

11. Explain what method or methods are generally used by brokers and by you, as specialist, to achieve good executions of block orders within the auction market:

12. A. Do you believe that it would facilitate the handling of block orders in the auction market if all Exchange members were entitled to disclosure of all agency orders on your specialist books?

Check one: Yes No

B. If your answer to part A of this question is in the affirmative, do you believe that such disclosure would give Exchange members trading advantages over members of the public?

Check one: Yes No

If your answer is in the negative, explain:

C. Would a rule permitting disclosure of the orders on your specialist books be inadvisable for any reason other than that set forth in part B of this question?

Check one: Yes No

If your answer is in the affirmative, explain:

13. A. Do you believe that it would facilitate the handling of block orders in the auction market if specialists could accept orders which would permit them to use their brokerage judgment as to the time and price of execution?

Check one: Yes No

- B. Since January 1, 1959, have you accepted orders of the type described in part A of this question?

Check one: Yes No

C. If you have answered part A or B of this question in the affirmative, explain the steps you would take or have taken to achieve a fair priority of execution for all agency orders on your book:

PART IV
(Sell-Stop and Buy-Stop Orders)

14. A. Since January 1, 1959, have stop orders been banned in any security in which you were registered as specialist?

Check one: Yes No

If your answer is in the affirmative, give the name of the stock:

- B. What was your position in any such security at the time of the ban?

Check one: Long Short Even

Indicate how many shares:

*15. A. (1) on February 27, 1962:

Of the total number of orders on your specialist books state the approximate percentage which are stop orders.

_____ %

(2) Of the total number of shares on your specialist books, both to buy and sell, state the approximate percentage of shares represented by stop orders.

_____ %

B. Are either of these percentages materially different from the situation as it was: (Answer each question Yes or No.)

1 Year Ago? _____ 3 Years Ago? _____ 5 Years Ago? _____

If any of these answers are in the affirmative, estimate the approximate percentage for such years:

Orders: 1 Year Ago? _____ 3 Years Ago? _____ 5 Years Ago? _____
 Shares: 1 Year Ago? _____ 3 Years Ago? _____ 5 Years Ago? _____

*16. For the period March 19, 1962 through March 30, 1962, prepare a record of all stop orders entered, cancelled and executed daily, on Form B enclosed herewith. Complete instructions, including instructions for filing, will be found on back of Form B.

17. A. Should stop orders be confined to stop-limit orders?

Check one: Yes No

Explain:

* See fourth paragraph of the general instructions on page 1.

25. Since January 1, 1957 prior to the allocation of the securities of any issuer to you as specialist, have you, or has any Exchange member organization with which you are associated in any capacity, or any participant therein, with respect to any security in which you subsequently became registered as specialist:

Check one: Yes No

- a. held or granted any put, call or option,
- b. held any right or warrant not admitted to trading on the Exchange?

If your answer is in the affirmative, state names of the securities, dates, terms of all contracts and names of the parties of such contracts:

*26. Enclose complete reports on New York Stock Exchange Form 81 of your specialist-dealer transactions in all stocks in which you were registered as specialist for the three weeks which ended respectively, January 27, March 24 and June 16, 1961.

PART VI
(Specialist Income)

As used in the questions in this part:

1. The term "gross income" shall mean,

(a) when used in connection with federal partnership income tax returns (Form 1065), the appropriate portion of the figure which appears as gross profit (line 3), plus the appropriate portion of short-term (Schedule D, line 3) and long-term (Schedule D, line 6) capital gains and losses, plus commissions earned in your specialist business (if not included in line 3);

(b) when used in connection with federal individual income tax returns (Form 1040), the appropriate portion of the figure which appears as

* See fourth paragraph of the general instructions on page 1.

organization, compute and state the percentage of your personal participation in each specialist account. If the answer for either or both of such taxable years is the same as your answer to question 4C(1) state "same" for such year.)

_____ 1959 _____ 1960

D. Itemize, and state actual or estimated dollar amounts of the deductions from gross income which were incurred in or allocable to your specialist business which were claimed on your individual and/or partnership returns for such taxable years:

E. For each of such taxable years, with regard to that portion of your gross income which was derived from your specialist business, supply the approximate percentage derived from commissions and from dealing as principal. (Include all income derived from sales of securities in which you were registered as specialist, whether such sales were of securities held in specialist accounts or long-term investment accounts.)

	<u>1959</u>	<u>1960</u>
Commissions	____%	____%
Trading Profits	____%	____%
Total	100%	100%

F. State for the first day of each such taxable year and the last day of the taxable year ending in 1960, the total investment in the securities held in each of your specialist accounts (including each of your long-term investment accounts in the securities in which you are registered as specialist,) and the cash on hand available for your specialist business. (Show actual cost of securities rather than the lower of cost or market.)

First day - 1959 First day - 1960 Last day - 1960

Securities:

Cash: _____ _____ _____

Total:

This is to certify that the information contained herein is true and correct.

Date:

Signature

Name of Stock:

Name of Specialist:

Instructions - Question 28

This question deals with the specialist book and trading in particular stocks. The stocks and specialists selected for study through this question were chosen as a sample, and it should not be inferred that your performance as specialist has been improper or that particular stocks are under investigation.

Stocks chosen for study are indicated at the top of this page and on each Form C enclosed herewith. If more than one stock in which you are registered as specialist has been chosen for study, a copy of this question and Form C will be included for each such stock. The information called for in part c of this question should be recorded on Form C.

*Question 28. With respect to the stock described above, give the following information:

a. The last price on February 16, 1962 or the last previous day before February 16, 1962 that the issue was traded.

b. The closing bid and offer prices on February 16, 1962 (referred to below as the "market".)

Bid _____ Offer _____

c. Indicate on Form C the number of shares at each price on the book above and below the market at the close on February 16, 1962, and the number of shares and the price of all orders left with you after the close on February 16, 1962 and before the opening of trading on February 19, 1962.

d. Enclose a complete report on New York Stock Exchange Form 81 of your specialist-dealer transactions for February 16, 1962.

e. 1. Is the book as set forth in your answer to part c of this question unusual for this stock?

Check one: Yes No

*See fourth paragraph of the general instructions on page 1.

If you have answered in the affirmative, state as specifically as possible the respects in which the book is unusual:

2. Is your position as shown on the Form 81 submitted in response to part d of this question unusual for this stock?

Check one: Yes

No

If you have answered this question in the affirmative, state the respects in which your position is unusual:

SECURITIES AND EXCHANGE COMMISSION
 DIVISION OF TRADING AND EXCHANGES
 WASHINGTON 25, D.C.

FORM B
REPORT OF DAILY TOTALS OF ALL BUY AND SELL STOP ORDERS*
Entered, Cancelled and Executed

STOCK _____

SPECIALIST UNIT _____

Total Outstanding At Close Of Previous Week	BUY STOP		SELL STOP	
	No. of Orders	No. of Shares	No. of Orders	No. of Shares

REPORT FOR
 CALENDAR
 WEEK ENDED _____

Trade Date	Total Number of BUY STOP Orders *						Total Number of SELL STOP Orders *					
	Entered		Cancelled or Expired		Executed		Entered		Cancelled or Expired		Executed	
	No. of Orders	No. of Shares	No. of Orders	No. of Shares	No. of Orders	No. of Shares	No. of Orders	No. of Shares	No. of Orders	No. of Shares	No. of Orders	No. of Shares

* All Stop order totals should include stop limit orders.

CERTIFIED TRUE AND CORRECT

BY: _____
 (NAME OF MEMBER OF SPECIALIST UNIT)

(See instructions on reverse side.)

I N S T R U C T I O N S
For
SPECIALIST STOP ORDER FORM B

This form is to be used for recording orders in every **common stock** in which you are the registered specialist.

The total number of orders, as well as the total number of shares are to be recorded for stop orders, including stop limit orders.

If no stop orders were received for a particular week a report should be filed with a notation to that effect. If no stop orders were received on a particular day, "*None*" should be entered for that day. The same procedure should be used for stop orders cancelled and executed.

Each stock should be reported on a separate form. Copies of this form should be filed weekly with The Floor Department promptly after the close of business each week, commencing with the week ending March 23, 1962, through the week ending March 30, 1962.

For your own records additional copies of this form will be available in The Floor Department.

APPENDIX VI-C

STOCKS USED IN STUDY OF SPECIALISTS' BOOKS

The following stocks were used
in the study of specialists' books:

- | | |
|--|---|
| 1. Alleghany Corp. * | 51. Gerber Products Co. |
| 2. Allied Stores Corp. | 52. Graham-Paige Corp. * |
| 3. American Hospital Supply Corp. | 53. Granite City Steel Co. |
| 4. American Machine & Foundry Co. | 54. Greyhound Corp. (The) |
| 5. American Motors Corp. * | 55. Gulf Oil Corp. |
| 6. American Snuff Co. | 56. Hammond Organ Co. |
| 7. American Telephone & Telegraph
Company | 57. Household Finance Corp. |
| 8. American Viscose Corp. | 58. Hunt Foods & Industries, Inc. |
| 9. American Steel Foundries | 59. Jewel Tea Co., Inc. |
| 10. Arnold Constable Corp. * | 60. Jorgenson (Earl M.) Co. * |
| 11. Atchison, Topeka & Santa Fe Ry. Co. | 61. Keystone Steel & Wire Co. (Del.) |
| 12. Avco Corporation | 62. Kresge (S. S.) Co. |
| 13. Beatrice Foods Co. | 63. Kroehler Mfg. Co. * |
| 14. Bethlehem Steel Corp. | 64. Lear, Incorporated * |
| 15. Boeing Company (The) | 65. Loews Theatres, Inc. |
| 16. Brown Shoe Co., Inc. | 66. MacAndrews & Forbes Co. |
| 17. Brunswick Corporation (The) | 67. Manning Maxwell & Moore, Inc. |
| 18. Bullard Co. (The) * | 68. Minnesota Mining & Mfg. Co. |
| 19. Burroughs Corporation | 69. Mueller Brass Co. |
| 20. Canadian Pacific Railway Co. | 70. National Biscuit Co. |
| 21. Carriers & General Corporation | 71. National Dairy Products Corp. |
| 22. Carter Products, Inc. | 72. National-Standard Co. |
| 23. Certain-teed Products Corporation | 73. New York Central Railroad Company * |
| 24. Champion Spark Plug Co. | 74. Nopco Chemical Co. |
| 25. Commercial Credit Co. | 75. Pacific Telephone & Telegraph Co. |
| 26. Consolidation Coal Co. | 76. Parke, Davis & Co. |
| 27. Continental Copper & Steel Industries,
Inc. * | 77. Pennsylvania R. R. Co. * |
| 28. Coty Inc. * | 78. Reichhold Chemicals, Inc. * |
| 29. Crowell-Collier Publishing Co. | 79. Reynolds (R.J.) Tobacco Co. |
| 30. Crown Cork & Seal Co., Inc. | 80. Rhodesian Selection Trust Limited * |
| 31. Crown Zellerbach Corp. | 81. Royal Dutch Petroleum Co. |
| 32. Dana Corporation | 82. San Diego Gas & Electric Co. |
| 33. Dayco Corporation * | 83. Sangamo Electric Company (Del.) * |
| 34. Dayton Power & Light Co. (The) | 84. Screw & Bolt Corp. of American * |
| 35. Delaware & Hudson Co. * | 85. Spalding (A.G.) & Bros., Inc. |
| 36. Dome Mines, Limited | 86. Spartans Industries, Inc. |
| 37. du Pont de Nemours (E. I.) & Co. | 87. Standard Kollsman Industries, Inc. |
| 38. Empire District Electric Co. (The) | 88. Standard Oil Co. (New Jersey) |
| 39. Fairbanks Whitney Corp. * | 89. Studebaker-Packard Corp. * |
| 40. Fawick Corporation * | 90. Sunshine Mining Co. * |
| 41. Filtrol Corporation | 91. Symington Wayne Corporation (The) * |
| 42. Fruehauf Trailer Co. | 92. Texas Gulf Sulphur Co. |
| 43. General American Oil Co. of Texas | 93. Texas Utilities Co. |
| 44. General Electric Co. | 94. Twentieth Century-Fox Film Corp. (Del.) |
| 45. General Finance Corp., Delaware | 95. U. S. Pipe & Foundry Co. |
| 46. General Motors Corp. | 96. U. S. Smelting, Refining & Mining Co. |
| 47. General Outdoor Advertising Co., Inc. | 97. Vanadium Corporation of America |
| 48. General Refractories Co. | 98. Warren, (S.D.) Co. |
| 49. General Telephone & Electronics Corp. | 99. Westinghouse Electric Corp. |
| 50. Genesco Inc. | 100. White Motor Co. (The) |
| | 101. Woodward Iron Co. |
| | 102. Woolworth (F. W.) Co. |
| | 103. Wyandotte Worsted Co. * |

*/ These stocks sold under \$20 on the study day and were not used in Table VI-28.

