

## NASD'S <sup>^</sup>ROLE FOR POST-WAR FINANCE DESCRIBED BY CHAIRMAN

By RALPH CHAPMAN, Chairman

Post-war planning is one of the principal subjects of discussion in business today; and while I believe we should plan for the future in NASD, I am hesitant to suggest or propose any major changes in the program which has been followed. Only a little over two years ago when we entered the war, most of us were apprehensive about the future of the investment business; but in the past two years our business in general, along with other industry, has prospered. Last year set an all-time record for industrial prosperity, with national income reported in excess of \$140,000,000,000. However, we are all aware of the artificial nature of this prosperity; and our problem, as well as the problem of all industry, is what to do when we return to a realistic economy. Competition in general industry has disappeared because there has been only one customer during the past two years, namely, the Government, and money has been the only thing that has not been scarce or rationed.

However, in spite of the uncertainties, I believe we in NASD have a part to play in the post-war plan and an obligation to the business community. In my opinion, we can best settle this obligation and make our contribution to the post-war plan by pursuing the primary purpose for which this Association was established—self-regulation and the promotion of high standards in the over-the-counter markets.

The American system of private capitalism has been questioned by many people in this country, and after the war there may be several countries with whom we will be doing business whose systems of government will differ from our own. The very existence of the securities industry is dependent upon the maintenance of our system of private capitalism. It is incumbent upon us, therefore, to do everything in our power to eliminate any causes for justified future criticism of our business. To make this program effective, we must insist on adherence to our high standards and discipline those in NASD who do not conform.

The practical application of this policy falls upon the members of our District Committees but their work can be minimized to the extent that every member of the Association keeps his own house in order.

As Chairman of the Board of Governors of NASD, I want your help and support. I know that I speak for all other members of the Board when I say that they will welcome every opportunity to discuss the Association and its affairs with any member. I hope you will not hesitate to communicate with me or with your own District representative on the Board [see page 2 for list of Governors] for I can assure you that your suggestions and criticisms will receive serious consideration.

## Hearings Held on Curb Unlisted Applications

Hearings before a trial examiner of the Securities and Exchange Commission on applications of New York Curb Exchange to extend unlisted trading privileges to six common stocks presently traded in the over-the-counter market were held in Philadelphia, January 26-27. The trial examiner will submit a report of his findings to the Commission after which briefs of counsel will be submitted and oral argument heard by the Commission.

Upon the applications being filed with the SEC, the National Association of Securities Dealers, Inc., intervened in opposition to granting of the applications. This action was in keeping with the policy of the Board of Governors to oppose applications for unlisted trading privileges when these appear to the Association to be contrary to the interest of investors and the interest of its members.

Following is a list of the issues involved in these proceedings:

LUKENS STEEL COMPANY COMMON  
MERCK & CO., INC., COMMON  
NORTHERN NATURAL GAS COMPANY, COMMON  
PUBLIC SERVICE COMPANY OF INDIANA, INC., COMMON  
THE WARNER & SWASEY COMPANY, COMMON  
PUGET SOUND POWER & LIGHT, COMMON

In the case of Lukens, Merck and Warner & Swasey managements have stated their opposition to their issues being placed on the Curb.

In previous interventions, the NASD has succeeded in preventing unlisted trading privileges being extended to two issues of utility bonds. Grants of unlisted trading privileges for two other utility bond issues were carried by NASD to the U. S. Circuit Court of Appeals in Philadelphia whose decision is expected shortly.

# OFFICERS for 1944

**Chairman**

RALPH CHAPMAN—Farwell, Chapman & Co., Chicago

**Vice-Chairmen**

JAMES COGGESHALL, JR.—The First Boston Corporation—  
New York

HERMANN F. CLARKE—Estabrook & Co.—  
Boston

**Treasurer**

ALBERT THEIS, JR.—Albert Theis & Sons, Inc.—  
St. Louis

**Executive Director**

WALLACE H. FULTON—Philadelphia, Pa.

