1

National Association of Securities Dealers (NASD)-Continued Wholesale trading by association members investigatory procedures concerning 4:662 Withholding: see Free riding and withholding, above Working arrangement with SEC in regulation 4:719 National Over-the-Counter Clearing Corp. NASD sponsorship of 4:673 National Quotation Bureau, Inc. Controls over firms inserting quotation balance sheet, submitting 2: 600, 601 "blackballing" a new applicant 2:602 capital requirement 2: 600, 601 credit rating 2:601 integrity of sheets, problems as to 2:601 investigative staff of Bureau 2:601 manipulative possibilities 2: 601, 605-609 quotations of one firm for benefit of another 2:601 references from Investment Bankers Association 2:601 rejection of applicants, Bureau's right **2:** 602 subscription blank, signing 2: 602 10-year history of firm and members 2:600 typing procedure as leading to error **2:** 603 Controls over insertion of quotations "backing away" complaints, acting on 2:605 fictitious quotations, attempts to minimize 2: 604–609 cancellation of subscription 2: 604, 605 non-existent companies, quotes on 2:603 out-of-line quotations, detecting 2: 604, 605 subscriber's contract as to accuracy 2:604 subterfuges to gain insertion 2: 605-609 "suspect" firms, list of 2:605 suspension of firms' right to quote 2:604 Controls over issues quoted 2: 602–604 addresses and firm status, inaccuracies as to 2:602 bona fide market, checking 2: 602 issues, required information about 2: 602, 603 new issues, special check on 2:603 non-existent companies, quotations for 2:603 out of date information 2:604 refusals to list, number of 2:602 solicitation, disclaimer as to 2:603typists' errors, checks on 2:603 Insertion of quotations, controls over: see Controls over insertion of quotations, above Issues quoted by, controls over 2: 602–604 see Controls over issues quoted, above Listing procedure and eligibility collection of information in 2:600 cost per year of listings 2:598 interest to buy or sell 100 shares, as showing 2:598 monthly and semi-annual summaries 2:600 NASD membership, requirement of 2: 598–600 number of firms inserting listings 2: 598 OW or BW (offer or bid wanted) notation 2:598

National Quotation Bureau, Inc-Continued Listing procedure and eligibility-Continued price, requirement as to 2:598 sample listing sheet, text of 2: 599 time of publication and delivery 2:600 Manipulation possibility in insertion of quotations "boiler room" use of quotations 2: 605, 607 fictitious quotations and reasons therefor **2:** 605–609 pledging worthless stock on basis of 2:607 Monopoly, operation as practically 2:596 NASD views respecting potential dangers, recognition of 2: 596 dissemination of sheets, disciplinary action taken 2:598 New worth requirements of for over-the-counter listing 1:84,87 Number of issues quoted in "sheets," 1950–63 2:597 Number of quotations listed daily 2:597 Securities quoted, number of 2: 597 trend, 1950–1963 (table) 2: 597 "Sheets" accuracy of 2: 596, 597 availability of **2:** 597, 598 banks' subscriptions to 2:597 confidential character of, attempts at 2:598 dangers inherent in control of 2: 596, 597 dissemination of, restrictions on 2: 597, 598 editions, number of 2:597 "going into the sheets" for a nonsubscriber 2:607 institutions subscribing for 2:598 integrity of, problems concerning 2:601 listing procedure in: see Listing procedure and eligibility, above markup as determined by offering price in 2:649 misuse of, SEC powers respecting 2: 595, 596 monthly and semiannual summaries in 2:600 NASD use of **2:**595 professional use of 2:595 public distribution of, NASD view 2:598 publication and delivery, time of 2:600 securities quoted in, 1950–63, number of, table of 2:597 solicitations in, Bureau disclaimer as to 2:603 staff size 2:600 subscribers, eligibility to become 2:597 subscription price 2:597 subscription, signing as Bureau control 2:602 taxes, aid in computing 2:595 various purposes for which used 2:595 Special Study summary abuse of system, possibilities of **2:** 663, 664; **5:** 115, 116 anomaly of private control 2:664; 5:116 availability and composition of quotations 2:663; 5:115 conscientiousness of Bureau 2:663, 664; 5:115, 116 control over entry of quotations 2:663; 5:115 fictitious quotations, insertion of 2: 663; 5: 115, 116 information lacking in quotations 2: 664, 665; 5: 116

National Quotation Bureau, Inc-Continued Special Study summary-Continued monopoly, Bureau as 2: 663: 5: 115 nonexistent companies, quotations for **2:** 664; **5:** 116 SEC cooperation with 2:663; 5:115 Structure and mechanics of 2:596-598 NASD views concerning 2: 596 ownership and control 2: 596 National Recovery Administration (NRA) Investment Bankers Code Committee work as NASD forerunner 4:605National Security Traders Association, Inc. (NSTA) 4:691 Educational activities and training programs 4:691 Membership, eligibility and number 4:691 "Over-the-Counter Educational Program" 4:691 Self-regulatory functions, absence of 4:691 **National Stock Exchange** Listing standards 2:816 Status of as national exchange 2:911 National stock exchanges Summary of statistics regarding 1:11, 12 See Exchange markets: see also individual exchanges Net capital ratio rule See Financial responsibility of broker-dealers New issues of corporate securities, distributions of to public Generally 1:487-559 Abuse of free access to capital markets 1:493 Account of issuer, classed by industry, 1940-61 (table) 1:597 Account of others than issuer, by industry of issuer (1952-61) (table) 1:598 Advice to customers not to sell immediately 1:526 After-market for see also Trading firm's role, below allotment, nondelivery of as affecting price 1:527 compensation stock, disposition of 1:541-544 co-underwriters to generate activity 1:535 disclosure needs of purchasers 1:556 discretionary accounts as control factor 1:524 managing underwriter in after-market 1: 539–544 See Underwriters premium in 1:502 questionnaire OTC-1 1:489 resale restrictions to limit supply 1: 525 Special Study summary 1: 555; 5: 69 underwriter trading, restrictions on 1: 545 See Underwriters Allotment policies See also Underwriters: Customers' allotment policy choice of customers 1:523 long-term investment favored 1: 523 fictitious accounts, allotment to 1:529 "hotness" as allotment factor 1:515 liquor dealers, to, as competive measure 1:492 publicists, shares to 1:538 Special Study recommendation 1: 558; 5:72

New issues of corporate securities, distributions of to public-Con. Buying interest in Special Study summary 1: 556; 5: 70 Climate of speculation Special Study summary as to 1:553; 5:67 Cost of public financing 1: 502-512 see Going public, cost of financing, below Customers purchasing, SEC questionnaire to 1:489 Demand for, factors increasing Special Study summary 1: 556; 5: 70 Depth of market, as affecting 2: 829, 830 Dollar volume: See Securities Exempt offerings: See Registered and exempt stock offerings. below Expenses of distribution 1: 502–512 see Going public, costs of financing, below Fictitious accounts, allotment to 1:529 Finders, role of 1:495 See Underwriters Free-riding practices with respect to 1: 528–533 beneficiaries of 1:529 controls 1: 531–533 definition of 1: 528, 529 extent of 1:529 fraudulent practice, proposed rule as to 1:531, 532 "hold for investment" advice as to 1:530 manipulation in connection with 1:529 NASD interpretation and its effect 1: 532, 533 inadequacy of penalties proposed 1:533 proposed Section 15(c)(2) rule to control 1:531 sunctions to penalize, effect of 1: 532, 533 Special Study recommendations as to 1:558; 5:72 staff report and recommendation 1:532 Going public determination of issues suitable for 1:493 preparation for a public offering 1: 512-514 small companies, 1952-62 1: 551-553 See Small companies "going public," 1952-62 state statutory standards 1:493 Going public, cash compensation cost of 1: 502-512 best efforts-firm commitment underwritings compared 1:504 cash compensation defined 1: 503 range of 1:503 controls over 1:511 state regulation, importance of 1:511 expense, items chargeable to 1:505 impact of on public investors 1:503 industry involved as factor in 1:504 primary and secondary offerings compared 1:505 range as between issues 1:503 seasoned and unseasoned issues compared 1:504 selected issues, study of 1: 502, 503

]

New issues of corporate securities, distributions of to public-Con. Going public, cash compensation cost of-Continued size of issuer and underwriter as factor 1:503 small dealer's percentage 1:504 underwriter's fees 1:481.502Going public, issuer's reasons for 1:491–493 expansion 1:491 new capital, need of 1:491 stock option plans 1:492 stockholders' offerings, hoping to profit from 1:492 stockholders' outstanding shares, sale of 1:492 Going public, noncash compensation cost 1: 505-511 cash, as substitute for 1:510 finder's fees. warrants as 1:509 firms with policy not to accept 1:510, 511 interim financing by underwriter as factor 1:508 percentage of total issues involved 1:506 rationale of 1:509 risks assumed, payment for 1:510 securities as underwriting compensation 1: 505-511 transferability of 1:509 smaller, unseasoned issues as involved 1:506 Special Study findings for 22 issues 1:506 stock purchase by underwriter at discount 1:506 stock warrants or purchase options 1:507 warrants exercisable below offering price 1:507 propriety of 1:507,508 restrictions on as to time 1:508 Going public, post-offering experience of small companies status at end of 1962 of sample of 962 companies (table) 1:551 History of subsequent to offerings SEC study of 22 issues 1:489 "Hold for investment" advice by broker-dealer 1:530 "Hot issues" 1:514-550 See also Hot issues allotments as "hotness" factor 1:515 factors increasing demand 1: 533-539 see Increasing demand for, below factors limiting supply, leading to premium certificates, nondelivery of 1:527 choice of customers 1:523 discretionary accounts 1:524 "free-riding" and withholding 1:528 notification of allotment, delay in 1:526 resale restrictions 1:525 managing underwriter and the after-market 1: 539-544 See Underwritters market letters to increase demand for 1:535 post-war demand for 1:515 premium, causes of: see Premium, below price experience of: see Prices, below prospectus use in See also Prospectus 1:547

New issues of corporate securities, distributions of to public-Con. "Hot issues"-Continued reasons for 1:515 resale restrictions on 1: 525, 526 solicitation to increase demand for 1:534 underwriter in the after-market 1:539 See Underwriters Increasing demand for, factors in 1: 533–539 allocation of shares to publicists 1:538 market letters, publicity 1:535 solicitation of customers 1:534 speculative fever 1:533 Initial quotation on, basis of 1: 520 Institutional transactions average transaction size, 1961 2:1055 comparing original and after market purchases, 1961 2:1056 during and after original offering, 1961 2: 1054 large block: See Institutional investors: Block transactions original and after-market transactions compared 2: 1056 purchases and later sales by same institution compared **2:** 1057 size of transaction 2:1055 type of stock and institution 2:1054 Interim financing by underwriter 1:508 Issuer, investigation of preparatory to public offering 1: 512–514 Securities Act, Section 11 provision 1:512 varying practices of investment houses 1:512-514 **Issuer's** decision to go public 1: 491 see Going public, above Lawyers' role in promoting 1:500 Manipulation of prices: See Manipulation of securities prices Market break of May 1962, impact of 4:837 Market letters increasing demand for 1:535 Name of issuer as attraction 1:498 Number underwritten in 1961 1:493 Origination of new issues 1:491–514 cost of public financing 1:502 issuer's decision to go public 1:491 pricing new issues 1:500 public offer, preparation for 1:512 underwriters' role 1: 493-500 See Underwriters Phenomenon of, highlights of 1:487 added regulatory and enforcement problems caused by 1:487 filings, rapid increase in 1:487 price fluctuations 1:487 recurring cycle of 1:487 Premium and causes leading to 1: 518-539 see also Prices, below 1961 issues, price experience of 1:517 advice to customers not to sell immediately 1: 526 allotment policy as factor in 1: 523

