

Investors, Wall Street, America...

Moving Forward

As the economy, the capital markets, and investor attitudes improved, the securities industry continued to demonstrate its deep commitment to the investing public. Firms implemented significant reforms to ensure that the interests of clients—be they individuals, institutional investors, governments, or corporations—always come first.

SIA worked with legislators and regulators to cut taxes on dividends and capital gains, strengthen investor safeguards, promote capital markets, and encourage savings and investing.



We must
do what is
right for our
clients.

To Our Members,

The past year was marked by renewed optimism, but also by new challenges to investors' trust in our industry.

The economy showed remarkable strength this year, with the third quarter posting the best performance in 19 years. This growth was fueled by the enactment of significant cuts in the taxes that investors pay on capital gains and dividends, a goal that the Securities Industry Association worked hard with the White House and Congress to achieve. This measure is a significant step forward in helping all Americans to save and invest. Furthermore, it restores the "discipline of the dividend," exerting pressure on companies to adhere to rigorous corporate governance standards and accounting practices. The equity markets responded, with the Dow Jones Industrial Average and the NASDAQ Composite Index ending the year with gains for the first time since 1999.

As the markets improved, so did optimism about the investment climate, reaching the highest level in four years according to SIA's annual survey. Our success, though, in regaining public trust was limited. While satisfaction with financial advisers grew stronger over the past year, attitudes toward the industry remained about the same. Investors' top concerns included "accounting fraud at U.S. corporations" and "how corporations are governed."

It will take time to improve investor confidence, as each firm, executive, financial adviser, and employee undertakes a lengthy, introspective look to make sure that no stone is left unturned in addressing conflicts and unethical behavior. We must take the lead and do what we know is best for customers. We must commit the resources and sharpen our focus to ensure rigorous compliance.

This could not be more true than in addressing very troubling trading practices and insufficient disclosures by some mutual funds. We testified before Congress in support of major reforms, including a "hard close" to prevent late trading. We called for greater disclosures so that investors can more clearly understand a fund's performance and transaction fees. We worked closely with the Securities and Exchange Commission to ensure that investors' interests are well protected, implementing, for example, reforms to ensure that mutual-fund investors receive the fee discounts, or breakpoints, they deserve.

Improving the quality and integrity of research was another SIA priority. We provided more disclosures on research reports and strengthened the regulatory walls insulating research departments from any potential conflicts of interest. We also encouraged the SEC to impose stringent requirements on public companies to report timely, accurate financial information.

Congress increased the SEC's budget and eliminated bureaucratic red tape so that the regulator could hire more professionals quickly at market-level salaries. SIA sought both changes and worked aggressively for their approval.

Wall Street's preparedness for emergencies was another factor influencing investor confidence. Business continuity planning involving firms, markets, utilities, and regulators strengthened the industry's ability to operate during a crisis. These efforts were tested during the largest black-out in our nation's history. Backup power supplies, extensive coordination, and well-rehearsed emergency plans enabled trading to continue seamlessly.

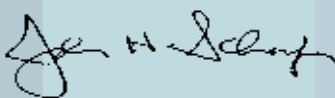
Investor and professional education programs were important industry initiatives, too. SIA's educational efforts were consolidated in a new foundation that is charged with raising the level of investor literacy in the United States. Our investor education Web site was renamed *Path To Investing*, and new features were added. New publications were provided online and in print, including one explaining how to protect yourself against identity theft. The Securities Industry Institute® offered more courses on ethics and corporate governance, as did other SIA programs targeted at branch managers. Our conferences and workshops helped legal and compliance executives learn about new regulations requiring implementation under tight deadlines.

Retirement reforms remained top SIA priorities. We made progress in our efforts as the House passed legislation that would improve employee access to financial advice given by the provider of the employer's retirement plan. Legislation to expedite the phase-in of increases in contribution limits on retirement and education savings programs also cleared the House. In both cases, these efforts failed in the Senate as the legislative clock ran out. SIA will press for enactment of these reforms in 2004.

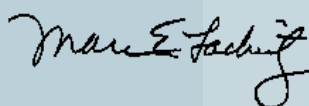
Our industry is stronger than a year ago, thanks in part to the hard work that you, as volunteers and supporters of SIA's many initiatives, undertook to develop and implement reforms that are in investors' best interests. We appreciate your efforts. We can and should be proud of what we do for our customers and our country. We have the largest and deepest capital markets in the world because of strong regulations that bolster investor confidence.

There have been failings. But in the end, there have been and will continue to be significant reforms. We must embrace these changes as we work to do what is right for *all* of our clients. If we abide by the letter and the spirit of the laws, regulations, and standards that govern us, then our customers will have greater confidence in us. It is our character, honor, and integrity that will continue to make the difference.