**Executive Committee**

Ralph Chapman  
James Coggeshall, Jr.  
Hermann F. Clarke  
James Parker Nolan

Ralph E. Phillips  
Henry G. Riter, 3rd  
Albert Theis, Jr.  
Wallace H. Fulton,  
Ex-Officio

**Finance Committee**

Harry W. Beebe, Chairman  
Ralph Chapman  
Albert Theis, Jr.  
R. Winfield Ellis  
Wallace H. Fulton, Ex-Officio

## BOARD OF GOVERNORS

NAME	TERM EXPIRES (JANUARY)	MEMBER	CITY
<b>DISTRICT NO. 1—(Idaho, Oregon, Washington)</b>			
JUNE S. JONES	(1947)	Atkinson, Jones & Co.	Portland
<b>DISTRICT NO. 2—(California, Nevada)</b>			
MARK C. ELWORTHY	(1945)	Elworthy & Co.	San Francisco
RALPH E. PHILLIPS	(1946)	Dean Witter & Co.	Los Angeles
<b>DISTRICT NO. 3—(Arizona, Colorado, New Mexico, Utah, Wyoming)</b>			
E. WARREN WILLARD	(1945)	Boettcher and Company	Denver
<b>DISTRICT NO. 4—(Minnesota, Montana, North Dakota, South Dakota)</b>			
NORMAN NELSON	(1947)	Piper, Jaffray & Hopwood	Minneapolis
<b>DISTRICT NO. 5—(Kansas, Oklahoma, West Missouri)</b>			
JOHN H. BARRET	(1946)	Stern Brothers & Co.	Kansas City
<b>DISTRICT NO. 6—(Texas)</b>			
THOMAS H. OBENCHAIN	(1946)	Dallas Union Trust Company	Dallas
<b>DISTRICT NO. 7—(Arkansas, East Missouri, West Kentucky)</b>			
ALBERT THEIS, JR.	(1945)	Albert Theis & Sons, Inc.	St. Louis
<b>DISTRICT NO. 8—(Illinois, Indiana, Iowa, Michigan, Nebraska, Wisconsin)</b>			
RALPH CHAPMAN	(1946)	Farwell, Chapman & Co.	Chicago
R. WINFIELD ELLIS	(1946)	Lee Higginson Corporation	Chicago
JOHN J. QUAIL	(1947)	Quail & Co.	Davenport
<b>DISTRICT NO. 9—(Alabama, Florida, Georgia, Louisiana, Mississippi, South Carolina, Tennessee)</b>			
HAGOOD CLARKE	(1945)	Johnson, Lane, Space and Co., Inc.	Atlanta
<b>DISTRICT NO. 10—(Ohio, East Kentucky)</b>			
PETER BALL	(1947)	Ball, Coons & Company	Cleveland
<b>DISTRICT NO. 11—(District of Columbia, Maryland, North Carolina, Virginia, West Virginia)</b>			
JAMES PARKER NOLAN	(1946)	Folger, Nolan & Co., Inc.	Washington, D. C.
<b>DISTRICT NO. 12—(Pennsylvania, Delaware)</b>			
SAMUEL K. CUNNINGHAM	(1945)	S. K. Cunningham & Co., Inc.	Pittsburgh
<b>DISTRICT NO. 13—(Connecticut, New Jersey, New York)</b>			
HARRY W. BEEBE	(1947)	Harriman, Ripley & Co., Incorporated	New York
JAMES COGGESHALL, JR.	(1945)	The First Boston Corporation	New York
ROBERT S. MORRIS	(1947)	Robert S. Morris & Company	Hartford
HENRY G. RITER, 3RD.	(1946)	Riter & Co.	New York
CLARENCE E. UNTERBERG	(1945)	C. E. Unterberg & Company	New York
<b>DISTRICT NO. 14—(Maine, Massachusetts, New Hampshire, Rhode Island, Vermont)</b>			
HERMANN F. CLARKE	(1947)	Estabrook & Co.	Boston

## EXECUTIVE DIRECTOR'S REPORT TO BOARD OF GOVERNORS, JANUARY, 1944

Following are extracts from the Report of Wallace H. Fulton, Executive Director,  
to the Board of Governors, January 17, 1944.

Complete reports of Association activities having been given to the Board of Governors at its meetings during the past year and copies of such interim reports having been supplied to the new members of the Board, it seems unnecessary that this report review events other than those which have transpired since the September meeting.

