

IV. The Floor Trader in Relation to Problems of Organization, Management, and Regulation of Members of the Exchange

A. Background

Floor traders are members who spend most of their time on the floor of the Exchange trading for their own account.¹ The total volume of trading by floor traders on the Exchange would not appear to be large in relation to total Exchange volume. Based upon reports filed by the Exchange with the Commission, floor traders participated in 4.3 percent and 2.7 percent of the transactions on the Exchange for the years 1959 and 1960, respectively.

Aggregate figures do not, however, indicate the stocks in which floor trading activity may be concentrated, the volume of trading by individual floor traders, or the timing of particular transactions. Previous studies of floor trading on the Exchange have shown that floor traders tend to concentrate their activity in the more active stocks; that a small group of floor traders have accounted for most floor trading activity on the Exchange;² and that floor traders on the Exchange enjoy a material advantage over the public through immediate access to market developments. The main argument in favor of floor trading has been that

¹ See Sec I B, *supra*. Under this definition, approximately 30 members of the Exchange can be classified as floor traders. The *Segregation Report* described the floor trader as follows:

"The floor trader has no contact with the public, extends no credit, and usually does not maintain an independent office. He is a professional speculator who deals in securities for quick profits. He constantly seeks opportunities for rapid turnover and he prefers to liquidate a position swiftly whether his trading shows a profit or a loss. His activities are seldom restricted to a particular security or group of securities and, unlike the specialist, he professes no responsibility for the maintenance of a fair and orderly market. He does not solicit brokerage business and his brokerage function is distinctly of minor importance. He has few personal customers but occasionally is entrusted with the execution of large orders by members or firms who desire to conceal their presence in the market. Generally, however, the floor trader prefers to remain independent. Hence, he is not restrained in his trading by the forces of competition for brokerage business or the necessity for retaining the good will of customers."

² Based on reports filed by floor traders with the Exchange and the Commission, in 1959 the ten most active floor traders on the Exchange accounted for 57 percent of total floor trading volume; in 1960, the ten most active floor traders accounted for 50 percent of such volume.

this activity adds liquidity to the market and helps to narrow the spread between prices.

An early draft of the Exchange Act would have limited floor trading to odd-lot dealers and specialists. Section 11(a) of the Exchange Act, as passed, although not prohibiting floor trading, gives the Commission extremely broad power over such trading, including the power to prohibit it entirely by rule. The Commission has never exercised its power but instead, consistent with the philosophy of self-regulation, has permitted the exchanges to regulate the conduct of their own members on the floor.

In 1945, the New York exchanges put into effect a series of rules to regulate floor trading.³ In 1947 and again in September 1953, both exchanges relaxed their restrictions. During the period from 1953 to 1959, the only Exchange rule directly regulating floor trading was one which provided that members when trading on the floor for their own accounts "shall not congregate in a particular stock" or "individually or as a group, intentionally or unintentionally, dominate the market" or "be conspicuous" in the general market or in the market in a particular stock. This rule remains in effect as Rule 110(a).

In early 1959, the Staff of the Division of Trading and Exchanges made an analysis of floor trading on the Exchange. This study confirmed the conclusions of previous studies. It revealed that

³ In 1945 the staff of the Division of Trading and Exchanges recommended a Commission rule prohibiting floor trading on the two New York exchanges. See Securities Exchange Act Release No 3727 (1945). This recommendation was based on the grounds that 1) floor traders enjoy a material advantage over other persons using the facilities of the exchange, such as up-to-the-minute and detailed information on market developments, advantageous commission rates and the ability to engage in concerted action, 2) the combination of floor trading with the brokerage function works to the disadvantages of that function; and 3) floor trading on the whole detracts from the orderliness of market movements since, by tending to trade in active markets and active stocks, the floor trader accelerates price trends and accentuates price fluctuations. After holding a public conference on the proposed rule, the Commission decided to withhold action in order to permit the New York exchanges to put into effect experimentally a number of rules to regulate floor trading.