APPENDIX VI-D

SAMPLE SPECIALIST'S BOOK

BUY				SELL			
35	5 Wing 1 Band 2 Trent 2 Fuller		○	35			
1/8	1 Pitt			1/8			
1/4	1 Adams cpl 1 Stand 2 Devons 1 Harkins 1 Blank			1/4			
3/8	2 Geld 1 Rollins		○	3/8			
1/2				1/2	1 Styles AND 3 Gunders TRC 2 Noon RNN		
5/8				5/8	2 Shire 1 Whittler 2 Knox 1 Furman cpl 1 Winters cpl		
3/4				3/4	2 Manton		
7/8			○	7/8	1 Winters		

The specialist's book shown above only includes those orders at and near the best bid and offer, which, in this case, is 35 3/8 bid and 35 5/8 offered. Buy orders below 35 and sell orders above 35 7/8 would be entered on other pages. The names and numbers at each price are those of member firms representing the orders and the number of 100-share round lots in the orders. The orders are entered in the sequence they arrive at the post. Those orders that are crossed out with the notation CXL were cancelled. The other crossed out orders were executed; the initials next to these orders are those of member firms representing the other side of the transaction.

APPENDIX VI-F

NEW YORK STOCK EXCHANGE

SPECIALIST'S RECAP SHEET

NAME OF ACCOUNT
POST

COMPETITION (If any)

COMBINED BOOK (If any)

RECAP RECORD - TWO-WEEK PERIOD

VOLUME <u>ALL STOCKS</u> YEAR	%		NUMBER OF TRADING DAYS CLOSING POSITIONS FELL IN SHARE GROUP INDICATED						
	TTV	ALL SPEC.	% TTV.	% STAB	2 WK PER.	Less than 1000	1000 to 2000	2010 to 4000	4010 to 7510

COMMON STOCKS ALLOCATED
SINCE (date)

COMMON STOCKS LOST
SINCE (date)

AVG VOL
PER MAN
(000 OMTD)

--also * preferred
stocks

SUMMARY OF STATISTICS IN INDIVIDUAL STOCKS
PREPARED FROM FORMS 81 COVERING FOUR TWO-WEEK
PERIODS REQUESTED DURING QUARTERLY PERIODS IN (YEAR)

STOCKS REGISTERED

APPROX. H L (YEAR)	REPORTED VOLUME	%	NUMBER OF TRADING DAYS ON WHICH CLOSING POSITION FELL IN SHARE GROUP INDICATED				
			TTV	100 & 0	300 to 200	600 to 500	1000 & 900

* Number

APPENDIX VI-H

SUMMARIES AND EXCERPTS OF CERTAIN PRIOR STUDIES OF FLOOR TRADING AND OTHER BACKGROUND DATA

CONTENTS

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3. Concentration of floor trading in a limited number of stocks, especially active stocks	501
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CODE TO SOURCES

1. "Segregation Report"—SEC, "Report on The Feasibility and Advisability of the Complete Segregation of the Functions of Dealer and Broker" (1936).
2. "1945 Report"—SEC, Trading and Exchanges Division, "Report to the Commission on Floor Trading" (January 1945).
3. "May 1945 Report"—SEC, Trading and Exchanges Division, "Floor Trading on the New York Stock Exchange, A 10-Year Record" (May 1945).
4. "1946 Report"—Division of Trading and Exchanges, "Report to the Commission on Floor Trading Under the Rules of the New York Stock Exchanges" (July 1946) [nonpublic].
5. "1946 Supplement"—Trading and Exchange Division, "Supplement to Report on Floor Trading Under the Rules of the New York Exchanges" (September 1946) [nonpublic].
6. "1947 Memorandum"—Memorandum of Trading and Exchanges Division to the Commission, "Activity of Floor Traders and Specialists in Stock Movements on the New York Stock Exchange" (December 1947) [nonpublic].
7. "September 1948 Memorandum"—Memorandum to supervisor of Section of Exchange Registration and Regulation, "Floor Trading Under Revised Rules" (September 1948) [nonpublic].
8. "1949 Memorandum"—Memorandum to assistant director of Section of Exchange Regulation, "Floor Trading During the First Quarter of 1949" (June 1949) [nonpublic].
9. "1950 Memorandum"—Memorandum to assistant director of Section of Exchange Regulation, "Floor Trading on June 6, 1950" (July 1950) [nonpublic].
10. "1952 Report"—Report of Division of Trading and Exchanges to the Commission, "Members Trading for Their Own Account on the Floor of the New York Stock Exchange" (September 1952) [nonpublic].
11. "January 1959 Report"—Report of Section of Exchange Regulation to Division of Trading and Exchanges, "Floor Trading on the American Stock Exchange" (January 1959) [nonpublic].
12. "June 1959 Report"—Report of Division of Trading and Exchanges to the Commission, "Floor Trading on the New York Stock Exchange" (June 1959) [nonpublic].
13. "1960 Report"—Report of Division of Trading and Exchanges to the Commission, "Floor Trading on the American Stock Exchange During the Period June 29–October 23, 1959" (January 1960) [nonpublic].
14. "1961 Memorandum"—Memorandum of Section of Exchange Regulation to Division of Trading and Exchanges, "Floor Trading on the American Stock Exchange" (May 1961) [nonpublic].
15. "Amex Report"—SEC, "Staff Report on Organization, Management, and Regulation of Conduct of Members of the American Stock Exchange" (January 1962).

APPENDIX VI-H

SUMMARIES AND EXCERPTS OF CERTAIN PRIOR STUDIES OF FLOOR TRADING AND OTHER BACKGROUND DATA

1. TABLES ON NUMBER OF FLOOR TRADERS AND VOLUME OF FLOOR TRADING

APPENDIX VI-H: TABLE 1.—*New York Stock Exchange: Floor traders' round-lot purchases and sales as a percent of total round-lot purchases and sales (1937-61)*

Year	Total purchases and sales (thousands of shares)	Floor traders' purchases and sales (thousands of shares)	Floor traders' purchases and sales as a percent of total purchases and sales	Year	Total purchases and sales (thousands of shares)	Floor traders' purchases and sales (thousands of shares)	Floor traders' purchases and sales as a percent of total purchases and sales
1937.....	897,246	60,966	6.8	1950.....	1,130,130	35,768	3.2
1938.....	652,534	44,127	6.8	1951.....	959,908	25,896	2.7
1939.....	572,272	35,457	6.2	1952.....	724,736	17,473	2.4
1940.....	450,314	29,936	6.6	1953.....	748,692	20,071	2.7
1941.....	367,070	16,969	4.6	1954.....	1,199,764	38,712	3.2
1942.....	267,762	11,280	4.2	1955.....	1,375,940	35,674	2.6
1943.....	610,052	30,172	4.9	1956.....	1,170,690	31,245	2.7
1944.....	570,838	30,745	5.4	1957.....	1,190,620	32,579	2.7
1945.....	835,318	25,845	3.1	1958.....	1,577,880	49,899	3.2
1946.....	803,718	14,927	1.8	1959.....	1,716,402	45,697	2.7
1947.....	541,154	14,561	2.7	1960.....	1,586,670	38,880	2.4
1948.....	647,724	16,539	2.6	1961.....	2,128,930	44,686	2.1
1949.....	596,472	15,321	2.6				

Source: NYSE Fact Book (1962), p. 45.

APPENDIX VI-H: TABLE 2.—*American Stock Exchange: Floor traders' round-lot purchases and sales as a percent of total round-lot purchases and sales (1937-61)*

Year	Total purchases and sales (thousands of shares)	Floor traders' purchases and sales (thousands of shares)	Floor traders' purchases and sales as a percent of total purchases and sales	Year	Total purchases and sales (thousands of shares)	Floor traders' purchases and sales (thousands of shares)	Floor traders' purchases and sales as a percent of total purchases and sales
1937.....	220,211	7,469	3.4	1950.....	210,195	7,934	3.8
1938.....	100,548	2,862	2.8	1951.....	211,769	5,628	2.6
1939.....	92,405	3,104	3.4	1952.....	199,471	3,692	1.8
1940.....	82,354	2,745	3.3	1953.....	193,763	3,072	1.6
1941.....	68,766	1,274	1.8	1954.....	292,507	6,086	2.1
1942.....	43,347	681	1.6	1955.....	414,768	7,872	1.9
1943.....	137,732	4,270	3.1	1956.....	445,925	10,679	2.4
1944.....	139,823	3,870	2.8	1957.....	416,247	9,139	2.2
1945.....	266,973	6,379	2.4	1958.....	465,534	12,370	2.6
1946.....	241,252	2,582	1.1	1959.....	740,622	13,909	1.9
1947.....	125,311	2,473	2.0	1960.....	551,864	7,745	1.4
1948.....	142,709	3,365	2.4	1961.....	980,510	10,248	1.0
1949.....	122,481	2,835	2.3				

APPENDIX VI-H: TABLE 3.—*New York Stock Exchange: Number of floor trading accounts (1935, 1941, and 1950-61)*¹

Year	Number of accounts engaged primarily in floor trading		Number of accounts engaged intermittently in floor trading	Total floor trading accounts
	Individual	Firm		
1935.....	31	4		
1941.....	33	15		
1950.....	22	8	68	98
1951.....	33	15	70	118
1952.....	33	15	70	118
1953.....	28	8	90	126
1954.....	28	8	90	126
1955.....	22	10	126	158
1956.....	34	13	126	173
1957.....	30	13	129	172
1958.....	28	12	134	174
1959.....	32	11	138	181
1960.....	31	13	138	182
1961.....	30	18	150	198

¹ As of about May 1 of each year.

NOTE.—Totals derived from the NYSE forms reflect only those member accounts engaged "primarily" or "intermittently" in floor trading, and are estimates only. SEC studies indicate that the total number of members effecting floor trades is significantly higher than the totals indicate. Thus, 188 members reported floor trades during the month of January 1952, and 250 members reported floor trades for a 2-week period in October of 1959.

Sources: Data for 1935 and 1941 were reported in the Segregation Report and the 1945 Report. Data for the remaining years were obtained from forms filed by the NYSE with the Commission.

APPENDIX VI-H: TABLE 4.—*American Stock Exchange: Number of floor trading accounts (1945-48, 1958, 1959, and 1961)*

Year	Period covered	Number of floor traders reporting during period
1945.....		¹ 60
1946.....		¹ 50
1947.....		¹ 41
1948.....		¹ 46
1958.....	2 weeks.....	101
1959.....	do.....	86
1961.....	do.....	73

¹ Figures given are the average number of floor traders reporting weekly for the quarter of each year in which the greatest number of members effected floor trades.

NOTE.—The American Stock Exchange does not file data with the Commission on the number of floor traders. The above statistics were obtained for special studies conducted by the Division of Trading and Exchanges.

2. CONCENTRATION OF FLOOR TRADING IN A LIMITED NUMBER OF ALL FLOOR TRADERS

a. 1952 Report, NYSE:

"Of the 188 members reporting [floor trades] during the period [4 weeks ended January 26, 1952], 34 accounted for 70 percent of all members' purchases and 62 percent of all members' sales. The purchases of each of these 34 members ranged from 5,000 to 49,890 shares, while the volume of purchases by the remaining members amounted to:

- 4,000 to 5,000 shares by 11 members
- 3,000 to 4,000 shares by 8 members
- 2,000 to 3,000 shares by 24 members
- 1,000 to 2,000 shares by 44 members
- 500 to 1,000 shares by 35 members
- Less than 500 shares by 16 members
- No purchases (sales only) by 16 members"

b. January 1959 Report, Amex:

"Of 101 floor traders reported having effected transactions during the 2-week period [ended October 17, 1958] under review * * * 26 * * * were responsible for 82.5 percent of the total purchases by all floor traders and for 62.3 percent of their sales. The total purchases of each of these 26 floor traders ranged from 5,000 to 60,100 shares while their sales ranged from 4,800 shares to 100,500 shares.

* * * * *
 "The volume of transactions effected by the remaining 75 relatively inactive floor traders was as follows:

- Purchases:
- 4,000 to 5,000 shares by 5 traders
 - 3,000 to 4,000 shares by 3 traders
 - 2,000 to 3,000 shares by 7 traders
 - 1,000 to 2,000 shares by 14 traders
 - 500 to 1,000 shares by 13 traders
 - 100 to 500 shares by 23 traders
 - No purchases (sales only) by 10 traders

- Sales:
- Over 5,000 shares by 3 traders
 - 4,000 to 5,000 shares by 3 traders
 - 3,000 to 4,000 shares by 6 traders
 - 2,000 to 3,000 shares by 4 traders
 - 1,000 to 2,000 shares by 15 traders
 - 500 to 1,000 shares by 13 traders
 - 100 to 500 shares by 21 traders
 - No sales (purchases only) by 10 traders"

c. June 1959 Report, NYSE:

"A total of approximately 250 floor traders purchased and sold 3,569,000 shares in the 2-week period ended October 17, 1958. However, in the same period, 50 floor traders accounted for approximately 70 percent, and 15 accounted for approximately 35 percent of all floor trading. Fifty floor traders bought 1,258,000 shares and sold 1,199,000 shares amounting to 74 percent of the shares purchased and 64 percent of the shares sold by all floor traders."

d. 1960 Report, Amex:

"During the 9-week period [alternate weeks between June 29 and October 23, 1959] a total of 133 members and member firms reported transactions as floor traders in one or more securities. However, only 23 traders had average weekly purchases of 1,000 shares or more and these 23 accounted for 80.2 percent of total purchases by all floor traders.

