

- d. If there are differences in the amount or scope of on-the-job training given particular salesmen, depending on the sales offices for which they are hired, or upon other factors, state briefly the nature of these differences.

- 17. If your firm gives classroom training to persons hired as salesmen, state the number of:

- a. Weeks the program lasts _____

- b. Hours per week devoted to classroom training _____

- c. Approximate total hours of classroom training devoted to each of the following subjects:

- i. accounting and corporation finance _____

- ii. security analysis and interpretation of financial statements _____

- iii. industry, economic, and market analysis _____

- iv. operation of the securities markets _____

- v. back office procedures _____

- vi. standards of conduct for salesmen _____

- vii. federal securities laws, state laws, and rules of the exchanges and the NASD _____

- viii. prospecting for customers and selling techniques _____

- ix. others; specify: _____

- d. If there are differences in the amount or scope of classroom training given particular salesmen, depending on the sales offices for which they are hired, or upon other factors, state briefly the nature of these differences.

18. a. If your firm requires that persons hired as salesmen successfully complete certain correspondence courses, or courses given by local schools, specify those schools and courses.

	<u>Correspondence Schools</u>	<u>Courses</u>
i.	_____	_____
ii.	_____	_____
iii.	_____	_____
iv.	_____	_____

	<u>Local Schools</u>	<u>Courses</u>
i.	_____	_____
ii.	_____	_____
iii.	_____	_____
iv.	_____	_____

- b. If there are differences in the amount or scope of correspondence school courses or courses at local schools required of particular salesmen, depending on the sales offices for which they are hired, or upon other factors, state briefly the nature of these differences.

19. a. Indicate, in the appropriate spaces, the times when your firm usually permits persons hired as salesmen primarily of mutual funds, who have had no prior experience in the securities business, to take the following qualifying examinations:

	As Soon as <u>They Wish</u>	After Com- pletion of Training <u>Program</u>	After a Certain Number of <u>Months (Specify)</u>
(Check appropriate boxes)			
i. NASD Examination	[]	[]	_____ months
ii. NYSE Limited Regis- tration Examination	[]	[]	_____ months
iii. NYSE General Stock Examination	[]	[]	_____ months
iv. Other exams; specify:			
_____	[]	[]	_____ months
_____	[]	[]	_____ months
_____	[]	[]	_____ months

b. Indicate, in the appropriate spaces, the times when your firm usually permits persons hired as salesmen not primarily of mutual funds, who have had no prior experience in the securities business, to take the following qualifying examinations:

	As Soon as <u>They Wish</u>	After Com- pletion of Training <u>Program</u>	After a Certain Number of <u>Months (Specify)</u>
(Check appropriate boxes)			
i. NASD Examination	[]	[]	_____ months
ii. NYSE Limited Regis- tration Examination	[]	[]	_____ months
iii. NYSE General Stock Examination	[]	[]	_____ months
iv. Other exams; specify:			
_____	[]	[]	_____ months
_____	[]	[]	_____ months
_____	[]	[]	_____ months

20. Indicate, in the appropriate boxes, the times when persons hired as salesmen, with no prior experience in the securities business, are permitted by your firm to make sales to the public (excluding sales made with a supervisor present as part of training):

	Salesmen Primarily of <u>Mutual Funds</u>	All Other <u>Salesmen</u>
	(Check appropriate boxes)	
a. As soon as they pass NASD Examination	[]	[]
b. As soon as they pass NYSE Limited Registration Examination	[]	[]
c. As soon as they pass NYSE General Stock Examination	[]	[]
d. After completion of training program	[]	[]
e. Other times; specify:		
_____	[]	[]
_____	[]	[]
_____	[]	[]

(Name of Firm)

PART IV

Supervisory Practices

21. Indicate which of the following practices your firm had in operation as of April 1, 1962:

a. Internal "surprise" audits: Of Home Office Of Each Sales Office
(Check appropriate boxes in each column)