New issues of corporate securities, distributions of to public-Con. Premium and causes leading to—Continued certificates, nondelivery of abuses 1: 527 effect of 1: 528 commingling distribution and aftermarket 1: 519 customer allotment policy as factor 1: 523, 524, 526 customers, choice of 1: 523, 524 delay in notification of allotment of shares 1:526 discretionary accounts as factor in 1: 524 free-riding practices and: see Free-riding practices with respect to, above "hold for capital gains" resale restriction 1: 525 median price rise, selected industries 1: 517 median ratios of market price to offering price, table of 1: 517 notification of allotment, delay in 1: 526 proportion selling at premium, 1961 1:516 registered issues selling at, 1961 1:516 Regulation A issues 1:516 resale restrictions to limit supply of stock 1:525 selected industries, offerings of 1:516 Special Study summary 1: 554; 5: 68 supply, factors limiting 1: 522–533 trading firm's role 1: 518-522 see Trading firm's role, below withholding as affecting: see Free-riding practices, above **Preparation** for public offering registration process 1:514 **Prices** 1: 500–502 see also Premium, above 1961 securities, price experience of 1:517 after-market price, unseasoned issues, 1959-61 (table) 1:623 after-market price of unseasoned offerings, capital of underwriter, 1961 1:615 by offering price, 1959–61 (table) 1:610 criteria determining 1: 500-502 decline, seasoned and unseasoned compared 1:518 dramatic rising and falling, 1961 1:518 fluctuating character of 1:487 glamor issues in speculative book 1: 501 "hot" issues 1: 501, 502 immediately after offering and on September 30, 1962 (tables) 1: 626, 627 immediately after offering, 1959-61 (table) 1:621 initial quotation, basis of 1: 520 less than traffic would bear, offering at 1:501 manipulative practices 1:482 offering price, underwriter's dilemma 1:501 1 month after offering, unseasoned stocks, 1959–61 (table) 1:622 orders, basing upon 1:520 premium: see also Premium, above

New issues of corporate securities, distributions of to public-Continued Prices—Continued premium in after-market, so as to command 1: 501, 502 premium in after-market, unseasoned offerings by issuer. 1959–61 (table) 1:624 premium in after-market, unseasoned offerings by selected industry groups, 1959–61 (table) 1:625 registered issues, decline in 1:518 Special Study summary 1:554; 5:68 trading firm role: see Trading firm role in premium price, below trading market characteristics 1:516 underwriter's conflicting roles 1: 500, 501 withholding shares to influence 1:502 Profiles of each of 22 used in Special Study 1: 629-687 Arco Electronics, Inc. 1:629 Associated Testing Laboratories, Inc. 1:632 Boonton Electronics Corp. 1:635 Bristol Dynamics, Inc. 1:638 Cove Vitamin & Pharmaceutical, Inc. 1:640 Custom Components, Inc. 1:643 Endevco Corp. 1:646 Filmohm Corp. 1:649 Geophysics Corp. of America 1:652 Gremar Manufacturing Co., Inc. 1:654 Grosset & Dunlap, Inc. 1:657 Hydro-Space Technology, Inc. 1:660 Leaseway Transportation Corp. 1:662 Mallory Randall Corp. 1:665 Maryland Cup Corp. 1:668 Mother's Cookie Co. 1:671 Quality Importers, Inc. 1:674 Reynolds & Reynolds Co. 1:676 Rocket Jet Engineering Corp. 1:679 Seaboard Electronic Corp. 1:681 Shore-Calnevar, Inc. 1:683 Universal Electronics Laboratories Corp. 1:685 Prospectus See Prospectus Regional exchanges' loss of distribution of 2:924 Registered and exempt offerings group initially solicited and method of offering, 1959-61 (table) 1:604 seasoned and unseasoned issues, 1959-61 (table) 1:605 size and method of offering (table) 1:603 size of offering, 1959-61 (table) 1:606 type of stock and account for which offered (table) 1:599 type of stock and industry of issuer (table) 1:600 Registered and exempt unseasoned offerings industry of issuer, 1959-61 (table) 1:608 method, account for which offered, 1958-61 (table) 1:607 price at offering (table) 1:610 selected industry groups, 1959–61 (table) 1:609

i

New issues of corporate securities, distributions of to public-Continued Registered stock offerings size of issuer and method of offering (table) 1:602 Registered unseasoned common stock price at which offered, 1959–61 1:486 size of issuer, 1959–61 (table) 1:606 Registration process 1:514 See Registration of securities Regulation A issues: See Regulation A issues Resale restrictions to limit supply 1:525 Scientific names of many new issues preceding market break 4:824 Selected industries, Special Study study of 1:486 assets value involved 1:486 Solicitation to build up demand for 1:534 Speculative fever increasing demand for 1:533 Special Study conclusions and recommendations 1: 557-559; **5:**71–73 free-riding and withholding, as to 1:558; 5:72 NASD review of underwriting arrangements 1: 559; 5: 73 particular legislative attention, need of 1: 557; 5: 71 prospectus, delivery of 1:558; 5:72 rules applicable, modification of allotments, notification of 1: 558; 5: 72 allotments, trading after effective date 1: 558; 5: 72 stock certificate delivery 1:558; 5:72 trading markets, prohibiting for period after effective date 1:558;5:72 stock options, underwriters' report on exercise of 1: 559; **5:**73 Special Study investigation of broker-dealer representatives, interviews with 1:490 companies going public for first time, questionnaire to 1:491 emphasis on 22 new issues 1:488 firms interviewed about 22 stock offerings, lists of 1:490 methods of study 1:488-491 public customers, inquiries of 1:490 questionnaires used, mailing list and data requested **1:** 489, 490 scope of Study 1:488 Special Study summary 1: 553-557; 5: 67-71 climate of speculation, effect of 1: 553; 5: 67 finders 1: 554; 5: 68 premium prices 1: 554; 5: 68 subsequent history of issues 1:489 underwriter's role 1: 553; 5: 67 Sponsorship of underwriters' 1:495 Trading firm's role in premium price 1:518-522 commingling distribution and after-market 1:519 compulsory delay of trading, reommended 1:519 Customs Component, underwriting 1: 521, 522 educated guess as to price range 1:520

36-071-64-pt. 6-14

New issues of corporate securities, distributions of to public-Con. Trading firm's role in premium price—Continued initial quotation of new issue 1:520 orders, price based upon 1:520 prices quoted as the market 1:519 selling pressure, knowledge of 1:521 Trading market: see After-market, above Type of security and registration status, 1940–61 (table) 1:596 Types of companies issuing 1:484 Underwriter of new issues, role and characteristics of 1:493-500 See Underwriters and underwriting Unregistered distributions: See Unregistered securities, distributions of "Unseasoned" issues **1959–61 1:** 485, 486 companies issuing, characteristics of 1:486 registered price at which offered, 1959-61 1:486 underwriter's role as to 1:493 Withholding as affecting price: see Free-riding practices, above New York Real estate securities offerings disclosure requirements 1:587,588 attorneys as salesmen 1:588 prospectus warning 1:588 Broker-dealers, registration of 1:81 Salesmen of securities, registration of minimum character of standards 1:131 New York Society of Junior Analysts Dunn Engineering Corp. issue, publicity for 1:342 Employment situation of members 1:356 Luncheon meetings as means of financial publicity 3:84 Market break as causing unemployment among 4:837 Membership in as talking point with public relations clients **3:68** Membership, number and eligibility for 1: 143; 3: 83 New York Stock Exchange (NYSE) Accounts, rules as to opening of new ones 1:301 Admission standards and procedures 1:75–79 see also Membership in, below application form, data on 1:76 competence, as to 1:78, 79, 124-129 denial, grounds for 1:77, 78 examinations 1:78, 124, 125 see also Examination programs, below integrity, screening procedures to insure 1:77,78 investigation by Secretary's office 1:77 odd-lot brokers and dealers 1:79 screening of applicants for membership 1:76 seat on Exchange, purchase of 1:76 specialists 1:79 sponsorship by members 1:77 supervised activity on floor of exchange 1:78,79

New York Stock Exchange (NYSE)—Continued Advertising by member firms controls over 1:376 effectiveness of review program 4:534 number reviewed annually 4: 533 rule concerning 1:316 staff's review of 4:516,533 standards governing advertising 4:533 submission before publication 4:533 Advertising programs of NYSE itself see Public relations and advertising programs, below Advisory committee, membership, term and powers 4:511, 512 see Government: Advisory committee, below Aquafilter issue distribution investigation of member-firm activities in 1:280 Arbitration as a self-regulatory measure 4:559-561 awards and appeal therefrom 4:560 board of arbitration, composition and sitting of 4:559 cases which did not reach a hearing 4:561 costs, assessment of 4:560 disposition of cases, 1957-61 4:560 dissatisfaction with NYSE handling 4:561 extent to which used 4:561 facilities for 4:559 hearings 4:560 nonmembers, where involved 4:558 number of cases before tribunals, 1857-1961 4:559 panels for, types of 4:559 procedure, complainants' unfamiliarity with 4:561 procedure described 4:560 public complaint procedure 4:560, 561 public complainant's right, NYSE procedure as to 4: 522 small investor, costs and technicalities confronting 4: 561 sophisticated investors as users of arbitration 4:561 Associate brokers on, functions of 2: 188–190 round-lot offset transactions: See odd-lots dealers on New York Stock Exchange round-lot trading by 2: 188–190 specialist, relations with 2:189 stopping stock for 2: 189, 190 stocks assigned to, and "book" 2:189 Auction in trading on: see Continuous auction in trading, below Audit of member firms by examiners 4: 520, 521 listed companies' reports of 4:567,568 Automation, use of: See Automation Bache & Co., investigation of Seattle Branch conduct 1:274 **Block** transactions special commissions for, question of 2: 319-323, 346 Board of governors allocation by of securities to specialists 4:548 disciplinary procedural matters, referral to 4: 537, 538 meetings of and attendance at 4:509 policy formulation by 4:517 public governors, selection and powers of 4:511 specialists among, percent of (chart) 4:739

÷

New York Stock Exchange (NYSE)—Continued Board of governors: Advisory committee 4: 511, 512 see Government: Advisory committee, below Board of governors: Chairman and vice chairman 4:514 see Government: Chairman and vice chairman of board, below Board of governors: Composition of 4: 509-511 continuity of service on 4:511 floor members 4:510 office partners 4:510 public commission business representation on 4: 509, 510 seatholders 4:510 self-perpetuation, charge of 4: 507, 510, 511 specialists 4:510 three categories of membership of board 4:509 varying interests of different types of members 4:509 Board of governors: Floor governors 4: 512, 513 see Government: Floor governors, below Board of governors: Powers 4: 509, 510 4:509 Constitution of NYSE as source of examine business conduct and financial condition 4:509 general supervision over members, firms and corporations 4:509 interpret constitution 4:509 listing and delisting of securities 4:509 meetings of and attendance at 4:509 promotion of NYSE welfare, objects and purposes 4: 509 regulation of conduct of members and member organizations **4:** 509 rules and penalties for violation, prescribing 4:509 Board of governors: Selection method independent candidates nominated from floor 4:511 nominating committee power and practice 4:511 public governors, nomination and approval of 4:511 Bonuses. Rule 350 applicability 4:558 Books and records, staff's power to call for 4:515 Branch managers, change in required qualifications of 4:569 Branch offices, registered representitives, selected years 1:36 Broker-dealer inspection program of member firms 1:305 Budget 4:516,517 see Government: Budget, below Buy-and-sell orders, crossing of prearranged unregistered securities distributions, in 1:563 Capital requirements: See Financial responsibilities of brokerdealers; Specialists Changes in regulatory practices and procedures, recent 4:569,570 books and records of nonaffiliated members, examination of 4:569 branch managers, new qualifications for 4:569 duplication of regulatory efforts, cooperation as to 4:570 floor department increased staff and authority 4:570 increased number of persons in regulatory activities 4:569

