

PUBLISHED BY THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC., WASHINGTON, D. C.**Patterson to SEC**

A member of the Board of Governors and Treasurer of the Association has resigned these posts and withdrawn as a partner of a member to join the SEC as Director of its Division of Trading and Exchanges.

He is Harold C. ("Pat") Patterson. Patterson has spent his whole business life in the securities business, much of it with the firm of Auchincloss, Parker and Redpath, Washington, D. C. In tendering his resignation from the Board, "Pat" said in his letter to Chairman Edward C. George:

"I need not tell you that I hand you this resignation with deep and heartfelt regret. My association with the NASD has been one of uninterrupted interest and personal satisfaction; the friendships and personal relationships that I have formed through it could have been acquired in no other way; and my close identification with the Association will always be a major source of pride to me."

"Pat" is recognized as one of the best technicians in the securities business. He is one of the few to leave the securities business for major positions of responsibility at the SEC.

The Board of Governors adopted the following resolution upon learning of his resignation:

"RESOLVED, That the Board of Governors of the National Association of Securities Dealers, Inc., on its own behalf and for the entire membership of the Association, takes this opportunity to express its gratitude for the valuable contributions made to the welfare of the securities business and to the public interest by Harold C. Patterson during the twelve years he has been actively serving the membership, first as member and then Chairman

New Face

This issue of the NEWS is in bigger type with more space between lines. Reason for the change: the Information Committee wants to make the paper easier to read, maybe thereby win readers among those who, in the past, were favorably disposed but found four tight-packed pages of type pretty much of a challenge. The editor promises to do his best to boil items to the essentials, but bespeaks your patience with stories that when you squeeze, they squeak.

of District Committee No. 11; as long-time member and six times Chairman of the Association's National Uniform Practice Committee; and as member and Treasurer of this Board.

"He has given unsparingly of himself in forwarding the high aims and purposes of this Association. In the early days of his service he was invaluable to his District and to the Association in solution of many evolutionary problems encountered. As one of the leading technicians in the business, his contributions through the National Uniform Practice Committee and the successful administration of the Uniform Practice Code can scarcely be evaluated too highly.

"His ability and personality signalingly equip him for the broader field of service he now contemplates, and the securities business is fortunate that it may still have the benefit of his good works in its relations with the Federal Government."

Upon adoption of the above resolution, Roy W. Doolittle of Buffalo was elected to succeed Patterson as Treasurer of the Association.

Form "BD"—Better Do

The Securities and Exchange Commission last February adopted a much simplified form for registration of brokers and dealers. The form also applies to the keeping of registration statements "current."

In accordance with these new requirements, all members of the Association who have not already done so should file the new form known as "BD", copies of which are available at regional offices of the Commission.

THIS NEW FORM MUST BE FILED BY SEPTEMBER 1, 1954.

Once you've filed this form, the member is relieved of the burden of amending many items of information required by the old 3-M job. Once "BD" has been filed—a 4-pager instead of 12—all that has to be done is keep "current" the information required on "BD".

One Good Turn . . .

There is a certain company that makes a practice of raising much of its new capital by offering "rights" to stockholders. The habit gives dealers plenty of headaches.

Recently there was a public offering of a block of the company's shares. One of the partners of a firm that was allotted a small participation got an idea. A carefully written letter was circulated to customers who owned the stock telling them the firm had a limited amount of stock, was extending them the privilege of buying one share for each three held, see prospectus enclosed.

"We didn't even have to make a 'phone call!" reports a spokesman for the firm. "If you can't lick 'em, join 'em!"

Registered Reps

As of May 31, 1954, there were 34,841 registered representatives enrolled with the Association, a new high.

200% Profit

The Association has taken action against another oil royalty dealer who was expelled after an examination of his business showed he marked up royalties sold to customers by 212 per cent. The expelled member appealed to the SEC and the case awaits action by that body.

Contentions of the firm in its defense were that:

1. There are no quotations relating to producing or non-producing oil royalty interests;
2. Non-producing oil royalties are volatile and that the price for them may change substantially overnight;
3. Dealers specializing in non-producing oil royalties do not consider a mark-up of over 200% improper;
4. No agency or regulatory body has issued any rules or regulations relating to fair-pricing in this field.

Back in 1942 a number of oil royalty dealers were expelled from the Association and several SEC revocations followed. All involved the question of fair-pricing. In each case, including the most recent one, the question has been raised as to whether royalties were "securities" and subject to the rules of the Association. Since they are defined as securities under the Securities Exchange Act, the Association has treated them as such in complaint actions.

Said the Board of Governors in its latest decision:

"We can conceive of no mark-up of that amount [212%] which can be justified as fair and reasonable in view of the nature of the transaction, the relatively contemporaneous purchase by the dealer, and the highly speculative character of the security . . . the conduct of the member in selling securities at these prices cannot, so far as we are concerned, be considered to have been in accordance with high standards of commercial honor and just and equitable principles of trade."