Sincerely,



John H. Schaefer
2003 Chairman



Marc E. Lackritz
President

**Our character,
honor, and
integrity make
the difference.**





Building Trust

4 |

Key Accomplishments*

Mutual-Fund Investor Safeguards

Breakpoint Task Force Reforms

Credible Financial Analysis

SEC Budget, Staff Increases

Business Continuity Planning

Straight-Through Processing

**New Stock Market Game
Program Partnerships**

Investor Challenge

Investor Education Foundation

Investors demanded reforms to address problems regulators detected in mutual-fund trading practices and corporate governance structures. SIA worked with the SEC, the self-regulatory organizations, and Capitol Hill to implement reforms to protect investors' interests. ■ Investors also sought better, more trustworthy financial information and analysis. The industry responded here, too, supporting Congress and the regulators in adopting tough laws and regulations to improve the quality and integrity of financial information provided by public companies. Broker-dealers broadened the disclosures made in their research reports and imposed more restrictions on analysts' behavior to avoid any potential for conflicts of interest. ■ A stronger SEC was also critical. SIA was instrumental in increasing the agency's budget and in ending the bureaucratic red tape that was slowing down the commission's ability to hire much-needed staff. ■ Education for industry professionals and investors continued to be a priority. Through a variety of programs, such as the Securities Industry Institute and the Branch Management Leadership Institute held at the Wharton School of the University of Pennsylvania, firms' senior employees stay abreast of regulatory and industry changes. SIA's online Continuing Education Resource Center helps firms start and manage ongoing training programs. ■ For investors, SIA offers the newly renamed Web site *Path To Investing*, a library of investor education brochures available in print or online, and The Stock Market Game Program™. ■ Another factor influencing investor confidence was Wall Street's preparedness for emergencies. When the largest power outage in U.S. history occurred, securities trading continued seamlessly. ■ SIA's efforts to achieve straight-through processing realized significant progress in streamlining institutional trades and improving the accuracy of corporate-action announcements. ■ As the economy regained strength and equity markets—stimulated by President George W. Bush's tax cuts—advanced, investor optimism rose. Investors continued to give high marks for the services provided by their broker/financial advisers, according to SIA's annual survey.



TO LEARN MORE, VISIT

www.sia.com/ar2003

President Bush Signs Pro-Investor, Pro-Growth Tax Reforms

Double taxation of dividends had reduced investors' returns and weakened corporate governance by diminishing the value of dividend payments to shareholders. After President Bush proposed ending the double tax, SIA launched a grassroots effort in support of the measure. More than 85,000 letters from employees and clients urged members of Congress to support the President. The association's research department provided studies to lawmakers, Treasury Department officials, and the news media that demonstrated the tremendous benefits to the economy and investors if the double tax were eliminated. SIA Chairman John H. Schaefer praised the President's proposal before a House committee. Media efforts, including interviews with SIA's President Marc E. Lackritz, supported those advocacy initiatives.

SIA's actions paid off. In late May President Bush signed into law the *Jobs and Growth Tax Relief Reconciliation Act of 2003*, which cut the top tax rate

on both dividend income and capital gains to 15 percent through 2008.

As a result, more than 900 companies increased their dividend payments in 2003. A total of 183 companies increased their dividends in July alone, the most since 1979. For companies that comprise the Standard & Poor's 500 Stock Index, the average dividend increase was 19.3 percent. If dividend payments increase another 10 percent in 2004, S&P estimates that shareholders could earn as much as \$54.8 billion more in 2004 than they did in 2002.

The new law, as Treasury Secretary John Snow summarized, has had a "profoundly positive effect on job creation, corporate accountability, and the well-being of all Americans."

President George W. Bush (center) with (from left to right) Commerce Secretary Donald L. Evans, Treasury Secretary John Snow, Senate Majority Leader Bill Frist, and Rep. Bill Thomas, chairman, House Ways and Means Committee



PHOTOGRAPH © DENNIS BRACK



Helping Investors

6 |

Key Accomplishments*

**Cuts In Dividends,
Capital Gains Taxes**

Progress In Pension Reforms

**Fair And Accurate
Credit Reporting Act**

Client Privacy Protections

**Defeat Of State Securities
Transaction Tax**

**Free Trade Agreements
With Chile, Singapore**

With the financial markets underperforming and the economy's outlook uncertain early in 2003, investors and the industry rallied around President George W. Bush's proposal to eliminate the double taxation of dividends. The effort resulted in significant cuts in tax rates on dividends and capital gains, giving equity markets a boost. Once those cuts were on the books, SIA helped member-firms educate their employees and clients about the benefits. ■ The association also obtained key implementation guidance from the Internal Revenue Service and the Treasury Department. But the work didn't stop there. The association encouraged lawmakers to eliminate the 2008 sunset provision on higher contribution limits for retirement and education plans. ■ Another important focus for SIA: Legislation that would enable employees to get advice at the workplace about their employers' retirement plans. While Congress failed to enact this much-needed reform, support for the proposal broadened, creating a strong foundation to gain passage in 2004. ■ Privacy protections also dominated the advocacy agenda. SIA achieved national consistency in the safeguards covering clients' financial information when applying for credit. ■ Achieving uniform national standards for securities regulation was another focus of the association's efforts on Capitol Hill. ■ In the state legislatures, SIA defeated attempts to tax securities transactions, sought to encourage greater college-saving investment options under the popular "529" program by removing confusing state-based tax provisions, and blocked efforts to impose state-specific privacy standards that would have created difficulties for investors. ■ Working with the World Trade Organization and the European Union, SIA sought wide access to global capital markets.



TO LEARN MORE, VISIT

www.sia.com/ar2003

Tomorrow's Entrepreneurs Learn Investing Basics

One student bought shares of JetBlue Airways because her mother loves the airline's service. Another picked Johnson & Johnson because her little brother uses its baby powder. Timberland was yet another choice because the students wear the company's shoes and clothing.

