

PUBLISHED BY THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC., WASHINGTON, D. C.

Officers in 1956

**Frank Hunter,
Pittsburgh, Succeeds
Wood as Chairman**

Frank H. Hunter, partner of McKelvy & Company, Pittsburgh, has been nominated to be Chairman of the Board of Governors in 1956. He will succeed Harold E. Wood of St. Paul upon election at a meeting of the Board in January.

Other officers who will also assume their posts at that meeting are as follows:

Vice Chairmen

H. Warren Wilson, Vice President and Director, Union Securities Corporation, New York;

George A. Newton, Partner, G. H. Walker & Co., St. Louis;

Treasurer

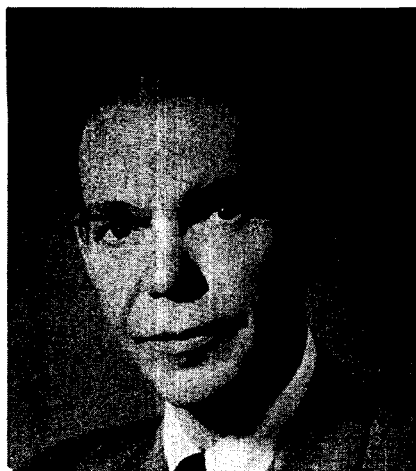
G. Price Crane, Partner, Arnold & Crane, New Orleans;

Executive Director

Wallace H. Fulton,
Washington, D. C.

The new Chairman-to-be, Frank Hunter, is a product of Amherst College and the University of Pitts-

VICE CHAIRMAN



H. Warren Wilson

CHAIRMAN



Frank H. Hunter

burgh where he got his L.L.B. degree. He practiced law for a year and a half after receiving his degree, joined McKelvy in January, 1929.

He was elected to the Board of Governors in 1953 while serving as Chairman of District Committee No. 12. He took his place on the Board in January, 1954. During 1955, Frank served as Chairman

(Continued on P. 3, Col. 2)

By-Law Changes

**Members Approve
Examination and
Experience Plan**

NASD members have overwhelmingly voted to change the Association By-Laws and Rules of Fair Practice to require all applicants for membership in the Association or for registration as registered representatives of members to take qualification examinations unless they have had at least one year's experience in the securities business.

The Board of Governors has declared the qualification program effective as of June 1, 1956, so that the Executive office may have time to prepare the questions to be used in the examinations and make the necessary arrangements for conducting them.

Also included in the favorable balloting were certain technical changes in the By-Laws and Rules and a new definition of branch offices, which is effective as of November 15, 1955. This latter will require registration by all such offices—now defined as any office other

(Continued on P. 2, Col. 2)

VICE CHAIRMAN



George A. Newton

INSIDE Stories

"Silver Threads" . . . a story about average age of people in the business . . . P. 4

"Fails" . . . How some members meet problem of "fails to deliver" . . . P. 2

"Oil Royalty Markups" . . . 5% policy applies . . . P. 4

Also items on the Breakpoint in Mutual Fund Sales . . . Gifts to Minors . . . Fulbright Bill . . . Signature Guarantees.

Group Insurance

More Join NASD Life,
Hospital Plan; Pay 20%

On September 1, 1955, participation in the NASD Group Life Insurance Plan reached a new high, with 850 firms enrolled and 6,898 lives covered in the total amount of \$59,438,050. This represents a total increase of \$3,713,050 during the four months ended August 31. The gain is attributed to the new increased schedule of insurance for persons age 66 and over, the steady growth in the number of persons employed by already-participating firms and the addition of five new firms to the Plan.