### Membership

As of December 31, there were 2,193 members of the Association as compared with 2,284 on December 31, 1942. The net loss in membership in 1943 was 91 while in 1942 the net decline amounted to 599. Since the letter of the Board of Governors to members, dated October 25, 23 memberships have been terminated, while, during the same period, six new members have been admitted.

### Public Service of Indiana

The Department of Justice, earlier this month, notified the Securities and Exchange Commission that it wished to appear as a party of interest in the PSI proceedings before the SEC, involving review by the Securities and Exchange Commission of disciplinary action taken by the Association for violation of members' underwriting and selling agreements in the public offering four years ago of an issue of Public Service of Indiana bonds. The Department of Justice will file a brief and may be represented at oral argument before the Commission. The appearance of the Department of Justice in these proceedings indicates that they may develop into an anti-trust test of the uniform public offering price in underwriting distributions. Technically, we are informed that the action of the Department of Justice insures to all parties that the matter can be carried to the courts for adjudication. It is expected that argument can now be held in the latter part of March.

### Appeal of Disciplinary Decision

The first test before the Commission of a disciplinary action against a member for charging unfair prices and refusing to file requested information with a District Committee is awaiting decision by the Securities and Exchange Commission. In this case, a Boston member was first of all fined and censured by the District Business Conduct Committee for unfair prices and some time later was expelled by the District Committee for refusal to file a transcript of transactions had with customers over a designated period. The member appealed these decisions to the National Business Conduct Committee which, after a hearing, upheld the decision of the District Committee. The member then appealed the decision of the NBCC to the Securities and Exchange Commission which last month heard arguments of Counsel on the issues. The decision in this matter is expected in the near future.

### Examination Program

Examination of all members through the means of schedules requiring price information on fifty principal transactions with customers was completed well before the year's end. We are continuing to develop statistical studies of the vast amount of valuable information obtained through these questionnaires. A total of 2,237 questionnaires were mailed to members; 419 or approximately 20% were returned blank, indicating that that proportion of the membership, in the designated period at least, had no transactions of the kind covered to report.

A total of 1,780 completed questionnaires were analyzed by the executive office, after which they were forwarded to the appropriate District Committee for review and action. The questionnaires disclosed pertinent pricing information in respect to 50 principal transactions. They embraced 63,000 principal transactions in listed and unlisted securities, both stocks and bonds. Of these, 41,000 transactions in unlisted securities and 12,000 in listed issues were computable—that is, markets were available. Our analysis of profit or mark-up on these computable transactions disclosed that 47.2% of all transactions were made at a profit or mark-up of three per cent or less and 70.8% of all transactions were made at a mark-up of five per cent or less.

### Complaint Picture

Fifty complaints were filed by District Committees during 1943 compared with 57 in 1942 and 120 in 1941. Four of these complaints resulted in expulsions; one in suspension; 18 in fines ranging as high as \$2,000; and 17 were disposed of with censures. At the end of the year, 25 complaints were pending.

### Salesmen's Commissions

Last September, salary stabilization regulations were amended at the direction of the stabilization authority in such a way as to prohibit payment of commissions to salesmen in an amount which would exceed that paid in the preceding year. This amendment was announced without advance notice or any public inquiry and, naturally, was a very disturbing element to the securities business as well as practically all other businesses. Immediately after the September Board meeting, the Executive Director and Counsel for the Association, in co-operation with other representatives of organizations in the business, met in Washington with officials of the Bureau of Internal Revenue. As a result of these meetings, the effectiveness of this amendment was stayed to permit payment of commissions for the month of September and at the same time further conferences were arranged to negotiate a permanent settlement of this matter. Subsequently, the Bureau stayed the effectiveness of the amendment to January 1, and during the interval several additional conferences were held with spokesmen for the

securities business and other businesses. Finally, on December 30, the Director of Economic Stabilization notified the Bureau of Internal Revenue that the same stabilization rule as was being applied by the National War Labor Board on other methods of compensation would be applied to commissions. The effect of this was to preserve the status quo insofar as the amount which could be paid salesmen was concerned so long as basic rates of commission were not increased or decreased.

