

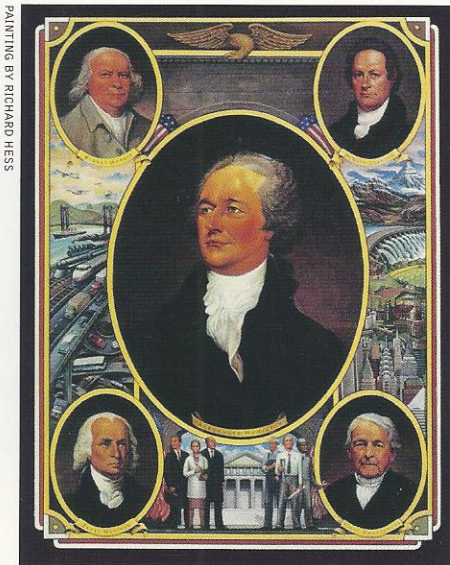
A Short History of PSA: The Bond Market Trade Association

1976-1996

PSA incorporated on December 10, 1976, representing dealers in municipal, Treasury and federal agency securities. The first meeting took place three days later, with Wallace Sellers of Merrill Lynch as Chairman. At PSA's first annual meeting, in New York on January 24, 1977, David Taylor of Continental Illinois National Bank & Trust was elected first full-year Chairman, with Walter Chambers of The Ohio Company as Vice Chairman and Gedale Horowitz of Salomon

Brothers as Treasurer. In PSA's first year, its membership nearly doubled from 120 dealers to 230. In 1996, PSA has 365 members and associate members, and 21 affiliates.

Since 1976, PSA has advocated the industry's view as it addresses recurring regulatory, legislative, educational and market practice issues.



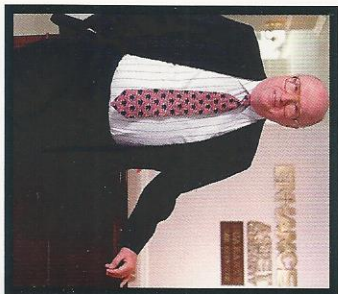
YEARS OF LEADERSHIP
20 PSA

1976-1978

As the Municipal Securities Rule-making Board drafted its first regulations, PSA submitted comments to ensure that these rules would enhance the integrity of the municipal marketplace without overly burdensome requirements that would prove unnecessarily costly to dealers.

PSA supported the voluntary disclosure guidelines developed by the Municipal Finance Officers Association.

Wallace O. Sellers
Merrill Lynch & Co.
PSA Chairman 1976
Pictured in 1993
as President and CEO
of Enhance Financial
Services Group Inc. in
the New York office.



David G. Taylor
Continental Illinois
National Bank and
Trust Company of
Chicago
PSA Chairman 1977
In the Wall Street
lobby of Irving Trust
Company where he
was Vice Chairman
and Director, 1985.



Walter R. Chambers
The Ohio Company
PSA Chairman 1978
Seen here in 1986
as Executive
Vice President
and Director of
The Ohio Company, in
front of a "bombstone"
for the firm's Cardinal
Family of Funds,
named after the
Ohio state bird.



Front Cover: PSA's 1990-1991 annual report featured five men who were instrumental in developing the nation's capital markets: Alexander Hamilton (center), first U.S. Secretary of the Treasury, created a system to manage the government's debt. (Clockwise from top right) Governor DeWitt Clinton pioneered infrastructure financing. Isaac Shallicross helped make the first mortgage loan in 1831. President James Madison created the Second Bank of the United States, and Robert Morris was Superintendent of Finance during the American Revolution.

PSA Time Line

1979-1981

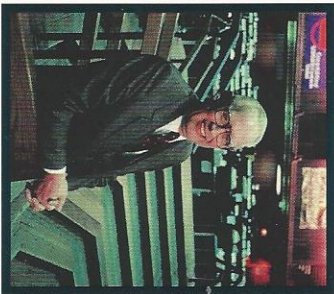
PSA successfully resisted the Securities and Exchange Commission's proposal that dealers in U.S. government, federal agency and municipal securities disclose their markups and markdowns in so-called "riskless" principal transactions.

The merger of the Government National Mortgage Association Dealers Association and PSA strengthened industry efforts in voluntary standards and market practice guidelines.

