

NEW YORK STOCK EXCHANGE
COMMITTEE ON STOCK LIST

March 4, 1936.

Adolf A. Berle, Jr., Esq.,
Berle & Berle,
70 Pine Street,
New York, N. Y.

Dear Mr. Berle:

In accordance with the desire of the President, Mr. Charles R. Gay, that there be made available to the Members of the Governing Committee information as to the functions of the various departments of the Exchange, I am transmitting herewith, at the direction of the Committee on Stock List, a memorandum outlining the administrative functions of this Committee and its staff.

Yours very truly,

John Haskell
Secretary.

Encl.

JH:mh

Copy

March 2, 1936

REPORT TO THE GOVERNING COMMITTEE REGARDING
ACTIVITIES OF THE OFFICE OF THE
COMMITTEE ON STOCK LIST

The activities of the Committee on Stock List and its staff may be classified under three general heads: - 1, Consideration of listing applications and the formulation of requirements with respect thereto; 2, Maintenance of relations between the Exchange on one hand and the corporations, governments and other issuers with listed securities on the other hand; 3, Administration of those duties under the Securities Exchange Act of 1934 and the Regulations thereunder which directly or indirectly affect the status of securities dealt in on the Exchange and the issuers of such securities.

* * * * *

1. CONSIDERATION OF LISTING APPLICATIONS AND THE FORMULATION OF REQUIREMENTS WITH RESPECT THERETO.

A. Examination of Listing Applications

When a corporation makes application for the listing of its securities it usually designates one or more persons to consult with the Committee's examiners and to prepare the formal application and supporting documents. The application is assigned by the Chief Examiner to one of the six general examiners, who explains the necessary form and content of the required papers. The examiner confers with the company's representatives to help prepare the application in form for submission to the Committee. The financial statements are referred to the accounting specialist of the force for examination.

The examiner discusses each case with the Chief Examiner or Executive Assistant to determine whether or not there are any important facts outside of the usually required information which should be disclosed in the application. If questions of policy arise in regard to the disclosure of particular information or the propriety of accounting practices or other matters, they are first taken up with the Chief Examiner and then, if necessary, with the Executive Assistant and the Committee.

When the application has been brought into satisfactory form so far as its essentials are concerned, it is printed and a proof sent to the Committee members for individual study. With this proof is sent a copy of a schedule of the distribution of the security applied for and a detailed comment by the Executive Assistant or Chief Examiner describing the company and its business and calling particular attention to any important features which appear to require special consideration.

In addition to the usual applications for the listing of stocks and bonds, there are special technical requirements which pertain to the listing of other forms of securities, such as Voting Trust Certificates, Certificates of Deposit, Interim Receipts, etc.

B. Scrutiny of Specimens of Securities

The Committee employs two specialists whose duty is to examine the specimens of stock certificates or other securities for which application to list is being made. Only security certificates engraved by bank note companies approved by the Exchange are eligible for listing. The general form and execution of certificates must be such as to provide the most effectual security against counterfeit or forgery.

Certificates of stock are also scrutinized to insure that the rights and preferences are properly disclosed on the certificate itself, or else, where permitted by law, that

statements of the various rights and preferences are available upon request at the office of the company.

C. Development of Listing Requirements and General Corporate Practices.

Next in importance to its duties in connection with new listings are the activities of the Committee and its staff in the development of listing requirements and other policies designed for the protection of the interests of stockholders and investors. This objective has been sought through prolonged study of corporate practices and by application of practical experience gained from specific problems relating to listed companies.

Among the questions of corporate policy which the Committee examines and which have resulted in agreements or regulations which affect companies, their securities, or trading upon the New York Stock Exchange may be mentioned frequent and detailed reports, audits by independent accountants, adequate disclosure of depreciation policies, proper standards in evaluation of assets, limitation of trading of companies in their own securities, and development of uniformity in certain accepted accounting practices.

2. MAINTENANCE OF RELATIONS BETWEEN THE EXCHANGE AND CORPORATIONS, GOVERNMENTS AND OTHER ISSUERS WITH LISTED SECURITIES.

A. Examination of Reports of Listed Corporations

A special staff of analysts examine the annual reports of listed companies to ascertain whether the financial statements are in accordance with the agreements of the issuer with the Exchange, and whether any unusual features are reflected in the reports. This section also checks to ascertain that quarterly, semi-annual or other interim reports are published by listed corporations in accordance with their agreements. If this examination discloses any violation of Exchange requirements or unusual changes in reporting or accounting practice, the

matter is referred to the Executive Assistant, who takes it up with the company. It is the policy of the Committee, even in those cases where reports to stockholders are furnished in accordance with the original agreements made at the time of listing to call the attention of listed corporations to subsequent new requirements of the Exchange and to request compliance therewith.

