

THE CINCINNATI STOCK EXCHANGE

208-209-210 DIXIE TERMINAL BUILDING

CINCINNATI, OHIO June 18, 1938.

Mr. Ganson Purcell, Director,
Trading And Exchange Divison,
Securities And Exchange Commission,
Washington, D. C.,

140-2
Keenan

Dear Sir:

Under rule X 10 A-1 on short sales. No person may effect a short sale on a National Securities Exchange at or below the price at which the last sale was effected on such Exchange.

The last sale in Champion Paper & Fibre Common Stock on the Cincinnati Stock Exchange was on June 14th at 19 3/4. On the same day the stock closed on the New York Stock Exchange at 18 7/8. No transaction was executed on either Exchange on June 15th or 16th. This morning one of our members had an order to sell 100 shares of this stock short at 19. Under the short rule as we interpret it he could not sell this stock short on the Cincinnati Stock Exchange unless he sold the stock at 19 7/8. Under the same rule he is permitted to sell the stock short on the New York Stock Exchange at 19. He therefore, was forced to execute the order on the New York Stock Exchange. We cannot understand why this situation should exist and it may be that our interpretation of the rule is not correct.

A circumstance might arise where a stock which was listed on both the New York and Cincinnati Stock Exchange may trade at a certain price on the Cincinnati Stock Exchange on one day and a week later trade on the New York Stock Exchange at a much lesser price there being no trades on the Cincinnati Stock Exchange in the interim. It does not seem that a broker should be in a position to send an order to sell stock short to a particular Exchange on which the last sale was at a higher or lower price even though the last sale on that particular Exchange may have been a week or two before.

Kindly advise us if we are misinterpreting this rule. If not, we are calling this type of transaction to your attention for whatever action you care to take. It is hard for us to believe that the intent of the rule was to permit this situation and are of the opinion that a short sale could be permitted at an eighth above the last previous sale on any National Securities Exchange on which the particular security has its primary market.

Yours very truly,



Chas. V. [Signature]
Secretary,

SEC & EXCH COMM
RECD 1ST MAIL
JUN 23 1938
DOCKET MAIL & FILES

CHS:AL