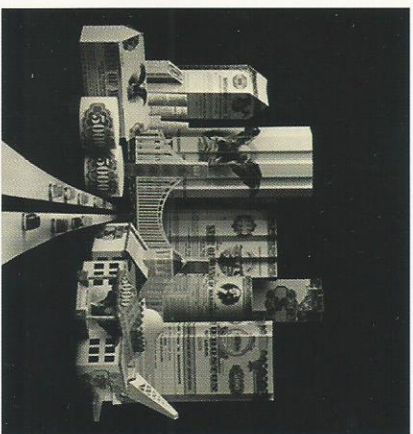
Gedale B. Horowitz
Salomon Brothers Inc
PSA Chairman 1979
In 1986 in front
of a portrait of
Frederick A. P. Barnard,
at Barnard College,
where he was Treasurer
of its Board of Trustees.



Lawrence H. Brown
The Northern Trust
Company of Chicago
PSA Chairman 1980
Standing in 1986 in
the Financial Futures
Board of Trade.



Peter C. Trent
Shearson/
American Express
PSA Chairman 1981
As Treasurer of the
Episcopal Mission
Society in the Diocese
of New York, he is shown
(left) in 1986 at one
of its projects, an
automobile mechanics
training center
in the Bronx.



● 1912

Investment Bankers Association of America (IBAA) founded

● 1918

Government Bonds Committee of the IBAA created

● 1938

IBAA's Municipal Division Council formed

● 1948

IBAA opens new Washington, DC, headquarters

● 1972

IBAA and Association of Stock Exchange Firms merged to form the Securities Industry Association

1982-1984

From its newly established Washington, DC, office, PSA opposed tax reform proposals that would limit the ability of state and local governments to raise capital for infrastructure financing.

PSA's merger with the Primary Dealers Association gave dealers a unified voice in matters relating to legislation and regulation of the government securities industry.

PSA was successful in securing legislation exempting repos from the automatic stay provisions of the bankruptcy code, assuring timely liquidation of the underlying securities in the event of a counterparty's bankruptcy filing.

With its *Business Practice Guidelines*, PSA fostered sound credit and trading practices for participants in the repo market.

Larry F. Clyde

Crocker National Bank
PSA Chairman
1982

On the Thames in London when he was Executive Vice President of Midland Montagu Capital Markets in 1986.



Arch W. Roberts
Arch W. Roberts & Company
PSA Chairman
1983

Chairman and founder of Arch W. Roberts & Co., pictured in 1986 with a model of the St. Petersburg stadium financed by a bond issue underwritten by his Florida-based firm.

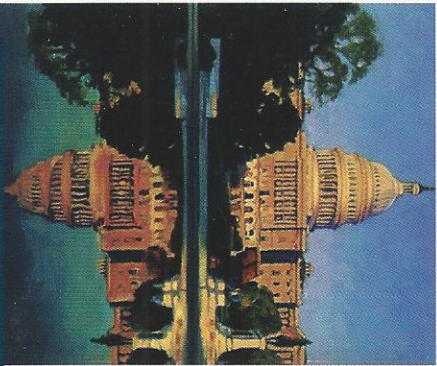


Robert C. Brown
Norwest Capital Markets, Inc.
PSA Chairman 1984

As President of Norwest Capital Markets, Inc. he is seen in 1986 at the construction site of the bank's new headquarters in Minneapolis.



PSA



PAINTING BY NANETTE BIEERS

1976

Public Securities Association (PSA)
founded on December 10, 1976

1985-1987

PSA worked to establish targeted regulation for the government securities market. The Government Securities Act of 1986 granted Treasury authority to promulgate rules regarding many aspects of the market.

Faced with a massive assault on the tax-exempt status of municipal bonds in the Tax Reform Act of 1986, PSA helped to preserve the tax exemption for many bonds vital to infrastructure financing, successfully removing some earlier proposals' restrictions. This experience persuaded the industry to expand PSA's Washington, DC, office.

In the United Kingdom, PSA lobbied regulatory institutions and Parliament regarding the U.S. government securities market and the potential impact of the proposed Financial Services Act on multinational American dealers operating there.

PSA's new *Master Repurchase Agreement* balanced the flexibility of repo transactions with customer safety and protection.

Jean J. Rousseau

Merrill Lynch Capital Markets
PSA Chairman 1985

At the Metropolitan Opera in 1986, where he served as an Advisory Director of the Metropolitan Opera Association and on the Wall Street Committee of Lincoln Center for the Performing Arts.