- | | | | |
|--|-------|-------|--|
| i. conducted less often than once a year | [] | [] | |
| specify how often | _____ | _____ | |
| ii. conducted once a year or more often | [] | [] | |
| specify how often | _____ | _____ | |

b. Review of each sales office's transactions:

- | | <u>Monthly</u> | <u>Weekly</u> | <u>Daily</u> | <u>At Other Intervals (Specify)</u> |
|--|----------------|---------------|--------------|-------------------------------------|
| i. by sales office managers | [] | [] | [] | _____ |
| ii. by division or regional managers | [] | [] | [] | _____ |
| iii. by other persons; specify below: | | | | |
| _____ | [] | [] | [] | _____ |
| _____ | [] | [] | [] | _____ |
| _____ | [] | [] | [] | _____ |
| iv. Are data processing runs of customers' transactions available for such review? | | | | |
| Yes | [] | No | [] | |

c. Review, by one or more supervisors, partners or officers in a sales office, of transactions:

	<u>Monthly</u>	<u>Weekly</u>	<u>Daily</u>	<u>At Other Intervals (Specify)</u>
	(Check appropriate boxes)			
i. in each customer's account	[]	[]	[]	_____
ii. in accounts of particular customers; describe:				
_____	[]	[]	[]	_____
_____	[]	[]	[]	_____
iii. completed by each salesman	[]	[]	[]	_____
iv. completed by particular salesman; describe:				
_____	[]	[]	[]	_____
_____	[]	[]	[]	_____
v. Are data processing runs of customers' transactions available for such review?				
	Yes []	No []		

d. Review, by one or more supervisors, partners or officers, of the personal transactions of:

	<u>Monthly</u>	<u>Weekly</u>	<u>Daily</u>	<u>At Other Intervals (Specify)</u>
	(Check appropriate boxes)			
i. salesmen	[]	[]	[]	_____
ii. salesmen's families and close relatives	[]	[]	[]	_____
iii. other employees	[]	[]	[]	_____

e. Review, by one or more supervisors, partners or officers, of correspondence between salesmen and customers, or prospective customers, through:

	<u>Some Correspondence</u>	<u>All Correspondence</u>
	(Check appropriate boxes)	
i. reading or initialing incoming mail	[]	[]
ii. reading or initialing outgoing mail	[]	[]
iii. sending out mail over signature of a supervisor	[]	[]

 (Name of Firm)

PART V

Selling Policies and Procedures

22. Indicate which of the following policies and procedures your firm had in operation as of April 1, 1962:

	<u>Yes</u>	<u>No</u>
a. Requirement that inexperienced salesmen's orders be initialed by a supervisor	[]	[]
b. Requirement that salesmen mark all orders as "solicited" or "unsolicited", with the following exceptions:	[]	[]

c. Requirement that salesmen restrict recommendations to securities:		
i. on a list approved by the firm	[]	[]
ii. not on a list of disapproved securities	[]	[]
iii. in certain general categories; specify:	[]	[]

iv. selected through other criteria; specify:	[]	[]

d. Prohibition against salesmen's handling unsolicited orders for securities:

	<u>Yes</u>	<u>No</u>
i. not on a list approved by the firm	[]	[]
ii. on a list of disapproved securities	[]	[]
iii. in certain general categories; specify:	[]	[]

iv. selected through other criteria; specify:	[]	[]

e. Limitation on handling of discretionary accounts:

i. allowed for all salesmen, without restriction	[]	[]
ii. allowed, but limited to certain salesmen; specify categories of salesmen	[]	[]

iii. allowed only in home office	[]	[]
iv. allowed, subject to following restrictions:	[]	[]

v. not allowed	[]	[]

f. Limitation on telephone solicitations for sale of particular securities to:

	<u>Yes</u>	<u>No</u>
i. existing customers of firm	[]	[]
ii. individuals personally known to salesmen	[]	[]
iii. individuals who have previously contacted firm	[]	[]
iv. other limitation; specify:	[]	[]

v. no limitation	[]	[]