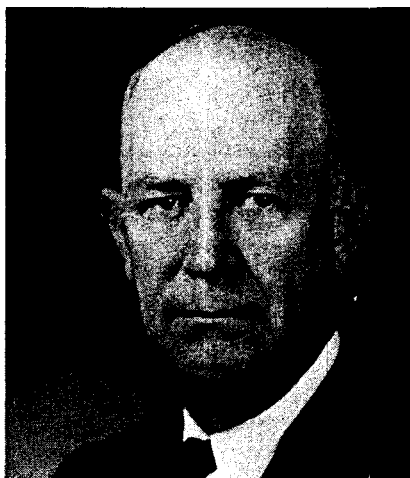
On July 1, dividends amounting to \$185,765, representing 25% of gross premiums, were paid to member firms participating as of April 30, the last day of the policy year. The Trustees' letter of transmittal pointed out that this substantial dividend was the result of an unusually favorable claim experience during the previous twelve months.

During the first four months of the current policy year, death claims have been high, and on August 31, claims amounting to \$282,000 had been paid. The current epidemic of large claims (principally in Class 4, covering Officers, Partners and Proprietors) may reasonably be expected to recede in the near future.

As of September 1, the Group Hospitalization Program embraced 397 firms covering 2,398 employees of which 1,083 have elected to insure their dependents. This is another new high for participation and compares with 356 firms covering 2,124 employees and 949 with dependent coverage on the same date in 1954.

At the end of its third year of operation, the Group Hospitalization Plan reports substantially improved claim experience. Preliminary estimates of claims for the year ending July 31, 1955, indicate a probable ratio of claims incurred to premiums paid of approximately 69%. This is an excellent ratio for a plan of this type and, if continued, should be reflected either in broader coverage or lower net costs to participating firms.

TREASURER



G. Price Crane

By-Laws

(Continued from P. 1)

than the main office of the member where any business is transacted—in the District of its location.

Details of the vote on the amendments show over 61% of the membership cast ballots, the highest proportionate rate ever recorded on any proposal submitted to the members. Not only were the total ballots cast well in excess of those necessary to make the voting official, but all the amendments received approving votes from well above 50% of the membership.

This can be credited in large part to thorough consideration by the Board, advance notices that these matters were under consideration, information conveyed as to direction of the Board's thinking, and the effort to present the appropriate material in as clear a manner as possible.

The amendments now have been submitted, as is required, to the Securities and Exchange Commission.

There remains the considerable task of preparing and assembling the list of questions which will be used in the examinations required to be taken by those entering the business who lack the experience qualification. Assistance is being given by members of the Board, District Committees and Secretaries, as well as the business school of a leading university. It is hoped that the list can be distributed early next Spring.

Fails! (cont'd.)

Some Members Find
Buy-Ins Only Answer

"There has been a definite increase in the number of executed buy-ins during the past couple of months."

Thus reported the Chairman of the National Uniform Practice Committee at the last meeting of the Board. Further, the report said: "This may indicate that many members feel that the only possible way to get action on fails of long-standing is to avail themselves of Section 59 of the Uniform Practice Code."

Fails-to-deliver are not a new problem in the over-the-counter market, but they have become acute in the past year due to greater volume, "back-office" difficulties, higher proportion of odd-lot transactions, conflicting state transfer laws.

NASD members have their remedy for this situation through recourse to a buy-in where a transaction has not been completed by the seller according to the terms of the transaction. However, unilateral action by a member cannot be taken, the committee warned. The Uniform Practice Code has no provision for cancellation by one party.

A second problem was touched upon in the report to the Board: Many members, it said, are not sending out confirmations on the buy-side of a contract. This not only makes it impossible to compare the trade properly, but contributes to many unnecessary errors that cost members money.

Break-Point

The Investment Companies Committee of the Board of Governors has advised the latter that it is preparing to study, with the staff of the SEC, "the whole question of discount pricing of investment company shares." Involved, the Committee said, would be "consideration of means to end discrimination and misuse of the break-point system as well as the failure to disclose the availability of discounts in circumstances where they properly should be applied."

Letters

Editor, NASD News

"On behalf of the LaSalle Street Cashiers' Association I would like to present the following for your consideration:

Many corporations, whose securities are traded in both the listed and unlisted markets, do not advise the financial services of action taken at their board meetings in regard to dividends declared, changes in par value, stock splits and capital changes. Dividends are declared . . . where the record date is made the day of the meeting or one or two days later . . . Late announcements of information like this always cause considerable confusion with regard to dividends, ex-dates, claims, etc.