New York Stock Exchange (NYSE)—Continued Changes in regulatory practices and procedures, recent-Con. market letters and sales literature, reviewing 4:570 public complaints against member firms, processing 4:569 registered representatives, expanded program as to 4:569 salesmen, additional requirements for 4:569 specialists' report of public customers' transactions 4:570 specialists' reports, checking 4:570 supervisory and selling practices, check on 4:569 written examination program, changes in 4:569 Citizenship requirements for members 1:76, 80 Clearing firms specialist liquidation, obligations as to **2:** 123 Commission income distribution of seats and allied memberships by (chart) 4:740,742 Commission per round lot, nonmember (table) 2:323 Commission rates and rate-making Generally: See Commissions, commission rates and ratemaking 2: 295–298 Commission scale in effect for salesmen 1: 256, 258 example of large firm's scale 1:257,258 Commission structure salesmen's compensation, restrictions as to, Rule 436 1:254,255 Commissions charged members and nonmembers (tables) **2:**298, 299 Committees: Advisory committee of Board of Governors 4:511,512 see Government: Advisory committee, below Committees: Appointment and election of 4: 506, 511 Committees: Informal committee of Board of Governors 4:514 disciplinary functions 4:514 Committees: Nominating committee Board members, to nominate 4:511 Committees: Standing committees abolition of in 1941 4:508 floor governors' characteristics as 4:513 Common stocks traded on: See Stocks traded on, below Competitive markets in NYSE-listed securities 2: 954–956 See Trading markets: NYSE-listed securities Complaints of public, Exchange actions on 4: 522–524 see Surveillance procedures: Public complaint procedure, below Concentration of trading floor trading, in limited number of stocks 2: 501-504 Confidential information acquired as director, views on use of 1:435 Constitution amendments, right to vote on 4:518, 519 see Policy: constitutional amendments, below selling practices, provisions relating to 1:315

New York Stock Exchange (NYSE)—Continued Continuous auction in trading 2: 40, 41 "crowd" participating in 2: 41 discretionary orders 2:41 limit orders 2: 40, 41 limitation of issues traded 2:41 over-the-counter market compared 2:40 "post," trading from 2:41 priority, precedence and parity when simultaneous bids **2**:41 procedure 2:40 specialist's role in 2:57,58units of trading: round lot, odd lot 2:40 Coordination of industry regulatory efforts, March 1923 program for 4:733 customer complaints 4:733 financial control 4:733 Regulation T 4:733 Underwriting compensation 4:733 Correspondents, trading arrangements with 2:41,42 Costs 2: 328–333 See also Commissions, commission rates and ratemaking ancillary services 2: 322, 328, 330, 348 determination of by various firms 2: 337-339 efficiency and prudence as factors in 2: 338-340 Counsel, representation by arbitration proceedings 4:560 Credit regulations, enforcement of 4:528,529 disciplinary procedure, use of 4: 528, 529 extension requests, staff checking of 4:528 firms violating Regulation T requirements, percentage of 4: 528 importance of Exchange function 4:528 margin requirements of Regulation T 4:528 penalties for violations 4:529 prompt payment requirements of Regulation T 4:528 Regulation T requirements, enforcing 4:528 restricted accounts, spot checking of 4: 528 "Daylight trading" specialists: See Specialists Dealers' promotional services, attitude toward 4: 222, 223 Disciplinary measures and procedures involving members, member organizations advisory committee, procedures involving 4: 512, 537 affirmative duty where member misconduct 1:315 Board of governors, referrals to 4: 537, 538 chairman and vice chairman of board, functions of 4:514 charges, service of 4:538 counsel, right to 4:538 credit violations, number of and handling of 4: 528, 529 cross-examination right 4:538 Department of Member Firms' responsibility 4:536 due process in: *Silver* case 4: 692, 698, 699

ł

New York Stock Exchange (NYSE)—Continued Disciplinary measures and procedures involving members, member organizations—Continued ethical standards in customer dealings, actions involving 4:540 examination for registered representative as 1:125 findings of fact 4:538 floor regulation, involving 4: 545-547 formal actions, number and kind of 4: 539, 540 formal hearings 4:537 improper selling practices 4:540 Informal committee, procedure involving 4: 514, 538 judgment as whether to institute proceedings 4: 536 leniency in with own members 4:565 market letters, involving 4:531 minimum commission schedule actions 4:540 net capital ratio rule violations, involving 4: 527, 537, 538 number and kind, breakdown of 4: 539, 540 **2:**242 off-floor trading opinions in cases involving 4:538 penalties imposed 4:538 penalties imposed: customer and member treatment compared 4:540 penalties imposed, procedure as to 4:538 president's functions and powers 4:515 registered representatives, in actions involving 4:543 reporting: AMEX view of policy involved 4: 541, 542 reporting: Board vote as to whether to report 4:541 reporting: educational circulars 4:541 reporting: extent and manner of 4:540-542 reporting: novel question involved, when 4:541 reporting: NYSE view of public's interest in 4:540 reporting: policy involved 4:541,542 reporting: press releases 4:540 reporting: SEC, to 4: 539, 541, 542 reporting: to other exchanges or NASD 4:541 salesmen, direction jurisdiction over 1:316 SEC notification procedure 1:305 selling practices rule violation 1:320 specialists 4:553,554 See Specialists staff disposition of violations, extent of 4:538, 539 staff level, procedure at 4: 536-539 summary disposition and objections thereto 4:536 violations, report of to SEC 4:539 Disciplinary measures and procedures: Registered representatives, involving 4: 542-544, 742 branch manager, where involved 4:454 cross-examination of witnesses 4:543 member and member organization action procedures compared 4:543 Member Firms Department staff functions 4: 542, 543 opinion setting forth, absence of 4:543 penalty, where imposed 4:543

New York Stock Exchange (NYSE)—Continued Disciplinary measures and procedures: Registered representatives, involving-Continued procedure in cases involving members and member organizations compared 4:543 publicity to decisions made 4:543 reporting: educational circular to NYSE members 4:543 reporting: formal opinion, absence of 4:543 reporting: NASD, to 4:543 reporting: other exchanges, to 4:543 reporting: SEC, monthly report to 4:543 reporting: summary sheet and synopsis of each case 4:543 sanctions, review of by NYSE executive vice president 4:543 staff action and executive review of 4:543 types of actions, 1957-62 (table) 4:742 volume and type of cases handled by NYSE 4:543, 544 **Disclosure requirements** corporate publicity, in 3:98 listing agreement requirements 4:566 Dollar volume percentage handled by 1:11 Dominant position of 1: 11, 12; 2: 35 Dunn Engineering Corp. issue, processing complaints about 1:343 Ebasco Services, Inc., study of to improve operations 2:190 Enforcement activities 4: 526–536 see also Disciplinary measures and procedures, above net capital ratio rule 4: 526, 527 See also Financial responsibility of broker-dealers Enforcement activities: Advertising, review of 4: 533, 534 see Advertising by members and member organizations. above Enforcement activities: Market letters and sales literature 4: 531-533 see Market letters, *below*; See also Market letters Enforcement activities: Nonexchange activities conduct applicable to 4:535 markup policy of NASD, compliance with 4:536 over-the-counter markets, connected with 4:535,536 underwriters' compensation for low-priced issues 4:536 Enforcement activities: Securities, segregation, hypothecation and lending of 4: 534, 535 see Securities, segregation, hypothecation and lending of. below; See also Customers' accounts Enforcement activities: Selling practices of member organizations 4: 529-531 see Selling practices of member organizations, supervision of, below; See also Selling practices: Supervision over Ethical criteria for members and their salesmen 1:239 customers, penalties for violation in actions involving 4:540

1

New York Stock Exchange (NYSE)—Continued Examination programs 1961 program for admission as registered representatives, failure rate in 1:125 admission to membership, for 1:78, 124, 125 disciplinary instrument, as 1:125 ethical standards covered by 1:125 pre-1961 program failure ratio 1:124 specialist registration 4:548 State examinations, impact of NYSE examination on 1: 129 subject areas and scope of 1:125 substitution of courses for 1:125 types of examinations 1:125 waiver of, bases of 1:125 Examiners' visits as surveillance measure 4:519-521 see Surveillance procedures; Examiners' visits, below Excessive trading rule, Rule 435(1) **2:** 227 Executions correspondents, arrangements with **2:** 41, 42 floor broker's responsibility **2:** 42 limited price orders 2:58 nonmembers' orders, procedure in 2:41,42 price of, importance of to brokers **2:** 62 round-lot transactions 2:41, 42 telephone, use of 2:41 Expenses of NYSE 4:516 departmental expenses of NYSE and allied companies (table) 4:741 floor operation 4:516 subsidiary companies, 1957-61 (table) 4:741 table showing, 1957-61 4:741 Experience and competence of salesmen of member firms examinations: see Examination programs, above Exchange's activities relating to 1: 124–129 increased number of salesmen as factor 1:124 Vilas committee comment, 1955 1: 124 Financial questionnaires as surveillance measure 4: 520 categories of questionnaire requirements 4:520 full requirement firms, for 4:520 introducing firms, for 4:520 member organizations, for 4:520 Financial responsibility rules See also Financial responsibility of broker-dealers capital ratio rule 1:87 fidelity bonds, blanket bonds 1: 87, 88 floor brokers, traders specialists 1:87 member firms 1:87 net capital maintenance 1:87 Financial statements by issuers of listed securities 3:5 Floor brokers Generally, see Floor traders on exchange markets commission house 2:46

New York Stock Exchange (NYSE)—Continued Floor brokers—Continued compensation and functions of 2:46 definition of **2:**46 responsibilities in executing orders 2:42 specialists distinguished $\bar{2}$: 46 "Two-dollar" brokers 2:46 Floor conduct regulation: Procedure of 4: 545-547 chairman as "chief on the floor" 4:547 difference from off-floor regulation 4:545 disciplinary cases involving, procedure in 4: 545, 546 floor chairman as "chief on the floor" 4:547 floor governor's decision and staff right of appeal from **4:** 546 floor governors' role 4: 543, 545, 546 gratuities rule enforcement 4: 557-559 see Gratuities rule, enforcement of, below informality of 4: 546–547 "minor irregularities," in handling of 4: 546, 547 minute-to-minute basis of 4: 545 NYSE staff function compared to off-floor regulation 4:545 odd-lot firms and associate brokers 4: 544 president's role in 4:547 specialists' conduct, in matters involving 4: 547-555 See Specialists staff decisions, reluctance of membership to accept 4:547 staff floor department role 4: 545, 546 staff: floor members' reluctance to accept decisions of 4:547 staff: informality of procedure of 4:546 staff: relationship with floor governors 4:545 staff: right of appeal from floor governors' decisions 4:546 staff: scope of matters handled by 4:546,547 testimony from member involved, taking of by NYSE staff 4:545 typical examples of 4:546 vice president of floor department, function of 4:545 Floor governors **4:** 512, 513 See Government: Floor governors, below Floor officials specialists among, percent of (chart) 4:739 Floor operations, studies to improve 2: 190 odd-lots aspect: See odd-lot dealers on the New York Stock Exchange Floor regulation: Specialists 4: 547-554 See Specialists Floor traders: See Floor traders on exchange markets Government administration and finance, responsibility in 4:516 Conway Committee report and recommendations 4:507 Government: Advisory committee 4:511, 512 appeal from decisions of 4:512 composition of as reflecting influence of floor 4:512 constitutional powers 4:512 disciplinary powers 4: 512

2

New York Stock Exchange (NYSE)—Continued Government: Advisory committee-Continued importance of role in NYSE structure 4:512 members and eligibility for membership 4:511 net capital rule, hearing cases involving 4:512 term of office 4:511 Government: Board of governors 2: 509-511 see Board of governors, above Government: Budget 4:516, 517 expense items in 4:516 expenses of NYSE in 1957 5:516 listing fees 4:516 Government: Chairman and vice chairman of Board 4:514 disciplinary functions 4:514 nomination and election of 4:514 protection of members' interest 4:514 trading situations, supervising unusual 4:514 vice chairman's role 4:514 Government: Committees standing committee system 4:508 Government: Floor governors 4: 512, 513 activities on floor, regulation of 4:513 allocation of securities to specialists 4:513 de facto authority as comparable to Board itself 4:513 experts on floor procedures and practices, as 4:513 floor regulation function of 4: 545, 546 meetings of 4:513 powers and responsibilities of in individual capacities 4:512,513 special status of 4:512 specialists as floor governors (chart) 4: 512, 513, 739 standing committee, as having characteristics of 4:513 unit of trading in newly listed securities, allocating 4:513 Government: Floor officials 4: 513, 514 influence compared to floor governors 4:513,514 number of **4:**513 openings, supervisory power over 4:513 specialists, percentage who are 4:514 unusual situations on floor, regulation of 4:513 Government: Historical background of 4: 506-509 1935: Exchange Act and changes resulting from 4:506,507 1935: SEC recommendations under Exchange Act Section 19(c) 4:506,507 1938: Conway Committee report and recommendations 4:507 1938: Whitney episode and SEC recommendations following 4:508 1941: Committee system abandonment 4:508 1949-50: Committee of 17, important changes resulting from **4:** 508, 509 Committee of 17, important changes resulting from 4:508, 509Exchange Act and changes resulting from 4: 506, 507 pre-Exchange Act 4:506

