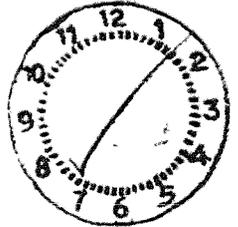


March 21, 1935. AIRMAN'S OFFICE

MEMORANDUM

To: Chairman Kennedy
From: Mr. Fayne

Re: Anonymous Letter on
Specialists and Odd-lot
Houses of New York Stock Exchange.



MAR 21 1935

Some days ago you received an anonymous communication alleging collusion between specialists and odd-lot dealers on the floor of the New York Stock Exchange by means of which short positions were maintained by the odd-lot houses for the benefit of the specialists.

Two studies have been made - one that of the short position in the stocks mentioned by the complainant, and secondly, that of short positions in those stocks held by odd-lot houses. No unusual increase in short position was found in any stock among those mentioned by your correspondent except those of New York Central and we found that a 12,000 share increase was accounted for by positions taken by thirty houses representing 45 accounts. I do not believe that this indicates concentrated positions suggesting collusive operations.

With respect to the odd-lot houses, in no instance was their short position larger than 457 shares, the position held by one odd-lot house in Consolidated Gas and varied from 52 shares, the position held by another odd-lot house in American Foreign Power.

As of February 28 two of the three odd-lot houses mentioned by your correspondent, had no short position whatever and one had an aggregate short position of 152 shares.

The conclusion seems justified, therefore, that there is no basis for the suspicion of collusion between odd-lot houses and specialists in the cases cited by your correspondent.