"The average weekly purchases by the remaining 110 less active floor traders were as follows:

Number of traders:	<i>Average weekly purchases</i>
11 traders-----	500 to 900 shares
8 traders-----	300 to 500 shares
11 traders-----	200 to 300 shares
13 traders-----	100 to 200 shares
15 traders-----	50 to 100 shares
52 traders-----	Less than 50 shares
110 traders-----	150 shares"

e. 1961 Memorandum, Amex:

This memorandum reports the findings of a study of floor trading during the 2-week period ended April 14, 1961. Of 73 members reporting floor trades, 25 accounted for 92.9 percent of the total shares purchased and sold by all floor traders. Exhibit A of the memorandum compares the results of the 1958, 1959, and 1961 studies, as set forth in table 5.

500 REPORT OF SPECIAL STUDY OF SECURITIES MARKETS

APPENDIX VI-H: TABLE 5.—American Stock Exchange: 25 most active floor trading accounts (selected 2-week periods)

[Asterisk (*) denotes floor traders common to each of 3 periods]

Floor trading account	Purchases and sales (shares)	Ratio of purchases and sales to total floor trading	
		Percent	Cumulative percent
2-week period ended Oct. 17, 1958 ¹			
1. Alter.....	160,600	15.01	15.01
*2. Reich & Co.....	57,200	5.35	20.36
3. Nathanson.....	50,900	4.76	25.12
*4. Denman.....	52,400	4.90	30.02
5. Roth.....	41,600	3.89	33.91
*6. Ernst & Co.....	40,800	3.82	37.73
7. Sgambat.....	37,700	3.53	41.26
8. Judson & Co.....	31,600	2.96	44.22
*9. Sabin.....	28,100	2.63	46.85
*10. Morgan.....	27,400	2.56	49.41
11. Rhaesa.....	26,500	2.48	51.89
*12. Manley.....	23,700	2.22	54.11
13. Bergrath.....	21,000	1.96	56.07
14. Fischer.....	18,900	1.77	57.84
15. Wuestehube.....	17,700	1.66	59.50
16. Foshko.....	17,300	1.62	61.12
17. Pflugfelder.....	16,900	1.58	62.70
18. Atwell.....	16,900	1.58	64.28
*19. Walin.....	16,700	1.56	65.84
20. Peck.....	16,400	1.53	67.37
21. Marks.....	14,400	1.35	68.72
22. Bohner.....	14,200	1.33	70.05
23. Hoffman.....	11,600	1.08	71.13
*24. Lipman.....	11,400	1.07	72.20
25. Weiss & Co.....	9,900	.93	73.13
Total.....	781,800	73.13	-----
Weeks ended July 17 and July 31, 1959 ²			
1. Nathanson.....	73,400	14.91	14.91
2. DeMartini.....	40,500	8.23	23.14
3. Alter.....	34,600	7.03	30.17
4. Graham.....	27,800	5.65	35.82
*5. Sabin.....	17,400	3.53	39.35
*6. Walin.....	17,200	3.49	42.84
7. Behal.....	15,500	3.15	45.99
8. Newman.....	15,100	3.07	49.06
9. Halpern.....	14,600	2.97	52.03
10. Marks.....	14,600	2.97	55.00
11. Gardner.....	13,200	2.68	57.68
*12. Denman.....	11,600	2.36	60.04
*13. Morgan.....	11,200	2.27	62.31
14. Roth.....	10,800	2.19	64.50
*15. Manley.....	10,100	2.05	66.55
*16. Reich & Co.....	9,800	1.99	68.54
17. Schwartz.....	9,800	1.99	70.53
*18. Ernst & Co.....	9,200	1.87	72.40
19. Cohen.....	9,100	1.85	74.25
20. Bergrath.....	8,700	1.77	76.02
*21. Lipman.....	8,600	1.75	77.77
22. Dunn.....	8,300	1.69	79.46
23. Peck.....	8,200	1.67	81.13
24. Reilly.....	7,600	1.54	82.67
25. Materson.....	3,500	.71	83.38
Total.....	410,400	83.38	-----

See footnotes at end of table.

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APPENDIX VI-H: TABLE 5.—American Stock Exchange: 25 most active floor trading accounts (selected 2-week periods)—Continued

[Asterisk (*) denotes floor traders common to each of 3 periods]

Floor trading account	Purchases and sales (shares)	Ratio of purchases and sales to total floor trading	
		Percent	Cumulative percent
2-week period ended Apr. 14, 1961 ³			
1. DeMartini.....	75,800	12.79	12.79
2. Dunn.....	56,600	9.55	22.34
3. Wuestehube.....	46,100	7.78	30.12
*4. Denman.....	38,600	6.51	36.63
5. Newman.....	31,600	5.33	41.96
6. Hopkins.....	29,800	5.03	46.99
*7. Morgan.....	29,800	5.03	52.02
*8. Sabin.....	25,100	4.23	56.25
9. Fischer.....	24,700	4.17	60.42
*10. Walin.....	24,300	4.09	64.51
11. Kahn & Peck, Cohn & Co.....	20,000	3.37	67.88
12. Cohen.....	19,800	3.34	71.22
13. Gussoff.....	18,200	3.07	74.29
14. Davis.....	15,100	2.55	76.83
15. Rhaesa.....	14,900	2.51	79.34
16. Avery.....	14,000	2.36	81.70
*17. Lipman.....	13,100	2.21	83.91
18. Woods.....	12,800	2.16	86.07
*19. Reich & Co.....	10,800	1.82	87.89
*20. Manley.....	6,900	1.16	89.05
21. Andrews, Posner & Rothschild.....	5,800	.98	90.03
22. Florin.....	5,800	.98	91.01
23. Atwell.....	3,900	.65	91.65
*24. Ernst & Co.....	3,800	.63	92.28
25. Spencer.....	3,000	.63	92.91
Total.....	550,300	92.91	-----

¹ Total volume reported by all floor traders, 1,069,000 shares.

² Total volume reported by all floor traders, 492,325 shares.

³ Total volume reported by all floor traders, 592,300 shares.

3. CONCENTRATION OF FLOOR TRADING IN A LIMITED NUMBER OF STOCKS, ESPECIALLY ACTIVE STOCKS

a. Segregation Report, NYSE and Amex:

During a 25-week period between June and December of 1935, there were 45,195,404 shares bought and sold by NYSE floor traders. Of this total, 9,663,850 shares were accounted for by only 20 active issues out of 1,175 issues listed on the Exchange. That is, "over 21 percent of all floor trading took place in 1.7 percent of the total number of stocks." Also, "* * * floor trading in the 20 active stocks amounted to 14.8 percent of the total reported purchases and sales in those stocks; whereas floor trading in all other stocks amounted to 8.5 percent of the total reported purchases and sales in such stocks."

During a 23-week period between July and December of 1935, there were 40,990,065 shares bought and sold by Amex floor traders. Of this total, 2,365,450 were accounted for by only 8 active issues out of 1,085 issues admitted to trading on the Exchange. That is, "* * * upward of 47 percent of all floor trading occurred in 0.7 percent of the total number of stocks." Also "* * * floor trading in eight active stocks constituted 16.9 percent of the reported purchases and sales in such stocks as against 3.5 percent in all other stocks."

b. 1945 Report, NYSE:

A study of floor trading during the 2-week period ended April 2, 1938, showed floor trading represented 10.8 percent of total reported volume in 20 very active stocks, but only 4.7 percent of total reported volume in the remaining stocks on the NYSE.

A study covering December 8 and 9, 1941, revealed that floor trading in the 20 most active Exchange stocks represented 11.1 percent of total reported trading in these stocks, but floor trading in all other stocks accounted for only 3.0 percent of total reported volume in such other stocks.

On October 23, 1944, floor trading was confined to 187 of the 967 stocks traded during the day. Floor trading was so highly concentrated among the active issues that floor trades in all issues with a total volume of 2,000 shares or more on October 23, of which there were 142, represented 79 percent of floor trading in all issues on that day, although the aggregate volume in these 142 stocks was only 57 percent of the total volume on the exchange.

c. 1947 Memorandum, NYSE:

On September 23, 1947, 75 percent of all floor trading was concentrated in 22 stocks.

d. 1952 Report, NYSE:

Over a 4-week period ended January 26, 1952, members traded on the floor in 527 of the approximately 1,500 issues admitted to trading. Of the 527 stocks, 94 accounted for 32 percent of the reported volume in all stocks on the Exchange, and for 73 percent of all floor trader purchases and 66 percent of all floor trader sales.

"Members' purchases ranged from 2,000 to 23,500 shares in each of the 94 stocks in which 73 percent of their purchases were effected. The volume of members' purchases in the remaining stocks amounted to—

1,000 to 2,000 shares in 76 stocks
500 to 1,000 shares in 95 stocks
Less than 500 shares in 173 stocks
No purchases (sales only) in 89 stocks

"In analyzing the 94 stocks it was found that the ratio of members' total purchases to the reported volume in each stock was equivalent to—

26 percent in 1 stock	12 percent in 3 stocks
21 percent in 1 stock	11 percent in 3 stocks
17 percent in 2 stocks	5 to 9 percent in 50 stocks
16 percent in 1 stock	Less than 5 percent in 33 stocks"

e. January 1959 Report, Amex:

During the 2 weeks ended October 17, 1958, floor traders effected transactions in 236 of the approximately 855 stocks admitted to trading on Amex. However, 85.4 percent of all floor trader purchases and 74.2 percent of all floor trader sales were effected in 45 stocks. These 45 stocks accounted for 38 percent of the total reported Exchange volume in all stocks. Floor traders accounted for 8.0 percent of all purchases and 7.5 percent of all sales in these stocks, as follows:

Purchases:	Sales:
15 to 18 percent in 4 stocks	15 to 18 percent in 5 stocks
10 to 15 percent in 12 stocks	10 to 15 percent in 7 stocks
5 to 10 percent in 18 stocks	5 to 10 percent in 16 stocks
Less than 5 percent in 11 stocks	Less than 5 percent in 17 stocks

"An analysis of floor traders' transactions in these 45 stocks reveals that their purchases in each stock ranged from 2,000 to 45,000 shares, while their sales ranged from 700 to 63,700 shares. The volume of their transactions in the remaining 191 stocks in which they traded was as follows:

Purchases:	
1,000 to 2,000 shares in 18 stocks	
500 to 1,000 shares in 39 stocks	
200 to 400 shares in 44 stocks	
50 to 150 shares in 32 stocks	
No purchases (sales only) in 58 stocks	
Sales:	
2,000 to 15,000 shares in 9 stocks	
1,100 to 2,000 shares in 16 stocks	
500 to 1,000 shares in 42 stocks	
200 to 400 shares in 45 stocks	
50 to 150 shares in 41 stocks	
No sales (purchases only) in 38 stocks"	

It was further noted that in 17 of the 45 stocks the ratio of floor traders' purchases to the reported Exchange volume of trading in a *single* security on a *single* day ranged between 25 percent and 63 percent.

f. June 1959 Report, NYSE:

For the week ended April 3, 1959, floor trading in the 100 most active stocks on the NYSE accounted for 75 percent of all floor trading. Tables 6 and 7 indicate the relationship of floor trading to stock activity.

During a 2-week period in October of 1958, the 50 most active floor traders dealt in 453 of the more than 1,500 issues listed on the Exchange, but their transactions in only 45 stocks accounted for 72 percent of their trading. According to the report:

"The 50 most active floor traders transacted 34 percent of their purchases and sales in the ten most active stocks on the Exchange during the period, whereas all trading in these stocks represented only 14 percent of total Exchange volume."

APPENDIX VI-H: TABLE 6.—*New York Stock Exchange: Transactions by floor traders in 1,150 stocks classified by reported volume (for week ended Apr. 3, 1959)*

Stock class ¹	Reported volume (shares)	Number of stocks in which floor traders participated	Shares purchased and sold by floor traders	Floor traders' transactions as percent of twice reported volume
100 most active stocks.....	6,941,300	92	536,920	3.9
Next 100 stocks.....	2,729,400	63	78,310	1.4
Next 100 stocks.....	1,687,200	41	29,500	.9
Next 100 stocks.....	1,207,000	29	20,880	.9
Next 100 stocks.....	897,400	29	17,600	1.0
Next 100 stocks.....	681,100	26	17,340	1.3
Next 100 stocks.....	528,100	19	6,720	.6
Next 100 stocks.....	392,800	15	5,200	.7
Next 100 stocks.....	259,710	10	2,700	.5
Next 100 stocks.....	157,490	5	1,800	.6
Next 100 stocks.....	69,830	1	300	.2
50 least active stocks.....	6,300	-----	-----	-----
All stocks.....	15,557,630	330	717,270	2.3

¹ Common and convertible preferred stocks.