23. Indicate which of the following activities are permitted on the part of salesmen:

	<u>Salesmen Primarily of Mutual Funds</u>	<u>All Other Salesmen</u>
	(Check appropriate boxes)	
a. Sale of insurance (other than contractual plan completion insurance)	[]	[]
b. Evaluation of individual securities for a customer	[]	[]
c. Analysis of a customer's portfolio	[]	[]
d. Analysis of federal income tax consequences of particular securities transactions	[]	[]
e. Analysis of estate, inheritance, or gift tax consequences of particular securities transactions	[]	[]
f. Evaluation of a customer's allocation of capital investments	[]	[]
g. Estate planning	[]	[]
h. Financial planning	[]	[]

24. Describe briefly what special measures, if any, are taken by your firm to prevent each of the following practices from occurring:

a. Manipulation of security prices

i. by a salesman or salesmen

ii. by a customer or customers

b. Recommendations of security transactions which are not suitable for a particular customer

c. Misleading representations to customers

d. Unauthorized trades (where no discretionary power has been given)

e. Embezzlement or conversion by salesmen

f. Churning of customers' accounts

g. Solicitations by salesmen of redemptions by mutual fund shareholders

h. "Day" or "daylight" trades and other similar evasions of Regulation T

APPENDIX II-C

QUESTIONNAIRE STS-2

**SCREENING AND TRAINING OF SALESMEN AND SUPERVISORS,
AND SUPERVISION OF SALES EMPLOYEES
BY SMALLER REGISTERED BROKER-DEALERS**



SPECIAL STUDY OF
SECURITIES MARKETS

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON 25, D.C.

April 16, 1962

Gentlemen:

Under the provisions of Public Law 87-196, approved by the President on September 5, 1961, the Securities and Exchange Commission is authorized and directed to make a study and investigation of the securities markets and of the rules which govern them. The Commission has adopted an order authorizing the members of its staff who are assigned to the Special Study of Securities Markets to conduct the investigation.

There is attached a questionnaire which is being sent to a representative group of firms employing fewer than 15 salesmen and also to some firms employing more salesmen but having no branch offices. Your firm has been selected as one of the group. In addition to basic background data, the questionnaire asks for certain information relating to the way in which your firm selects its sales employees and supervisors, its program for training inexperienced sales employees, and its policies and practices for supervising employees' dealings with the public. You will notice that Question 1 asks for certain financial data on the operations of your firm. The information requested is intended to be used for statistical and analytical purposes only, and will be treated in a confidential manner, without public identification of your firm.

The fact that you have received this questionnaire should not be construed as a reflection upon your firm or anyone connected with it. Nor should any question about a particular policy or practice of your firm be construed to mean that it is or is not deemed by the Commission to be lawful, proper, or otherwise desirable.

Your cooperation in providing full and careful answers to all of the questions will be of great assistance to the Commission in carrying out the mandate of the Congress.

Sincerely yours,

Milton H. Cohen
Director

Form STS-2

Budget Bureau Approval
No. 71-6207

SPECIAL STUDY OF SECURITIES MARKETS

Securities and Exchange Commission
Washington 25, D. C.QUESTIONNAIRE

Name of Firm _____

Address of Main Office _____

INSTRUCTIONS

You are requested to answer all questions, covering all offices of your firm, except as otherwise indicated in the questions. Particular attention should be paid to the way in which certain terms are defined for the purposes of this questionnaire. If the space provided for any answer is insufficient, the complete answer should be prepared on a separate sheet to be attached to the questionnaire and identified as "Answer to Question ____". To insure accuracy in the responses, many questions contain a category labeled "other; specify". You are urged to make full use of these spaces to make your answers complete. If all or part of a question is clearly not applicable to your firm, you may insert the symbol "NA."

Your attention is directed to the provisions of Title 18, United States Code, Section 1001, which makes it a criminal offense to submit false information to an agency of the federal government.