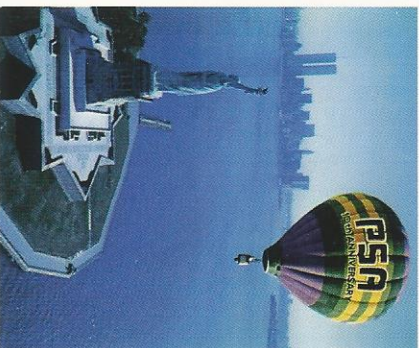
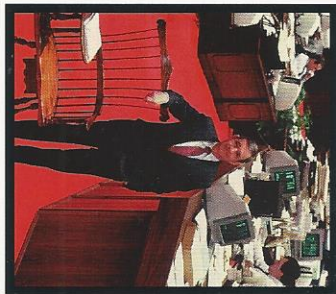
Jon S. Garzine
Goldman, Sachs & Co.
PSA Chairman 1986

Seen here in 1986 in front of the Treasury Building in Washington, DC, which he visits quarterly as a member and former Chairman of the Treasury Borrowing Advisory Committee.



Clayton F. Brown
Clayton Brown & Associates, Inc.
PSA Chairman
1987

As Chairman and founder, he is seen on the firm's trading floor—the site of the old Chicago Mercantile Exchange—in 1986.



1980

Government National Mortgage Association (GNMA) Dealers Association merges with PSA

1982

Opening of the PSA Washington, DC, office

1983

Primary Dealers Association merges with PSA

1988-1990

The Primary Dealers Committee set up a task force to study how best to disseminate Treasury securities prices on a real-time, 24-hour, global basis and spearheaded the development of GovPx, Inc.

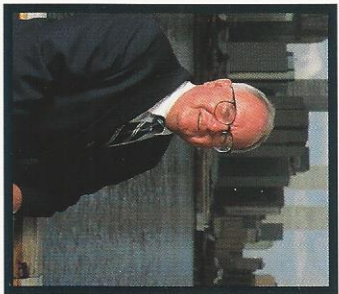
PSA's Mortgage Backed Securities Division issued *Standard Formulas* and updated the *Uniform Practices* manual to help members keep pace with changes in market practices and technology.

Following the bankruptcy of a major securities firm, PSA worked with regulators, market participants and depositors to reduce systemic risk worldwide and participated in the development of measures such as T+3 to reduce settlement risk.

Richard F. Kezer

Citicorp
Investment Bank
PSA Chairman
1988

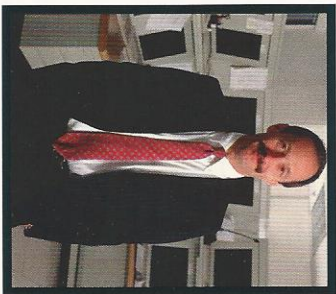
Photographed in 1993, overlooking the skyline of lower Manhattan in the City of New York.



Brian Hays

Drexel Burnham
Lambert
Incorporated
PSA Chairman
1989

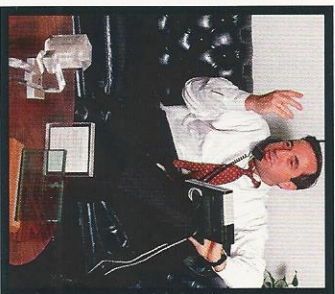
In 1993, pictured in the computer center of Participants Trust Company which created the paperless GNMA, and of which he is a founding Director.



Austin V. Koenen

Morgan Stanley
& Co. Incorporated
PSA Chairman 1990

Seen working in his office in 1993 in the municipal finance department of Morgan Stanley & Co. Incorporated, where he is a Managing Director.



1991-1993

PSA continued to advocate improvements in the quality, quantity and accessibility of municipal market disclosure. PSA and issuer groups submitted recommendations for improved secondary market disclosure to the SEC.

Many of the PSA Agency Task Force's recommendations to improve selling procedures were incorporated by federal agencies into the revised selling group agreements.

The *Global Master Repurchase Agreement*, developed with the International Securities Market Association, provided an efficient framework for the cross-border repo market.