"Know the companies you invest in" was the philosophy guiding these and other investment choices made by students at the Clara Barton Elementary School in the South Bronx, New York. During two sessions of The Stock Market Game Program, they and 500,000 other students nationwide learned the basics of investing. With a hypothetical \$100,000, they built and managed a portfolio of stocks. In doing so, they learned about the market forces that cause companies' share prices to rise and fall. Schools tied their history, English, mathematics, and science classes to the program to broaden the learning experience. The program's Web site supported teachers with curriculum guides, lesson plans, and online portfolio-tracking services.

The research by Clara Barton's students paid off. Their portfolio rose 44 percent from mid-September to

mid-December 2002, well above the 2.3-percent gain for the S&P 500. But more significant lessons were learned than just stock picking, according to the students' adviser, Essle Morris. By investigating the companies' management and business models, they saw one factor in what it takes to succeed as investors.

Partnerships helped to increase SMGP participation by five percent in one year. The partners included the National Basketball Association, the Girl Scouts, DECA (a group of 185,000 business and marketing students), the New York Stock Exchange, the NASDAQ Foundation, and such firms as UBS and D. A. Davidson & Co. Since 1977 more than eight-million students nationwide have enrolled.

Clara Barton Elementary School students



PHOTOGRAPH © KEITH BEDFORD



Promoting Capital Markets

8 |

Key Accomplishments*

**Financial Disclosure
Obligations Strengthened**

**Updated White Paper
On Hybrid SRO**

**Anti-Money Laundering
Regulations**

Breakpoints Task Force Reforms

Sensible Record-Retention Rules

**Counseled Federal Reserve
On Basel II**

Extensive investor protections, vigorous oversight, and tough enforcement are the hallmarks of the securities industry's multi-tiered regulatory structure. The SEC is the lead regulator, with the SROs and state securities administrators as additional cops on the beat. ■ SIA worked to ensure that regulation is effective, efficient, and consistent nationally—but that it does not have any unintended consequences that may undermine the markets' ability to raise capital. ■ After the *Sarbanes-Oxley Act* was enacted, the association filed comment letters and discussed industry concerns with the SEC and SRO staffs to ensure that the new regulations were not so burdensome and costly that client services would suffer. ■ On another front, SIA stepped in when issues arose relating to compliance requirements for the anti-money laundering laws. Firms had to implement comprehensive programs quickly to verify clients' identification and monitor suspicious account activity. SIA met frequently with Treasury and SEC officials to ensure that the requirements allowed broker-dealers to use their resources effectively in detecting money laundering. Webcasts, conferences, and news alerts educated member-firms about their obligations. ■ Efforts to address changes in market structures focused on the regulatory responsibilities and costs of SROs, access issues such as fees, and several new trading initiatives. SIA provided the industry's diverse perspectives, including a revised paper on a single hybrid SRO. ■ Comprehensive, sensible record-retention rules were another important goal. The industry encouraged regulators to promote technologies that would expedite and simplify regulators' access to client information during on-site visits to branch offices. ■ When the SEC raised concerns about certain fee discounts, called breakpoints, for large purchases of mutual funds, the association played a leading role in a task force convened to address the problem. The industry then implemented the panel's recommendations.



TO LEARN MORE, VISIT

www.sia.com/ar2003

Mutual-Fund Reforms To Protect Investors

SIA urged regulators to address improper behavior involving mutual funds, including late trading, market timing, inadequate disclosure, and incorrect sales charges. Swift, comprehensive enforcement, thoughtful regulatory revisions, and legislation to fill existing “gaps” must all be part of the solution, Marc E. Lackritz, SIA’s president, said in his testimony before the Senate Banking Committee.

In response to late-trading abuses, SIA supported a 4:00 p.m. Eastern time “hard close” for open-end mutual-fund purchases or redemptions, which could occur at the National Securities Clearing Corporation, the broker-dealer, or any other regulated intermediary, so long as the order recipient has a verifiable order-capture system.

Market-timing issues could be addressed, as the SEC proposed, by tightening rules governing funds’ disclosure of policies and procedures, and by improving access to trade data so that funds can identify market-timing transactions. A redemption fee also would be an effective step to address these issues.

A third part of the reform agenda that SIA supports is clear, timely disclosure to investors of all important information, including revenue sharing and differential compensation; any other brokerage arrangements among funds, their advisers, and broker-dealers; and, all operating expenses.

SIA served as co-chair of a task force with the SEC and the NASD to address the failure of broker-dealers to give their clients breakpoints, which are discounts provided for large purchases of mutual-fund shares. Working groups were formed to carry out the task force’s recommendations, which ranged from system improvements, so that breakpoints can be calculated more accurately, to investor-education efforts. SIA and its member-firms were deeply involved in these efforts.

SIA President Marc E. Lackritz and SEC Chairman William H. Donaldson



PHOTOGRAPH © PAM AND CABLE RISDON



Helping Members

SIA offers a broad range of unique educational programs to help industry professionals remain current with changes in regulations, policies, market structures, and business models. ■ SII continues to be the centerpiece of the association's efforts. Industry executives spend one week each spring over three consecutive years learning about management, public policy, regulatory developments, business trends, finance, and ethical approaches to decision-making. ■ Two other programs focus on the special training needs for managing brokerage offices. Over three days, participants learn how to set goals, develop business plans, and both coach and counsel their staffs. ■ The Professional Conduct and Institutional Ethics programs present real-life scenarios to teach participants how to identify, analyze, and resolve ethical conflicts. ■ Roundtables provide a more informal approach to training. These are targeted at specific professionals, such as public relations and advertising executives or legal and compliance attorneys. During these sessions, as many as 30 executives from across the country participate, sharing their experiences and learning from one another.