Return of the questionnaire and inquiries concerning it should be directed to Frederick Moss, Room 131B, at the above address (telephone: 202-WO2-5041). All questionnaires should be received no later than May 14, 1962. Requests for extensions of time will be considered in unusual circumstances, but such requests must be received no later than May 7, 1962.

DEFINITIONS

Principal: Any proprietor of a sole proprietorship, any general or any limited partner of a partnership, or any beneficial owner of 10% or more of the voting stock of a corporation.

- Supervisor: Any person with responsibility for overseeing the conduct of salesmen, whether or not such person also deals directly with the public in handling orders for the purchase or sale of securities (including, but not limited to, managers and assistant managers of sales offices, and excluding principals).
- Salesman: Any person, other than a principal or supervisor, who engages in selling activities.
- Selling Activities: Dealing directly with members of the public in handling orders for the purchase or sale of securities.
- On-the-job Training: A systematic program of education through observation of and participation in the actual operations of your firm.

(Name of Firm)

PART I

Organization and Business of the Firm

1. State the approximate amount of gross income (gross commissions, fees, trading profits, etc., not dollar value of transactions) derived from transactions handled by your firm during its most recent fiscal year*, ending on or prior to March 31, 1962, with respect to each of the following:

a. Securities (other than mutual funds and government and municipal bonds) sold to the public by your firm as a member of an underwriting syndicate or selling group.

\$ _____

b. Mutual funds

i. sales of contractual plans

\$ _____

state total (face amount) of contractual plans sold (not to be included in total below) \$ _____

ii. sales other than of contractual plans (cash sales)

\$ _____

c. Corporate securities (other than mutual funds)

i. stocks traded on exchanges

\$ _____

ii. stocks traded over the counter

\$ _____

iii. bonds

\$ _____

d. Other securities; specify principal types;

_____ \$ _____

_____ \$ _____

Total: \$ _____

* Specify fiscal year: Year ending _____.

2. Provide the following information concerning the principals* in your firm:

	<u>Name</u>	<u>Primary Occupation</u>	<u>Position With Firm</u>	<u>Percentage of Time Devoted to Firm Business</u>
a.	_____	_____	_____	_____
b.	_____	_____	_____	_____
c.	_____	_____	_____	_____
d.	_____	_____	_____	_____
e.	_____	_____	_____	_____
f.	_____	_____	_____	_____

3. State the numbers of persons in your firm (including principals and employees) who, on April 1, 1962, were:

	<u>Engaged in Some Selling Activities**</u>	<u>Not Engaged in Selling Activities</u>
a. Principals with specific responsibility for overseeing the conduct of salesmen**	_____	_____
b. Principals who did not engage in supervision	_____	_____
c. Supervisors**	_____	_____
d. Salesmen:	<u>Primarily of Mutual Funds</u>	<u>All Other Salesmen</u>
i. full-time salesmen	_____	_____
ii. full-time employees who were part-time salesmen	_____	_____
iii. salesmen who were part-time employees	_____	_____
e. Other employees	_____	_____

* See Definitions, page 1
 ** See Definitions, page 2.

4. Provide the following data for your firm:

	<u>Salesmen Primarily of Mutual Funds</u>	<u>All Other Salesmen</u>
a. Number of salesmen working on straight commission basis	_____	_____
b. Number of salesmen working on straight salary basis	_____	_____
c. Number of salesmen working on a salary plus commissions or draw against commissions	_____	_____
d. Approximate yearly earnings (including bonuses and other types of compensation) of average supervisor	_____	
e. Approximate percentages of salesmen with annual earnings (including bonuses and other types of compensation) of		
i. less than \$ 1,000	_____	_____
ii. \$ 1,001 to \$ 5,000	_____	_____
iii. \$ 5,001 to \$10,000	_____	_____
iv. \$10,001 to \$15,000	_____	_____
v. \$15,001 to \$25,000	_____	_____
vi. \$25,001 or more	_____	_____

