

Board
Memorandum

THE New York Stock
Exchange

September 26, 1973

Summary Memorandum

NEWS TICKERS ON THE FLOOR

The Issue

To ascertain whether the Board of Directors should permit the installation of news tickers on the trading floor or on the premises immediately adjacent to the floor; e.g., the members' smoking room.

Background

At the request of a Floor Director, the staff prepared the attached memorandum (Exhibit A) on the question of permitting news tickers on the trading floor.

In the past, the Exchange has denied various requests from members to install news tickers on the floor -- primarily, it is assumed, because until 1964, all members could initiate transactions on the floor for their own accounts. To counterbalance assertions that floor traders enjoyed certain advantages over public investors, the Exchange pointed out that this was one area in which the public enjoyed advantages over traders on the floor.

In 1964, however, the Exchange adopted stringent rules designed to limit floor trading to transactions beneficial to the market. Floor trading today is limited to members accepted by the Exchange as Registered Traders who must, among other things, meet an initial capital requirement of \$250,000.

Discussion

The traditional arguments against permitting news tickers on the trading floor no longer seem to apply. At present, the American, Midwest and Pacific Stock Exchanges have news tickers either on their trading floors or immediately adjacent to them. By contrast, a specialist on the NYSE floor, for example, must rely on non-timely messages, telephoned from the offices of other firms to their own floor personnel, to learn of news developments which may be causing an influx of buy or sell orders in a specialty stock. There is no rule or policy prohibiting this. However, the time lag may temporarily impair the specialist's ability to gauge or deal effectively with an unusual situation.

The Floor Committee, at its meeting on September 26, concluded that members on the Floor should have more direct access to significant news developments.

Recommendation

The Floor Committee recommends, and the staff concurs, that the Board of Directors approve in principle a change in policy to permit the installation of news tickers on the trading floor and/or the premises immediately adjacent to the floor.

If the Board approves the recommendation, the proposed change in policy will be submitted to the SEC, pursuant to SEC Rule 17a-8. A draft letter for this purpose is attached as Exhibit B. Assuming SEC concurrence, the proposed policy change will be returned to the Board for final approval at a later date.

Market Surveillance Division

Exhibit A--Floor Committee Memorandum (9/14/73)
Exhibit B--Draft Letter to SEC

NEW YORK STOCK EXCHANGE, INC.

EXHIBIT A

September 14, 1973

TO: The Floor Committee
FROM: Market Surveillance Division
SUBJECT: News Tickers on the Floor

Problem

Should the installation of news tickers be permitted on the Floor or on the premises immediately adjacent to the Floor?

Background

The Exchange's records dating back to 1869 do not indicate that there ever was a news ticker on the Floor of The Exchange or on the premises immediately adjacent to the Floor.

The question of installing news tickers on the Floor was considered by various committees on eleven different occasions between 1911 and 1957, usually at the request of members on the Floor. The most recent review of this matter was made by the Sub-Committee on Floor Facilities in 1957. In each instance, the request was denied by the Committee considering it.

In the past, the Associated Press and United Press International Associations also have requested that consideration be given to using their news tickers in the members' smoking room adjacent to the Floor. Both Associations were informed that their request were denied.

At the present time, various exchanges throughout the country have news tickers either on the Trading Floor or immediately adjacent to it. The American Stock Exchange has two news tickers in locations immediately adjacent to the Trading Floor; the Pacific Coast Exchange has one news ticker on its San Francisco Trading Floor and one on the Los Angeles Trading Floor; and the Midwest Stock Exchange has four news tickers and two news "boards" in different locations on their Trading Floor.

Discussion

The rationale behind the policy of prohibiting news tickers stems from the fact that during discussions with Governmental Agencies on the advantage allegedly enjoyed by Floor Traders, as compared with the public, The Exchange has pointed out

that the news ticker is a facility available to the public which is not available on the Floor to the Floor Trader.