(1) floor traders on the Exchange concentrated their activities almost exclusively in the more active stocks; (2) floor traders "dominated" the market by frequently purchasing relatively large blocks of stock in a single transaction, and as a group they effected transactions in what appeared to be a concerted manner; and (3) the most active floor trader, Louis Alter,⁴ concentrated his activities at the Gilligan, Will post. At the time of the report Alter was registered as specialist in one stock (Electric Bond and Share Company) traded at the Gilligan, Will post. The report also noted that since 1949 the Exchange had taken only one disciplinary action against a floor trader.⁵

After extensive discussions with the Division of Trading and Exchanges, the Exchange on June 15, 1959 adopted two rule changes regarding floor trading activity. The first, aimed at the Alter situation, prohibited a specialist from floor trading in stocks located at his post other than those in which he was registered as specialist.⁶ The second change created what is now the basic floor trading rule (Rule 110) by adding to the prior provisions regarding congregating and dominating (paragraph (a)) new provisions prohibiting floor traders from making purchases on their own bids on "plus ticks," and limiting the amount of offered stock that may be purchased on "plus ticks" or "zero plus ticks."⁷ In recommending that the Commission indicate no objection to these rule changes the Division of Trading and Exchanges stated that the amended Rule 110 would be acceptable only on the assumption that it would be vigorously enforced.

The Exchange has pointed to its new floor trading rules and their enforcement as a model of self-regulation. In testimony on July 10, 1961, before the Subcommittee on Commerce and Finance of the House Committee on Interstate and Foreign

⁴ See Sec. III B, *supra*. Alter also made frequent off-board purchases of blocks of securities in which Gilligan was the specialist; these purchases were usually private placements arranged by Gilligan. Alter's son, Francis, is currently a specialist in joint accounts with Gilligan, Will, in 33 securities.

⁵ The resulting penalty was a \$250 fine.

⁶ Rule 188.

⁷ A "plus tick" is a sale price which is above the last reported sale price. A "zero plus tick" is a sale price which is above the last different reported sale price. In April 1960, the Exchange relaxed the 1959 restrictions without objection from the Commission, on the ground that the rule was more restrictive than the equivalent New York Stock Exchange rule. The amended rule permits a floor trader, with the approval of a floor official, to make a "plus tick" bid above the previous day's close provided the price will not set a new high for the trading session. The amended rule also makes it easier for the floor trader to buy more stock on "plus ticks."

Commerce, Reilly described the elaborate Exchange regulatory and reporting system designed to control floor trading and concluded that floor trading on the Exchange was "inconsequential."⁸ A very recent Exchange report stated:

The Floor Trader is really no longer a problem. He has so many hurdles to take in the form of rules and prohibitions that he can function only with great difficulty. No longer can he accentuate a trend or dominate a market. The rules of our Exchange have thoroughly tied his hands.⁹

B. Conduct of Floor Traders

In order to test the effectiveness of Exchange regulation of floor trading, this investigation concentrated on the accuracy and completeness of floor trading reports and possible use of certain devices to evade the reporting requirements and the floor trading rule;¹⁰ and the nature and extent of floor trading at the Gilligan, Will post.

1. Evasion of the Floor Trading Rule and Related Reporting Requirements

The Exchange requires that members file reports of all floor trading transactions with the Exchange and the Commission. A determination by the regulatory authorities of the effectiveness of the floor trading rule and the adequacy of its enforcement depends primarily upon the accuracy and completeness of these reports. Several studies of Exchange floor trading by the Division of Trading and Exchanges were based almost exclusively on data obtained from them.

To test the accuracy of the floor trading reports, the transactions of five active floor traders as set forth in their brokerage accounts were compared with the transactions as set forth in the floor trading reports during a sample three-month period.¹¹ In the case of all five traders there were major differences between their floor trading reports and what appeared to be floor trading in their brokerage accounts.