5. a. Indicate the form and amount of compensation you generally pay to a salesman primarily engaged in selling mutual funds: *

	<u>During Training</u> <u>Period, If Any</u>	<u>At End of</u> <u>Training Period</u>	<u>After Fifth</u> <u>Year of</u> <u>Selling</u>
(Check one box in each column)			
i. Salary only	[]	[]	[]
Amount of salary per month	\$ _____	\$ _____	\$ _____
ii. Commissions only	[]	[]	[]
Rate of commission: (as percent of firm's gross commission)*	\$ _____	\$ _____	\$ _____
iii. Salary plus commissions or draw against commissions	[]	[]	[]
Amount of salary () or draw () per month (Check appropriate description)	\$ _____	\$ _____	\$ _____
Rate of commission (as percent of firm's gross commission)*	_____ %	_____ %	_____ %
iv. Other types of compensation; specify:			
_____	[]	[]	[]
_____	[]	[]	[]

* If your firm pays significantly different forms or amounts of compensation to salesmen, depending on such factors as production records of particular salesmen, types of funds sold, or whether on contractual plans or not, state briefly the principal variations:

5. b. Indicate the form and amount of compensation you generally pay to a salesman not primarily engaged in selling mutual funds:*

	During Training Period, if Any	At End of Training Period	After Fifth Year of Selling
(Check one box in each column)			
i. Salary only	[]	[]	[]
Amount of salary per month	\$ _____	\$ _____	\$ _____
ii. Commissions only	[]	[]	[]
Rate of commission (as percent of firm's gross commission)*	_____ %	_____ %	_____ %
iii. Salary plus commis- sions or draw against commissions	[]	[]	[]
Amount of salary () or draw () per month	\$ _____	\$ _____	\$ _____
(Check appropriate description)			
Rate of commission (as percent of firm's gross commission)*	_____ %	_____ %	_____ %
iv. Other types of compensation; specify:			
_____	[]	[]	[]
_____	[]	[]	[]

* If your firm pays significantly different forms or amounts of compensation to salesmen, depending on such factors as production records of particular salesmen or the types of securities involved, state briefly the principal variations:

6. Indicate on which of the following bases the majority of your firm's supervisors are paid:

- a. Salary []
- b. Commissions from their own customers' accounts []
- c. Percentage of profits or gross sales of sales office () or firm () []
(Check appropriate source)
- d. Combination of a and b above
- e. Combination of a and c above []
- f. Combination of b and c above []
- g. Combination of a, b, and c above []

7. a. In its most recent fiscal year, did your firm pay a share of its profits to any of its employees in the form of bonuses?

Yes [] No []

b. If your answer was "yes", state the approximate percentages which such bonuses constituted of total annual compensation received by the following classes of employees:

- i. salesmen _____ %
- ii. supervisors _____ %
- iii. other employees _____ %

c. With respect to public offerings in which your firm participated as an underwriter or selling group member in its most recent fiscal year, did your firm allot to any salesmen or supervisors either (1) warrants or options to purchase any of the securities offered, or (2) offered securities at less than the public offering price?

Yes [] No []

d. If your answer was "yes", state briefly the basis for making such allotments:

 (Name of Firm)

PART II

Screening and Hiring of Salesmen and Supervisors

8. State the numbers of salesmen and supervisors (excluding those transferring within the firm from other types of positions) who joined or left your firm in 1961.