I know of one specific case where a local bank paid several hundred dollars more than they should have on the transfer of some stock where the par value had been reduced, but the fact was not published in the services . . .

. . . a considerable service would be done if all corporation secretaries could be apprised of this problem . . . I believe most corporation secretaries would cooperate on this if they were aware of the problem of dealers who handle their securities. I am also sure that all the banks and brokers would be greatly appreciative . . ."

Very truly yours,

Roy E. Campbell, Secretary.
Ed. Note. The NEWS has regularly called upon members to bring this problem to the attention of corporation officials with whom they are in touch. It is glad to bring the problem to members' attention again in the hope that further progress can be made in eliminating this needless cause of disturbance to established business practices.

Gifts to Minors

Making gifts of securities to minors has been simplified and made less costly in eight States over the past few years and ten State legislatures will have bills before them at their sessions starting in January to afford even wider use of this means for providing common stock trust funds for children.

Officers

(Continued from P. 1)

of the National Business Conduct Committee, an assignment where his legal background served the Association well. Disposal of complaints pending against members—one of the largest totals in the life of the Association—will be a major task of the Board in 1956.

"Red" Wilson, one of the new vice chairmen, can look back upon more than thirty years in the investment business, during which he has served the business in many roles, including three years on the District Committee in New York, two as chairman. "Red" started his Wall Street career with Dillon, Read in 1922, went to Edward B. Smith & Co. in 1927, to Smith, Barney in 1938 and since 1944 has been with Union.

George Newton is a transplanted native of Colorado where he was born in 1911. After graduating from the University of Colorado in 1933 (Phi Beta Kappa), he went on to the Harvard Law School where he got his degree in 1936. George spent six years thereafter with a LaSalle Street law firm, entered military service in 1942 and upon his discharge in 1946 became a partner of the Walker firm in its St. Louis office. He served a three-year term on NASD District Committee No. 7, one as chairman.

Price Crane is a native of New Orleans and a graduate of Loyola University of that city. His first job was as a stenographer for the New York Central Railroad. He entered the securities business in 1936 as a salesman with Moore & Hyams. In 1941, he formed Glas & Crane, ten years later joined forces with Weil and Arnold to form Weil, Arnold & Crane. His present firm was organized in 1952. He also saw service on the District Committee (No. 9) before coming to the Board of NASD in January, 1954.

Wally Fulton embarks on his seventeenth year as the chief administrative official of the Association. As a matter of fact, his service record goes back to 1936 when he went to Washington as Director of the Investment Bankers Confer-

EXECUTIVE DIRECTOR



Wallace H. Fulton

ence, Inc., one of the predecessors of NASD. A native of California, Wally got into the investment service field in 1924 as a statistician with Walker's Manual in San Francisco. He became its president in 1930. In 1933-34, he was Secretary of the Securities Dealers Association in San Francisco and he then was appointed Secretary of the NRA Regional Code Committee, after which he was director of compliance of the National Code Committee.

Fulbright Bill

At the last meeting of the Board of Governors, copies of the new Fulbright Bill (S. 2054), as well as comments on it by the SEC, speeches by NASD Chairman Wood and SEC Commissioner Orrick, were studied. In essence, the Fulbright Bill would require every issuer with assets in excess of \$2,000,000, 750 stockholders or \$1,000,000 of debt securities to file a registration statement with the SEC and file periodic information and reports as required of listed companies. The Association has stated its opposition to such amendment of the Securities Exchange Act of 1934 and the Board of Governors will continue to present this stand before the Congress in any further hearings on the Bill.

Silver Threads

**Average Age of
Partners, Officers, 53;
Salesmen, 48**

It will come as no surprise to those who have spent any time in the securities business that more new young blood is needed.

A recent survey by the Association disclosed that the average age of active officers, partners and proprietors among members is now 53, and that registered representatives of members average out at 48 years.