B. Service as a Clearing House for Improvements in Corporate Practice

Through its consideration of listing applications, questions arising out of registration under the Securities Exchange Act, and its review of annual reports, the Committee maintains a continuing relationship with listed companies. The listed companies recognize in the Exchange a central clearing house for problems affecting their securities and stockholders. This activity constitutes one of the important functions of the Committee and its staff.

C. Miscellaneous

In addition to the foregoing, the Committee and its staff are concerned with various miscellaneous matters, such as:- (a) protecting the public and the Exchange against unauthorized issuance of listed securities. Ledgers are maintained which record from day to day the amounts of securities which have been authorized for listing and the amounts which are actually outstanding and listed. Registrars for listed stocks are under agreement with the Exchange not to register additional shares without specific approval. (b) Keeping in touch with companies in receivership or bankruptcy. (c) Examining provisions of investment trusts for which members of the Exchange desire to become associated in the management, sponsorship or distribution. (d) Replying to inquiries from stockholders or the public with respect to listed securities and listed corporations and governments.

3. THE ADMINISTRATION OF THOSE DUTIES UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND THE REGULATIONS THEREUNDER WHICH DIRECTLY OR INDIRECTLY AFFECT THE STATUS OF SECURITIES DEALT IN ON THE EXCHANGE AND THE ISSUERS OF SUCH SECURITIES.

Although the primary work of the Committee's staff is to endeavor to make sure from day to day that every security dealt in on the New York Stock Exchange is effectively registered or exempt from registration under the Securities Exchange Act so that unlawful transactions can not take place, this represents but one phase of its activities.

The provisions of the Act and the regulations issued thereunder affect the work of this office from so many different angles and are so closely interwoven with the necessary, normal duties of the office and its strategic position as a clearing house for many questions affecting listed corporations that it is difficult to summarize the scope of this work.

Sections 12, 13, 14, 16 and 19 and the multitudinous rules issued pursuant to those Sections particularly affect the work of the Committee on Stock List, but other Sections of the Act and even the Federal Reserve Board's credit regulations give rise to many questions which can be answered only from the information in the office of the Committee as to the status of our listed securities under the 1934 Act.

The following is a brief outline of the present activities of the Committee's staff in this field:-

- A. Arranging the synchronization of 1933 Act and 1934 Act registrations where regular applications are made to list securities both of new companies and of already listed companies.

- B. Examining registration statements and certifying approval of listing and registration to the Commission.
- C. Notifying the Commission of cases where securities are added to the list but not registered.
- D. Preparation, filing and certification of applications for "when issued" registration of securities other than rights.
- E. Carrying out the necessary formalities to suspend and strike securities under rules of the Commission.
- F. Clearing questions as to the effectiveness of registration with the Commission where stamped or modified securities are to be traded in.
- G. Checking monthly the complete list of all listed securities (whether registered or exempt) to keep the Commission advised of changes in the status of listings, amounts authorized for listing, etc.
- H. Determining the status under the 1934 Act as to the exemption or registration of listed securities so that the Federal Reserve Board's credit regulations may be interpreted for the benefit of Member firms.
- I. Determining the dates and conditions under which data required to be filed with the Exchange under the 1934 Act by issuers and by officers and directors and large stockholders should be made publicly available. This data includes:- (a) registration statements; (b) reports of officers, directors and large stockholders; (c) solicitations of proxies; (d) periodic reports; (e) data previously filed on a confidential basis.

- J. Corresponding with corporations and their officers and directors as to reports of stock holdings and solicitation of proxies.
- K. Corresponding and conferring with the Commission, foreign issuers, and fiscal agents in connection with obtaining, explaining, examining and correcting registration statements for foreign securities which must be suspended from trading if not registered by March 31st.
- L. Corresponding with the Commission and listed companies regarding deficiencies to be made good in registration statements already effective.
- M. Checking the Commission's comments and requests for amendments to financial statements included in registration statements.
- N. Obtaining from certain companies data required by Commission to continue the listing of securities of defunct or predecessor companies.
- O. Studying and commenting on proposed new rules and new Forms of the Commission prior to their promulgation.
- P. Checking expiration dates of exemptions and provisional registrations to ascertain whether dealings on the Exchange may be continued in various securities after various specified dates.

Although the greater part of the activity of the Committee's office in connection with the Securities and Exchange Commission relates to the Securities Exchange Act of 1934, questions involving the Securities Act of 1933 and the Public Utility Act of 1935 frequently must be handled.

John Haskell
Secretary.

JH:mb