	<u>Joined Firm</u>	<u>Left Firm</u>
a. Salesmen	_____	_____
b. Supervisors	_____	_____

9. Indicate whether persons hired by your firm as salesmen or supervisors (excluding transfers from within the firm) are subject to any of the following background investigations:*

	<u>Salesmen</u>	<u>Supervisors</u>
	(Check appropriate boxes)	
a. Investigation by your firm	[]	[]
b. Investigation by New York Stock Exchange	[]	[]
c. Investigation by bonding company	[]	[]
d. Investigation by special outside agency	[]	[]
e. Other investigations; specify below:		
_____	[]	[]
_____	[]	[]

* If persons transferring within the firm to positions as salesmen or supervisors are subject to background investigations different from those described in your answers to questions 9 and 10, state those variations below:

10. Indicate which of the following types of background information are covered in the investigations checked in response to question 9 above: *

(Check appropriate boxes)

	<u>Salesmen</u>	<u>Supervisors</u>
a. Check of NASD records	[]	[]
b. Verification of current residence	[]	[]
c. Questioning of neighbors	[]	[]
d. Check of character references	[]	[]
e. Check of credit references	[]	[]
f. Verification of school references	[]	[]
g. Check for criminal record	[]	[]
h. Check with most recent employer	[]	[]
i. Check with other employers	[]	[]
j. Other types of checks; specify below:		
(i) _____	[]	[]
(ii) _____	[]	[]
(iii) _____	[]	[]
(iv) _____	[]	[]
(v) _____	[]	[]

11.a. Indicate whether your firm has minimum educational requirements for employment as a:

	<u>Yes</u>	<u>No</u>
i. salesman	[]	[]
ii. supervisor	[]	[]

b. If either answer to a was "yes", state the minimum requirements for:

- i. salesmen _____
- ii. supervisors _____

* See footnote on preceding page.

c. Indicate whether your firm has minimum requirements of experience in the securities business for employment as a:

	<u>Yes</u>	<u>No</u>
i. salesman	[]	[]
ii. supervisor	[]	[]

d. If either answer to c was "yes", state the minimum requirements for:

- i. salesmen _____
- ii. supervisors _____

12. Out of the total number of persons working for your firm as salesmen or supervisors on April 1, 1962, state the numbers who had the following experience in the securities business prior to joining your firm:

	<u>Salesmen Primarily of Mutual Funds</u>	<u>All Other Salesmen</u>	<u>Supervisors</u>
a. In excess of six months' experience	_____	_____	_____
b. Less than six months' experience	_____	_____	_____
c. No experience	_____	_____	_____
d. Of those who had in excess of six months' experience (a above), state the numbers whose experience consisted primarily of:			
i. selling mutual funds	_____	_____	_____
ii. selling securities other than mutual funds	_____	_____	_____
iii. working in research department	_____	_____	_____
iv. working in back office	_____	_____	_____
v. other	_____	_____	_____
Totals	=====	=====	=====

 (Name of Firm)

PART III

Training of Salesmen and Supervisors

13. Indicate, in each of the appropriate spaces, the numbers of persons working for your firm on April 1, 1962 as salesmen or supervisors who were given any of the types of training listed below after joining your firm:

	<u>Salesmen</u>	<u>Primarily</u>	<u>All</u>	<u>Other</u>
	<u>of Mutual</u>	<u>Funds</u>	<u>Salesmen</u>	<u>Supervisors</u>
a. On-the-job training* only	_____	_____	_____	_____
b. On-the-job training together with:				
i. required correspondence courses	_____	_____	_____	_____
ii. required courses in local schools	_____	_____	_____	_____
iii. combination of (i) and (ii) above	_____	_____	_____	_____
c. Other types of training (including combinations not covered in <u>b</u> above); specify:				
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
d. No training, except orientation to the firm	_____	_____	_____	_____

14. For those referred to in 13(d) above, as having been given no training, state the numbers of persons who received no training for each of the following reasons:

a. Registered representatives at time of hiring _____

* See Definitions, page 2.