**Arbitration Procedure**

At the September meeting of the Board, it was decided that Counsel should prepare for consideration of the Board a procedure for compulsory arbitration of disputes between members. Progress is being made in the drafting of this measure, and it is expected that we shall be able to place the matter before the Board for consideration at its next meeting.

**Free Personal Services, Statistical Analyses No Defense for High Mark-Ups**

Gratuitous services rendered customers do not justify excessive spreads or mark-ups, two Business Conduct Committees of the Association recently ruled in handing down decisions. In addition to pointing to free services supplied customers, the members involved also offered as extenuating circumstances to justify their mark-ups the fact that they operated in areas removed from financial centers and, further, gave customers benefit of statistical services to which the members subscribed. These were all denied to be defenses for the pricing practices of the members.

One member was fined \$1,000 and the other \$100. In the former, the violations of Rules of the Association were more numerous and the complaint in this case had been filed only after the District Committee had "admonished" the member twice in the past.

The following colloquy occurred during the hearing on the complaint in the case of the member fined \$1,000:

MEMBER: We used to consider that transactions that were made in distant points where time and expense were involved in the getting of the business, as being a justification for larger profits than those made in town, but I understand that is no longer considered a proper basis for larger profits.

THE CHAIRMAN: Do you think the client ought to have, perhaps, the opportunity to purchase those securities [listed and active on the NYSE] from scores of other people at a good deal less price or not?

MEMBER: I don't think so. I don't think that he would get the thought, and the statistical effort and expense that is involved in making these recommendations. It just isn't possible to do that.

THE CHAIRMAN: Don't all houses do that?

MEMBER: Brokerage houses.

THE CHAIRMAN: What are you doing that a lot of other houses don't do?

MEMBER: I don't know, but I know we try to do a conscientious job.

THE CHAIRMAN: So do most houses, don't you think?

MEMBER: I think so.

THE CHAIRMAN: Don't they all have statistical depart-

ments, trading departments, cashiers, salesmen and runners?

MEMBER: That is true.

THE CHAIRMAN: Then by what justification, what theory, do you justify [your charges] whereas the general run of houses don't charge anything like that?

MEMBER: I think that where these profits have been involved—if there have been any out-of-town sales I have had to watch those transactions more carefully. We have a man in \_\_\_\_\_.

THE CHAIRMAN: Don't all houses have that? We all have branches in \_\_\_\_\_ and elsewhere.

MEMBER: I am not trying to justify it, Mr. Chairman.

Later, during a discussion of the member's reaction to the October 25, 1943, letter of the Board of Governors, the member related that, after receiving this letter, he had reduced the percentage mark-up in an instant transaction to a level which he felt was in line with the standards set forth in that letter. The following ensued:

MEMBER: . . . involved in that [transaction] was the arranging of a bank loan and a check of the tax structure which involved a lot of time. Can you consider that as being worth additional compensation?

THE CHAIRMAN: Not the fact that you pay people's bills or make up their tax returns or make loans for them or wet-nurse them in any way.

MEMBER: That doesn't enter into the 5% as the maximum?

THE CHAIRMAN: Yes. We want to correct you. I don't think the NASD has set out a maximum or minimum. They did not set 5%. They stated what a large percentage of the industry was charging and gave that percentage as a guide. . . .

MEMBER: Would you think this was unfair—in the case of arranging a bank loan and going into the tax structure and spending at least four or five hours?

THE CHAIRMAN: I think it is our feeling that this is part of your overhead.

MEMBER: That would be no justification for charging more than 5%?

THE CHAIRMAN: It would not.

In the case of the member fined \$100, the Business Conduct Committee in its decision said on the subject of free services:

"The statements about the gratuitous services on the part of the Respondent do not meet the issue, as Section 4 of Article III of the Rules requires a member to make a price which is fair, taking into consideration all relevant circumstances, the market conditions with respect to the security, etc. Irrelevant matters and unrelated gratuitous services are not good as a defense. The Committee is definitely impressed by the fact that the Respondent was guilty of overreaching in an effort to obtain compensation for the gratuitous services which had been rendered and which were not related to the sale."