APPENDIX VI-H: TABLE 7.—*New York Stock Exchange: Participation of floor traders in 1,150 stocks classified by reported volume and by net price change (for week ended Apr. 3, 1959)*

Stock class ¹	Stocks which increased in price			Stocks which declined or had no price change		
	Total number	Number in which floor traders participated	Percent participation	Total number	Number in which floor traders participated	Percent participation
100 most active stocks.....	65	63	96.9	35	29	82.9
Next 100 stocks.....	53	37	69.8	47	26	55.3
Next 100 stocks.....	57	24	42.1	43	17	39.5
Next 100 stocks.....	57	18	31.6	43	11	25.6
Next 100 stocks.....	47	14	29.8	53	15	28.3
Next 100 stocks.....	47	10	21.3	53	16	30.2
Next 100 stocks.....	54	11	20.4	46	8	17.4
Next 100 stocks.....	47	6	12.8	53	9	17.0
Next 100 stocks.....	43	5	11.6	57	5	8.8
Next 100 stocks.....	39	2	5.1	61	3	4.9
Next 100 stocks.....	47	1	2.1	53	-----	-----
50 least active stocks.....	22	-----	-----	28	-----	-----
All stocks.....	578	191	33.0	572	139	24.3

¹ Common and convertible preferred stocks.

g. 1960 Report, Amex:

Over nine alternate weeks between June 29 and October 23, 1959, floor traders dealt in 325 of the 940 stocks available for trading. These 325 stocks accounted for 78.5 percent of total reported Amex volume. In only 22 stocks did floor trader purchases average 1,000 shares or more per week and floor trader purchases in these 22 stocks accounted for 47.8 percent of all floor trader purchases in the 325 stocks.

h. 1961 Memorandum, Amex:

This memorandum contains the following comparison of data collected in 1961 with data from the January 1959 report and the 1960 report (above).

Floor trading in 45 stocks in which floor traders were most active

	2 weeks ended Oct. 17, 1958	2 weeks ended July 17 and July 31, 1959	2 weeks ended Apr. 14, 1961
Total exchange volume in the 45 stocks.....	4,984,100 shares.....	4,679,100 shares.....	10,800,998 shares.
As percent of exchange volume in all stocks.....	38.0 percent.....	36.7 percent.....	19.8 percent.
Average price of the 45 stocks.....	\$8.85.....	\$9.85.....	\$6.95.
Purchases by floor traders.....	397,900 shares.....	201,100 shares.....	196,600 shares.
As percent of floor purchases in all stocks.....	85.4 percent.....	79.4 percent.....	76.7 percent.
As percent of total exchange volume.....	8.0 percent.....	4.3 percent.....	0.4 percent.
Sales by floor traders.....	373,700 shares.....	178,225 shares.....	257,900 shares.
As percent of floor sales in all stocks.....	62.0 percent.....	74.7 percent.....	76.1 percent.
As percent of total exchange volume.....	7.5 percent.....	3.8 percent.....	0.5 percent.

i. Amex Report app. VI, chart C (see chapter XII, App. A.)

For 10 months in 1959, an average of slightly over 29 percent of all floor trading occurred in the 10 stocks most active each week.

4. RELATIONSHIP OF FLOOR TRADING TO MARKET MOVEMENTS

a. Segregation Report

Period: June 24–December 4, 1935 (144 trading days).

Exchange: New York Stock Exchange.

Data: Aggregate daily changes in the positions of floor traders, showing the extent to which members as a group bought or sold on balance each day.

Design: Correlate above data with changes each day in the Standard Statistics Daily Stock Price Index.

Results:

(a) Index advanced 84 days; on 60 days traders had purchase balance, on 24 days a sale balance. Index declined 55 days; on 25 days traders had a purchase balance, on 30 days sale balance. Therefore, members traded with trend on 90 of the days, or 64.8 percent of the time.

(b) When index changed $\frac{1}{2}$ point or less, members traded with the trend on 29 days, against it on 27.

(c) When index changed more than $\frac{1}{2}$ point, members traded with it on 61 days, or 73.5 percent of the time, against it on 22 days, or 26.5 percent of the time.

(d) Out of 52 days when the aggregate position of members varied less than 10,000 shares, their trading on the floor paralleled the trend on 26 days and opposed it on 26.

(e) Out of 87 days when the aggregate positions varied more than 10,000 shares, the members traded with the trend on 64 days, or 73.6 percent of the time, against it on 23 days, or 26.4 percent of the time.

(f) On 24 days the index rose or fell one point or more and the members' aggregate position increased or decreased by 25,000 shares or more. Members traded with the trend on 21 days or 87.5 percent of the time, against the trend on 3 days, or 12.5 percent of the time.

A similar study of Amex, covering 133 trading days, showed that floor trading "bore a slightly closer relation to the daily trend of prices than on the New York Stock Exchange."

b. 1945 Report

Period: 1939-44; six periods when Standard & Poor's 90-stock index declined by more than 20 points; 2 periods when it rose by more than 20 points.

Exchange: New York Stock Exchange.

Data: Net position of all floor traders over each of the eight periods of price movements of major magnitude.

	Net change Standard & Poor's 90-stock index	NYSE floor traders' pur- chase (+) or sale (-) balance (thousands of shares)
Declines:		
Mar. 8 to June 19, 1937.....	-25.4	-846
Aug. 16 to Nov. 6, 1937.....	-49.2	-407
Feb. 28 to Apr. 1, 1938.....	-20.8	-108
Mar. 13 to Apr. 8, 1939.....	-22.5	-211
May 6 to June 1, 1940.....	-22.7	-331
Sept. 2, 1941, to Apr. 25, 1942.....	-21.7	-228
Rises:		
June 20 to July 23, 1938.....	+24.6	+148
Apr. 25, 1942, to July 14, 1943.....	+40.5	+499

Conclusion: Weight contributed to price movements by floor traders "was in the direction of accentuating them."

c. 1945 Report

Period: 1936-44; four periods (each about 1 year in length) of different market character (strong rise, predominantly declining, stable preceding a decline, stable preceded and followed by a price rise).

Exchange: New York Stock Exchange.

Data: Daily price changes, as measured by Standard & Poor's 90-stock index, in each period, and daily purchase or sale balances of all floor traders.

Design: Allocate days of each period to 12 or 13 groups of 24 days each, the first group containing the 24 days of greatest price rise, the last group containing the 24 days of largest price decline, and compute the average daily aggregate purchase or sale balance of floor traders for each 24-day group.

Results: See table 8.

APPENDIX VI-H: TABLE 8.—New York Stock Exchange: Floor traders' daily balances classified by changes in Standard & Poor's 90-stock index, on the same day (selected periods, 1936-44)

Groups of 24 days in order of net price change	Average price change per day (points)	Number of days		Average purchase (+) or sale (-) balance per day (hundreds of shares)	Average price change per day (points)	Number of days		Average purchase (+) or sale (-) balance per day (hundreds of shares)	
		Purchase balance	Sale balance			Purchase balance	Sale balance		
Mar. 2, 1936, to Mar. 15, 1937					Mar. 16, 1937, to Mar. 30, 1938				
1.....	+2.19	19	5	+217	+3.47	18	6	+152	
2.....	+1.45	16	8	+78	+1.87	17	7	+46	
3.....	+1.16	15	9	+18	+1.33	23	1	+129	
4.....	+ .86	14	10	+61	+ .83	13	11	+74	
5.....	+ .60	19	5	+63	+ .45	11	13	+6	
6.....	+ .34	14	10	+29	+ .11	10	14	-6	
7.....	+ .16	10	14	-52	- .18	7	17	-29	
8.....	- .05	6	18	-125	- .48	9	15	-76	
9.....	- .28	4	20	-112	- .83	8	16	-74	
10.....	- .56	7	17	-120	-1.13	2	22	-113	
11.....	- .84	5	19	-138	-1.63	6	18	-110	
12.....	-1.22	6	18	-144	-2.43	1	23	-189	
13.....	-2.61	4	20	-216	-4.53	1	23	-247	
Apr. 1, 1939, to Mar. 15, 1940					July 1, 1943, to June 14, 1944				
1.....	+2.48	16	8	+126	+1.62	19	5	+106	
2.....	+1.09	19	5	+167	+ .60	17	7	+60	
3.....	+ .68	18	6	+26	+ .44	21	3	+112	
4.....	+ .38	15	9	+34	+ .27	18	6	+49	
5.....	+ .19	16	8	+14	+ .16	15	9	+35	
6.....	+ .06	14	10	-36	+ .08	14	10	+23	
7.....	- .10	11	13	-8	.00	18	6	+30	
8.....	- .23	12	12	-23	- .10	14	10	-11	
9.....	- .38	11	13	-43	- .16	8	16	-52	
10.....	- .66	9	15	-44	- .34	9	15	-13	
11.....	-1.06	8	16	-120	- .61	4	20	-126	
12.....	-2.09	9	15	-63	-1.25	2	22	-159	

Conclusions: "Their [floor traders'] direct influence on the short-term market movement [daily movement] can fairly be said to be very much greater than on the longer term [i.e., 20-point rise or fall in Standard & Poor's 90-stock index] movement."

d. 1946 Report

Period: August 29, 1945 (date New York Stock Exchange originally adopted floor trading rules), to March 30, 1946.

Exchange: New York Stock Exchange.

Data: On-floor and off-floor daily balances of the 50 most active floor traders, and daily changes in Standard & Poor's 90-stock index.

Design: Compare data to price trends by grouping days into seven classes, class 1 being the 24 days of largest price rise, class 7 being the 24 days of largest decline. Also note for each group the number of days of sale balances and purchase balances.

Results: See table 9.

Conclusions: "Off-the-floor net buying by these traders substantially supplemented their on-the-floor buying on days of rise.

* . * * * * *

"Although floor traders went off the floor in some measure when liquidating their positions on days of decline, this was not done to the same extent as the complementary tendency to buy from off-the-floor on days of rise. This * * * was in accord with our expectations arising out of a study of the rule, since * * * the restraints upon the floor trader in the liquidation of positions are of even less significance than those imposed upon him in acquiring a position."

APPENDIX VI-H: TABLE 9.—*New York Stock Exchange: Daily balances (on floor and off floor) of the 50 most active floor trading accounts classified by changes in Standard & Poor's 90-stock index, on the same day (Aug. 29, 1945–Mar. 30, 1946)*

Groups of days in order of net price change ¹	Average daily price change	Total purchase (+) or sale (–) balance of 50 traders (shares)			Number of days in which 50 traders had—	
		On floor	Off floor	Total	Purchase balance	Sale balance
1.....	+2.04	+19,650	+35,755	+55,405	14	10
2.....	+.99	+62,760	+4,195	+66,955	15	9
3.....	+.51	+11,510	+26,410	+37,920	15	9
4.....	+.13	+18,430	–11,910	+6,520	14	12
5.....	–.12	–85,250	–2,140	–87,390	6	18
6.....	–.60	–42,100	+11,500	–30,600	9	15
7.....	–2.05	–154,760	–40,795	–195,555	7	17

¹ Each group contains 24 days except group 4 which contains 26 days.

c. 1946 Report

Period: February 18–26, 1946, a period of substantial price decline.

Exchange: New York Stock Exchange.

Data: All floor trader purchases and sales during each trading hour of the period, and hourly Dow-Jones Industrial Averages.

Design: Chart hourly floor trader purchase or sale balance against hourly Dow-Jones Industrial Averages.

Results: Although floor traders had a sale balance of only 3,400 shares over the period, their periods of purchase balances “came only after they had engaged in heavy net selling or during the occasional abortive rallies.” See chart 1.

Conclusions: “Floor traders sell heavily on sharp declines, and buy heavily on rises; moreover, after a period of heavy net buying or net selling, they tend to reestablish their previous positions, reversing the direction of their trading.”

f. 1946 Supplement

Period: June 18–20, 1946; July 11–23, 1946 (two periods of declining market prices).

Exchange: New York Stock Exchange.

Data: Floor traders' balances on an hourly basis.

Design: Correlate above data to net change in Dow-Jones Industrial Average on an hourly basis.