- b. Not registered representatives, but had previous experience in the securities business
 - i. in excess of six months' experience _____
 - ii. less than six months' experience _____
- c. Had previous academic training for the securities business _____
- d. Other; specify:

15. If your firm gives on-the-job training to persons hired as salesmen or supervisors state the number of:

	<u>For Salesmen</u>	<u>For Supervisors</u>
a. Weeks the program lasts	_____	_____
b. Hours per week devoted to on-the-job training	_____	_____
c. Approximate total hours spent in each of the departments listed below:		
i. back office	_____	_____
ii. trading	_____	_____
iii. underwriting & syndicate	_____	_____
iv. research & portfolio analysis	_____	_____
v. mutual fund	_____	_____
vi. sales	_____	_____
vii. others; specify:		
_____	_____	_____
_____	_____	_____
_____	_____	_____

- d. If there are differences in the amount or scope of on-the-job training given particular salesmen, depending on the sales offices for which they are hired, or upon other factors, state briefly the nature of these differences:

16. a. If your firm requires that persons hired as salesmen or supervisors successfully complete certain correspondence courses, or courses given by local schools, specify those schools and courses.

	<u>Correspondence Schools</u>	<u>Courses</u>	<u>For Salesmen</u>	<u>For Supervisors</u>
i.	_____	_____	[]	[]
ii.	_____	_____	[]	[]
iii.	_____	_____	[]	[]
iv.	_____	_____	[]	[]

	<u>Local Schools</u>	<u>Courses</u>	<u>For Salesmen</u>	<u>For Supervisors</u>
i.	_____	_____	[]	[]
ii.	_____	_____	[]	[]
iii.	_____	_____	[]	[]
iv.	_____	_____	[]	[]

- b. If there are differences in the amount or scope of correspondence school courses or courses at local schools required of particular salesmen or supervisors, state briefly the nature of these differences.

17. Indicate, in the appropriate boxes, the times when persons hired as salesmen, with no prior experience in the securities business, are permitted by your firm to make sales to the public (excluding sales made with a supervisor or principal present as part of training):

	Salesman	
	<u>Primarily of</u>	<u>All Other</u>
	<u>Mutual Funds</u>	<u>Salesmen</u>
	(Check appropriate boxes)	
a. As soon as they pass NASD Examination	[]	[]
b. As soon as they pass NYSE Limited Registration Examination	[]	[]
c. As soon as they pass NYSE General Stock Examination	[]	[]
d. After completion of training program	[]	[]
e. After a certain number of months; specify:		
_____	[]	[]
f. Other times; specify:		
_____	[]	[]
_____	[]	[]
_____	[]	[]

(Name of Firm)

PART IV

Supervisory Practices

18. Indicate which of the following practices your firm had in operation as of April 1, 1962:

a. Internal "surprise" audits:

(Check appropriate boxes)

i. conducted less often than once a year

[]

specify how often _____

ii. conducted once a year or more often

[]

specify how often _____

b. Review of firm's transactions:

	<u>Monthly</u>	<u>Weekly</u>	<u>Daily</u>	<u>At Other Intervals</u> (Specify) _____
	(Check appropriate boxes)			

i. by one or more principals

[]

[]

[]

ii. by one or more supervisors

[]

[]

[]

iii. by other persons; specify below:

[]

[]

[]

[]

[]

[]

c. Review, by one or more supervisors or principals, of transactions:

	<u>Monthly</u>	<u>Weekly</u>	<u>Daily</u>	<u>At Other Intervals</u> (Specify) _____
	(Check appropriate boxes)			

i. in each customer's account

[]

[]

[]

	<u>Monthly</u>	<u>Weekly</u>	<u>Daily</u>	<u>At Other Intervals</u> (Specify)
	(Check appropriate boxes)			
ii. in accounts of particular customers; describe:				
_____	[]	[]	[]	_____
_____	[]	[]	[]	_____
iii. completed by each salesman	[]	[]	[]	_____
iv. completed by particular salesmen; describe:				
_____	[]	[]	[]	_____
_____	[]	[]	[]	_____
 d. <u>Review, by one or more supervisors or principals, of the personal transactions of:</u>				
i. salesmen	[]	[]	[]	_____
ii. salesmen's families and close relatives	[]	[]	[]	_____
iii. other employees	[]	[]	[]	_____
 e. <u>Review, by one or more supervisors or principals, of correspondence between persons engaged in selling activities and customers, or prospective customers, through:</u>				
		<u>Some</u>		<u>All</u>
		<u>Correspondence</u>		<u>Correspondence</u>
		(Check appropriate boxes)		
i. reading or initialing incoming mail		[]		[]
ii. reading or initialing outgoing mail		[]		[]
iii. sending out mail over signature of supervisor or principal		[]		[]