Breakdown of the age statistics showed that 29 per cent of officers, partners and proprietors were under 50; the same percentage of registered representatives were under 40.

The age study was made from a sample of 844 member firms with a total personnel of 6,516—participants in the Association's life insurance program.

Against the average age of 48 for securities salesmen, one large office equipment firm, for instance, gives 32 as the average age of its "field salesmen."

Members of the insurance industry's "Million Dollar Round Table" average 47, it is reported. But importance of recruitment is brought home in some figures of one large life insurance company: the average age of 232 newly-employed salesmen was 32 in 1954; the composite average age of all salesmen of the company, 42.

The survey seems to bear out the belief of many in the business that more younger people must be brought into the securities business if it is to be maintained in a competitive position with sales organizations in other types of business.

Some other interesting comparisons are made in the survey. For instance:

The average age of personnel for Association members generally and for a large NASD member firm that is also a member of the New York Stock Exchange shows that in both groups almost half the personnel are over 50 years old. Moreover, only nine percent of registered representatives in the NASD sample are under 30, only 29 percent under 40, and

the largest percentage falls in the 50- to 59-year-old bracket.

Among registered representatives, women in the business are running to about the same age brackets as men—by far the largest numbers are in the 40-49 and 50-59 years of age groups—and the same is true as to actively employed women who are officers, partners and individual proprietors.

Still Growing

Another new high in NASD membership was recorded in October, when the total reached 3430 firms. The increase during the year has been about 8 percent, or an average of one new member every business day. Through Oct. 31, 378 new applications for membership have been processed and 152 firms have terminated their membership in the Association. The overall increase in NASD membership during the past ten years has been about 1100 members.

Signature Guarantees

Central Maine Power Company, in a recent offering of rights to stockholders, won the gratitude of many dealers when it specified that a signature assigning purchase warrants could be guaranteed by "a member of the National Association of Securities Dealers." Too few companies have in the past acknowledged the responsibility the dealer has in bringing rights offerings to successful conclusions by providing that signature guarantees from the dealer as well as by a bank would satisfy this requirement.

Carl Stolle, a former Chairman of the NASD, believes dealers should bring this action of the Central Maine Power Company to the attention of other issuers, particularly utilities, with a view toward obtaining more general employment of dealer signature guarantees.

NASD News

Published periodically by the Board of Governors under the supervision of the Information Committee
GEORGE F. NOYES, *Chairman*
Editor, JAMES P. CONWAY
1625 K St. N.W. Washington, D. C.

Oil Royalty Mark-Ups

**5% Policy Applies,
Board of Governors'
Statement Says**

Having in mind that the Securities Acts include oil royalties within their definition of a "security," the Board of Governors has announced that royalties are subject to the 5% mark-up policy of the Association. The Board's position was set forth in the following excerpt from a resolution adopted at a recent meeting:

"It is the opinion of the Board of Governors that transactions in such securities are equally subject to the Policy previously announced as are any other securities handled in the over-the-counter market.

"Under the Securities Act of 1933 and the Securities Exchange Act of 1934, oil royalties, among others, are defined as securities.

"Any difference of treatment as to mark-up by members, or by Business Conduct Committees of the Association evaluating such transactions, must lie in the circumstances surrounding the transaction and not in the type of security itself. Therefore, when a particular transaction in an oil royalty security is handled in essentially the same way as a transaction in any other security, where the purchases and/or sales are substantially contemporaneous and without substantial risk, then the mark-up to which a member may reasonably be entitled, under the provisions of Sections 1 and 4 of Article III of the Association's Rules of Fair Practice, must be in line with the mark-up policy as applied to other securities transactions."

The necessity for this interpretation grew out of a decision of the U. S. Court of Appeals for the Second Circuit in which the Court upset an NASD expulsion (upheld by the SEC) because it found that the Association had not previously warned the member, in connection with an examination, that 50% mark-ups on oil royalties violated the Rules of Fair Practice.