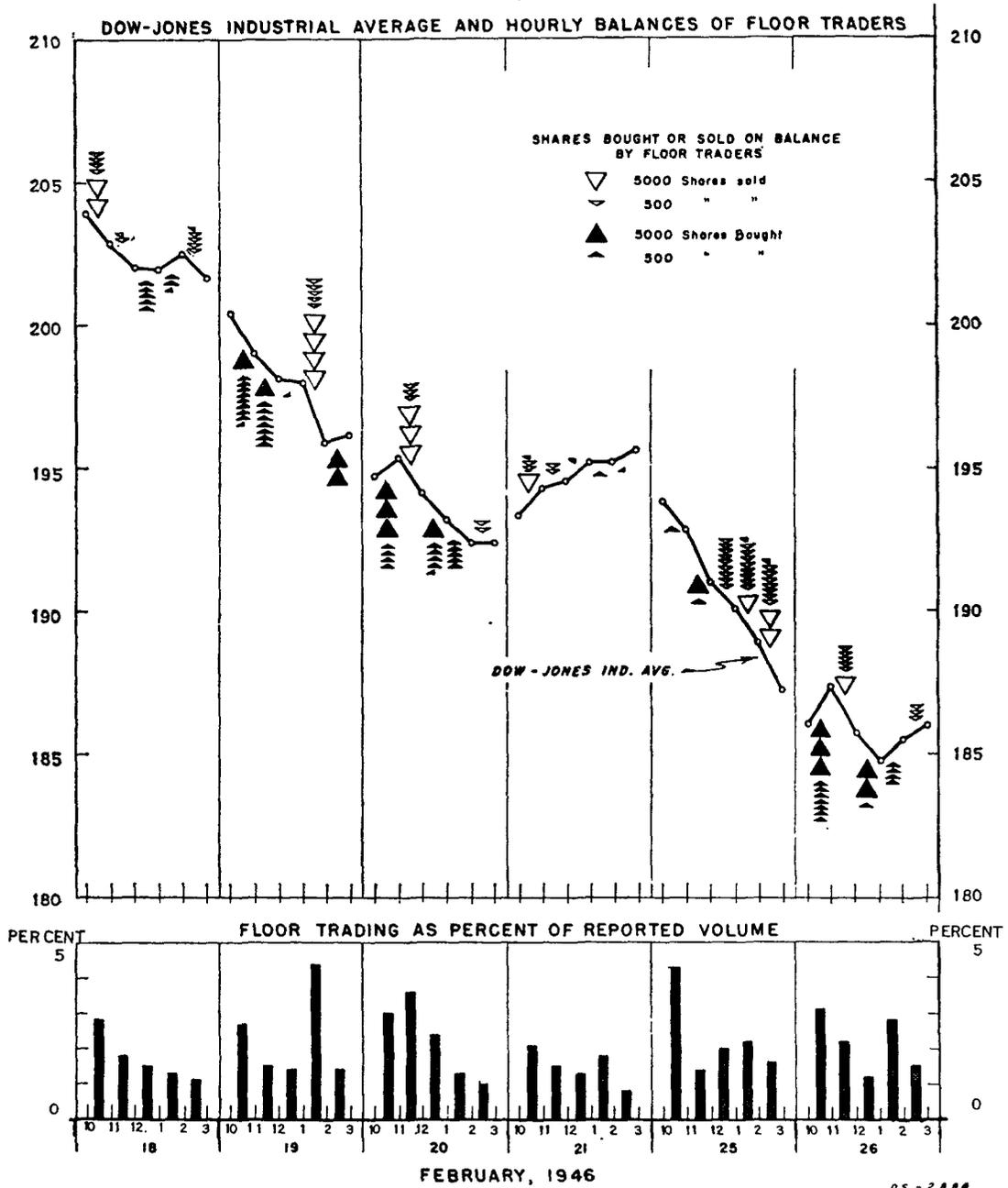
Results: For the days of June 18 through June 20, 1946, floor traders traded with the hourly trend of the Dow-Jones Industrial Average in 11 of the 15 hours of trading, against it in 4 hours. For the trading sessions from July 11 to July 23, 1946, floor traders traded with the hourly trend of this index in 27 hours, against it in 18 hours. See charts 2 and 3.

Conclusions: “Floor traders * * * still tend to liquidate their holdings to the detriment of stock prices in declining markets.”

APPENDIX VI-H: Chart 1

FLOOR TRADING ON N.Y.S.E.

FEB. 18 - FEB. 26, 1946 INCLUSIVE

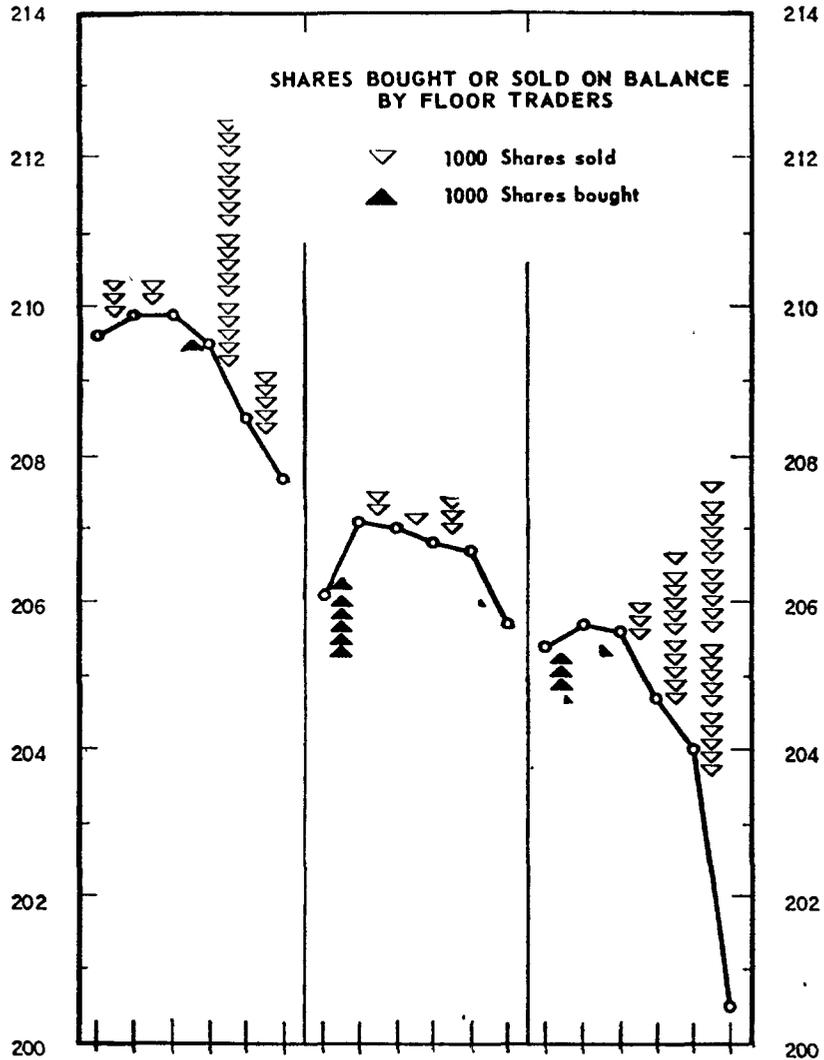


APPENDIX VI-H: Chart 2

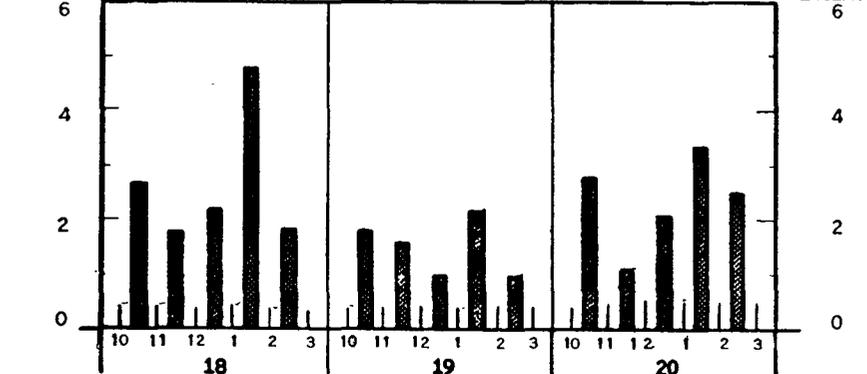
FLOOR TRADING ON N.Y.S.E.

June 18 - June 20, 1946 Inclusive

**DOW-JONES INDUSTRIAL AVERAGE
AND HOURLY BALANCES OF FLOOR TRADERS**



FLOOR TRADING AS PERCENT OF REPORTED VOLUME

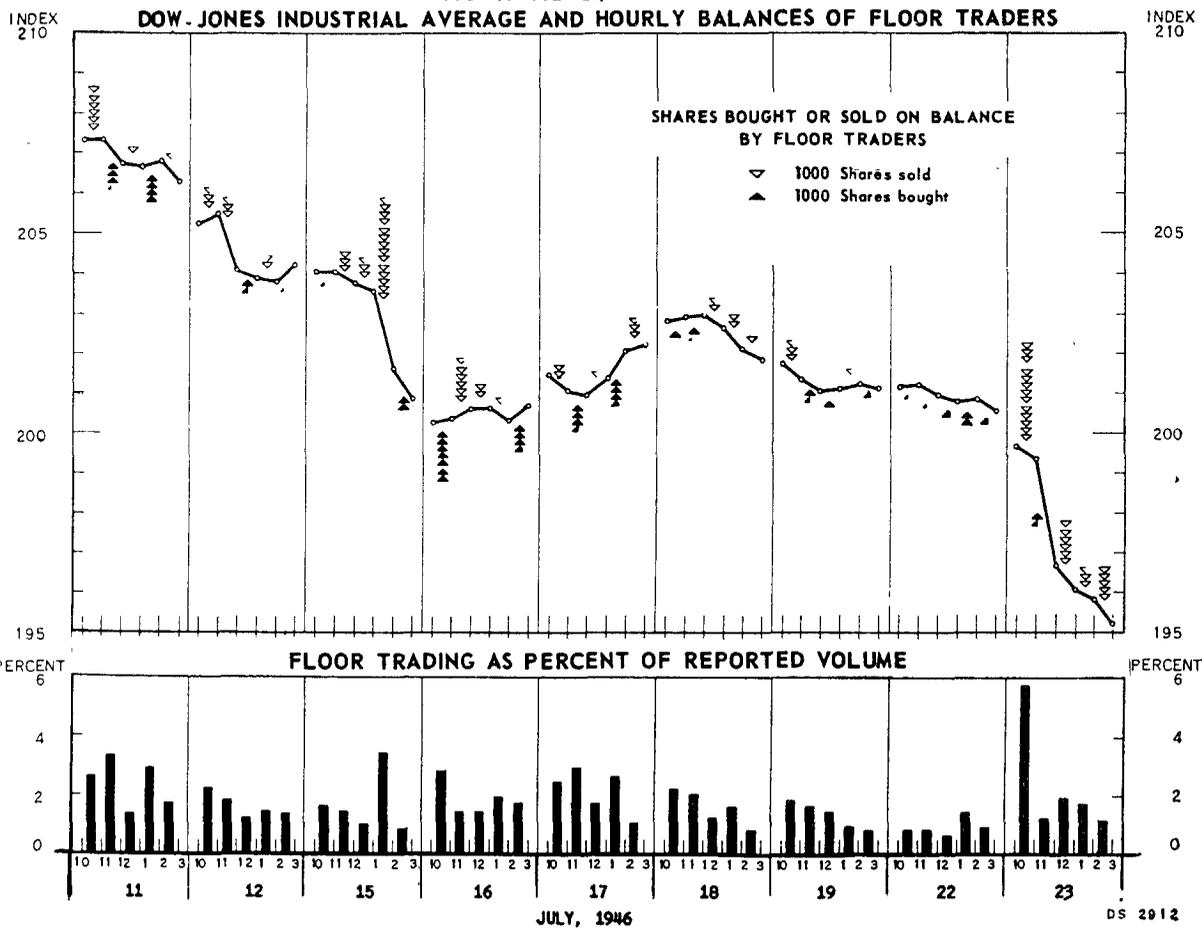


JUNE, 1946

APPENDIX VI-H: Chart 3

FLOOR TRADING ON N.Y.S.E.

JULY 11 - JULY 23, 1946 INCLUSIVE



g. September 1948 Memorandum

Period: The 12 periods of price movements in Standard & Poor's 90-stock index from 1937 to 1948, of more than 20 points (seven declining, five rising movements).

Exchange: New York Stock Exchange.

Data: Balances of floor traders over each of the 12 periods.

Design: Compare data to change in price index.

Results:

	Net change in Standard & Poor's 90-stock index (points)	Floor traders' purchase (+) or sale (-) balance (thousands of shares)
Declines:		
Mar. 8 to June 19, 1937.....	-25.4	-846
Aug. 16 to Nov. 6, 1937.....	-49.2	-407
Feb. 28 to Apr. 1, 1938.....	-20.8	-108
Mar. 13 to Apr. 8, 1939.....	-22.5	-211
May 6 to June 1, 1940.....	-22.7	-331
Sept. 2, 1941, to Apr. 25, 1942.....	-21.7	-228
May 31 to Nov. 23, 1946.....	-38.5	-1,046
Rises:		
June 20 to July 23, 1938.....	+24.6	+148
Apr. 25, 1942, to July 14, 1943.....	+40.5	+499
Sept. 9, 1944, to June 23, 1945.....	+23.0	+99
July 27, 1945, to Feb. 2, 1946.....	+33.9	-328
Feb. 14 to June 11, 1948.....	+24.7	-282

Conclusions: "The report of July 12, 1946, concluded that the rules had little effect on floor traders' tendency to trade with the trend. The results of this table show, however, that this is true only in declining markets. The rules apparently have had some effect on floor traders' 'trend riding' during rising markets."

h. September 1948 Memorandum

Period: August 1, 1947 to July 31, 1948.

Exchange: New York Stock Exchange.

Data: Daily balances of floor traders.

Design: Divide year into 12 groups of approximately 24 days each, ranking groups from days of greatest price rise to days of greatest price decline. Determine for each group (a) average net balance per day, and (b) number of days of sale balance and number of days of purchase balance.

Results: See table 10 (on page 512).

Conclusions: "Contrary to results of similar studies in earlier periods, on days of rise floor traders registered sale balances just as frequently as purchase balances * * *. However, the results for days of price decline are the same as those obtained in former analyses."

i. 1949 Memorandum

Period: January 1-March 31, 1949.

Exchange: New York Stock Exchange.

Data: Floor traders' daily balances.

Design: Group days into five groups of 15 days each, the first group containing the days of greatest rise in the Dow-Jones Industrial Average, the last group days of greatest decline, and compute floor traders' average daily balances for each group.

Results :

Groups of 15 days in order of net price change	Average price change per day ¹ (points)	Number of days with—		Average purchase (+) or sale (-) balance per day (shares)	Average number of shares sold each day for every 100 shares purchased
		Purchase balance	Sale balance		
1.....	+1.37	11	4	+2,961	90
2.....	+ .42	8	7	+217	90
3.....	- .03	5	10	-3,555	124
4.....	- .44	4	11	-1,937	113
5 ²	-1.43	3	11	-8,304	142

¹ Dow-Jones Industrial Average.² 14 days.