This opinion of the Committee was expressed in view of the statement by the respondent member that it felt perfectly justified in its mark-ups because of many personal favors and services performed for the customer without remuneration in connection with an estate of the customer's sister and such other favors as attending a hearing for reduction in real estate taxes, buying automobile vehicle tax plates and similar errands.

## Week's Suspension, \$2,000 Fine for Excessive Trading of Accounts

The Board of Governors has upheld the decision of a District Business Conduct Committee imposing a fine of \$2,000 and a one-week suspension upon a member found to have violated Rules of Fair Practice of the Association by inducing excessive trading in four accounts of individual customers. In addition, the member is to bear the costs of the proceedings involved in the complaint.

The evidence considered by the Business Conduct Committee included the following:

*Account A.* An elderly man whose account was in excess of \$75,000. Listed securities originally in the account were largely disposed of and replaced by unlisted securities of a semi-investment or speculative type, except certain bank and insurance stocks of a more or less conservative nature. The Business Conduct Committee found that in a period of approximately eight months the account had a turnover of ten to twelve times. There appeared to be excessive trading not only in the large number of transactions, but also in that in many instances a block of insurance company stock would be exchanged for another block of insurance company stock of almost identical value, with apparently no reason for the trade except to provide a profit for respondent.

*Account B.* This account was about the same size or perhaps slightly larger than Account A. Between January and July, 1943, bank and insurance stocks were sold to the account in the aggregate amount of \$317,000, and the same of similar stocks were purchased by respondent from the customer in the amount of \$236,000. Again there was a tendency toward deterioration in the quality of the items in the portfolio and a switching of like securities, with apparently no reason for the trades except to realize profits for the respondent.

*Account C.* This account was smaller than either of the two previous accounts, but similar activities were carried on. Between January and July, 1943, there were transactions aggregating \$80,000 in this account, on which respondent had aggregate profits in excess of \$5,500.

*Account D.* Similar activities were carried on in this account. During June and July, 1943, securities were sold to this customer in amounts in excess of \$118,000, and like amounts were purchased from the customer. There appeared to be excessive trading in the account.

Respondent's defense in each of these cases was that investment type of listed securities had been disposed of and replaced with a semi-investment or speculative type of unlisted securities to meet the inflation threat, and that in each case the trading activity in the account was at the customer's request and with the customer's full understanding and approval.

Upon consideration of the matter, the District Business Conduct Committee found that respondent had violated Sections 1, 2 and 4 of Article III of the Rules of Fair Practice.

The Board of Governors, in upholding the decision of the District Business Conduct Committee, followed recommendations made to it by the National Business Conduct Committee.

## SEC Annual Report Shows Inspection Findings, Revocations Ordered

The SEC, in annual report to Congress, says that during the year ended June 30, 1943, 830 reports of broker-dealer inspections were made to it by Regional Offices, of which 14 or 1.7% became the basis for institution of revocation proceedings during the fiscal year. The report disclosed that a total of 35 revocation proceedings were ordered by the Commission during the fiscal year, including those ordered as a result of inspections of preceding fiscal years.

The figure of 830 broker-dealer inspections reported includes duplications, at times more than one report of an inspection being received as to one registrant. Aside from disclosures resulting in revocation proceedings, the SEC inspections revealed, the report says, 357 specific findings of violations of the Acts and also refers to "infractions of a minor nature."

The following lists some of the "more important findings" of the SEC inspections, according to the Annual Report:

74 inspections reported unsatisfactory financial condition ranging from insolvency to a condition not presently serious but at least potentially dangerous;

94 inspections reported non-compliance with Regulation T;

63 inspections reported non-compliance with rules relating to hypothecation of customers' securities; 40 of these involved firms whose financial condition was not in question;

28 inspections reported secret profits involving misrepresentation as to the prices at which customers' orders had been executed;

98 inspections reported transactions with customers in which pricing practices were questionable.

(Continued on page 8)

## District Chairmen, Secretaries Meet February 29

A meeting of the Advisory Council, consisting of the fourteen District Chairmen of the National Association of Securities Dealers, Inc., has been called for February 29, at the Waldorf-Astoria in New York City.

A meeting of District Secretaries will be held simultaneously.