1

New York Stock Exchange (NYSE)—Continued Government: Historical background of-Continued SEC recommendations under Exchange Act Section 19(c) 4:507 "social club," as 4:506,508 Government: Informal committee of Board disciplinary matters handled by 4:514 disciplinary procedure, referral to the committee 4: 538 Government: Policy formulation and adoption 4: 517-519 see Policy: Adoption of; Policy: Formulation of, below Government: President floor regulation, minor role in 4:547 powers, duties and responsibilities of 4:515 Government: Specialists percent of specialists in government (chart) 4:739 Government: Staff 4: 515, 516 administration and finance branch's housekeeping functions 4:516 books and records, power to call for 4:515 disciplinary procedures, disposition of at staff level 4:536-539 floor operations, responsibility for 4:515 floor violations, function to detect 4:515 listed companies' disclosure problems, handling of 4: 567 net capital rule violations, authority as to 4:526 off-floor conduct of member firms, regulation of 4:515 operations branch as principal regulatory group of NYSE 4:515 president, relationship to 4:515 public relations branch's functions 4:516 size 4:515 Governors, Board of: Regulatory powers of 4: 506, 509-511 see Board of governors, above Gratuities rule, enforcement of 4: 557-559 acts prohibited 4:557 bonuses, Rule 350 applicability to 4:558 cases involving described 4: 557, 558 penalty for violating and consistency as to 4:558 purpose of rule 4:557 Rule 350, prohibitions in 4:557,558 Hypothecation of customers' securities, rules 1:405,406 Exchange regulatory activities concerning 4: 534, 535 Importance of as self-regulatory institution 4:504-506 Income of member firms 1954 and 1960 compared 2:40 concentration of major sources of 2:39,40 floor brokers, how compensated **2:** 46 from other exchanges, percentage of 2:39 gross income 1:16,18 interest on customers' balances, from **2:** 39 NYSE commissions, percentage from 2:39 over-the-counter activities, from 2:39 size of firm as factor in distribution 2:39

New York Stock Exchange (NYSE)—Continued Income of member firms—Continued sources of other than trading 2:39,40 specialists 2:64,68,69 table showing, fiscal year March 31, 1962 1:31 total broker-dealer income, percentage 2:39 Inspection program of off-floor conduct see Surveillance procedures: Examiners' visits, below Investment advice, controls over 1: 376–379 See Investment advice Investment advisers, ethical restraints upon members who are 1:240 Issues traded on: see Securities traded, below "Know your customer rule" in selling 1:315 who is protected by the rule 1:239, 316 Lectures and investment courses, encouragement of 1:249 Lending of securities 4: 534, 535 Liaison activities with members 1:129 Limited price orders priorities between 2:71 specialist's role in 2:58 Listed companies, controls over 4: 566–569 standards as found in company manual 4:566 Listed stocks traded on see Securities traded on, below Listing fees, revenue from 4:516 Listing requirements of stocks traded on See Listing and delisting of securities: Standards of principal exchanges: New York Stock Exchange Market break of May 1962 Generally, see Market break of May 1962 members as participants in the break 4:847-857 "The Stock Market Under Stress" 4: 322, passim Market continuity See Specialists; Trading markets Market letters of member firms, controls over 1:376-379; 4: 531-533 See Market letters Market value of shares traded 1:11,27 AMEX compared 4:759 Market volume versus specialist participation rate selected 1961 weeks (tables) 2: 444, 445 Marking to the market by members 1: 423 Member commission firms, diversity of 2:39,40 Member firms branch offices, 1940-62 (table) 1:36 definition of "member firms" 2:45 income of: see Income of member firms, above number of, selected periods, 1940–62 (table) 1:28 off-exchange activities, importance of 2:39 size disparity 2:39

New York Stock Exchange (NYSE)—Continued Member trading computer analysis: method of study, tables, charts **2:** 431–465 see Member trading, computer analysis of, below concentration of (table) 2:52 see Member trading, concentration of, below high-priced stock days as influencing participation 2:56,57 impact on market, summary respecting 2:56 net balances, analysis of 2:56 number of transactions, selected 1961 weeks (chart) 2:362 off-floor: See off-floor trading by NYSE members price level as affecting members' interest 2:56, 57 price range, chart showing 2:360 price, trading by (chart) 2:359 purchase and sale balances 2:55 purchases as having stabilizing effect on prices 2:55, 56 rate versus price, selected 1961 dates (tables) 2: 435-439 round-lot: see Round lot transactions, below share volume, chart showing 2:361 stabilizing effect of on price movements 2:57 stock day approach to study of: see Stock day approach to member trading, below various classes relative to total trading 2:53 wide price range as affecting participation 2:57 Member trading, computer analysis of 2: 431–465 balance for day versus price change 2: 442, 443 market volume versus specialist participation rate **2:** 444, 445 market volume versus specialist transaction participation rate **2:** 458, 459 methods of study, tables, charts: Appendix VI-A 2:431 price change versus specialist balance for day 2: 452, 453 price change versus specialist sales participation rate 2:454-457price versus member off-floor participation rate, tables showing **2:** 460–465 rate versus market volume in member participation **2:** 440, 441 rate versus price in member participation 2: 436-439 Member trading, concentration of 2:52classes of members, per stock day, table of 2:53 computing volume for a given group 2:53 floor traders 2:52 floor traders, in active stocks 2:205 high- or low-priced stocks, preferences for 2:54, 57 high volume on a given day as factor 2:54, 55 share volume, concentration by 2:54,55 specialists, by stock day 2:52 "stock day" basis of analysis: see "Stock day" basis of Exchange activity analysis, below stock day, by 2:53, 54 table analyzing 2:52 wider daily price ranges as factor 2:54, 57

New York Stock Exchange (NYSE)-Continued Member trading, March 24, June 1961 price, trading by 2:260, 359 share volume, by (chart) 2:361 Member trading, off-floor round-lot, 1937-61 25 most active stocks (tables) 2:417-419 30 most active accounts (tables) 2:414-416 balances, 1936-61 (table) 2:420 percent of total round-lot trading (table) 2:413 Questionnaires EX-2, EX-3, text, letter of transmittal **2**: 527–531 Member trading, tables showing for selected dates balance for day versus price change 2: 442, 443 market volume versus off-floor participation rate 2:464, 465 market volume versus specialist participation rate 2:444,445 participation rate versus market volume 2: 440, 441 plus tick prevalence versus price change 2: 446, 447 price versus member off-floor participation 2: 460, 461 price range versus off-floor participation rate 2:462,463 price versus off-floor participation rate 2:460,461 Member trading, varieties of 2: 48-53 broker and dealer, combining functions of **2:** 48–50 principals, trading as and problems raised 2:48 Special Study method respecting 2:50 volume of members' transactions 2: 50 Membership fees, revenues from 4:517 Membership in see also Admission standards and procedures, above aiding with respect to personnel qualifications 1:129 allied members, distribution of by commission income 4:740 (chart) allied members, eligibility 1: 75, 76 allied members: net commission income of (chart) 4: 740 allied members, selected periods, 1940-62 (table) 1:28 categories of (individual, partnership, etc.; floor broker, floor trader, specialists, etc.) 1: 12, 28, 29; 2: 46 citizenship requirement 1:76 dealing with securities outside NYSE 2: 809 eligibility for membership 2:45 examination for 1: 141; 2: 46 floor brokers 1:12 floor traders: See Floor traders on exchange markets functions of various categories of 1: 12, 29gambling connections as barring 1:78 how gained 2:45 identification of members, nomenclature of 2:45-48 individuals rather than firms 1:75 limitations on, policy as to 1:75,76 limited membership 2: 311, 350 "member firms" number of 1:75

New York Stock Exchange (NYSE)-Continued Membership in-Continued "member organization" 1:12 minimum age requirement 1:75 "nonmembers," screening procedures as to 1:77 number of members 2:45 number, selected periods, 1940-62 (table) 1:28 odd-lot brokers and dealers: See Odd-lot brokers and dealers odd-lot orders, function as to 1:12 off-floor trading of: See off-floor trading of NYSE members office member 1:12 examination for 1:141 representation on board of governors 4:510 principal activity of, 1950–62 (table) 1:29prior activities as barring 1:78 privileges going with 2:45 rules for, and amendments of 2: 310-311, 350 segregation of on floor, recommendation 2:228 specialists: See Specialists trading restrictions on 2:809 Minimum commission schedule disciplinary actions involving 4:540 See Commissions, commission rates and rate-making Monthly Investment Plan (MIP), promotion of 4: 563, 564 Net capital ratio rule, enforcement of 4: 526, 527 See also financial responsibility of broker-dealers actions taken on violations: fines, censures, etc. 4: 527 Advisory Committee hearing of cases of violation 4:512 disciplinary procedures in violations of 4:537 importance of Rule 325 4: 526 member's duty to notify Exchange of own violation 4: 526 number of violations handled 4:527 percent of total disciplinary cases involving net capital rule 4:527 specialist surveillance as to observance 4:550 staff procedure in disposing of violations of 4:538 staff "suggestions" to firms 4:527 staff's authority to dispose of violations 4: 526, 527 violation detection, methods of 4: 526 weekly net capital computations, submission of 4:527 "Nine-bond rule" 2: 12 Nonmember commission per round lot (table) **2:** 323 Nonmember correspondents, selected periods, 1940-62 (table) 1:28 Nonmembers as buyers or sellers round-lot transactions 2:41 Nonvoting stock of listed companies, requirements 4:568 Odd-lot dealers: See Odd-lot dealers on the New York Stock Exchange. Off-board distribution of listed securities by member 1:564

218

New York Stock Exchange (NYSE)—Continued

Off-floor conduct of members, allied members and member organizations, regulation of 4: 519-529

- advertising by members and member organization, review of **4**: 533, 534
 - see Advertising by members and member organizations, review of, above
- enforcement activities 4: 526-536

see Enforcement activities of NYSE, above

enforcement activities: credit regulations 4: 528, 529

see Credit regulations, enforcement of, above enforcement activities: net capital rule

see Net capital ratio rule, enforcement of, above examiners' visits: see Examiners' visits, above market letters and sales literature 4: 531-533 markup policy of NASD, compliance with 4:536 nonexchange activities, regulation of 4: 535, 536 over-the-counter market activities 4: 535, 536 public complaint procedures 4: 522–524

see Surveillance procedures: Public complaint procedure, below

registered representatives, disciplinary measures 4:542–544 see Disciplinary measures and procedures, above

securities, segregation, hypothecation and lending 4:534, 535

See also Customers' accounts

selling practices of member organization, supervision of 4:529-531

see Selling practices of member organizations, super-vision of, *below*; See also Selling practices

stock watching program 4: 524-526

see Stock watching program, below

surveillance procedures 4: 519–526

see Surveillance procedures. below

underwriters' compensation in over-the-counter issues 4:536

Off-floor trading: See Off-floor trading by NYSE members

On-floor regulation of members, allied members and member organizations 4:544-559

see Floor traders on exchange markets

Opening of market

floor officials' supervisory power over 4:513

governor's authority over 2: 140-142

specialist and: See Specialists

Operations of as trading market

continuous auction 2:40,41

see Continuous auction in trading, above

execution of orders, mechanics of: see Execution of orders, mechanics of, above

limit orders 2:40

off-floor trading: See Off-floor trading by NYSE members "post," trading from 2:41

priority where simultaneous bids 2: 41

New York Stock Exchange (NYSE)—Continued Operations of as trading market-Continued reporting of transactions: see Reporting of transactions on. below round-lot trading: see Round-lot trading on, below sales information, reporting and dissemination of 2: 42-45 ticker tape use and functions 2: 43, 44 unit of trading, round lot as 2: 40 Over-the-counter markets, member participation in See also Over-the-counter markets percentage of dollar volume of trading by 2: 548 Over-the-counter sales of NYSE-listed stocks See Listed securities in the over-the-counter markets Over-trading or "churning," rule prohibiting See also Overtrading ("Churning") 1:271 "Ownership" of 4: 505 Pacific Coast Stock Exchange, dual memberships in 4: 591 Piper Committee study of floor operation facilities 2: 190 Plus tick prevalance versus price change chart and table showing 2: 446-451 Policy: Adoption of constitutional amendments, right to vote on 4: 518, 519 Policy: Constitutional amendments, right to vote on 4: 518, 519 allied members, question of 4: 519 firms doing business with the public, importance of 4: 518, 519floor professionals, preponderance of power in 4: 519 membership entitled to vote, composition of 4: 518, 519 regular members, rationale of restriction to 4: 519 seatholders, analysis of voting rights with respect to 4: 518. 519 Policy: Formulation of 4: 517, 518 board responsibility, as 4: 517 constitution as repository 4: 517 constitution, rules and "supplementary material," as found in 4:517NYSE Guide as repository of policy statements and rules 4:517,518 policies not embodied in the Guide 4:518 rules and supplementary material as repositories 4:517 Policy: Particular groups affecting 4:518, 519 firms dealing with the public 4:518, 519 "Post," trading from 2:41 Preferred stocks traded on 2:38 see also Stocks traded on, below President, powers, duties and responsibilities of 4:515 Prestige of issuers' choice of market, as influencing **2:** 810 listing selectivity permitted by 2:810registered representatives, limited registration of 1:128 Price day basis volume, member trading by (chart) 2:362 Price levels of securities traded, 1961 2:38