One of the floor traders, William J. Halpern, filed floor trading reports during the period show-

⁸ Hearings before Subcommittee of the House Committee on Interstate and Foreign Commerce on H. J. Res. 438, p. 164 et seq. A list of floor trading disciplinary actions was introduced by the Exchange into the record of the hearing to demonstrate rigorous enforcement of the rules.

⁹ American Stock Exchange, Surveillance Program (Sept. 1961), p. 9.

¹⁰ Whenever the term "floor trading rule" is used in the text, reference is made to Exchange Rule 110.

¹¹ The sample period was January through March 1961. The five traders were: Stephen W. Denman, Eugene F. Dunn, William J. Halpern, Hugh D. Newman, and W. T. Wuestehube.

ing a total of 3,700 shares bought and 500 shares sold. His brokerage account for the same period reflected a total of 74,000 shares bought and a similar amount sold. Halpern admitted that all transactions in his brokerage account were floor trading transactions and that he should have filed reports covering all such transactions. He stated that in the past he had forgotten to file a few reports and, although an Exchange clerk called him a few times, no further action was taken. Since the Exchange did not seem interested in pursuing the matter, Halpern's reporting activities diminished until he was filing only sporadic reports.¹²

Three traders, Stephen W. Denman, Eugene F. Dunn, and W. T. Wuestehube, claimed that the substantial differences between their floor trading reports and their brokerage accounts resulted from "off-floor" transactions made by telephone from the Exchange restaurant and neighborhood drug stores.¹³ It is interesting to note that the differences in reporting by these three traders were mainly on the purchase side, where the floor trading rule contains its most severe restrictions. Thus, even accepting their explanation at face value as accounting for all the discrepancies, it must be concluded that they evaded the rule by leaving the floor to engage in "off-floor" telephone transactions.

The floor trading rule exempts from its prohibitions orders "originating off the floor." In a 1960 interpretation of the rule, the Exchange defined the "floor" to include the entrances and lobbies of the Exchange building. It has been seen that certain floor traders (assuming the accuracy of their explanations of discrepancies in their reports) have evaded the requirements of the rule by deliberately leaving the Exchange building for the purpose of telephoning orders to the Exchange floor from various drug stores and restaurants. Other traders have seemingly violated the rule by leaving the confines of the floor and phoning orders from the Exchange restaurant located within the Exchange building to \$2 broker friends on

the floor.¹⁴ Floor traders have thus been able to circumvent the rule with remarkable ease. When floor traders effect transactions by "off floor" telephone calls on the basis of information gathered from their position on the floor, they are engaging in the very activity which the rule was designed to prevent.

Within recent weeks, when Exchange officials became aware that the Staff was investigating this matter, the Exchange swiftly responded by adopting a new policy, the effect of which is to prohibit a member from executing an off-the-floor trade on any day after he has been on the floor.¹⁵

2. Floor Trading at the Gilligan, Will Post

Previous studies have indicated a concentration of activity by certain floor traders at the Gilligan, Will post.¹⁶ Louis Alter and George De Martini were the most persistent of these floor traders.¹⁷

Louis Alter, George De Martini and other traders habitually frequented a bench located in close proximity to the Gilligan, Will post. On an indication of activity these floor traders would drift toward the post. Often Alter and De Martini would trade in concert.¹⁸ For example, between May 12 and May 21, 1959, they were the only floor traders making purchases and sales of Servo-Mechanisms, a Gilligan stock. During this period many trades of De Martini and Alter in this stock were either clocked at the same time or within a minute of one another.

The volume of trading in Gilligan stocks by these two floor traders is revealing. During the year 1959 Louis Alter purchased approximately 600,000 shares and sold about the same number; of his total transactions approximately 90% were in Gilligan stocks.¹⁹ During the same year De

¹² It would seem that the 1960 Exchange interpretation which defined the Exchange building's entrances as being part of the floor would include its restaurant, which is located within the building. However, of the floor traders who testified on the subject, two were of the opinion that the Exchange restaurant was not a part of the floor. Of the two who testified that they considered the Exchange restaurant part of the floor, one admitted to violating the rule by phoning orders from the restaurant.