The meeting of District Chairmen affords an annual opportunity to newly elected Chairmen to familiarize themselves with Association activities and procedures. These meetings are devoted to a full-day forum on Association affairs, particularly those with which District Committees are most concerned. A full discussion will be had this year of the examination program of 1943 and results of that examination. In addition, examination plans for the current year will also be considered and decisions made respecting methods of its continuation.

The meeting of District Chairmen will be attended by the Executive Committee of the Association and other members of the Board of Governors.

**Finance Chairman Reports  
Assessment Method, Collections**

By F. EDWARD BOSSON,  
Chairman of the Finance Committee—1943

The principal job of the Finance Committee is to figure out how much money the Association will need to survive in a year that lies ahead, and then figure out how to get it. This involves a certain amount of guessing, but it has been gratifying to the Finance Committee to learn how accurately assessment potentials can be estimated.

There are three sources of income: namely, a basic membership fee, a per capita assessment of members' personnel, and a percentage assessment of members' underwriting participations. When membership and personnel and underwritings all decline, as happened last year, and when, at the same time, the demands upon the Association are not proportionately relaxed, the Finance Committee has only one choice open to it and always that is the distasteful one of raising the bases of assessment. That was what we had to do for the current fiscal year. We found we had to raise \$321,000 and to do so we had to increase membership dues from \$30 to \$45; the personnel fee from \$3 to \$4.50, and the underwritings fee from 0.01% to 0.0175%. Speaking for all members of the Committee, I think we at least meted out the bad news as equitably as we could.

The record of receipts from assessment billings this year is the best since the Association was formed. We set out to collect \$321,000 and our receipts to date indicate a total income potential of \$322,000. A larger number of members than ever before paid the full year's assessment upon being billed. This is pretty convincing proof that the membership, or at least a large segment of it, is willing to go more than halfway in support of our Association. It has been my experience that support for any undertaking

is most convincingly expressed with a remittance in dollars. To each member of the Finance Committee with whom I have served, I extend congratulations for a job which I think was well done. To our fellow-members on the Board, the Finance Committee expresses appreciation for their confidence and forbearance.

**Association Expenses Cut 27% in  
Fiscal Year; Income Down 32%**

By JAMES PARKER NOLAN, Treasurer—1943

Total income of the Association in the fiscal year ended September 30, 1943, was 32% less than in the preceding year and expenditures were cut 27%. In the 1943 fiscal year, total income amounted to \$250,174 and expenses were \$295,622.

Decision of the Board of Governors in January, 1943, to employ a questionnaire method of examination in place of other methods used in 1942 was the major factor in the reduction of expenses in the last fiscal year. Direct expense of examinations and complaints was reduced during the year to \$11,327 from \$58,147, and the effect of this change in examination method upon other expenses produced an over-all reduction in examination costs amounting to at least 48%.

These economies were realized by reductions in personnel, elimination of the services of outside organizations and other incidental expenses incurred under the former methods. The examination program last year was almost wholly done by the staff under the direction of the Executive Director and the supervision of the Board of Governors.

I am sure it is the feeling of the Board of Governors that not only were substantial economies realized through the use of the questionnaire method of examination, but that, on the whole, this method worked satisfactorily.

A detailed Statement of Income and Expenditures and the year-end Balance Sheet are published in this issue.

<b>National Association of Securities Dealers, Inc.</b>	
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<b>BALANCE SHEET</b>	
September 30, 1943	
<b>ASSETS</b>	
Cash in bank and on hand:	
The First National Bank, Philadelphia, Pa.:	
Treasurer's account..	\$55,990.56
Working fund account	5,715.15
Petty cash fund, Phila- delphia, Pa.....	250.00
Petty cash fund, New York, N. Y.....	500.00
	\$62,455.71
U. S. Treasury 7/8% Certifi- cates of Indebtedness —Series B-1944 .....	75,000.00
Receivables, per contra:	
Assessments .....	\$214.50
Branch office member- ship dues .....	5.00
	219.50
Deposit with American Airlines, Inc.	425.00
Post office deposit.....	100.00
Advances for traveling expenses.....	500.00
Accrued interest on 7/8% Certificates of Indebtedness .....	303.00
Office equipment and furniture..... (Charged to expense when pur- chased)	.....
	\$139,003.21
<b>LIABILITIES</b>	
Accounts payable .....	\$26,418.00
Deferred credits:	
Receivables uncollected, per contra .....	\$219.50
Fines and costs collected pending review .....	28,850.50
	29,070.00
Surplus:	
Balance—September 30, 1942 .....	\$128,963.11
Deduct: Excess of ex- pense over income for the year ending Sep- tember 30, 1943.....	45,447.90
	83,515.21
	\$139,003.21