New York Stock Exchange (NYSE)—Continued Price versus member off-floor participation rate tables showing, selected 1961 dates 2: 460, 461 Principals, members trading as See also Floor traders conflicts of interests 2:48,49,56 Exchange Act dealing with, legislative history of 2: 48-50 price movements or speculation, as influencing 2:48 prohibition of in original Exchange Act bill 2:48-50 round-lot market, in 2:48, 56 SEC power to regulate, Exchange Act Section 11 2:50 share volume and percentage of total transactions 2:48 specialist, combining broker-dealer functions as 2:50 Procedures: need of electronic data processing equipment **2**: 351-358 Profits, determination of: Comparison of firms 2: 337–339 "Promotional" services cited 3: 316 Proxies, listed companies' required solicitation of 4:568 Public complaints against specialists, processing 4:552 Public relations and advertising programs 4: 561-566 administration of 4:562 advertising as conflict with regulatory responsibilities 4:565,575 advertising programs, institutional 4:564 broker-dealer tie-ins with 1:246, 247 depth of market, as affecting 2:830 increased number of shareholders due to 4: 562, 563 listed companies' public relations efforts, assisting 4:565 mail promotion techniques, instruction in 4:564, 565 member firms, service to 4:564,565 Monthly Investment Plan (MIP) 4: 563, 564 more realistic approach to as needed 4: 565, 566 "Own Your Share of American Business" pamphlet 4:562 public share ownership, increase in 4: 563, 564 scope during President Funston's tenure 4:561 staff's functions concerning 4: 516, 533 weaknesses and problems 4:566 **Public transactions** percent of total share volume on NYSE (table) 1:389 share volume, public individuals (table) 1:389 Purchase and sale balances from stock transactions, 1961-62 4:838 Purchase and sale balances of member and nonmember groups **1961–62** (chart) **4:**838 Questionnaires sent to members financial to members and member organizations 4: 520 financial: to specialists 4:550 Quotation service, revenues from 4: 157 Quotations 2: 44, 45 See Quotations Recent developments in regulatory practices and procedures 4:569,570

New York Stock Exchange (NYSE)—Continued Records examining program of Exchange for 4:520 prepaid proceeds of sales of listed securities 2:314 Recruiting pamphlet 1:100 salesman qualities listed in 1:100 Registered representatives of member firms see also Salesman of member firms, below applicants for position as, investigation of 1:122 board of governors' review 1: 123 cost and scope of 1: 122 disapproval of applicants 1: 123, 124 discharge by any other member firm, effect of 1:128 informality of 1:123 RE-4 forms 1: 122, 123 character and integrity, controls relating to 1: 120-124 definition of 1:120 disciplinary actions involving (table) 4:742,743 full registration, requirements for 1: 121 fundamental concept of qualification control, as 1:120 limited registration 1: 126–128 danger to public, question of 1: 128 duration of status 1: 126, 127 mutual fund salesmen 1:127 new provisions for, decrease in registration since 1:128 number so registered 1:127 preparation for full registration, as 1:126 prestige of NYSE as involved in 1:128 pros and cons of 1: 126-128survey and evaluation of program for 1:127 training device, as 1:128 number, 1940–62 (table) 1:36, 130 qualifications of, controls over 1: 120-129 pace-setter, NYSE as 1: 120 Relative position of in industry changing character of 1:15 dominance of 1:11, 12; 2:35 Reporting transactions on: see Sales information, reporting of, below Reports currently received from members (table) 2: 429, 430 table showing 2: 429, 430 "Research services," review of advertising of 4: 533 Revenue and sources thereof commissions, charge on 4:156 listing fees 4:516 membership dues 4:517 quotation service 4:517 total revenues 4: 516, 517

ł

١

New York Stock Exchange (NYSE)—Continued Round-lot transactions of members and nonmembers, 1937-61 **2:** 366–371 floor traders, round-lot transactions by 2:51 member purchases and sales as principals, summarized 2:56 members' transactions as percent of total, 1937-61 2: 413 nonmembers as buyers and sellers 2:41, 42 odd-lot dealers, volume and percentage of 2:51 percent of total round-lot transactions, 1937-61 2:394 percentage distribution of volume, 1928, 1961 (chart) **2:**63 sales volume and percentage of total sales 2:48 share volume and sales percentage, members' transactions **2:** 48 specialists' share of total 2:58, 390-392 specialists, volume of trading by 2:51 unit defined 2:40 volume of, 1937–42, 1958–61 2:51 volume of, 1937-61, not printed on tape (table) 2:393 Rules citations of: See Tables following Index changes and amendments, discussing and filing with SEC 4:711,712 enforcement of, SEC review power 4:700 scope of 1:3 selling practices: See Selling practices: supervision of, below Rumors listed companies' prompt announcements concerning 4:567 Sales information, reporting of computers, use of 2:44 "Fitch Sheets" 2: 44, 45 "flash prices" 2:43 floor reporting, recommended revision of 2:358 last-sale information, sources of 2:44 mechanics of 2:43 newspaper coverage 2:43,44 quotations 2:44,45 See Quotations Teleregister boards 2:44 ticker tape, use of 2:42-44time lag 2:43 Salesmen of member firms see also Registered representatives of member firms, above aptitude tests, Exchange aid with 1:129 competence of: see Experience and competence of registered representatives of member firms, above direct jurisdiction to discipline 1:316 disciplinary action through written examination 1:125 part-time, Rule 346 prohibition 1:113 recruiting aids and standards 1: 129 registration as fundamental concept 1:120

New York Stock Exchange (NYSE)—Continued Salesmen of member firms, training of branch office training, deficiencies of 1:107 classroom programs 1: 105, 106 local schools, in 1:107 percentage of trainees in 1:108 compensation during 6-months period as expense element 1:105 conferences of supervisors 1:129 correspondence courses 1:108 cost per trainee 1:105 courses of member firms, passing on 1:126 Exchange rules covering 1:105 expensive character of 1:105 general nature of 1:104 limited registration as device for 1:128 odd-lots lectures 1:108 on-the-job training 1:104, 107 outside schools, use of 1:107 remoteness of offices from training facilities 1:108 responsibility for on employer 1:105 sales techniques, time devoted to 1:109 6-months' minimum for inexperienced 1:104 small-and-medium size firms, Special Study questionnaires as to 1:108 smaller firms, programs of 1:108, 109 study program 1:125 subjects taught 1:107 trainees, number of 1:103, 108 Trainer's Manual used by smaller firms 1:108, 125 waiver of training period 1:126 Seats on, ownership and number of 4:505 associate brokers affiliated with major odd-lot firms, holdings of 4:518 Board of governors, holders' representation on 4:510 decline in price preceding Market Break 4:826 distribution by net commission income (chart) 4:740 floor professionals and member firm partners, holdings by 4:518 floor professionals' voting power because of holdings 4:519 freezing number of 2:201:5:93number of seats outstanding and holders thereof 4:518 prices compared to AMEX seats 4:807 privileges conferred by ownership 4:505 purchase of 1:76 relationship between firms dealing with public and number of seats held 4:518 specialist firms, holdings of 4:518 Secondary distributions through 1:563, 564 Securities, hypothecation, segregation and lending of enforcement activities concerning 4: 534, 535

New York Stock Exchange (NYSE)—Continued Securities traded on active stocks, concentration of trading on 2:38 block transactions on over-the-counter market, supervision of **2:** 128, 843 common stocks active stocks, concentration on 2: 38 listed stocks, number of 2: 37 share volume traded 2: 37, 38 diversity of **2:** 37, 38 exchanges and over-the-counter market compared: See Trading markets: Allocation issues traded, number of 2: 817, 926 issues traded, volume and market value of, AMEX compared 2:807 listed: see Securities traded on: Listed, below market categories, classified by 2: 817-823 market value of shares outstanding, 1961 2: 817, 966 markets made, 1955, 1961, 1962 (tables) 2: 1063, 1064 number of (chart) 2: 817, 926 NYSE-listed securities, competitive markets for 2: 954–956 See Trading markets: NYSE-listed securities NYSE stocks traded on NYSE, 1962 (table) 2: 1083 other exchanges on which traded (table) 2: 1083 over-the-counter markets: See Listed securities in over-thecounter markets preferred stocks: see Securities traded on: Preferred stocks, below prices, end of 1961 (table) 2: 38, 824, 969 public utility stocks, activity in 2: 955 regional listings transferred to NYSE, 1955-61 2: 1073 shareholders, by number of, 1961 (table) 2: 817, 965 shareholders in, 1962 (table) **2:** 1083 shares outstanding, 1961, classed by (table) 2:817,965 shares traded or transferred annually, classed by 2:824,968 volume: see Volume, below Securities traded on: Listed securities See also Trading markets: NYSE-listed securities common stocks, number of 2:37 distribution by various categories 2:1065 growth in number of listed stocks traded 1:22 institutional trading increase in 2:953 issues traded, number compared to AMEX 4:760 listing requirements, percent meeting 2: 823, 967, 968 number listed 1: 11, 12, 28; 2: 37 share listings, 1929–62, selected years (table) 1:36 shares listed, 1962 (table) 2: 1083 Securities traded on: Preferred stocks institutional holdings 2:38 issues traded, number of 2:38 trading activity compared to common stocks 2:38 volume traded 2:38

New York Stock Exchange (NYSE)—Continued Segregation of customers' securities, rules relating to 1: 402-404: **4:** 534, 535 See Customer's account, funds and securities Self-regulatory institution, NYSE as 4: 504-577 See New York Stock Exchange: Self-regulatory institution, 4:504-577 as Selling literature, supervision over 4: 531–533 see also Public relations and advertising programs, above Selling practices of member organizations, supervision of 4: 529-531 adequacy of supervision, recognition of 1:301 branch offices, staff visits to 4:529, 530 disciplinary cases involving 4: 530, 540 failure to supervise salesmen, disciplinary action for 4: 530 greater concern being given to 4:530 procedures and adequacy thereof 4:529 Rule 405 1:290 Share volume: see Volume of trading, below Short selling on: See Short selling "Social club," government as 4: 506, 508 Specialists: See Specialists Sperry Rand Corp. trading, January 25, 1961 2: 363-365 Staff, powers, composition and duties 4:515, 516 See Government: Staff, above Statistical and advisory services to mutual funds 2:316, 347, 350 Statistical and investment advisory services 2: 313–316 Stock day approach to member trading concentration of member trading by 2: 53, 54 concept of illustrated 2:85 definition of "stock day" 2:51 floor traders, study with respect to 2:205 member participation as price factor (chart) 2:359 members of various classes, trading by (table) 2:53 merit of concept 2:51 merits of stock day approach to trading analysis 2:205 percent of total stock day volume, analysis by 2:367 price, member trading by (chart) 2:359 price movements, member purchases as stabilizing 2: 55, 56 price range as affecting trading volume 2:55 price range, member trading by (chart) 2:360 selected 1961 days: percent of total stock day volume 2:367 share volume, member trading by (chart) 2:361 specialist trading by 2:52 specialists' percentage of total volume 2:53 stabilizing effect of member purchases on prices 2: 55, 56 Stock-watching program, member supervision through **1:** 316, **4:** 524–526 daily computer system reports, review of 4: 524, 525 listed company control through 4:567 personnel conducting 4:524 price variations, check on 4:524,525 procedure 4:524–526