 (Name of Firm)
PART VSelling Policies and Procedures

19. Indicate which of the following policies and procedures your firm had in operation as of April 1, 1962:

	<u>Yes</u>	<u>No</u>
a. Requirement that inexperienced salesmen's orders be initialed by a supervisor	[]	[]
b. Requirement that salesmen mark all orders as "solicited" or "unsolicited," with the following exceptions:	[]	[]

c. Requirement that salesmen restrict recommendations to securities:		
i. on a list approved by the firm	[]	[]
ii. not on a list of disapproved securities	[]	[]
iii. in certain general categories; specify:	[]	[]

iv. selected through other criteria; specify:	[]	[]

	<u>Yes</u>	<u>No</u>
d. Prohibition against salesmen's handling unsolicited orders for securities:		
i. not on a list approved by the firm	[]	[]
ii. on a list of disapproved securities	[]	[]
iii. in certain general categories; specify:	[]	[]

iv. selected through other criteria; specify:	[]	[]

e. Limitation on handling of discretionary accounts:		
i. allowed for all salesmen, without restriction	[]	[]
ii. allowed, but limited to certain salesmen; specify categories of salesmen:	[]	[]

	<u>Yes</u>	<u>No</u>
iii. allowed, subject to following restrictions:	[]	[]

iv. not allowed	[]	[]
f. Limitation on telephone solicitations for sales of particular securities to:		
i. existing customers of firm	[]	[]
ii. individuals personally known to salesmen	[]	[]
iii. individuals who have previously contacted firm	[]	[]
iv. other limitation; specify:		
_____	[]	[]
v. no limitation	[]	[]
20. Indicate which of the following activities are permitted on the part of salesmen:		
	<u>Salesman</u>	
	<u>Primarily of</u>	<u>All Other</u>
	<u>Mutual Funds</u>	<u>Salesmen</u>
	(Check appropriate boxes)	
a. Sale of insurance (other than contractual plan completion insurance)	[]	[]
b. Evaluation of individual securities for a customer	[]	[]
c. Analysis of a customer's portfolio	[]	[]

	<u>Salesmen Primarily of Mutual Funds</u>	<u>All Other Salesmen</u>
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(Check appropriate boxes)

- | | | |
|--|-------|-------|
| d. Analysis of federal income tax consequences of particular securities transactions | [] | [] |
| e. Analysis of estate, inheritance, or gift tax consequences of particular securities transactions | [] | [] |
| f. Evaluation of a customer's allocation of capital investments | [] | [] |
| g. Estate planning | [] | [] |
| h. Financial planning | [] | [] |

21. Describe briefly what special measures, if any, are taken by your firm to prevent each of the following practices from occurring:

a. Manipulation of security prices

i. by a salesman or salesmen

ii. by a customer or customers

b. Recommendations of security transactions which are not suitable for a particular customer

c. Misleading representations to customers

- d. Unauthorized trades (where no discretionary power has been given)

- e. Embezzlement or conversion by salesmen

- f. Churning of customers' accounts

- g. Solicitation by salesmen of redemptions by mutual fund shareholders

- h. "Day" or "daylight" trades and other similar evasions of Regulation T

- i. Referrals to non-regulated lenders (factors, etc.)

- j. Sharing in customers' profits or losses by salesmen

k. Rebating or splitting of commissions by salesmen

1. Distributions of securities for customers in violation of Securities Act of 1933

This is to certify that the information contained herein is true and correct.

Date: _____

Authorized Firm Signature

By: _____
Name of Proprietor, Partner,
or Officer

Title: _____