**STATEMENT of INCOME and EXPENDITURES**

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

	Fiscal year ended September 30	
	1943	1942
<b>INCOME:</b>		
Assessments Collected .....	\$246,935.46	\$368,024.75
Being dues paid by 2,354 members in year ended September 30, 1943.		
Branch Office Registration Fees .....	2,600.00	2,930.00
Other .....	638.71	265.00
<b>TOTAL INCOME</b> .....	<b>\$250,174.17</b>	<b>\$371,219.75</b>
<b>EXPENDITURES:</b>		
<i>Travel and Meeting Expense:</i>		
Board of Governors, Advisory Council .....	\$17,701.93	\$16,253.64
National Committees .....	14,334.76	13,437.85
<small>NOTE: Above two items represent actual out-of-pocket expense incurred by 21 members of Board, 14 District Chairmen and members of National Committees in attending meetings and administering affairs of Association, as well as costs of meetings of these bodies. All Governors and Committee members serve without compensation.</small>		
<i>General Expense:</i>		
Legal Fees and Expenses .....	53,265.21	57,941.39
Employee and Miscellaneous Travel and Meeting Expense .....	10,866.42	11,041.22
<small>Includes expense of special meeting of District Chairmen and Secretaries, also travel expenses of personnel on assignments from Board of Governors.</small>		
<b>Total</b> .....	<b>\$96,168.32</b>	<b>\$98,674.10</b>
<i>National Office:</i>		
Salaries .....	61,010.93	58,120.21
<small>Paid in 1943 to 30 employees, including Executive Director, Assistant, Comptroller, Examiners, Stenographers, Clerks, including those temporarily employed.</small>		
Rent .....	7,580.04	8,128.17
Printing and Stationery .....	11,260.59	12,733.99
Other .....	11,942.70	19,542.36
<small>Includes insurance and taxes of \$4,064 and miscellaneous charges, none of which exceeded \$4,000.</small>		
<b>Total Expense National Office</b> .....	<b>\$91,794.26</b>	<b>\$98,524.73</b>
<i>District Committees:</i>		
<small>NOTE: Following items of expense cover fourteen District Committees.</small>		
Salaries .....	\$68,016.69	\$96,290.06
<small>Paid to 11 District Secretaries, eight examiners, 16 stenographers, clerks, etc.</small>		
Examinations and Complaints .....	11,323.83	58,147.04
Travel and Meeting Expense .....	7,041.87	11,880.09
<small>Being actual out-of-pocket cost to members of committees incurred in attending meetings, etc., and cost of such meetings. All committee members serve without compensation.</small>		
Rent .....	9,271.72	10,791.01
Other .....	12,005.38	29,800.77
<b>Total Expense District Committees</b> .....	<b>\$107,659.49</b>	<b>\$206,908.97</b>
<b>TOTAL EXPENDITURES</b> .....	<b>\$295,622.07</b>	<b>\$404,107.80</b>
<b>Excess of Expenditures Over Income</b> .....	<b>\$45,447.90</b>	<b>\$32,888.05</b>
<small>NOTE: Statements of Chairman of Finance Committee and Treasurer appear elsewhere in this edition.</small>		

**National Business Conduct Committee Reviewed 31 Cases**

By **ALBERT THEIS, JR., Chairman,**  
**National Business Conduct Committee—1943**

The National Business Conduct Committee has considered 14 cases decided by the various District Business Conduct Committees since the September meeting of the Board. During 1943, as a whole, the Committee considered a total of 31 decisions. During the year 2 decisions of District Business Conduct Committees were appealed by the respondent members, and 3 decisions were reviewed by the National Committee on its own motion. In all cases, decisions rendered by District Business Conduct Committees were upheld.