Key Accomplishments*

Professional Education Programs

Diversity Survey

Online Continuing-Education
Resource Center

Performance Management Guide

Verizon Telecommunications
Savings Program

Group Purchase Discounts

User-Friendly SIA Web Site

Industry Surveys

Conferences, Workshops

Quick & Reilly Praised For Leadership In Diversity Efforts

SIA chose Quick & Reilly, the brokerage arm of FleetBoston Financial, for its second annual Diversity Leadership Award. Recognizing that a more diverse workforce is needed to serve the growing number of minority clients, the firm created a program to reach out to New York City colleges to recruit graduating seniors from diverse backgrounds. Eighteen participants were selected from more than 1,900 applicants for the 18-month professional development program that leads to a career as a financial consultant. Classroom training, practical work experience, and one-on-one mentoring are among the program's key components.



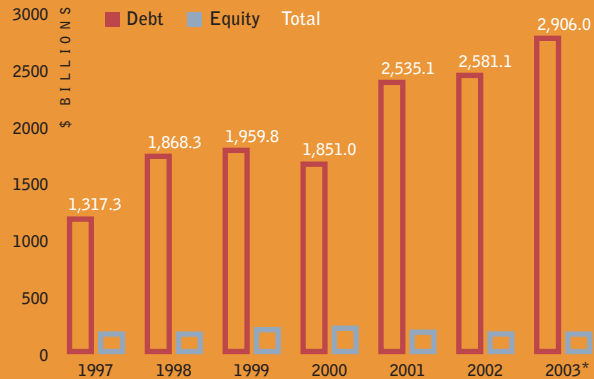
TO LEARN MORE, VISIT

www.sia.com/ar2003

Year in Review

Debt Underwriting Sets Record As Equity Activity Picks Up

Capital Raised For U.S. Businesses

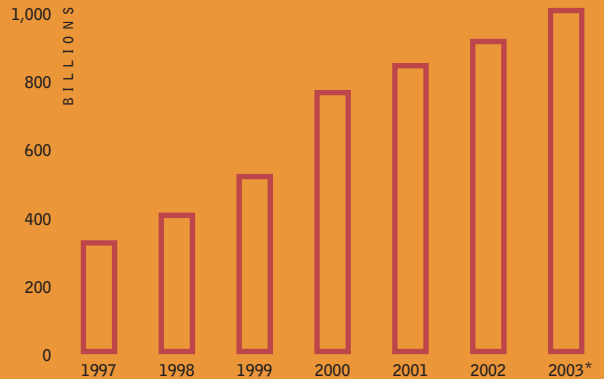


Source: SIA, 2003

*Eleven months annualized

Share Volume Hits Record As Market Performance Improves

Shares Traded On NYSE, NASDAQ, Amex, And Regional Exchanges

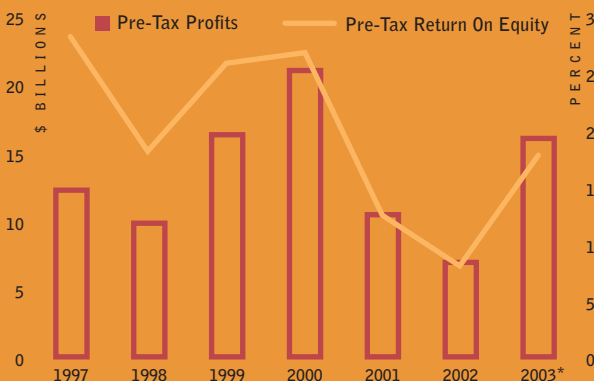


Source: SIA, 2003

*Eleven months annualized

Cost-Cutting, Fixed-Income Trading Lead To Stronger Profits

NYSE Member-Firms Doing A Public Business

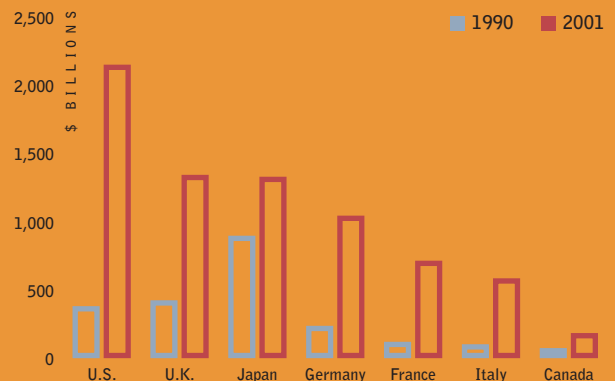


Source: SIA, 2003

*Nine months annualized

U.S. Investors Hold Largest Amount Of Foreign Securities

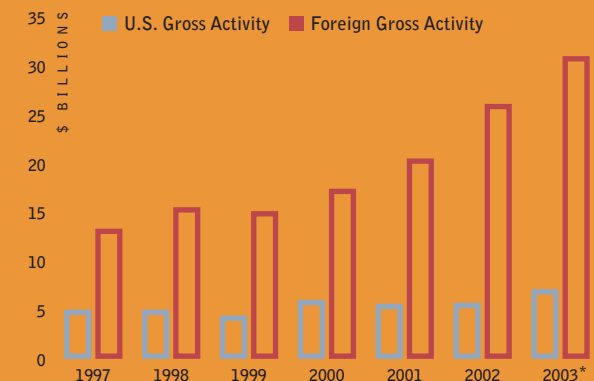
Value Of Foreign Securities Held



Source: International Monetary Fund, 2002

Foreign Gross Transactions In U.S. Securities Set Record As U.S. Purchases, Sales Of Foreign Securities Reach All-Time High

