

MEMORANDUM OF CONFERENCE

TO: Division of Trading and Markets

FROM: Morris N. Sinkin, Attorney-in-Charge  
Operations Task Force

SUBJECT: Meeting November 13, 1969 attended by: Frank J. Rothling of the Midwest Stock Exchange; Peter Siberell of the Pacific Coast Stock Exchange; Russ Cooper and Robert J. Birnbaum of the American Stock Exchange; Edward R. Gilleran, Richard Peters, John S. R. Schoenfeld, Ralph E. Burgess, and Anton G. Stepanek of the National Association of Securities Dealers, Inc.; Robert M. Bishop and Fred J. Stock, Jr. of the New York Stock Exchange; Elmer Herskind and Frank J. Gauvain of the Boston Stock Exchange; W. W. Broadwater and Elkins Wetherill of the Philadelphia-Baltimore-Washington Stock Exchange; and Commissioner James J. Needham, Irving M. Pollack, Stanley Sporkin, Hurd Baruch, Gene Finn, Morris Sinkin, Nelson Kibler, Alan Markison, Mary McDonne and Charles Hartman of the Commission.

This meeting was a follow-up to the meeting held on October 2, 1969, concerning the need for the development of uniform industry-wide statistics designed to give an overview of the entire securities industry at any one time and to provide an early warning system for individual firms approaching serious difficulty, both from a financial and operational standpoint.

Commissioner Needham's opening remarks emphasized the Commission's vital interest in this area. He reiterated that the purpose of obtaining more information is to put a barometer on the liquidity of the individual firms and to provide an early warning system. Commissioner Needham hoped that the adoption of this system would dovetail into the already existing reporting systems of the various self-regulatory agencies.

The purpose of this meeting was to decide upon the form in which the required information should be gathered. Once that was ascertained to agree on what steps should be taken to establish the system as quickly as possible.

Stanley Sporkin reported on the results obtained in a trial inspection using the staff's suggested form which was submitted at the last meeting. Two firms were inspected. One firm, a small member of the New York Stock Exchange, found that the form took between six to eight hours to complete, but felt that with coordination with the Exchange's reporting requirements, the time could be cut in half. The other firm was a member of the Pacific Coast Stock Exchange, and had a more difficult time in

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completing the form. This latter firm commented that the expenses in supplying the data requested did not override the benefit management would derive from the adoption of the proposed reporting system.

The National Association of Securities Dealers, Inc. (NASD) reviewed the staff's proposed form and presented a new form which they suggested be used as a guideline. This form could easily be adapted to the computer that the NASD is currently in the process of installing. The NASD suggested that it could collect this minimal information from all firms utilizing their computer and then supply this information to each of the exchanges. The exchanges could then add additional information to what the NASD furnished and forward that compilation to the Commission.

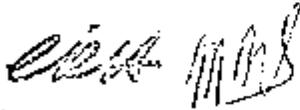
The staff, while supporting the NASD proposal, felt that more information would be needed than was supplied on the proposed NASD form. The New York Stock Exchange objected to the NASD's collecting any more information than the form requested due to the additional burden on its member firms.

In particular, there was disagreement regarding the obtaining of profit and loss figures. The self-regulatory agencies were generally opposed to furnishing profit and loss information because they felt that it was not only meaningless but that it was likewise difficult to define profits and losses. The staff believes that this information is extremely valuable and is needed to see trends not only in individual firms but in the industry as a whole. It is also indispensable for the establishment of an early warning system.

Later the same day the staff met with representatives of the NASD to discuss a compromise form. No agreement was reached, but another meeting was scheduled.

Copies of the staff's financial questionnaire as amended and the form proposed by the National Association of Securities Dealers, Inc. are attached.

Attachments

Handwritten signatures, possibly initials, in cursive script.

IUARA-CP

RG 266 UD-UP Entry 1

Subj Files 34-61

Box 71 Folder "National Association of Securities Dealers v. 16"