New York Stock Exchange (NYSE)—Continued Stock-watching program, member supervision through-Continued purpose of 4:524 specialist surveillance through 4:552 significance of in market surveillance 4:526 stock clearing sheets, examination of 4: 525, 526 Stocks traded on: see Securities traded on, above Supervisors, controls over qualifications of 1: 140, 141 approval letters sent to employing firms 1:141 approval of branch managers 1:140 standards for 1: 140, 141 "Office Member and Allied Member" examination 1:141 selection on basis of sales volume, view of 1:137 Surveillance procedures financial questionnaire requirements 4:520 floor traders 4: 555-557 see Floor traders on exchange markets members' off-floor conduct 4: 519–526 see Off-floor conduct, above specialists 4:550-552see Specialists stock-watching programs 4:552 Surveillance procedures: Examiners' visits 4: 519-521 audit, member firms' agreement for 4: 520 book and record examining program 4: 520 capital condition, check on 4:521 credit regulations 4: 528, 529 see Credit regulations, enforcement of, above financial questionnaires, review of replies to 4: 519, 520 full requirements firms, to 4: 520 individual members, to 4: 520 interest charges check 4:521 introducing firms, to 4: 520 "know your customer" rule (Rule 405) 4: 521 member organizations, visits to 4:520 net capital violation check 4: 521 proxy requirements check 4: 521 Regulation T compliance check 4:521 reports of, review of by Special Study 4: 521 routines of examination 4: 521 specialists' books, attention to 4:552 Surveillance procedures: Public complaint procedure 4: 522–524 1962 changes in handling 4: 524 arbitrate, informing complainant of right to 4:522 direct route to misconduct detection, as 4:522 editing of by NYSE staff 4:523 extent of use of 4:522 investigation methods and critique thereof 4: 522-524 merit of claims, reluctance to advise on 4:524 nature of complaints 4:522 number of complaints processed 4:522 Surveillance procedures: Stock-watching program 4: 524-526 see Stock-watching program, above

New York Stock Exchange (NYSE)—Continued "Third market" as factor in trading range of shares traded or transferred, 1961 (chart) 2:876 Ticker tape use in trading nonmembers, lease of tickers to 2:43number in operation and locations of 2:43 projection of on screens 2:43 round-lot volume not printed on, 1937-61 (table) 2:393 Touting, rule concerning 1:316 Trading by members: see Member trading, above Trading market, as see various entries under New York Stock Exchange; see also Trading markets Trainer's Manual 1:125 Transactions in 30 most active floor trading accounts tables showing for selected weeks 2: 395, 396 Transactions, member trading by number of 2:362 see Member trading, above "Two-dollar" brokers functions and compensation of 2:46,47institutional investors, dealing directly with 2:47 large orders or blocks, handling of 2:46,47 specialists distinguished 2:46,47Underwriters' compensation, controls over 1:512 Unit of trading on 2:40 United States Steel Corp. stock on activity in 1928, 1961 compared 2:64 market break: See Market break of May 1962 Unregistered securities distributions through exchange distribution 1:561 special offering plan 1:562,563 Vilas committee comment on qualification standards 1:124 Volume of trading 1929–62, selected years (table) 1:36 AMEX volume compared 4:758 cumulative percentage distribution (chart) 2:63 distribution, end of 1961 (chart) **2:** 827 dollar volume 2:824 dollar volumes of stocks traded, 1935–62 (tables) 2: 1076, 1077 large-block discount, absence of as affecting over-the-counter competion 2:904measurement of 2:53 member trading on stock days (chart) 2:261 members' and nonmembers' round-lot purchases, 1937-61 **2:** 366 percentage distribution of round-lot, 1928, 1961 2:368 preferred stocks traded 2:38 1:424 present and predicted volumes round-lot, distribution of, 1928, 1961 2: 368 round-lot not printed on tape, 1937–61 (table) 2:393 share, 50 stocks most actively traded over-the-counter **2:** 1088 share, 1925-62 (table by years) 2:248

New York Stock Exchange (NYSE)—Continued Volume of trading—Continued share and dollar volumes, 1935-62 2: 1076, 1077 share, annual turnover rate of listings and volume 1:35 share, as percent of total NYSE volume (table) 1:389 share, common stocks 2:37 share, concentration of trading in 2:37, 38 share, daily average, 1925-62 (table) 2:428 share, member trading (chart) 2:381 share, public individuals (table) 1:389 shares, March 24, June 16, 1961 (chart) 2:361 specialists', in 79 selected stocks, February 16, 1962 2: 375 stocks traded 1935–62, dollar volume (tables) 2: 1076, 1077 stocks, end of 1961 (table) 2:826,969 stocks, 1962 (table) 2:1083 trading volume, requirement regarding 2:284 New York Stock Exchange: Self-regulatory institution, as 4:504-577 Changes in regulatory practices and procedures 4:569, 570 See New York Stock Exchange: Changes in regulatory practices and procedures Disciplinary procedures 4: 536-544 See New York Stock Exchange: Disciplinary measures and procedures Enforcement activities 4: 526-536 See New York Stock Exchange: Enforcement activities Floor conduct of Exchange members 4:544-559 See New York Stock Exchange: Floor conduct of members, regulation of Floor conduct of members, regulation of 4: 544-559 See New York Stock Exchange: Floor conduct regulation History and purposes of 4:505 Importance of 4:504-506business handled by, compared to other markets 4:504 leadership of in industry 4:504 Membership "allied members" 4:505 eligibility for 4:505 Exchange's control of members 4:505 member organizations, control of through members 4:505 privileges conferred by 4:505 Off-floor conduct of members, allied members and member organizations 4:519–559 Rules, copying and significance of 4:504 Structure and operation of as self-regulatory body membership, NYSE control over 4:505 methods and scope of Special Study of 4: 505 origin and aims of NYSE 4: 505 "ownership" of 4:505"seats," number and ownership of 4: 505 Special Study aims in examining 4: 505

New York Stock Exchange: Self-regulatory institution, as-Con. Special Study conclusions and recommendations **4:** 576, 577; **5:** 183, 184 arbitration machinery 4: 577; 5: 184 automation, needed expansion in use of 4: 576; 5: 183 board of governors, composition and nomination, needed changes 4: 576; 5: 183 customers' complaints, protective role of NYSE as to **4:** 577; **5:** 183, 184 disciplinary matters, more formal procedure in 4: 577; 5: 184 disciplinary matters, publicity in 4: 577; 5: 184 disciplinary matters, reporting of sanctions to SEC 4: 577; 5: 184 ethical standards, punishment to fit infractions **4:** 577; **5:** 184 floor department staff and authority, strengthening **4:** 576; **5:** 183 floor governor's actions, reporting of 4: 576; 5: 183 floor professionals' disproportionate influence 4:576; 5:183 public relations, changed emphasis in direction of **4:** 577; **5:** 184 surveillance techniques, needed attention to 4: 576, 577; 5: 183 unevenness of NYSE self-regulation 4: 576; 5: 183 unique opportunity of NYSE in self-regulation **4:** 576; **5:** 183 voting power, needed reforms in 4: 576; 5: 183 Special Study summary 4: 570-576; 5: 177-183 arbitration machinery operation 4:574:5:181 basically proved in practice, self-regulation as 4: 570; 5: 177 broad conception by NYSE of its role 4:570; 5:177 constructive leadership and results demonstrated 4: 570; 5: 177 defense against public criticism, preoccupation with **4:** 571; **5:** 177, 178 disciplinary area, tenderness to members in **4:** 574, 575; **5:** 181 dominant position of in securities industry 4:570; 5:177 floor professionals, disproportionate influence of **4:** 571; **5:** 178 in shoes of government, as standing 4:576;5:182 odd-lot trading on Exchange, initiative as to 4: 573; 5: 180 organizational structure, basic soundness of 4:572; 5:179 public complaints, shortcomings in handling 4:574; 5:181 public relations activities, compatibility of with self-regulation 4: 575, 576; 5: 182 regulatory activities, initiative and effectiveness of 4: 572, 573; 5: 179, 180 seat concept 4:571; 5:178

New York Stock Exchange: Self-regulatory institution, as-Con. Special Study summary—Continued selling and advisory practices, shortcomings as to **4:** 573; **5:** 180 shortcomings of in practice 4: 571-576; 5: 178-183 specialists, inadequacy of regulation of 4: 573, 574; 5: 180, 181 Surveillance procedures 4: 519–526 See New York Stock Exchange: Surveillance procedures surveillance techniques, wide differences in 4:573; 5:180 voting power 4: 571, 572; 5: 178, 179 New York Times Financial article's effect on American Motors Corp. stock 3:72 Investment advice, advertisement of 1:338 Market break comment week preceding break 4:831 Over-the-counter market quotations in 2:633 New York World Telegram & Sun Investment advice in financial column 1: 339 Newspapers and magazines Investment advice in 1:331, 338-342subscription advisory services 1:359 Over-the-counter market quotations in 2: 45, 553 "fair price," as representing 2: 639 "Placing" financial articles in clients of public relations firms, articles about 3:68 Securities industry advertising in 1:244 Stock prices in newspapers 2:44 Subscription advisory service advertising in 1:367 Time Magazine, effect of articles on stock sale, price 3: 69, 73 Time Magazine, stock options to financial writer in 3:69 Touting by Dunn Engineering Corp. stock 1: 337 No action letter 1:560 Nonlife insurance companies Transactions in securities, March 1961, April 1962 by market and type of stock (tables) 2: 849, 986, 1006, 1034, 1035 North American Securities Administrators (NASA) 4:735 "Bewares" as starting point for State regulations 4:230 Blue Sky law uniformity, efforts toward 4:735 Mutual fund reciprocal business regulation prohibitions 4:230 Registration of securities, efforts toward uniform applications 4:735 Uniform Securities Act, support of enactment of 4:735 Warrants and options, policies as to underwriters' acquisition of 4:735 Northwestern University Salesman training course in 1:108 "Not held" orders Specialists' acceptance of 4:552 Notice Customer's account, as to status of 1: 391–393

Numbers Trading stocks as 2:563 Occupations Mutual fund investors' 4:287,288 Odd-lot dealers on the New York Stock Exchange Generally 2: 171–202; 5: 91–95 Associate broker's function in 2: 188-190 round-lot trading 2: 188, 189 stocks assigned to, and "book" 2: 189 Automation of facilities, question of 2: 192, 199, 201; 5: 93, 94 Borrowing of, stock by 2: 186 customers' stocks, as interest-free loans 2: 176 money, interest paid on 2: 176 Brokers, relations with 2: 173, 174 Business of, structure and mechanics of **2:** 173–176 costs of 2: 175, 176, 187, 326, 327 differential: see Differential, below facilities, modernization of: see Facilities, modernization of, below regulation of: see Regulation of odd-lot activities of, below round-lot offsets, methods and problems of handling: see Round-lot offsets, methods and problems of handling, below seats held by odd-lot dealers 2: 175 services performed: see Services performed by, below volume transacted by specialists 2: 178 Capital 2:175 Commission rates 2: 325–327 See also Commissions, commission rates and rate-making Compensation of 2:172 Concentration of in NYSE firms **2:** 172 Costs 2: 175, 176, 187, 326, 327 Customers' NYSE trading in as percent of total, 1937-61 (table) **2:** 393, 394 Definition and functions of odd-lots 2: 47, 48, 171 Percentage of transactions in to total volume 2: 172 Price determination of 2: 172, 173 Procedure in trading 2: 171 Significance of **2:** 171 Total volume and ratio to total transactions 2: 172 Differential definition of **2:** 181 increase 2: 180–186 increase, De Coppet & Doremus memorandum on 2: 185 increase, notice of 2: 180, 182, 183 NYSE failure to regulate amount of 2: 181, 185 regional exchanges' action 2: 182 SEC fixing of, NYSE memorandum respecting 2: 179 SEC recommendations concerning 2: 180 standard to July 1951 **2:** 181 Effect of transactions on securities markets 2: 326