U.S. Gross Activity (light blue), Foreign Gross Activity (dark blue)

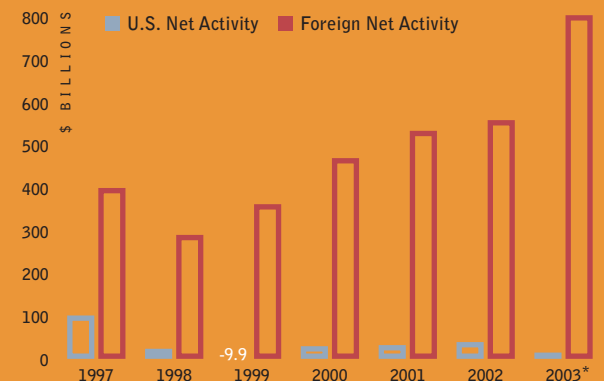


Source: SIA, 2003

*Nine months annualized

U.S. Investors Become Net Sellers Of Foreign Securities As Foreign Investors Remain Strong Buyers Of U.S. Securities

U.S. Net Activity (light blue), Foreign Net Activity (dark blue)



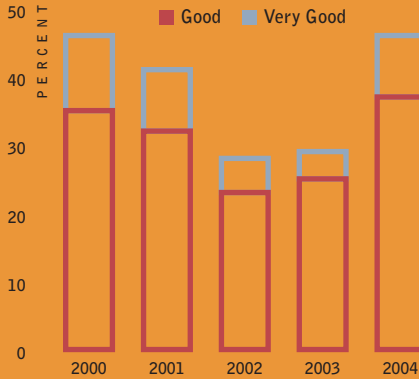
Source: SIA, 2003

*Nine months annualized

Investor Survey

Investors' Optimism Improves

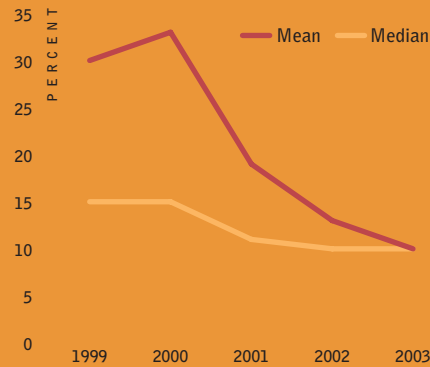
What is your view of investment climate?



Source: HarrisInteractive, 2003

Performance Expectations Fall To More Realistic Levels

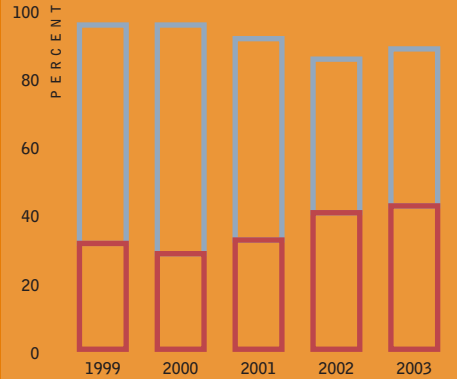
How well do you generally expect your investments to perform?



Source: HarrisInteractive, 2003

Investor Satisfaction With Financial Advisers Improves

Legend: Somewhat Satisfied (dark blue), Very Satisfied (light blue)

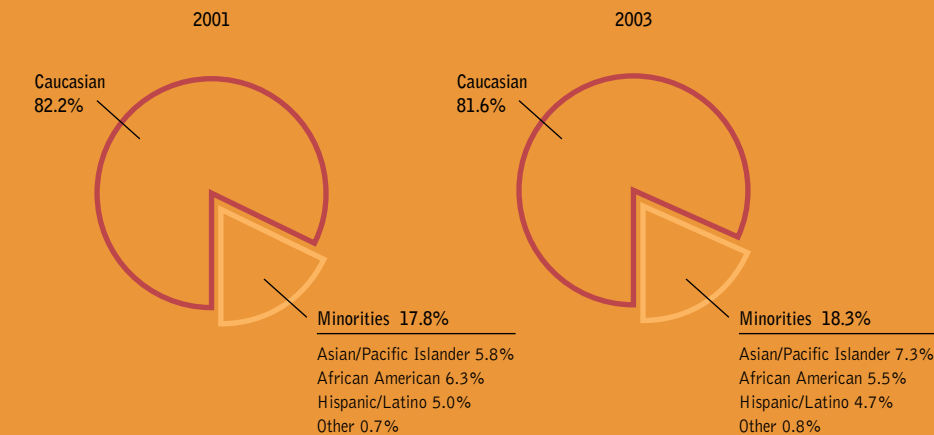


Source: HarrisInteractive, 2003

Investors' Key Concerns: Accounting Fraud ■ Corporate Governance ■ U.S. Economy Source: HarrisInteractive, 2003