Conclusion: "As in most earlier periods which were studied, members on the floor tended to purchase on balance on days of rising markets and to sell on balance during falling markets."

APPENDIX VI-H: TABLE 10.—New York Stock Exchange: Floor traders' daily balances classified by changes in Standard & Poor's 90-stock index, on the same day (Aug. 1, 1947–July 31, 1948)

Groups of 24 days in order of net price change	Average price change per day (points)	Number of days with—		Average purchase (+) or sale (-) balance per day (shares)	Average number of shares sold each day for every 100 shares purchased
		Purchase balance	Sale balance		
1.....	+1.6	13	11	-2,839	107
2.....	+ .9	14	10	+2,789	93
3.....	+ .6	11	13	-3,480	115
4.....	+ .4	11	13	-2,343	106
5.....	+ .2	13	11	-1,371	109
6.....	+ .1	11	13	-5,955	123
7.....	0	6	18	-5,788	123
8.....	- .2	9	15	+343	99
9.....	- .3	6	18	-5,328	123
10.....	- .6	3	21	-9,929	149
11.....	-1.1	4	20	-9,861	146
12 ¹	-2.0	3	15	-13,999	143

¹ 18 days.

j. 1950 Memorandum

Period: June 6, 1950.

Exchange: New York Stock Exchange.

Data: Balances of floor traders who purchased or sold 500 or more shares during the week (which accounted for 92.2 percent of all floor trading) for each 5-minute period of the day.

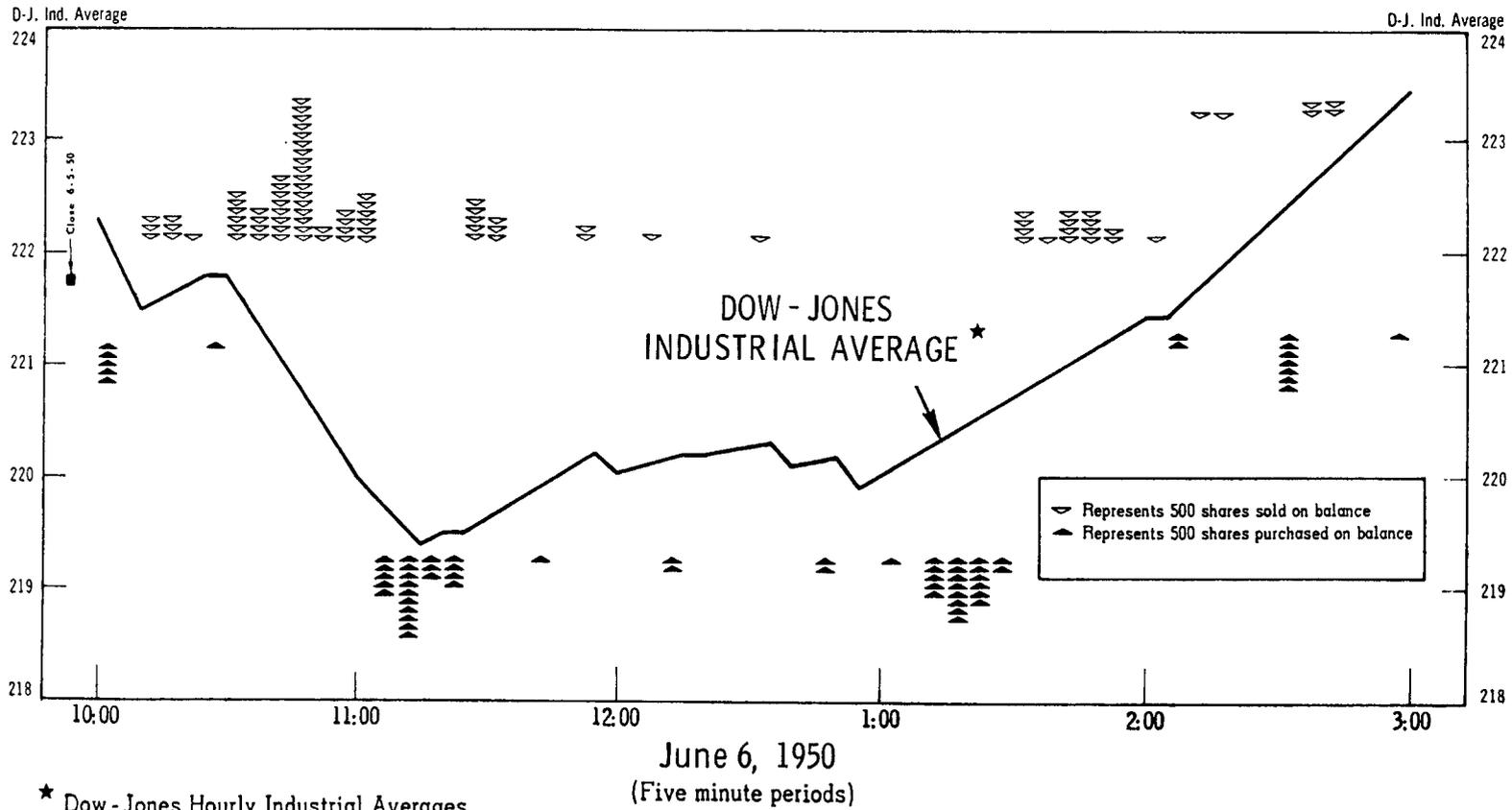
Design: Chart data against Dow-Jones Industrial Averages (estimated for each 5-minute period within each hour from floor traders' reports of "up-ticks" and "down-ticks").

Results: See chart 4.

Conclusions: "* * * [F]loor traders sold heavily on balance from 10:05 to 11:05 when the Dow-Jones Average dropped almost two points, thereby detracting from market stability. They sold 26,000 shares on balance in this period. As the market reached its lows for the day, from 11:05 to 11:20, they bought 9,200 shares on balance. From 11:20 to 12:55, the market recovered slightly, then leveled off and floor traders sold 1,400 shares on balance. From 1:00 to 1:30 as the market recovery gained pace, floor traders accelerated the trend by their net purchases of 10,400 shares. Thereafter and until the end of the day they were generally selling on balance."

APPENDIX VI-H: Chart 4

FLOOR TRADERS' BALANCES IN N. Y. S. E. STOCKS COMPARED WITH DOW-JONES INDUSTRIAL AVERAGE *



* Dow-Jones Hourly Industrial Averages
(Market movements within the hour have been estimated)

DS-4450

k. June 1959 Report

Period : 27 one-week periods in 1958 in which stock prices (as measured by SEC Weekly Index of 265 common stocks on NYSE) changed by 1 percent or more.

Exchange : New York Stock Exchange.

Data : Weekly balances of floor traders.

Design : Compare balances to (1) weeks of decline, (2) weeks of increase.

Results : Floor traders bought on balance in 17 of the 21 weeks of increase, sold on balance in all 6-weeks of decline.

5. RELATIONSHIP OF FLOOR TRADING TO PRICE MOVEMENTS IN INDIVIDUAL STOCKS

a. May 1945 Report

This report presents in chart, table, and graph form various Commission findings with respect to floor trading. A few of the charts presenting data on floor trading in individual stocks are reproduced as charts 5 through 9.

b. 1946 Report

Period : September 24, 1945 to April 20, 1946.

Exchange : New York Stock Exchange.

Data : Floor traders' purchase and sale balances in four active, four moderately active, and four inactive stocks (selected by criteria agreed upon in advance by Commission and NYSE).

Design : Compare floor traders' balances (*a*) on price rises (broken down into first half of rise, second half of rise and incomplete¹ price rises) and (*b*) price declines (similarly broken down), in each type of stock (active, moderately active, and inactive).

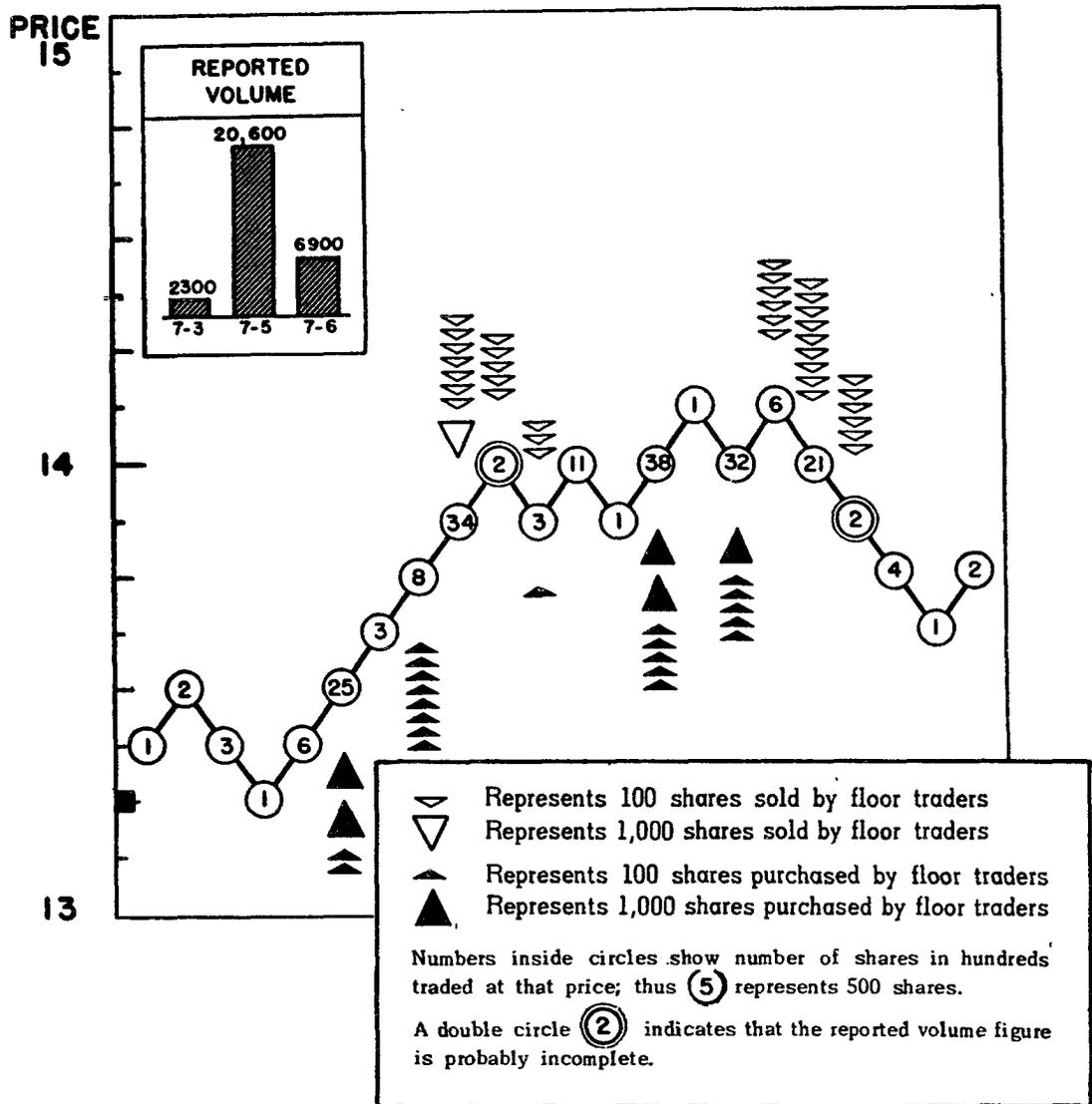
Two variables were adjusted: (1) The periods selected for purposes of presentation of results (September 1945–April 1946, September–December 1945, December 1945–April 1946), and (2) the definition of "price rise" (trend) or "decline", using two separate tests (based on minimum fluctuations in price necessary to terminate a trend).

Results : See tables 11 and 12.

¹ The total study period was broken down into 2-week periods. The active, inactive, and moderately active stocks were selected for each period. An "incompleted rise" was thus a rise that continued after the termination of the 2-week period.