Odd-lot dealers on the New York Stock Exchange-Continued Exchange's regulatory rules and policies Exchange Act Section 19(b) provisions 2: 177 failure of Exchange to exercise jusisdiction 2:177 joint accounts, restrictions on 2: 177 share volume of transactions, reporting **2:** 178 stock interest restrictions 2: 177, 178 transfer tax, passing to purchaser 2: 178 Executions on Exchange floor 2: 173, 174 Facilities of, modernization of 2: 190-199 automation, consideration and rejection of 2: 192, 199 Carlisle & Jacquelin plan 2: 194 DeCoppet & Doremus plan 2: 194 Ebasco plan 2: 190–198 NYSE Ebasco and Piper Committee studies 2: 190 Piper Committee and 2: 190, 198 proposed plan for 1965 2: 199 Firms studied 2: 173 Firms studied, history of two 2: 174-176 Fixed-fee basis for handling 2: 882 Income and sources thereof 2: 174, 175 Investors' buying procedures, steps in 2: 173, 174 Lending stock as accommodation to membr firms 2: 176 Listed securities in the over-the-counter markets 2: 890 fees charged by broker-dealers 2: 882 proportion of all trading 2: 879 Long-and-short positions 2: 174 Market break period of 1962 and 4: 831, 833, 835, 837-839, 856, 857, 922 See Market break of May 28, 1962 NYSE and AMEX customers' trading as percent of total, 1937-61 2: 394 New York Stock Exchange admissions examination for 1:79 New York Stock Exchange function as to 1: 12 New York Exchange regulation of, passive role in 4: 544 Not printed on the tape, 1937-61 table showing, by years 2: 393 Number of firms 1: 12 "Odd-lot" defined 2: 171 Odd-lot transactions, early 2: 175 Organization and staff 2: 175, 176 Over-the-counter, early basis in 2: 175 Over-the-counter market in listed securities 2: 172 Partners' activities and number of partners 2: 174–176 Prices listed securities in over-the-counter markets 2:890,891 listed securities, over-the-counter competition as reducing for **2:**904 Principals, buying and selling as 2:48 Regional exchanges 2: 935, 936 effect of trading on primary markets 2:941,942 trading on, effect of on primary exchanges 2:941,942

Odd-lot dealers on the New York Stock Exchange—Continued Regulation of odd-lot activities of 2: 176–181 Exchange Act Sections 11(b) and 19(b) **2:** 177 Exchange's rules and policies 2: 177, 178 see Exchange's regulatory rules and policies, above rules of Exchange, permission to adopt 2: 176, 177 SEC supervisory power 2: 176, 177 transfer tax absorption, question of **2:** 178, 179 Round-lot offsets, handling 2: 188-190associate broker's function 2: 188–190 conflict of interest with customers in **2:** 190 gains or losses from trading, accrual of 2:188 loss to odd-lot firms, as 2:188 NYSE rules, absence of 2: 190 volume of 2: 188 Round-lot policy for public customers 2:187 Round-lot transactions, volume of 2:51 Salesmen of NYSE member firms, lectures to 1:108 Seats on NYSE held by 2:175 SEC supervisory regulation of 2:179, 180 differential, recommendation as to increase in 2:180 failure to exercise statutory powers 2: 179, 180 jurisdictional questions 2:180 operational measures of dealers, recommendations as to 2: 180, 181 passive and limited character of 2: 179, 180 recommendations to NYSE 2: 180, 181 Service charge, rejection of 2:181 Services performed by 2: 186–188 adjustment policies 2:186, 187 competition, to meet 2:186 deterrent effect of on firms entering business 2:187 expense of 2:187information supplied to commission firms 2:186 NYSE attitude toward **2:** 188 public customer, for 2: 186, 187 round-lot policy for public customers 2: 187 stock borrowing 2:186 Short positions on NYSE, January 1954-July 1962 chart showing 2: 270 Short sales by NYSE customers charts of, January 1958–July 1962 2: 272, 273, 275 Short selling exemption from rules 2:269 Short selling by dealers to facilitate market operations 2:249 Short selling by nonmembers volume of sales to off-lot customers **2:**271 Short selling, reports to SEC on **2:** 253 short positions, reports on **2:**253 Significance of and their handling 2: 171–173

ŧ,

Odd-lot dealers on the New York Stock Exchange-Continued Special Study conclusions and recommendations 2: 201, 202; **5**: 94, 95 AMEX and regional exchanges, study of methods and costs **2:** 202; **5:** 94 automation, NYSE report to SEC on 2:202; 5:94 differentials, NYSE and SEC regulation of 2: 202; 5: 94 effective regulation, need of move for 2:201, 202; 5:94 handling transactions, NYSE rule adoption 2: 202; 5: 94 information services by firms to NYSE, study of **2:** 202; **5:** 94 offsetting round-lot transactions, needed NYSE rules **2:** 202; **5:** 94 Special Study of: scope and methods of 2: 173 Special Study summary 2: 199-201; 5: 91-93 automation of facilities 2:201; 5:93 differential 2: 199, 200; 5: 91, 92 domination of business by two firms 2:199, 200; 5:91, 92 executions, how made 2: 199; 5: 91 modernization of facilities, proposals for 2:200, 201; 5:92 odd-lot differential 2: 199, 200; 5: 91, 92 prices, uniform policy as to 2:200; 5:92 public customers, differential and 2: 200; 5: 92 regulation 2: 200, 201; 5: 92, 93 seats held by dealers 2: 199; 5: 91 services rendered by dealers 2: 200; 5: 92 share volume of odd-lot transactions 2: 199; 5: 91 two-firm domination of business 2: 199; 5: 91 Specialists in 2: 172, 173 odd-lot dealers, acting as 2: 178, 179 transfer tax absorption by 2: 178, 179 volume of business by 2:178 Specialists on AMEX[#]acting as 4:773 Stocks handled by 2: 172, 173 Trading procedure 2:171 Transfer tax, payment of 2: 178, 179 percent of all NYSE transactions 2: 172 Volume 2:172 round-lot offsets 2:51, 188 specialists' transactions 2:178 Off-floor trading by New York Stock Exchange members Block transactions by specialists 2:130 Concentration of active stocks, disproportion of 2:244 high volume on any given day 2:244 higher priced stocks, slight preference for 2:244 individual stocks, concentration on **2:** 244 stock days in test period 2:244 wider price ranges, trading during 2:244 Exempt list of NYSE 2:874 Floor traders' parity or precedence with respect to 2:232 Listed securities, in over-the-counter markets See Listed securities in over-the-counter markets

Off-floor trading by New York Stock Exchange members—Continued Market break of May 1962 and 4:854,855 See Market break of May 1962 Market volume versus off-floor participation rate **2:** 464, 465 Members' annual aggregate transaction balances table showing for 1936-61 2: 420 Most active trading accounts during selected weeks tables showing, by account 2: 414-420 NYSE staff's regulatory responsibility in 4:515, 516 Parity of orders with floor traders' orders 2:232 Pool operation participation NYSE Rule 435 prohibition and disciplinary action 2: 242 SEC jurisdiction over, Exchange Act Section 11 2:242 Precedence of orders with floor traders' orders 2:232 Price movements, relation to absence of conclusions concerning **2:**246 arbitrage, where involved 2:245 evidence, paucity of 2:245 Price range versus member off-floor participation rate tables showing, selected 1961 dates 2: 462, 463 Price versus member off floor participation, tables 2: 460, 461 selling more shares than buying on exchange 2:245 Price versus NYSE member off-floor participation rate tables and charts showing 2: 460-465 Purpose of off-floor trading 2: 243, 246 Questionnaires EX-2, EX-3, to NYSE members and organizations **2:** 527–531 Round-lot total transactions 1937-61 as percent of total 2:413 Round lot trading for members' own account percentage of total traded 2:241 Short selling, general features of 2:266 Sources of stock bought, inconclusiveness as to 2:246;5:98 Special Study conclusions and recommendations reporting requirements, as to study of 2:246; 5:99 Special Study, data and methods employed by 2:243 Special Study summary 2:246; 5:98 Volume of decline of **2:**243 percentage of total stock day volume 2:243,246 round-lot transactions, and percentage of total **2:** 242, 243, 246 shares traded, number of 2:243 Office space or services Giving by NYSE member to nonmember 2:314 Ohio Salesmen of securities, registering 1:132 Oklahoma Salesmen of securities, registering **1** surety bonds as prerequisite 1:133 Open-end investment companies See Mutual funds **Opening** of market NYSE officials' powers regarding 4:513 Specialist's discretion regarding 2: 137, 138, 142

Option contracts Standard form of **4:**689, 690 Options Stock: See Stock options Over-the-counter markets (O-T-C) Generally 2: 541-796, 870-911 See also Broker-dealers in corporate securities; Listed securities in over-the-counter markets; Over-thecounter retail markets; Over-the-counter securities; Over-the-counter wholesale markets; Quotation systems for over-the-counter markets Activity compared with exchanges 1:9 Adaptability and variety of 2:833 Advertising basic practice, as 2:833 market maker, by 2: 563, 565 Affected with a public interest, as 2:541 After-market study by SEC 1:489 Agent, broker-dealer transactions as firm type as determining broker-dealer role 2: 613, 614 higher priced stocks as factor 2:613 percentage of total sales on agency basis 1:257 proportion of public customers' trading 2:612 security characteristics as determining 2: 613 selected stocks, transactions in (tables) 2:684–689 tables of statistics regarding 2: 684-689 AMEX member transactions, regulation of 4:800 Assets, issuers of over-the-counter stock classed by (table) **2:**743 Automation, possibilities of See Automation 2: 655–658 Bank securities: See Banks, protection of investors in securities of Banks as integral part of 3:35 **Block** transactions listed stocks, for institutional investors 2:844 Bonds, trading in government, state, municipal bonds 2:808 British counterparts of, absence of 2:18 Broker-dealer participation in activities before market break (table) 2:777,778 admission of to NASD 1:72 agent, acting as: see Agent, broker-dealer transactions as, above capital requirements of 1:93 concentration in large firms (chart) 2: 548, 549 exchange membership, sales classified by 2:692-695 exchange membership, transactions classified by 2:691 number of active broker-dealers 2:548 NYSE firms, dollar volume percentage of trade by 2:548 public volume in selected stocks (table) 2:690 purchases among, January 18, 1962, distribution of 2:688 sales, classified by exchange membership and NASD status **2:** 689 sales, classified by NASD district 2:690

Over-the-counter markets (O-T-C)-Continued Broker-dealer participation in-Continued sales, classified by primary activity and exchange membership **2:** 692–695 size, experience, type of activity variances 2:548 stocks held, range of 2:548 See also Over-the-counter securities wholesale and retail activities 2:550 See Over-the-counter retail markets; Over-the-counter wholesale markets Broker-dealer participation in: Statistical overview, tables See also Over-the-counter markets: Statistical overview concentration in firms 2:718, 719, 734 distribution of sales among 2:734 exchange and NASD membership 2: 719, 720 exchange membership, value of sales classified by 2:736 number of in over-the-counter markets 2:718 primary activity and exchange membership, sales classified $\mathbf{b}\mathbf{v}$ **2:**739 primary and secondary activities of 2:720 registration 1961, number of 2: 718, 719 sales, classified by primary and secondary activities **2:** 740, 741 sales, 1961, distribution among broker-dealers 2:734 sales, value of, classified by exchange membership 2:736 share volume sold by 2:718,719 size and concentration of their trading 2:718 Broker-dealer registration 2:541 inspection programs 2:541 Broker-dealers in: Interaction between dealers' retail and wholesale activities own account, analysis of dollar volume sales for 2:720 retailers, dollar volume of transactions as 2:720,721 wholesalers, transactions analysed 2:721 Broker-dealers in: Primary and secondary activities of exchange commission business dollar volume 2:720 number of firms engaged 2:720 retailer oftener than wholesaler, as 2:720 revenue source, retail over-the-counter business as **2:7**20 Broker-dealers not exchange members, participation of 2:719,720 sales volume of 2:719 share of market had by 2:719,720 volume of trading by 2:719,720 Broker-dealers' transactions, tables on activities, primary and secondary, classed by 2:740, 741 classed by exchange membership, NASD status 2:735 concentration of sales, 1961 **2:**734 distribution by value and exchange membership 2:736 distribution of reported transactions 2:734 exchange membership, classified by 2:731,735-739 January 18, 1962 purchases and sales 2:724