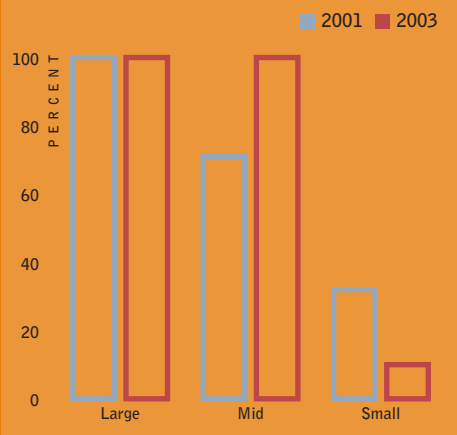
Diversity Survey

Securities Industry Workforce Profile Shifts From 2001 To 2003



Source: Catalyst, Inc., 2003

More Mid-Size Firms Adopt Diversity Initiatives



Source: Catalyst, Inc., 2003

Targeted recruiting remains the key strategy used to diversify industry's workforce. Firms are leveraging multiple approaches: Training, employee networks, and formal mentoring programs are the most effective initiatives.

Source: Catalyst, Inc., 2003

2003 OFFICERS

John H. Schaefer

Chairman of the Board

Richard E. Thornburgh

Chairman-Elect

Allen Morgan, Jr.

Immediate Past Chairman

Daniel J. Ludeman

Vice Chairman

Robert K. Steel

Vice Chairman

James D. Price

Treasurer

Stephen M. Lessing

PAC Chairman

Marc E. Lackritz

President

BOARD OF DIRECTORS

William L. Atwell

The Charles Schwab Corporation, New York, NY

Robert L. Bagby

A.G. Edwards, Inc., St. Louis, MO

Jessica Bibliowicz

NFP Securities, Inc., New York, NY

Steven D. Black

J.P. Morgan Securities Inc., New York, NY

R. Jack Conley*

VESTAX Securities Corporation, Hudson, OH

E. David Coolidge III

William Blair & Company, LLC, Chicago, IL

Andrew S. Duff

Piper Jaffray Companies, Minneapolis, MN

Myles D. Gillespie

Fleet Specialist, Inc., New York, NY

James P. Gorman

Merrill Lynch & Co., Inc., New York, NY

Arthur F. Grant**

Cadaret, Grant & Co., Syracuse, NY

Chet Helck

Raymond James Financial, Inc.,
St. Petersburg, FL

Douglas E. Hill

Edward Jones, St. Louis, MO

Marc E. Lackritz

Securities Industry Association,
Washington, DC and New York, NY

Stephen M. Lessing

Lehman Brothers Holdings Inc., New York, NY

Daniel J. Ludeman

Wachovia Securities, LLC, Richmond, VA

W. Thomas Matthews

Citigroup Global Markets, Inc., New York, NY

Ellyn A. McColgan

Fidelity Investments, Boston, MA

Christopher C. Melvin, Jr.

Melvin Securities, LLC, Chicago, IL

Dennis J. Mooradian

Wells Fargo Investments, LLC,
San Francisco, CA

Allen Morgan, Jr.

Morgan Keegan & Company, Inc., Memphis, TN

Barry Murphy

American Express Financial Advisors, Inc.,
Minneapolis, MN

James D. Price

UBS Financial Services Inc., Weehawken, NJ

J. Joe Ricketts

Ameritrade Holding Corporation, Omaha, NE

Paul D. Rogers

CIBC World Markets Corp., New York, NY

John H. Schaefer

Morgan Stanley, New York, NY

Joseph R. Schmuckler

Nomura Holding America, Inc., New York, NY

Lisa A. Shalett

Sanford C. Bernstein & Co., LLC, New York, NY

Robert K. Steel

The Goldman Sachs Group, Inc., New York, NY

Richard E. Thornburgh

Credit Suisse First Boston Corp., New York, NY

Seth Waugh

Deutsche Bank Americas, New York, NY

Charles M. Williams

Banc of America Securities LLC, Charlotte, NC

James W. Wolitarsky

Janney Montgomery Scott LLC, Philadelphia, PA

BOARD COMMITTEES

AUDIT AND FINANCE

James D. Price

UBS Financial Services Inc., Weehawken, NJ

BUSINESS CONTINUITY PLANNING

Jerry W. Klawitter

J.P. Morgan Chase & Co., New York, NY

COMPENSATION

John H. Schaefer

Morgan Stanley, New York, NY

DIVERSITY

Kyle Maldiner

Lehman Brothers Holdings Inc., New York, NY

EXECUTIVE

John H. Schaefer

Morgan Stanley, New York, NY

MARKET STRUCTURE

Robert K. Steel

Goldman, Sachs Group, Inc., New York, NY

Seth Waugh

Deutsche Bank Americas, New York, NY

NOMINATING COMMITTEE

Allen Morgan, Jr.

