manuals).....	8,905.09	7,044.50
Fines and costs (Note 1).....	67,319.92	14,260.51
Interest	7,218.52	11,094.57
	<u>\$ 792,533.69</u>	<u>\$739,749.59</u>
Expenditures:		
Salaries:		
National Office and Committees.....	\$ 140,575.23	\$153,371.81
District Offices	185,762.18	169,366.28
Travel and meetings.....	86,958.48	73,323.74
Publications, printing, stationery, etc.	44,559.83	41,305.51
Complaints and investigations—travel, transcripts, etc.	22,832.86	16,962.59
Fees—legal, actuarial, information and quotations.....	63,633.84	59,556.06
Rent	35,821.75	34,487.72
Office and miscellaneous.....	31,985.76	28,773.29
Insurance and taxes.....	13,628.87	11,715.79
Retirement:		
Trust Fund (Note 2).....	15,789.00	
Retired employees not covered by Trust Fund.....	6,200.00	10,200.00
Total current expenditures.....	<u>\$ 647,747.80</u>	<u>\$599,062.79</u>
Accumulated balance—end of year.....	\$ 698,204.91	\$574,325.02
Reserve for Retirement Trust Fund contribution for past service benefits, paid October 29, 1954 (Note 2).....	239,177.00	
Remainder	<u>\$ 459,027.91</u>	<u>\$574,325.02</u>

COMPOSITION OF ACCUMULATED BALANCE

	<u>September 30,</u>	
	<u>1954</u>	<u>1953</u>
Cash	\$ 210,933.55	\$118,098.08
U. S. Treasury securities, at cost.....	498,995.00	497,290.00
Advance to U. S. Committee for German Corporate Dollar Bonds, collected after September 30, 1954.....	5,000.00	5,000.00
Other advances, deposits and accrued interest.....	4,943.08	7,833.93
Accounts payable	(15,517.69)	(26,528.45)
Accrued and withheld payroll taxes.....	(5,076.09)	(5,676.84)
Fines and costs collected (Note 1).....		(19,959.20)
Assessments collected in advance.....	(1,072.94)	(1,732.50)
	<u>\$ 698,204.91</u>	<u>\$574,325.02</u>
Reserve for Retirement Trust Fund contribution (Note 2).....	239,177.00	
As above.....	<u>\$ 459,027.91</u>	<u>\$574,325.02</u>

See Notes on page 16 which constitute an integral part of this statement.

PRICE WATERHOUSE & CO.

1000 VERMONT AVENUE, N.W.

WASHINGTON 5, D. C.

January 7, 1955

National Association of Securities Dealers, Inc.
1625 K Street, N.W.
Washington 6, D. C.

We have examined the statement of revenue and expenditures of the National Association of Securities Dealers, Inc. for the year ended September 30, 1954. Our examination 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 in the circumstances.

In our opinion, the accompanying financial statement presents fairly the recorded revenue and expenditures of the National Association of Securities Dealers, Inc., for the year ended September 30, 1954 and the composition of accumulated balance at that date.

Price Waterhouse Co.

NAASD

.....
fifteen

notes / To Financial Statement September 30, 1954

1. Prior to October 1, 1953 the Association included fines and costs as revenue in the year subsequent to collection when the period for review by the Board of Governors and others had expired. Inasmuch as the period for review in most cases expired prior to September 30, 1954 and since the amount of the fines and costs have for the most part been upheld, it has now been decided to include them as revenue in the year collected and accordingly \$19,959 from the prior year and \$47,360 of the current year's collections are included in revenue for the year ended September 30, 1954.

2. Pursuant to a resolution of the Board of Governors on May 10, 1954, a non-contributory Employee Retirement Plan was adopted effective July 1, 1954. Provision was made for a Retirement Committee to administer the terms of the Plan and the Bankers Trust Company of

New York was appointed trustee of the Retirement Plan assets. In a letter dated August 16, 1954 the U. S. Treasury Department ruled that the Trust is exempt from income tax under the provisions of Section 401 (a) of the Internal Revenue Code.

Prior to September 30, 1954 a payment of \$36,695 was made to the Retirement Fund of which \$15,789 represents the cost for the current year and \$20,906 was the initial contribution with respect to employee past service benefits. On October 29, 1954 the Association paid \$239,117 to the Fund to complete the funding of past service benefits. Under the terms of the Plan all amounts contributed by the Association are to be used for the benefit of employees or their beneficiaries and none can revert to the Association except amounts remaining at termination of the Plan due to erroneous actuarial computations.

classification of member assessments

A breakdown of Assessment No. 21, covering the fiscal year ended September 30, 1954, shows billings as follows: Membership fees \$154,213.75 or 26%; Personnel Fees \$194,175.00 or 32%; Underwriting fees \$214,-

598.14 or 35% and Investment Trust Gross Sales fees \$40,276.49 or 7%, amounting to a total of \$603,263.38 or 100%. Detailed data as follows:

RATE OF ANNUAL ASSESSMENT	NUMBER OF MEMBERS BILLED	AMOUNT
\$ 50.00 to \$ 74.99	1,901	\$106,802.74
75.00 to 99.99	548	44,589.50
100.00 to 199.99	440	57,056.80
200.00 to 299.99	124	30,408.16
300.00 to 399.99	55	18,736.98
400.00 to 499.99	29	12,859.50
500.00 to 599.99	20	10,695.93
600.00 to 699.99	20	12,944.20
700.00 to 799.99	13	9,669.34
800.00 to 899.99	13	11,009.68
900.00 to 999.99	12	11,325.07
1,000.00 to 1,499.99	28	33,820.52
1,500.00 to 1,999.99	17	29,068.02
2,000.00 to 2,999.99	20	47,502.92
3,000.00 to 3,999.99	6	20,885.73
4,000.00 to 4,999.99	6	26,298.71
5,000.00 to 5,999.99	3	17,589.58
6,000.00	17	102,000.00
	3,272	\$603,263.38

If it had not been for the \$6,000 ceiling in effect during the fiscal year ended September 30, 1954, a total of \$59,064.49 additional would have been paid by 17 members:

nasd / *Group Insurance Plans*

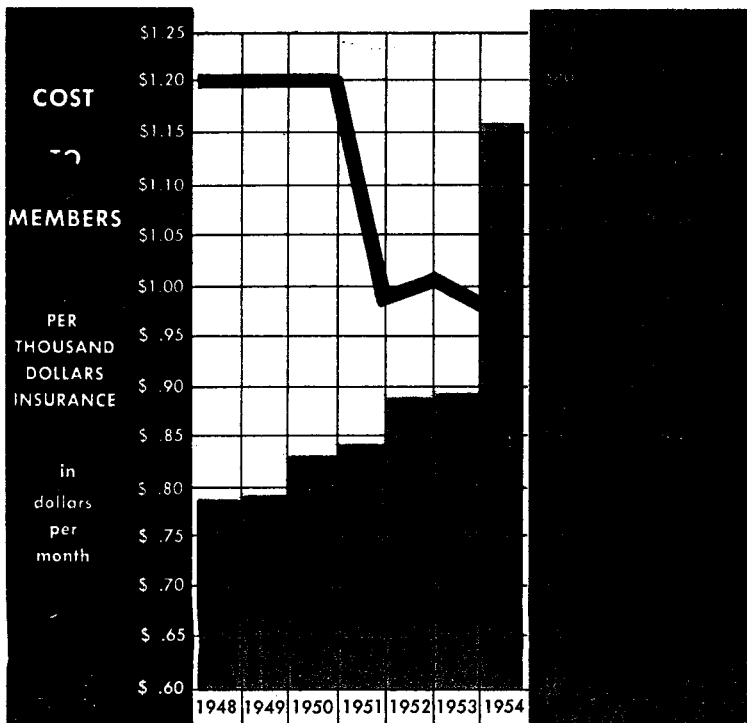
group life insurance

In May, 1949, the Association inaugurated a program of group life and accidental death and dismemberment insurance. The Plan underwritten by the State Mutual Life Assurance Company of Worcester, Massachusetts has had wide acceptance by the Association members.

By using the combined purchasing power of many members, it has been possible to offer a liberal schedule of benefits at the lowest net premium consistent with sound underwriting practice. The coverage is available, without evidence of insurability, to new members three months after joining the Association and at announced periods to non-participating members.

Since its inception six and one-half years ago, the life insurance group has grown from 563 firms insuring 3,455 employees to 837 firms covering 6,629 persons. A total of \$1,558,700 has been paid to beneficiaries in death claims and \$291,249 returned to firms in the form of dividends.

NASD GROUP LIFE INSURANCE



group hospitalization

The Association made available in August, 1952, a Plan of group hospital and surgical expense insurance, providing benefits payable to employees regardless of other insurance they might have. The Hospitalization and Surgical Plan, similar to the Group Life Plan, is available, without evidence of insurability, to new members three months after joining the Association and at announced periods to non-participating members.

The growth of this Plan is shown in the following table:

	1952	1953	1954
No. of Firms participating	362	354	388
Employees covered	1818	2019	2242
Dependents covered	897	932	1003

In its two and one-half years, the Hospitalization and Surgical Plan has paid 1,903 claims amounting to \$175,913.39.

administration of the insurance plans

The two insurance Plans are administered by three Trustees appointed by the Board of Governors of the Association.

The Plans are under constant surveillance to keep them on an attractive basis. In June, 1954, after a survey of participating members, the coverage of life insurance was doubled; thus offering a maximum policy of \$20,000. Currently, a study is being made of the feasibility of offering a major medical payment plan as a means of increasing benefits of the hospitalization coverage.

Inquiries concerning the insurance available to members are always welcome and should be addressed to Insurance Trust, National Association of Securities Dealers, Inc., 1625 K Street, N.W., Washington 6, D. C.

trustees

- L. Raymond Billett
- Clement A. Evans
- Wallace H. Fulton

NASD