÷

Over-the-counter markets (O-T-C)-Continued Broker-dealers' transactions, tables on—Continued location of main office, classified by 2:737 primary activity and exchange membership, by 2:739 Questionnaire OTC-3 sent to, text of 2:747-770 two-way market, by dealers quoting 2:729,730 value and distribution of, January 18, 1962 2:735 volume in 135 selected stocks, January 18, 1962 2:725-728 Broker-dealers with exchange or NASD membership: Statistical overview of 2:719 higher average prices of shares sold 2:719 large-firm NYSE participation 2: 719 number participating 2: 719 percentage of participating in over-the-counter sales 2: 719 share, percentage and dollar volume of sales 2: 719 Clearing facilities, extension to fails to deliver, effect upon 1: 424, 428 Commission rates as diverting trading in NYSE stocks to 2: 318 Competitive markets, as 2: 956, 957 Composition of 1: 13 Concentration of business large firms 1: 18 registered broker-dealers (chart) (table) 2: 549, 734 Conflicts of interest wholesaler with customers 2: 567 Continuity of compared to auction market 2: 833 Customers' securities, holding for them 1: 398 Definition of over-the-counter markets 1: 13; 2: 7, 541, 546 Disclosure 3: 8-10adverse interest of retail broker-dealer 2: 654 broker-dealer, as capacity in which acting 2: 615, 3: 9, 10 exemption under Section 16(b), question of 3: 47 fraud and manipulation, as shield against 3: 10 joint wholesale market trading accounts 2: 562 need of 3:2price where stock has only one dealer 2: 589 F. D. Roosevelt's statement concerning 3:8 spread, over-the-counter retail markets 2: 640 Discount in dealers' riskless transactions with public 2: 697 Distribution markets, as 1:9 Diversity and lack of organization of 2:541 Exchange Act Section 16(b) impact exaggeration of potentialities 3:54 recommended application to over-the-counter securities **3:** 54 Exchange Act supervision of 1:4 Exchange-listed stocks on over-the-counter market 2:870-911 See Listed securities in over-the-counter markets; Over-thecounter securities Exchange members in the over-the-counter markets listed securities, transactions in 2:899,900 See Listed securities in over-the-counter markets Exchange membership of broker-dealers transactions classified by (tables) 2:731,735-739

Over-the-counter markets (O-T-C)-Continued Exchange membership, transactions classed by 2:735,736 Exchanges' use to effect over-the-counter transactions 2:901 listed stocks, transactions in 2:901 See Listed securities in over-the-counter markets Executions, procedures of customers', checking price of 2:553 markup, nondisclosure of 2: 552 principal or agent, acting as 2:553 reporting consummated transactions 2:553 seriousness of problems respecting 2:958 shopping around for best price 2:553 Expansion of volume, 1949, 1961, 1963 1:22 Expectations as to, Special Study summary 2: 835; 5: 133 Geographical restrictions as to 1:4 Give-ups in over-the-counter markets 2:901 mutual funds transactions 4: 226–229 Government bonds, as market place for 2:808 Government issues (Federal, State, municipal), exclusion of from Special Study 2:542 Growth, table showing, 1961, 1955, 1949 2:724 Heterogeneity of 2:833 Increase of in size and importance 2:952 Institutional investors: See Institutional investors Integrated firm (wholesale): see Over-the-counter wholesale dealers: Integrated firms Investors, protection of See Over-the-counter stocks Issuers of over-the-counter traded stocks, diversity of 2: 551 assets, classed by amount of (table) 2:743 assets of issuers of exclusively-over-the-counter traded stocks **2:** 551 broker-dealers "entering quotations," classed by (table) **2:**743 market value of outstanding stock (table) 2:745 number of stock transfers, classed by (table) **2:**742 percent of stock held by broker-dealers and banks 2:744 percent of stock held by 10 largest holders (table) 2:745 price of stock, classed by (table) 2:742 shareholders, classed by number of (table) 2:744 shareholders, number of 2:551 shares outstanding and their prices 2:551 shares outstanding, classed by number of (table) 2:744 Issues traded See Listed securities in over-the-counter markets: Over-thecounter securities Listed stocks in See Listed securities in over-the-counter markets Listing in quotation lists minimum requirements (table) 2:632 Listing requirements of NYSE, stocks meeting 2:967,968 Listing requirements, percentage of stocks traced which meet

2: 822

Over-the-counter markets (O-T-C)—Continued Location of dealer, transactions classed by (table) 2:737 Market break of May 28, 1962, period of Generally, See Market break of May 28, 1962 confusion on first day of break 4:833,834 delays in execution of orders 4:833 January 18, 1962, statistical tables on 2:679-788pre-break period, memorandum to broker-dealers on 2:777,778 preceding break, over-the-counter events 4:826 wide price spreads on second day of 4:835 Market makers: See Market makers Market mechanisms: see Mechanisms of market, below Markup dealers' riskless transactions (tables) **2**: 696, 697 selling effort as influenced by 2:10 Mechanisms of over-the-counter markets 2: 552, 553 dealers making markets 2:9 executions, procedures of: see Executions, procedure of, above flexibility and variances in 2:552informality of codes and practices 2:552 "negotiation" of transactions 2:553 prices, relating to: see Prices; Quotations systems, below principal rather than agency basis 2:10 selling effort, including advertising 2: 552 Mode and places of trading on 2:8Motivations for establishment of 2:812 Mutual funds, firms selling shares of 1: 17, 18See Mutual funds National Association of Securities Dealers and dealers' membership in 1:13, 2:9 promotional activities 4:617 NASD status, transactions classed by 2:735 neglect of important problems concerning 4:679; 5:194 role of NASD 1:13, 16, 17 standards, paucity of 4:671 supervisory powers of NASD **2**: 541 Needs of: Special Study summary of automation studies and adoption 2:669; 5:120 disclosure for investors' protection 2:671;5:122 execution quality and cost, appraisal of 2:673; 5:124 identity of market makers, disclosure of 2:670; 5:122 inventory, where sale is from 2:673; 5:125 NASD direct regulation policy 2:673; 5:125 policing the broker-dealer 2:671; 5:123 price spread scrutiny 2:671, 674; 5:123 prices in interdealer market, study of 2:671; 5:123procedure, changes in 2:671; 5:122quotation system increased reliability 2:671; 5:123quotation system, NASD reform in retail 2:672; 5:124 quotation system, public availability of 2:672; 5:124

Over-the-counter markets (O-T-C)-Continued Needs of: Special Study summary of-Continued regulatory and data-supplying measures broker-dealer over-the-counter identification 2:669; **5**: 121 over-the-counter listed securities, establishing category **2**: 669, 670; **5**: 121 primary market makers, identification system for **2:**670; **5:**122 Negotiations of transactions 2:553 Net worth requirement of National Quotation Bureau for listing 1:84.87 Number of stocks traded 1:14 NYSE-listed stocks traded: See Listed securities in over-thecounter markets NYSE members' income from trading on 2:39 NYSE regulatory activities concerning own members 4:535,536 Off-board distributions of listed securities through 1:564 Operation of the market listed securities in over-the-counter markets: See Listed securities in the over-the-counter markets Over-the-counter listed category, proposed 3:55 margin controls to bank lending for 4:21 possible confusion in designation 4:21scope of term 3:56 Special Study recommendations regarding 3:64;5:153 usefulness of 3:55 Overview issuers, diversity of: see Issuers of over-the-counter traded stocks, above issues traded, diversity of: see Issues traded, above mechanisms of market: see Mechanisms of over-the-counter market, above statistical: See Over-the-counter market: Statistical overview volume of trading: See Volume of trading, below Participation in, limitations on 2:8,9 Preferred stocks, trading in, January 18, 1962 2:717 Prices 135 selected stocks, January 18, 1962 (table) 2:692-695 200 stocks classed by, January 18, 1962 (table) 2:730 "asked" prices, buying below 2:645 "asked" prices defined 2:645average, individuals' transactions, January 18, 1962 (table) **2**:698 bid or asked price 2:553 "bid" prices defined 2:645 block transactions, variances in same block 2: 590, 591 block transactions where small supply 2:590 broker-dealer as principal and as agent (table) 2:698 confusion between bid-asked and high-low 2:645 disclosure where stock has only one dealer 2:589 exchange-listed securities in over-the-counter markets 2:870

Over-the-counter markets (O-T-C)-Continued Prices—Continued exchange stocks compared 2:717 exchanges and over-the-counter ranges compared 2:826 firms with and without positions (table) 2:782-784 general price analysis of samples traded, January 18, 1962 **2**:779 inside or wholesale prices 2:553 "interpositioning" as affecting price to customer 2:620-622issuers classified by price of stock, table of 2:696January 18, 1962 2: 682-695, 716, 779, 780, 786, 787 listed securities on over-the-counter markets 2: 870, 880-892, 904 See Listed securities on over-the-counter markets market makers, January 18, 1962 (tables) 2: 682, 786, 787 markup, nondisclosure of 2:552 mark-ups and mark-downs as affecting 2: 624, 626 noncompetitive market, integrated dealer in 2: 587-589 offer or asked price, definition of 2:553

outside or retail prices, newspaper publication of 2: 553 positions, analysis of transactions by firms with and without 2: 782-784

published quotations in newspapers 2: 553
quotation sheets, requirements for 2: 598
range as compared to quotations (table) 2: 699-701
range, broker as principal and as agent 2: 702, 703
range, by individuals and broker-dealers (chart) 2: 629
range, compared with retail and wholesale quotations (tables) 2: 699-701

range, individuals and broker-dealer transactions

chart, selected stocks, Janaury 18, 1962 2: 629 range, principal and agency transactions 2: 644 retail markets: See Over-the-counter retail markets Rule of Thumb in computation of quotations 2: 643 shopping around by dealers for best price 2: 553 sponsors, January 18, 1962 (table) 2: 786, 787 sponsors, transactions by, price analysis of 2: 786–788 sponsorship of stocks by dealer as affecting 2: 585, 586 spread and markup as included in retail 2: 635, 636 spread defined 2: 553 statistical study of 2: 721, 722

transactions and retail quotations compared (table) 2: 710, 711

transactions classed by, January 18, 1962 2:732 underwriter's control of 2:582

"Primary," as 2: 12, 13

Principal, trading as

25 largest wholesale dealers (table) 2: 679

average prices, nine selected stocks 2:682

proportion of public purchases (table) 2:706

proportion of public customers' trading 2: 612

public customers' purchases of three selected stocks (table) 2:691 Over-the-counter markets (O-T-C)-Continued Public customers, selling to: See Over-the-counter retail markets Public interest, as affected with 2:541 Questionnaires OTC-3, OTC-5: letters of transmittal and text 2:747-776 Quotations See Quotation systems in over-the-counter markets Real estate, limited partnership interests in small amount of trading in 1:582 **Reciprocal business** mutual funds, compensating nonstock exchange member for services 4:226 Registered shares withheld from sale 1:546 Regulation of block transactions, prices of 2: 590-592 Exchange Act concern with 2:10 exchange markets compared 2:10 fundamental problem, a 2:542 information lack as hindering 2: 542 less exacting than for exchanges 2:541,542 quotations in sheets, controls over: See National Quotation Bureau, Inc. reporting, most over-the-counter issues as exempt from **2:** 542 SEC under Exchange Act Section 2 2: 541 self-regulation under Maloney Act of 1938 2:541 Special Study limitation respecting 2: 542 Reporting consummated transactions 2:553 Exchange Act inapplicability for most issues 2:542 issuers not subject to 2:542 lack of centralized 1:14 practices as to over-the-counter securities 3: 10-12 See Over-the-counter securities wholesale market trader, of executions 2:555 Retail markets: See Over-the-counter markets: Retail markets "Riskless" transactions: See Over-the-counter markets: Retail Role of in listed securities transactions 2:901-906 See Listed securities in over-the-counter markets Salesmen's compensation See also Salesmen of securities advantages to salesmen over exchange transactions 1:257 emphasis on over-the-counter securities 1:261 member exchange transactions 1:256 public customers, sales for 1:259 SEC concern with broad powers under Exchange Act Section 2 2:541 broker-dealer registration $\bar{2}: 541$ financial responsibility of broker-dealers 2:541 fraudulent practices 2:541 quotations, rule-making power as to 2:573 recordkeeping standards 2:541 rules and regulations, exchanges function compared 2:541