Morgan Keegan & Company, Memphis, TN

PUBLIC TRUST AND CONFIDENCE

James P. Gorman

Merrill Lynch & Co., Inc., New York, NY

NATIONAL COMMITTEE CHAIRS

AMICUS

Jonathan N. Eisenberg

Merrill Lynch & Co., Inc., New York, NY

ANTI-MONEY LAUNDERING

Stephen Shine

Prudential Equity Group, Inc., New York, NY

Mihal Nahari

Morgan Stanley, New York, NY

ARBITRATION

Edward Turan

Citigroup Global Markets, Inc., New York, NY

BANK RETAIL BROKER-DEALER REGULATORY

Barry P. Harris

Banc of America Investment Services, Inc.,
Charlotte, NC

CAPITAL

Cheryl M. Kallem

Bear, Stearns & Co. Inc., Brooklyn, NY

CAPITAL MARKETS

Kenneth L. Josselyn

Goldman, Sachs & Co., New York, NY

CLEARING FIRMS

Dennis J. Donnelly

Fiserv Securities, Inc., Philadelphia, PA

CONTINUING EDUCATION

John L. Hagedorn

A.G. Edwards & Sons, Inc., St. Louis, MO

DEALER ACCOUNTING

Joanne Pace

Credit Suisse First Boston (USA), Inc.,
New York, NY

*Through August 2003

**Filled seat vacated by R. Jack Conley

DERIVATIVE PRODUCTS

Luke Farber

Credit Suisse First Boston (USA), Inc.,
New York, NY

FEDERAL REGULATION

Robert C. Dinerstein

UBS Securities LLC, New York, NY

FEDERAL TAXATION OF THE SECURITIES INDUSTRY

Saul M. Rosen

Citigroup, Inc., New York, NY

GOVERNMENT REPRESENTATIVES

Ann Costello

Goldman Sachs & Co., New York, NY

HOLDING COMPANY

James E. Reilly

Fleet Boston Financial Group, Boston, MA

HUMAN RESOURCES MANAGEMENT

Joseph E. Timmins

Legg Mason, Inc., Baltimore, MD

INDEPENDENT FIRMS

Neal E. Nakagiri

Associated Securities Corp., Los Angeles, CA

INSTITUTIONAL BROKERAGE

Terry L. March

Midwood Securities, Inc., New York, NY

INTERNATIONAL TRADE AND INVESTMENT POLICY

Emily M. Altman

Morgan Stanley, New York, NY

INVESTMENT ADVISER

Eileen Ryan

Credit Suisse First Boston (USA), Inc.,
New York, NY

INVESTMENT COMPANY

Stuart R. Strachan

The Capital Group Companies, Inc.,
Los Angeles, CA

INVESTOR EDUCATION

David E. Avey

Wachovia Securities, LLC, Richmond, VA

MEMBERSHIP

Scott W. Munroe

Pershing LLC, Oakbrook, IL

ONLINE BROKERAGE LEGAL

Hardy Callcott

Charles Schwab & Co., Inc., San Francisco, CA

OPERATIONS

Ernest A. Pittarelli

UBS Securities LLC, Stamford, CT

OPTIONS

Tony McCormick

Schwab Capital Markets, L.P., Chicago, IL

REGIONAL FIRMS

James W. Stuckert

J.J.B. Hilliard, W.L. Lyons, Inc., Louisville, KY

RESEARCH, ANALYSIS, AND
FINANCIAL SERVICES PLANNING**Stephen Buell**

Prudential Equity Group, Inc.,
New York, NY

RETIREMENT AND SAVINGS

Joanne A. Carter

UBS Financial Services Inc., Weehawken, NJ

RISK MANAGEMENT

Michael J. Alix

The Bear Stearns Companies Inc., New York, NY

SALES AND MARKETING

Richard J. Franchella

Wachovia Securities, LLC, New York, NY

Russell A. Labrasca, Jr.

Wells Fargo Private Client Services, Dallas, TX

SECURITIES INDUSTRY FOUNDATION
FOR ECONOMIC EDUCATION***Richard F. Brueckner**

Pershing LLC, Jersey City, NJ

SECURITIES INDUSTRY INSTITUTE

Gail M. Dudack

SunGard Institutional Brokerage, Inc.,
New York, NY

SELF-REGULATION AND SUPERVISORY PRACTICES

John Polanin, Jr.