GOVERNOR



Frank H. Hunter

Frank Hunter got a law degree from the University of Pittsburgh in 1927 and hung out his shingle. It didn't have much time to weather, for Frank decided in January, 1929 to get into the securities business in Pittsburgh. He joined McKelvy and Company and he's been weathering there since, presently being one of the partners. He graduated from Amherst (1924) before taking up his law studies at Pittsburgh. Spent three years on the NASD District Committee #12, one as chairman, before being elected to the Board for a three-year term beginning last January. Frank, a 32d degree Mason, is a member of the Duquesne, University, Harvard-Yale-Princeton clubs. He smokes matches, using a pipe for indulging this habit. His law training shows up when he tries to bring Board meeting discussions back to the point from which they may have strayed in the heat of argument.

All Is Bliss Dept.

A radio commercial for a personal loan company closed with this blissful note: "After you have spent a few minutes arranging your loan, you'll be on your way singing . . ." And with that, the tune "Looking at the World Through Rose-Colored Glasses" was piped in.

Vox Populi

Editor, NASD NEWS:

I always think your News is good reading, so it is not altogether an exception that I should find a paragraph in your April issue particularly interesting. I am referring to the paragraph entitled, "Who Owes Whom."

Might it not be a good idea to include a column on questions of this kind [dividend claims, etc.] as a regular department? There are probably many questions which come to Uniform Practice Committees. . . . A discussion of some of these questions and an explanation of the reasons for decisions would probably be interesting. . . . I am thinking of conflicts of interest which occasionally arise between dealers. . . .

Very sincerely yours
(s) W. E. Wetzel

Trenton, N. J.

Ed. Note. We shall alert the uniform practice workshops to this interest in subjects they tackle. As a starter, see below:

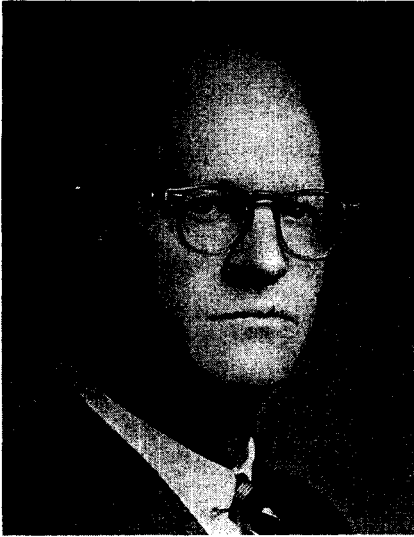
Bugs

Getting the bugs out of members' transactions is an every-day chore of Uniform Practice Committees of the Association.

A ruling had to be made not so long ago on interest involved in settlement of when-issued contracts in Wisconsin Central Railway. In this case, the rule was that the buyer was entitled to the contingent interest payable upon settlement of the contracts.

The committees don't like to be arbitrary, but once in a while something comes up where they have to throw their weight around to get matters settled. Two members were in disagreement recently about a transaction in Mutual Telephone Company of Hawaii. The National Uniform Practice Committee simply said that unspecified trades in the security, made over-the-counter, would be subject to the Association's Code despite conflicting practices on the Honolulu Stock Exchange where the issue is principally traded.

GOVERNOR



William J. Collins

It has been said of many towns that Rotary Club members own them, Kiwanis members run them and Lion clubbers have the fun. Bill Collins is a former president of the Portland Lions Club, so if the saying is true of his town, he led the fun-having. Pretty serious, though, is Bill when it comes to business. He's had his own firm, William J. Collins & Co., since 1942; got his start in the securities business in 1922 with Blyth. Has been active right along in IBA and NASD affairs in his area.

Bill's a member of the National Business Conduct Committee.

60 - 40

One Chairman of an NASD District Committee reported to a recent meeting of the Board of Governors:

"The District Secretary's work now has developed to where it is about 60 per cent on examinations and 40 per cent answering questions by telephone, giving counsel and advice to members."

Examinations

In the first four months of 1954, Association examiners visited 456 members, triple the number for the same period last year and representing about 15 per cent of the membership.

Summer Course

The University of Vermont's fourth annual summer course on "The Economics of Capital Formation" will be conducted this year from June 21 through July 30 under the general direction of Philipp H. Lohman, Ph.D., Converse Professor and Chairman of the University's Department of Commerce and Economics. Professor Lohman founded this "on the scene" Wall Street economic instructions series in 1950. Classes are held in the Chase National Bank Building.

As in each of the previous class years, the 1954 course will consist of instructions by authorities of the financial district and of visits by classes to the stock exchanges, investment banking firms and other branches of the community.

Carl Stolle, former Chairman of the Board of NASD will deliver one of the lectures. His subject: "The Role of the National Association of Securities Dealers."

Tuition for the six semester hours is \$90. Students are housed at the Hotel Latham at nominal cost.

Obituary

Two former Chairmen of the Board of Governors died since the last issue of the NEWS.

Francis A. Bonner of Chicago was Chairman in 1940. He was active in the work of forming the Association. His firm at the time was Blair, Bonner & Co.

W. K. ("Tip") Barclay, Jr., was Chairman in 1946. He was Philadelphia partner of Stein Bros. & Boyce. He served as President of the Philadelphia Stock Exchange in 1948-49.