When previous committees considered the subject of news tickers, it was at a time when all members of The Exchange could initiate transactions for their own account on the Trading Floor. This is no longer true. In 1964, rules were established which limited Floor Trading to those members who registered as a Registered Trader and met an initial capital requirement of \$250,000. In addition, a stringent set of rules was adopted which was designed to limit Floor Trading to that which is beneficial to the market.

In view of the fact that this subject has been considered on numerous occasions by various committees, this is a policy matter. As such, any change in policy must be presented to the Board of Directors and, if approved in principle, to the Securities and Exchange Commission pursuant to Rule 17a-8.

Questions for Discussion

1. Should the installation of news tickers be permitted on the Trading Floor of The Exchange?
2. Should the installation of news tickers be permitted on the premises immediately adjacent to the Trading Floor i.e. members' smoking room?

J.J. O'Donohue

THE New York Stock
Exchange

James E. Buck
Secretary

Mr. Sheldon Rappaport
Associate Director
Division of Market Regulation
Securities and Exchange Commission
500 North Capitol Street, N. W.
Washington, D. C. 20549

Dear Mr. Rappaport:

In accordance with Rule 17a-8 of the Securities Exchange Act of 1934, we are submitting herewith three copies of this letter which set forth a proposed change in Exchange policy with regard to the installation of news tickers on the Trading Floor. This policy change was approved, in principle, by our Board of Directors at their meeting on November 1, 1973.

In the past, requests by members to install news tickers on the Floor or immediately adjacent to it have been denied -- probably in consideration of allegations that Floor Traders enjoyed certain advantages over public investors. Of course those requests were made at a time when all members of The Exchange could initiate transactions on the Floor for their own accounts. As the Commission is aware, those arguments--whatever their merit at that time--no longer apply. In 1964, the Exchange established rules limiting Floor Trading to those members who registered as Registered Traders and who, among other things, met an initial capital requirement of \$250,000. At the same time, stringent rules were adopted to limit Floor Trading to transactions beneficial to the market.

Most other exchanges presently have either news tickers or news boards on or immediately adjacent to their trading floors. As far as we know, this has created no problems. News information is presently telephoned from member organizations' offices to their booth spaces on the Floor of this Exchange and relayed, although obviously not on a timely basis, to Floor members. The specialist must rely on this indirect method to learn what may be causing an influx of buy or sell orders in a stock or stocks in which he is registered. Clearly, until he learns the reason for unusual activity in a specialty stock, he cannot appropriately gauge the extent of the activity and what it means in terms of his present and continued dealings. Also, if there is significant news which may cause continued activity in a stock or stocks, member organizations might have to realign their Floor resources, i.e. brokers and clerks, to handle that activity. The faster they do so, the better they will be able to cope with the situation. It appears consistent with Floor members' responsibilities for them to have more direct access to significant news developments.

Mr. Sheldon Rappaport
Associate Director

Any questions concerning this matter should be directed to Mr. Jeremiah J. O'Donohue, Market Surveillance Division, 11 Wall Street, New York, New York 10005.

Sincerely,

cc: Mr. Harvey A. Rowen
Sub-Committee on Commerce & Finance

Encs.

RESOLUTION REGARDING A CHANGE IN POLICY
CONCERNING NEWS TICKERS ON THE FLOOR
PROPOSED FOR ADOPTION BY THE BOARD OF DIRECTORS
ON NOVEMBER 1, 1973

RESOLVED that the recommendation of the Floor Committee, set forth in the memorandum of the Market Surveillance Division, dated September 26, 1973, and exhibits thereto, proposing that the installation of news tickers be permitted on the Trading Floor and/or on the premises immediately adjacent to the Trading Floor, be, and it hereby is, approved in principle; and it is

FURTHER RESOLVED that the Secretary of The Exchange be, and he hereby is, authorized and directed to notify the Securities and Exchange Commission pursuant to SEC Rule 17a-8, with regard to said policy change.