UBS Securities LLC, New York, NY

SMALL FIRMS

Deborah M. Castiglioni

Cutter and Company Brokerage, Inc.,
Chesterfield, MO

STATE REGULATION AND LEGISLATION

Jesse Hill

Edward Jones, St. Louis, MO

SUBCOMMITTEE ON STATE TAX

Lee Grohman

Citigroup Inc., New York, NY

STP STEERING

Jeffrey C. Bernstein

Bear, Stearns & Co., Inc., Brooklyn, NY

SYNDICATE

Andrew M. Blum

C.E. Unterberg Towbin, New York, NY

TAX COMPLIANCE AND ADMINISTRATION

Nicole R. Tanguy

Citigroup Global Markets, Inc., New York, NY

TECHNOLOGY AND REGULATION

Eliot Wagner

Pershing LLC, Jersey City, NJ

TECHNOLOGY MANAGEMENT

Nancy B. Wehrman

Raymond James & Associates, Inc.,
St. Petersburg, FL

TRADING

George K. Jennison

Wachovia Securities, LLC, Richmond, VA

DIVISION PRESIDENTS

COMPLIANCE AND LEGAL

David A. DeMuro

Lehman Brothers Holdings, Inc., New York, NY

CORPORATE ACTIONS

John J. Wagner

Morgan Stanley, Brooklyn, NY

CREDIT

Edward Mikulasko

Morgan Stanley, Jersey City, NJ

CUSTOMER ACCOUNT TRANSFER

Kristie Thompson

Edward Jones, St. Louis, MO

DATA MANAGEMENT

John Lauria

Pershing LLC, Jersey City, NJ

DIVIDEND

George Devlin

UBS Financial Services Inc., Jersey City, NJ

FINANCIAL MANAGEMENT

Marshall J. Levinson

The Bear Stearns Companies Inc., New York, NY

INTERNAL AUDITORS

Brian Wieber

Morgan Stanley, New York, NY

SECURITIES LENDING

Leslie Nelson

Goldman, Sachs & Co., New York, NY

SECURITIES OPERATIONS

Lawrence Morillo

Pershing LLC, Jersey City, NJ

DISTRICT CHAIRS

CENTRAL STATES

James F. Rudwall

Merrill Lynch & Co., Inc., Chicago, IL

MID-ATLANTIC

Henry Valentine III

Davenport & Co., LLC, Richmond, VA

NEW ENGLAND

John D. Lane

Lane Capital Markets, LLC, Fairfield, CT

NEW YORK

Harry P. Leonard

Citigroup, Inc., New York, NY

SOUTHERN/SOUTH CENTRAL

Kent Nelson

Raymond James & Associates, Inc.,
St. Petersburg, FL

WESTERN

Douglas C. Heske

U.S. Bancorp Piper Jaffray, San Francisco, CA

*The board voted in November 2003 to consolidate the association's various investor education efforts into the Foundation For Investor Education.

FINANCIAL RESULTS

SIA is a 501(c)(6) not-for-profit corporation under the Internal Revenue Code. The association is funded in two ways: first, by annual dues from its members, which, together with related investment income, contributed 61.3 percent of its revenues; and, second, by proceeds from member services, which contributed 38.7 percent of the total.

For the fiscal year ended October 31, 2003, net income totaled \$2.2 million, compared with a net loss of \$117,000 in

the prior year. Revenues of \$35.2 million were 10.4 percent lower than a year ago and expenses of \$35.8 million were 6.9 percent lower, primarily as a result of reduced funding of the straight-through processing project and lower user-pay activities.

Operating income was a loss of \$605,000 and investment income was a gain of \$2.8 million.

Reserves increased by \$2.2 million for the year to a total of \$21.9 million.

SECURITIES INDUSTRY ASSOCIATION Income Statement

Fiscal Years Ended October 31, 2003 and 2002

Revenues	2003	2002
Dues	\$21,360,193	\$20,989,694
Conferences	8,532,531	10,584,998
STP Project	1,446,054	3,118,101
Publications	893,246	1,041,514
Investment Income	230,573	431,881
Telecommunications	1,947,483	2,630,198
Other	829,257	511,324
Total Revenues	\$35,239,337	\$39,307,710
Expenses		
Operating Expenses:		
Compensation, Benefits	\$18,095,637	\$17,876,367
Conferences, Meetings, Travel	5,345,093	6,179,022
Professional, Consulting	3,288,402	2,998,341
STP Project	1,446,054	3,118,101
Administrative, Facilities	5,281,417	5,917,861
Printing, Publications	1,021,540	1,152,303
Miscellaneous	1,366,621	1,269,760
Total Operating Expenses	\$35,844,762	\$38,511,755
Operating Income (Loss)	\$(605,425)	\$795,955
Investment Income (Loss)	\$2,758,723	\$(913,059)
Net Income (Loss)	\$2,153,299	\$(117,104)
Reserves, Beginning Of Year	\$19,735,687	\$19,852,791
Reserves, End Of Year	\$21,888,986	\$19,735,687

VALUES STATEMENT

The statement below articulates SIA's values for the guidance of member-firms and employees in the securities industry. Upon this foundation, SIA pledges to earn, inspire, and maintain the public's trust and confidence in the securities industry and the U.S. capital markets.

Recognizing their fundamental role in the continued growth and development of the capital markets, as well as their responsibility to issuers and investors, SIA member-firms uphold these values: Adherence to ethical, professional standards; Commitment to the best interests of clients; and, Exercise of unquestioned integrity in business and personal dealings in the industry and within the firms.

SIA member-firms uphold these values through responsible management; superior products and services; thorough and ongoing professional education for employees; and, clear, consistent, and complete information for clients about products, services, and the risks and rewards associated with investing and the capital markets.

MISSION STATEMENT

The Securities Industry Association brings together the shared interests of more than 600 securities firms to accomplish common goals.

SIA members—including investment banks, broker-dealers, and mutual-fund companies—are active in all U.S. and foreign markets and in all phases of corporate and public finance. The U.S. securities industry manages the accounts of nearly 93-million investors directly and indirectly through corporate, thrift, and pension plans. In 2002, the industry generated \$222 billion in domestic revenue and \$356 billion in global revenue. According to the Bureau of Labor Statistics, the U.S. securities industry employs nearly 800,000 individuals.

SIA works to foster an effective capital-raising and investment process; presents member-firm views to legislative and regulatory bodies at the federal and state levels; serves as a forum to address key industry issues; acts as a source of information and a catalyst for ideas; and, offers a broad range of services to assist member-firm executives in their management responsibilities.

The association was established in 1972 through the merger of the Association of Stock Exchange Firms (1913) and the Investment Bankers Association of America (1912).

Direction: James D. Spellman

Text: Joan Christian, Christine Conlon, Margaret Draper,
Dan Michaelis, Rosalie Pepe, James D. Spellman

Design: Eason Associates Inc.

Proofreader: EEI Communications

© Securities Industry Association, 2003. All rights reserved.



SECURITIES INDUSTRY ASSOCIATION

120 Broadway
New York, NY 10271-0080
(212) 608-1500 Fax: (212) 608-1604

1425 K Street, NW
Washington, DC 20005-3500
(202) 216-2000 Fax: (202) 216-2102

www.sia.com ■ info@sia.com