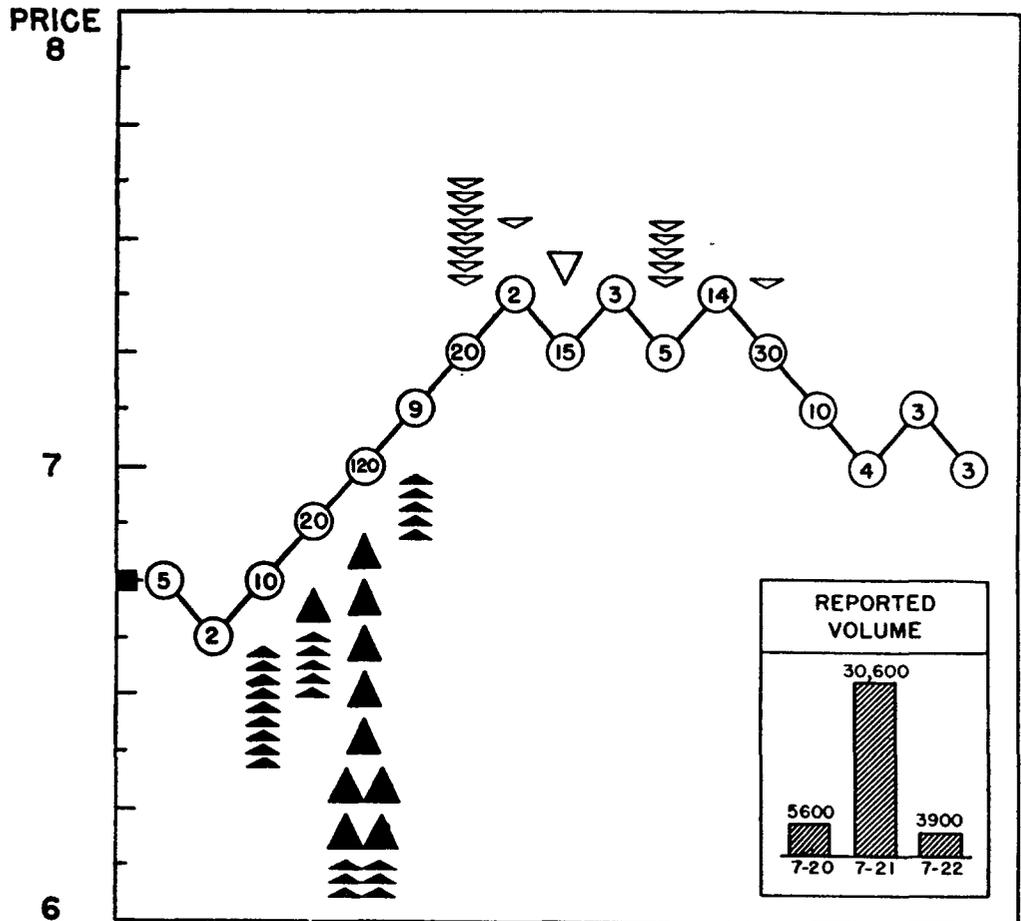
APPENDIX VI-H: Chart 5

FARNSWORTH TELEVISION AND RADIO
COMMON STOCK
NEW YORK STOCK EXCHANGE
JULY 5, 1944 (10:00-3:00)



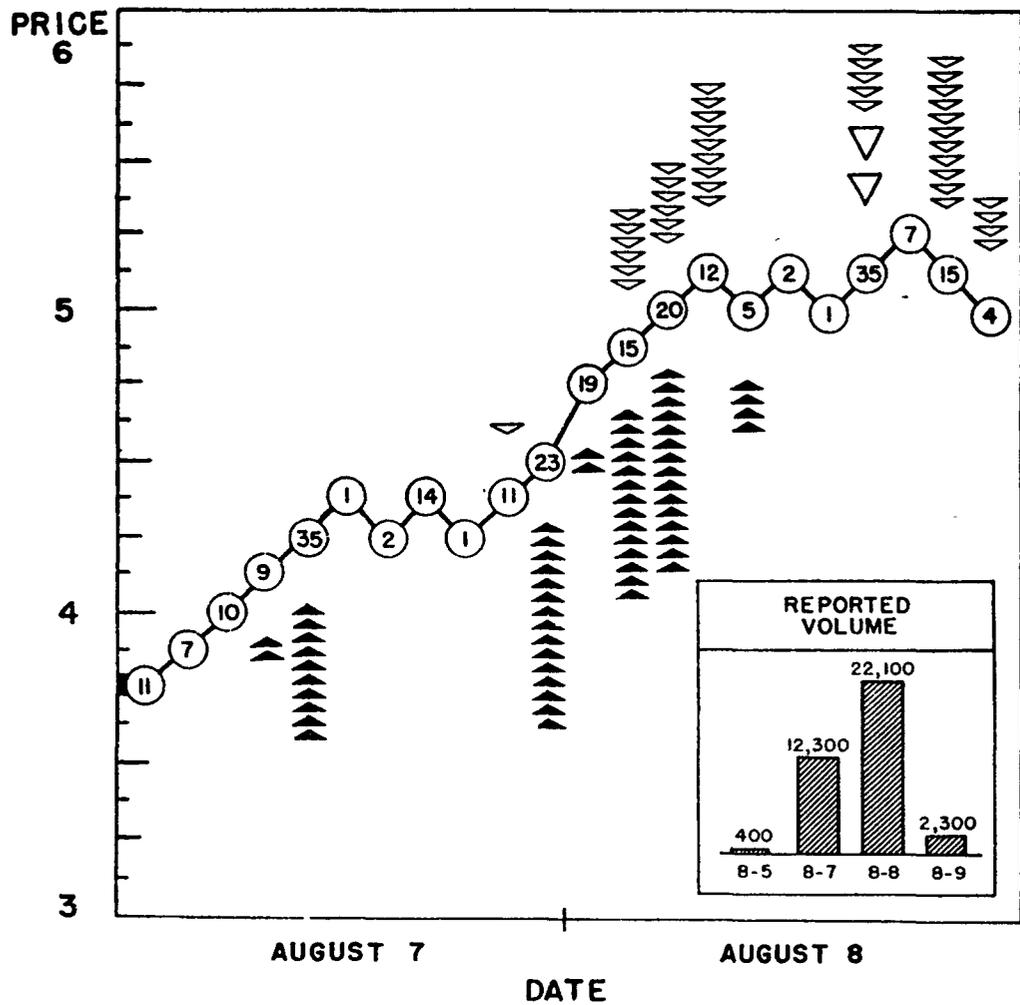
APPENDIX VI-H: Chart 6

PACIFIC TIN CONSOLIDATED CAPITAL STOCK
 NEW YORK STOCK EXCHANGE
 JULY 21, 1944 (10:00-1:00)



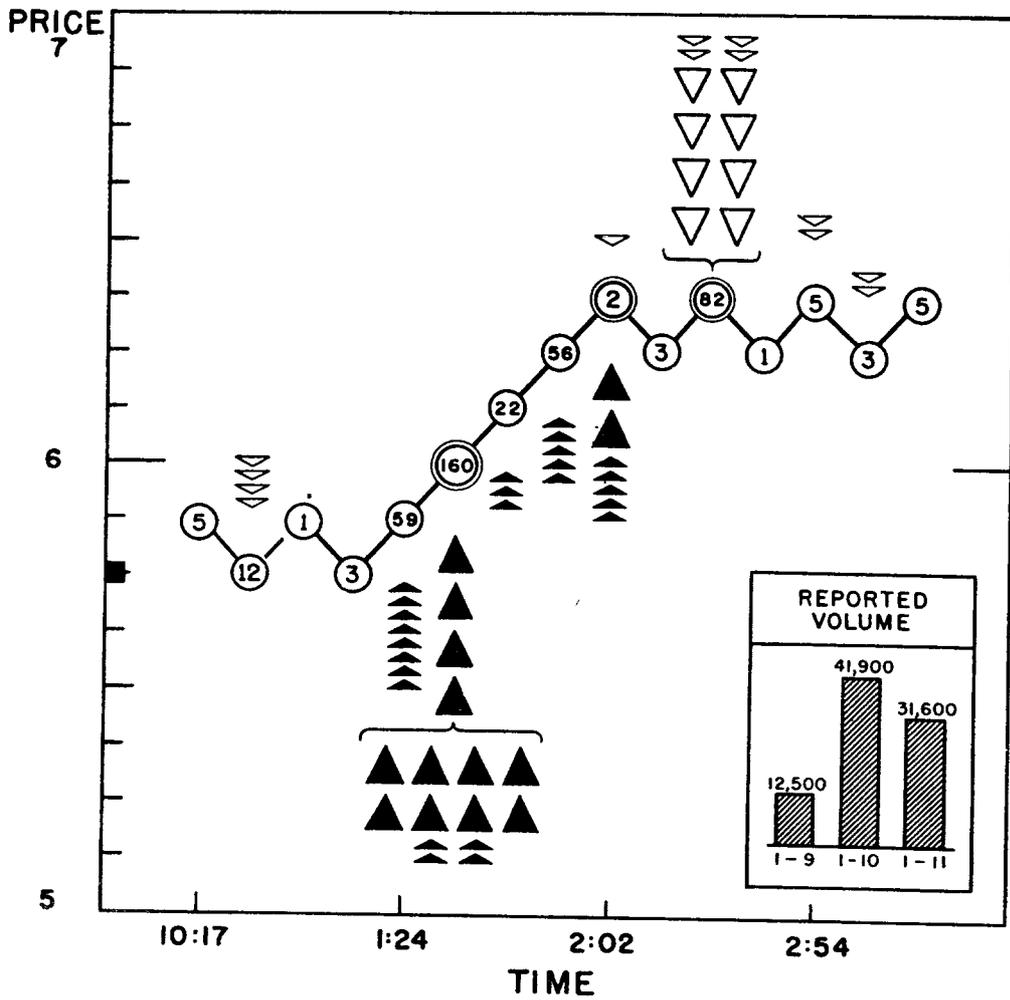
APPENDIX VI-H: Chart 7

THOMPSON-STARRETT COMMON STOCK
NEW YORK STOCK EXCHANGE
 AUGUST 7 (10:00) TO AUGUST 8, 1944 (before 1:00)



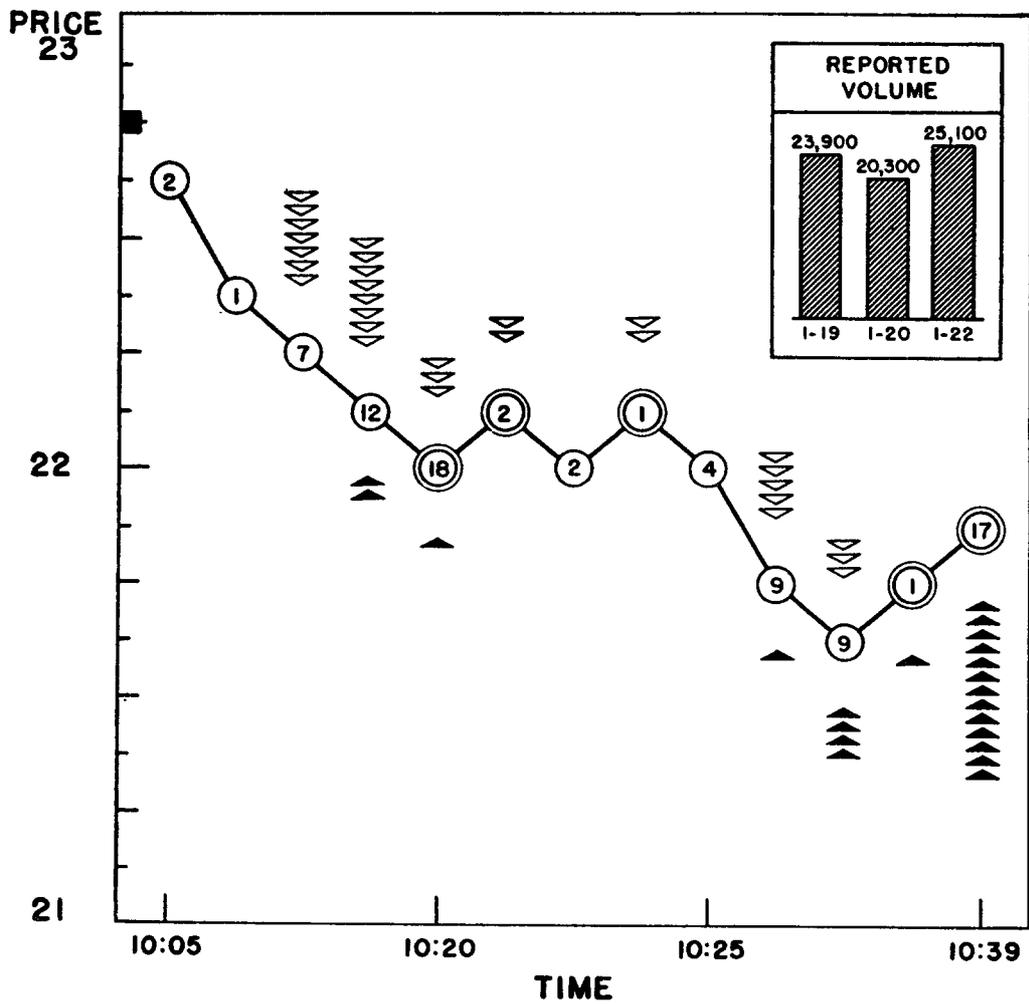
APPENDIX VI-H: Chart 8

GRAHAM-PAIGE MOTORS COMMON STOCK
 NEW YORK STOCK EXCHANGE
 JANUARY 10, 1945 (10:00-3:00)



APPENDIX VI-H: Chart 9

INTERNATIONAL TELEPHONE & TELEGRAPH
COMMON STOCK
NEW YORK STOCK EXCHANGE
JANUARY 20, 1945 (10:00-10:39)



APPENDIX VI-H: TABLE 11.—*New York Stock Exchange: Floor traders' balances classified by type of price trend (selected stocks analyzed on the basis of "minor trends")*¹

[In hundreds of shares]

	Share purchase (+) or sale (-) balance in—			
	Total	Active stocks	Moderately active stocks	Inactive stocks
30 weeks—Sept. 24, 1945 to Apr. 20, 1946				
On price rises	+2,552	+2,507	+42	+3
On 1st half of price rises	+262	+218	+43	+1
On 2d half of price rises	+455	+429	+26	0
On incomplete price rises	+1,835	+1,860	-27	+2
On price declines	-2,056	-1,971	-85	0
On 1st half of price declines	-697	-646	-52	+1
On 2d half of price declines	-342	-337	-3	-2
On incomplete price declines	-1,017	-988	-30	+1
14 weeks—Sept. 24 to Dec. 29, 1945				
On price rises	+927	+887	+39	+1
On 1st half of price rises	+216	+194	+22	0
On 2d half of price rises	+209	+192	+16	+1
On incomplete price rises	+502	+501	+1	0
On price declines	-621	-592	-30	+1
On 1st half of price declines	-180	-158	-24	+2
On 2d half of price declines	+81	+66	+16	-1
On incomplete price declines	-522	-500	-22	0
16 weeks—Dec. 31, 1945 to Apr. 20, 1946				
On price rises	+1,625	+1,620	+3	+2
On 1st half of price rises	+46	+24	+21	+1
On 2d half of price rises	+246	+237	+10	-1
On incomplete price rises	+1,333	+1,359	-28	+2
On price declines	-1,435	-1,379	-55	-1
On 1st half of price declines	-517	-488	-28	-1
On 2d half of price declines	-423	-403	-19	1
On incomplete price declines	-495	-488	-8	+1

¹ The fluctuations necessary to terminate a "minor trend" were more than 1/8 point for stocks selling under \$5; more than 1/4 point for stocks selling at \$5 to under \$20; more than 1/2 point for stocks selling at \$20 to under \$50; and more than 1 point for stocks selling at \$50 or more.