AD-X2

The District Committee for Washington, D. C. had more than a passing interest in the dispute Sinclair Weeks, Secretary of Commerce, stirred up some time ago on the subject of the battery additive, AD-X2. The Committee was concerned because there was some question about the solvency of a member who had several hundred boxes of the stuff in his "inventory."

GOVERNOR



Earl M. Scanlan

"Scanny" Scanlan is one of the most earnest and hard-working dealers in the securities business and it was these virtues which won him election to the Board of Governors by his contemporaries in Denver and the mountain area he represents. He feels he can safely and quite properly present the views of the small dealer—and does so effectively. Residing not too far removed from the Will Rogers Memorial, he indulges happily a habit of the famous humorist, but no one has yet learned what brand of gum "Scanny" favors. His firm is Earl M. Scanlan & Co. and in his first year on the Board, "Scanny" was appointed to the important Legislation Committee.

Nuisance Plus

One of the charges incurred in completing transactions that should not be "reversed" is the expense of shipping. NASD offices have recently received complaints from members who found themselves on the paying end of a deal, contrary to practice and the rules of the Association. Sometimes, members say, paying the shipping cost is merely a nuisance, but that on occasions it is a "nuisance, plus."

Rule 22 of the Uniform Practice Code says: "Expenses of shipment, . . . shall be paid by the seller."

It is probably nothing more than carelessness when a member ships "collect," but it's at the least a source of irritation to the receiving member when it happens.

Cooperation

The effort mentioned in the last issue of the NEWS to eliminate duplicate examination work on the part of regulatory bodies and exchanges has been implemented by an arrangement to accomplish this cooperative end.

It has been agreed between the NASD, SEC, the New York exchanges, the regional exchanges and a vanguard of state commissioners that duplication of examinations is wasteful of money and manpower and can be avoided to a considerable extent by mutual understandings.

An arrangement has been worked out whereby the offices of the SEC will serve as a pool for information on dealers examined. Only the names of firms examined will go into the pool. None of the agencies will supply to any other any information on examinations themselves.

The purpose is to have available a source of information upon which each of the agencies can rely as to the time of a recent examination. It is nominally agreed that a dealer who has been examined within six months of the date of an inquiry would not be subject to "routine" re-examination. The only deviation from this general policy would be in the event of a public complaint or other knowledge indicating serious matters.

Complaint Work

At the May meeting of the Board of Governors, a District Chairman reported on conditions in his district as follows: "I became Chairman in January and at our first, very brief meeting, I congratulated the Committee on the fact that we had no business on the calendar. That was four months ago and things have changed. Now, we have eight complaints and there are three or possibly four more on their way. Meantime, we've disposed of fourteen informal complaints. In one case a complainant flew up from Florida and a sub-committee sat and heard the case from 3 p.m. to 11:30 that night with no break for supper—I think a sandwich was sent in."

GOVERNOR



George A. Newton

The Governor from St. Louis is a gentleman who, like Frank Hunter of Pittsburgh [see page 2] got into the securities business from the law business. George Newton is a partner of G. H. Walker & Co. with whom he became associated in 1946 after a stint in the Air Force during World War II. George was born in Denver where he lived until 1933 and graduated from the University of Colorado. He remembers being Cane Bearer for the class of 1933 and was letter man for three years in football and four in basketball. He's Phi Beta Kappa. He went to Harvard Law School and after graduating in 1936, joined a LaSalle Street law firm where he remained until Uncle Sam claimed his services in 1942. While in the service he had a year in the Trial Judge Advocate Department of the Western Flying Training Command and did contract termination work at Wright Field. He's a vestryman of his Church, a director of Episcopal Home for Children and has several civic assignments in addition, including Governor of the St. Louis Community Chest. George is in his first of a three-year term on the Board after serving on the District Committee.

Don't Forget!

All members should file new SEC Form "BD." See Page 1, Column 3.

Retirement Plan

The Board of Governors of the Association has approved a retirement plan for employees which becomes effective July 1.

The Association employs 50 in the Executive and fourteen District offices. Only regular, salaried employees are qualified for the plan.

The plan itself follows lines common to such programs. It becomes applicable to an employee after three years' continuous service and after he is 30 years of age; "normal" retirement date is 65 and retirement is compulsory at 70.

Terms of the plan provide that an employee retiring after twenty year's credited service and ten years participation in the plan will receive retirement compensation based upon 50% of the first \$300 of average monthly salary over the ten-year period preceding retirement, plus 35% of this average salary in excess of \$300. One-half of a retired person's primary social security benefit would be applied against the resulting total.

Contributions to the plan from revenues of the Association will be made to Bankers Trust Company of New York which will act as Trustee of the fund.

Group Insurance

The Association group life insurance plan rounded out six years of operation on April 30, 1954, at which time 780 firms and 5,735 lives were covered for \$30,203,800. Premiums paid totalled \$455,043, while death claims paid amounted to \$248,500.

Distribution of a 20% dividend, equal to two and a half months' premiums, is to be made shortly.

As of April 30, 1954, at the end of twenty-one months' operation, the group hospitalization and surgical expense plan covered 354 firms and 2,025 employees, of whom 944 elected to insure dependents.

NASD News

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