

NEW YORK STOCK EXCHANGE

MEMORANDUM

September 4, 1963

TO: Mr. Funston

FROM: Ruddick C. Lawrence

RE: Attached memorandum on SEC reactions to standards for
advertising and market letters

As was discussed in yesterday's staff meeting, we feel our position is sound and well-documented, and we plan no further changes as a result of the reactions by the SEC staff in the attached report.

RCL

NEW YORK STOCK EXCHANGE

MEMORANDUM

August 27, 1963

MEMORANDUM FOR FILE

FROM: Ruddick C. Lawrence

SUBJECT: Standards for Advertising and Market Letters

Following up my talk with Irving Pollack, Acting Director of the Division of Trading and Exchanges, on August 19, I called him again to get his reactions and to see whether it would be productive for Dan Woodward and me to go to Washington for further discussions of the standards. Phil Loomis had suggested that I follow up with Pollack.

Last week I reported to him that Loomis seemed to feel the standards were acceptable, but that if he or his staff had any further suggestions, we would be glad to get them. I stressed that we should have their reactions by September 1, because the standards were scheduled to be presented to the Board's September Policy Meeting and we would have to start talking to the Board and preparing the materials right after Labor Day.

Pollack said he thought that our new standards represented a great advance and improvement, and that as far as they went the staff was delighted with them. He said, however, that members of the staff currently available are not the people who will necessarily make the final decision on the SEC's own standards, and therefore he wanted to issue a caveat that the staff might recommend, and the Commission might accept, standards for the entire industry which went further than our standards -- especially including five particular recommendations of the Study Group which we felt were unnecessary or undesirable.

It is now contemplated that the Commission will consider later a broader and more general Commission rule in this area which would ultimately affect the Stock Exchange as well as the entire industry. Pollack said that what the staff will eventually recommend cannot be determined until Ralph Saul takes over on September 1, and it may be some time before they are in a position to make definite proposals to the Commission to implement the Study.

Pollack stressed several times that the point which we have not accepted but which the staff feels is most important, is in disclosure of positions of broker-dealers. They feel strongly that there should be as complete exposure as possible of broker-dealer intentions. For example, does the broker-dealer intend to distribute as principal or sell out his holdings? I pointed out that this is precisely what our standard requires. Nevertheless Pollack indicates they would like to see us require more complete disclosure of intentions to sell or not to sell securities by a firm or its partners in connection with the recommendation of the stock. They would include disclosure of precise quantities of stock held and whether or not the broker-dealer has a short position.

Pollack could not say at this time that the SEC staff was content to drop the other four items with which we disagreed, and he made a point of enumerating them:

1. A statement -- in connection with a recommendation -- of intentions of following up the recommendation.
2. A statement of distribution given a market letter or research report (he modified their previous position by indicating it was not necessarily the amount of distribution but what groups had received it).
3. A statement of sources in the market letter or report.
4. Publishing the name of the person and organization responsible for preparation of the letter or report.

He said that the SEC staff had been giving thought on their own to these standards. He agreed that it was possible that the Commission might consider the Exchange standards adequate, and exempt us from any general rule which the Commission might issue in this area. He repeated again that they think our present standards represent a great step forward, and that they do not want to delay or in any way interfere with our going ahead with them. However, he indicated that the staff feels most strongly about disclosure of broker-dealer positions.

RCL

cc: Messrs. Funston
Gray
Rosenberry
Chapman
Woodward
Stan West
Price
McDermott