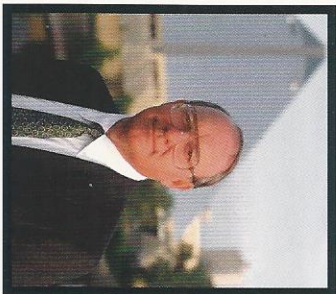
Through its comments on Treasury's *Uniform Offering Circular*, and in its published evaluation of the *Joint Report on the Government Securities Market*, PSA offered constructive, less burdensome alternatives to Treasury's proposed changes to auction rules and government securities market practices. In testimony and work with members of Congress and their staffs, PSA helped shape the Government Securities Act Amendments of 1993, which permanently extended Treasury's rulemaking authority.

The "Built by Bonds" campaign was launched to raise public awareness of the economic and social benefits of municipal financing of infrastructure needs.

Ralph Horn

First Tennessee Bank
PSA Chairman 1991
As President and
CEO of the bank he
posed in 1993

In front of
The Pyramid,
a sports and
entertainment
facility in Memphis,
Tennessee.



Michael E. Dougherty

Dougherty Dawkins, Inc.
PSA Chairman 1992

As Chairman and CEO, he stood on the terrace of his office in Minneapolis in 1993, with his firm's future headquarters as the backdrop.



Don B. Taggart

The Chase Manhattan
Bank, N.A.
PSA Chairman 1993

Shown in 1993 on the executive floor of the bank's headquarters at One Chase Manhattan Plaza, where he is a Senior Vice President.



1984

Money Market
Committee
created

1985

London Primary
Dealers Committee
formed

1986

Asian Government
Securities Committee
created

1991

Regional Advisory Committee formed
PSA joins the International Councils
of Securities Associations (ICSA)

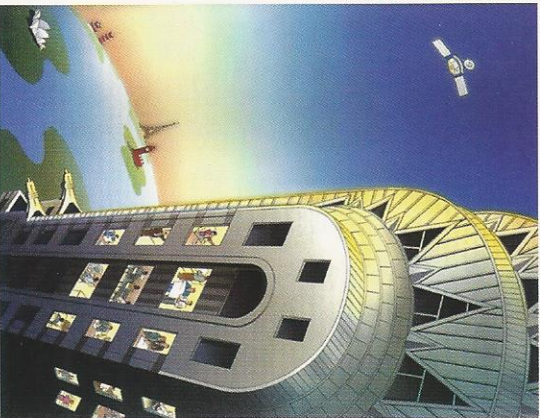
1994

PSA establishes the
Funding Division

1995

PSA forms the
Corporate Bond
Division

ILLUSTRATION BY MIN JAE HONG



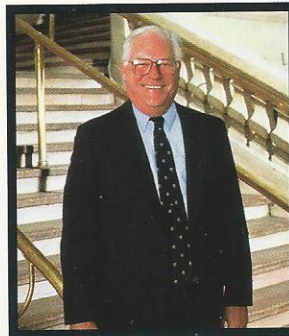
1994-1996

PSA focused on better defining the respective investment responsibilities of institutional investors and dealers, in response to concerns regarding financial instruments and investment strategies employed by public investors. PSA also worked with other financial trade groups to develop *Principles and Practices for Wholesale Market Transactions*.

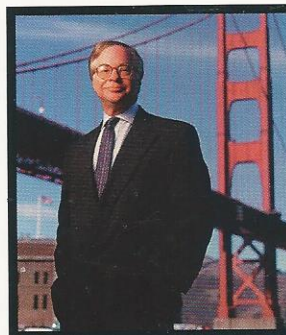
PSA's efforts to improve price transparency for individual investors in the municipal securities market led to a generic yield table published in newspapers and a telephone service offering evaluated prices of specific securities.

Drawing on its extensive experience in lobbying on tax matters, PSA mobilized opposition to proposals to curtail certain corporate and municipal bond financing activities.

R. Fenn Putman
Lehman Brothers Inc.
PSA Chairman 1994
In New York's Grand Central Terminal, which is symbolic of a public facility for transportation financed through the MTA by municipal bonds.



Robert D. McKnew
Bank of America
NT & SA
PSA Chairman 1995
Executive Vice President, U.S. Capital Markets, standing before the Golden Gate Bridge to mark Bank of America's leadership in arranging the purchase of the \$35 million of municipal bonds issued in the 1930s that financed its construction.



Elaine La Roche
Morgan Stanley & Co. Incorporated
PSA Chair 1996
As Managing Director, Firm Management, at Morgan Stanley & Co. Incorporated, she stands in the firm's new headquarters in Times Square, New York City.



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