Four cases are presently before the National Committee for consideration and determination as to whether or not review proceedings should be instituted. One appeal is pending before the Securities and Exchange Commission of a decision rendered by the Board of Governors involving expulsion of a member. In the latter case, the Commission has before it a report of its trial examiner which contains the recommendation that the Board be reversed in its decision. Oral argument before the Commission itself was had on this matter on December 14, and the decision of the Commission is awaited.

The accompanying tabulation contains detailed information in respect to complaints filed and those disposed of during 1943 by the District Business Conduct Committees of the Association.

**COMPLAINTS AND DECISIONS—1943**

Dist. No.	Complaints Pending Jan. 1, 1943	Complaints Filed During 1943	Complaints Closed During 1943	Complaints Pending Dec. 31, 1943	Fines	Expulsions	Suspensions	Censures	Appeals for Review	Reviews Instituted by NBCC
1	..	..	..	..	..	..	..	..	..	..
2	..	8	6	2	5	..	1	5	..	1
3	..	1	..	1	..	..	..	..	..	..
4	..	1	..	1	..	..	..	..	..	..
5	..	..	..	..	..	..	..	..	..	..
6	..	..	..	..	..	..	..	..	..	..
7	..	1	1	..	1	..	..	..	..	..
8	3	9	10	2	6	..	..	6	..	..
9	1	5	5	1	3	1	..	4	..	..
10	..	4	2	2	..	1	..	..	..	..
11	..	1	..	1	..	..	..	..	..	..
12	..	15	3	12	..	1	..	..	..	..
13	3	3	4	2	2	1	..	..	1	2
14	1	2	3	..	1	..	..	2	1	..
<b>TOTAL</b>	<b>8</b>	<b>50</b>	<b>*34</b>	<b>24</b>	<b>18</b>	<b>4</b>	<b>1</b>	<b>17</b>	<b>2</b>	<b>3</b>

\*Of these, 9 complaints were withdrawn or dismissed.

(Continued from page 5)

The above 357 "findings" include an unspecified number of duplications.

A statistical summary of administrative proceedings for the year ended June 30, 1943, shows that in that period a total of 24 registrations were revoked, this figure including revocations ordered in proceedings carried over from previous years. A total of 22 revocation proceedings were pending on June 30, 1943.

The Commission reports that at June 30, last, there were 4,913 broker-dealers registered with it against 5,557 at June 30, 1942.

**Phillips Business Conduct Head**

Ralph E. Phillips, Dean Witter & Co., Los Angeles, has been appointed Chairman of the National Business Conduct Committee. Other members of the Committee are:

- Peter Ball, Ball, Coons & Company, Cleveland.
- John H. Barret, Stern Brothers & Co., Kansas City.
- Hagood Clarke, Johnson, Lane, Space and Co., Inc., Atlanta.
- Samuel K. Cunningham, S. K. Cunningham & Co., Inc., Pittsburgh.
- Robert S. Morris, Robert S. Morris & Company, Hartford.
- Norman Nelson, Piper, Jaffray & Hopwood, Minneapolis.

**Investment Trust Committee Named**

Herbert A. Bradford, Calvin Bullock, New York, has been appointed Chairman of the Investment Trust Underwriters Committee for 1944. Other members of the Committee are:

- Herbert R. Anderson, Distributors Group, Inc., New York.
- Chas. F. Eaton, Jr., Eaton & Howard, Incorporated, Boston.
- Hugh W. Long, Hugh W. Long and Company, Inc., Jersey City.
- David Saunders, Massachusetts Distributors, Inc., Chicago.
- S. L. Sholley, The Keystone Corporation of Boston.
- Henry J. Simonson, Jr., National Securities & Research Corp., New York.

**Unterberg Is Quotations Chairman**

Clarence E. Unterberg, C. E. Unterberg & Company, New York, has been appointed Chairman of the National Quotations Committee for 1944. Other members of the Committee are:

- John Chapin, Kidder, Peabody & Co., Boston.
- Paul S. Grant, The Milwaukee Company, Milwaukee.
- R. Conover Miller, E. W. & R. C. Miller & Co., Philadelphia.
- Frank Weeden, Weeden & Co., San Francisco.