APPENDIX VI-H: TABLE 12.—*New York Stock Exchange: Floor traders' balances classified by type of price trend (selected stocks analyzed on the basis of "major trends")*¹

[In hundreds of shares]

	Share purchase (+) or sale (-) balance in—			
	Total	Active stocks	Moderately active stocks	Inactive stocks
30 weeks—Sept. 24, 1945 to Apr. 20, 1946				
On price rises.....	+2,060	+2,029	+29	+2
On 1st half of price rises.....	+14	+3	+11	0
On 2d half of price rises.....	-172	-193	+22	-1
On incomplete price rises.....	+2,218	+2,219	-4	+3
On price declines.....	-1,147	-1,055	-91	-1
On 1st half of price declines.....	-412	-380	-32	0
On 2d half of price declines.....	+98	+132	-33	-1
On incomplete price declines.....	-833	-807	-26	0
14 weeks—Sept. 24 to Dec. 29, 1945				
On price rises.....	+846	+820	+25	+1
On 1st half of price rises.....	+25	+24	+2	-1
On 2d half of price rises.....	-43	-65	+22	0
On incomplete price rises.....	+864	+861	+1	+2
On price declines.....	-205	-173	-32	0
On 1st half of price declines.....	-167	-146	-21	0
On 2d half of price declines.....	+102	+84	+18	0
On incomplete price declines.....	-140	-111	-29	0
16 weeks—Dec. 31, 1945 to Apr. 20, 1946				
On price rises.....	+1,214	+1,209	+4	+1
On 1st half of price rises.....	-11	-21	+9	+1
On 2d half of price rises.....	-129	-128	0	-1
On incomplete price rises.....	+1,354	+1,358	-5	+1
On price declines.....	-942	-882	-59	-1
On 1st half of price declines.....	-245	-234	-11	0
On 2d half of price declines.....	-4	+48	-51	-1
On incomplete price declines.....	-693	-696	+3	0

¹ The fluctuations necessary to terminate a "major trend" were over $\frac{1}{4}$ point for stocks selling under \$5; over $\frac{1}{2}$ point for stocks selling at \$5 to under \$20; over 1 point for stocks selling at \$20 to under \$50; and over 2 points for stocks selling at \$50 or more.

Conclusion: "The data bear out the conclusion regarding floor traders' characteristic behavior which was reached on the basis of studies undertaken prior to the adoption of the exchange's rules: whatever the general character of the market may be, floor traders buy on balance on price rises and sell on balance on declines."

Also: "The tendency of floor traders to buy on rises is much more characteristic in the first half of the rise than in the second. Indeed, in the latter half of a price movement there is a tendency to sell. And there are complimentary tendencies during a decline * * *. These tendencies exactly parallel the typical patterns which prevailed before the floor trading rules were adopted. Now, as then, floor traders initiate or contribute to the early stages of a decline by selling on balance, then in many cases tend to retard the decline to which they contributed."

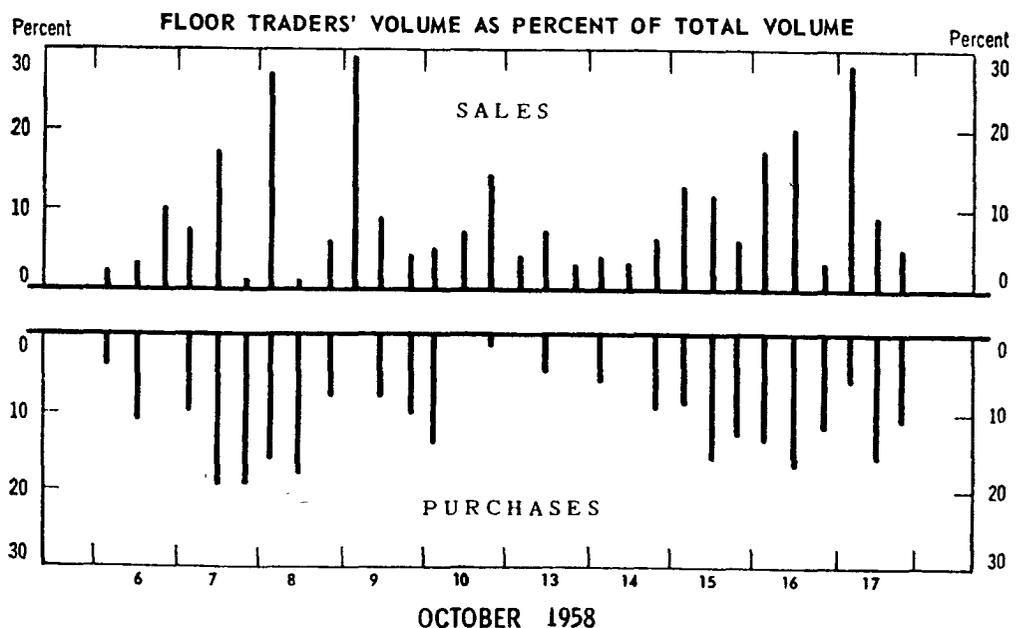
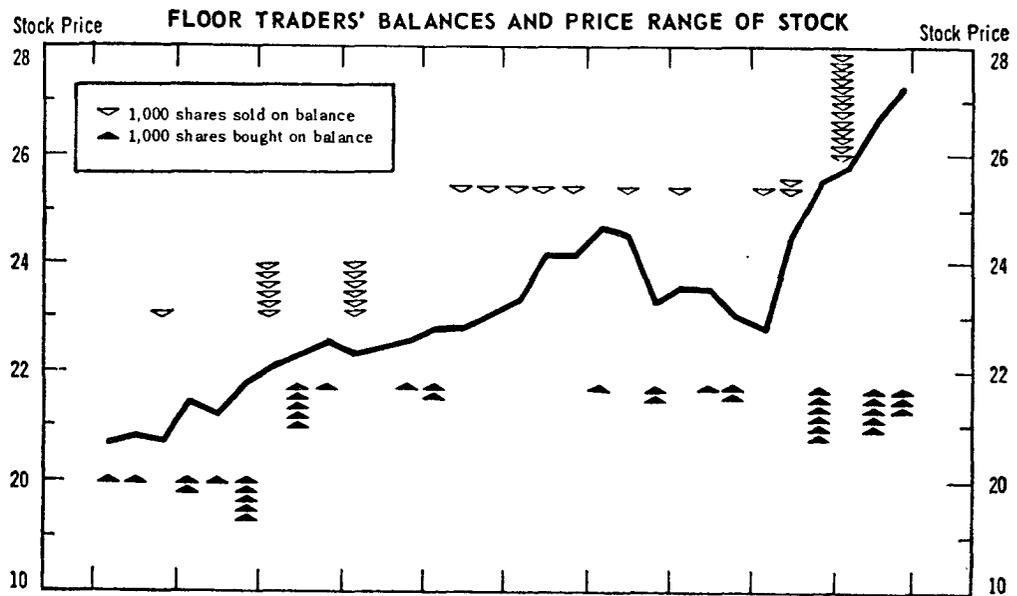
c. June 1959 Report

Part of this report consisted of a detailed analysis of floor trading in American Motors common over the 10 trading sessions between October 6 and 17, 1958. During this period the stock rose from 20 to 27 $\frac{1}{4}$, and was one of the 10 most active stocks on the NYSE in each session. Floor traders purchased 104,300 shares and sold 102,000 shares over this period, accounting for 10.1 percent of the total volume in the stock. Charts 10 and 11 and tables 13 and 14 depict floor trading over the entire period and during selected shorter periods when floor trading appeared to play a particularly important role in price movements.

APPENDIX VI-H: Chart 10

AMERICAN MOTORS COMMON (N. Y. S. E.)

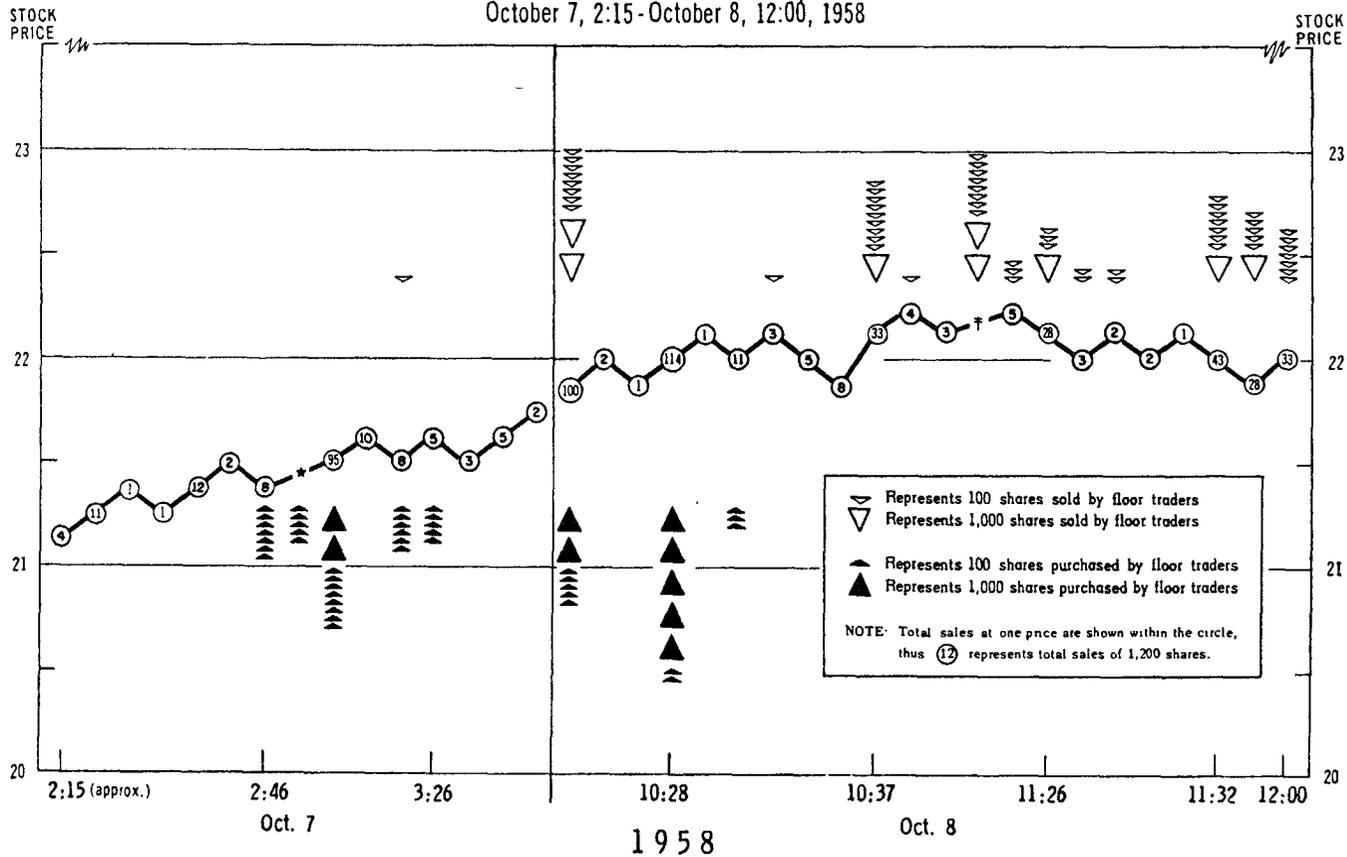
October 6-17, 1958 - Two hour periods



APPENDIX VI-H: Chart 11

FLOOR TRADING IN AMERICAN MOTORS COMMON STOCK

October 7, 2:15 - October 8, 12:00, 1958



* 3,400 shares traded at prices fluctuating between 21 3/4 and 21 1/2 are not shown
 † 8,400 shares traded at prices fluctuating between 22 1/4 and 22 1/2 are not shown