¹³ Exchange Interpretation of Rule 110, December 12, 1961.

¹⁴ See Sec. IV A, *supra*.

¹⁵ The relationship between Gilligan and Alter has been described in Sec. IV A, *supra*. With respect to George De Martini and Gilligan, see Sec. III A(2) and Sec. III B(3), (5), *supra*.

¹⁶ For a period in 1960, Alter and De Martini were associated in a joint account.

¹⁷ Moreover, Alter's transactions accounted for 12.9 percent of all floor traders' purchases and 20 percent of their sales during a sample two-week period in 1959.

¹² See Sec. V C, *infra*.

¹³ For example, Wuestehube's floor trading reports for the period showed 81,900 shares bought and 134,400 shares sold. His brokerage account reflected a total of 160,400 shares bought and 150,300 sold. One of the traders, Hugh D. Newman, claimed that much of his trading was effected from his office or home where he has a ticker

Martini purchased approximately 500,000 shares and sold approximately 650,000 shares. Of his total transactions approximately 83% were in Gilligan stocks. Alter has testified that he traded in Gilligan, Will stocks because he was familiar with the post and because it was the most active post on the floor. He thought that trading there "was the best chance to make a dollar." In his testimony before the Staff, De Martini stated with respect to his floor trading activities that he was a "big player."

But Alter and De Martini were not alone in concentrating their trading activity at the Gilligan, Will post. W. T. Wuestehube and Stephen W. Denman often acted together on the floor and concentrated their activity at that post. During 1959, Wuestehube purchased some 270,000 shares and sold almost the same number; approximately 43% of his total transactions were in Gilligan stocks. In 1959 Denman purchased some 459,000 shares and sold approximately the same number; of his total transactions about 48% were in Gilligan stocks.

In the year 1959 the composite trading picture of these four floor traders accounted for approximately 25% of all floor trading transactions on the Exchange. Their trading at the Gilligan post represented 17% of all floor trading on the Exchange for that year. Nor did the rule changes of June 15, 1959 prevent the concentration of floor trading activity at the Gilligan, Will post. For the period from January 1 through June 15, 1959, almost 95% of Alter's trading activity was concentrated in Gilligan stocks as against 76% for the remainder of the year, while De Martini's trading dropped from 85% to 69%. On the other hand, the trading of Wuestehube and Denman at the Gilligan, Will post increased after June 15, from 41% to 46% in the case of Wuestehube and, from 44% to 54% in the case of Denman.²⁰ During 1960, Alter devoted almost 60% of his floor trading activity to Gilligan stocks, De Martini devoted about 75%.

On November 25, 1959 the Division of Trading and Exchanges had notified the Exchange of Alter's continued activity in Gilligan stocks and the Exchange had exacted a promise from Alter that

he would terminate all his trading at the Gilligan, Will post. As seen, this promise was not kept. On January 23, 1961, the Committee on Floor Transactions delegated Reilly to speak to Alter about his continued trading at the Gilligan, Will post. Finally, on May 22, 1961, two weeks after the issuance of the order of investigation of the Exchange, Alter was fined \$250 and his trading privileges were suspended for 60 days for dominating trading in the stock of Electronics Corporation of America on May 9 and for concentrating his activities at the Gilligan, Will post on May 17. This fine and 60-day suspension were more severe than any penalty imposed on a floor trader during the previous 12 years.

Action taken against De Martini during the 1959-1961 period likewise was ineffective to curtail his propensity for trading in Gilligan stocks. On August 24, 1959, De Martini was called before the Committee on Floor Transactions for concentrating his trading activities at the Gilligan, Will post. As a result, De Martini stated that he would "cooperate" and curtail his trading activities at that post in the future. However, De Martini also stated that he had the following long positions: 102,000 shares of El-Tronics; 85,000 shares of Guild Films; and 100,000 shares of Consolidated New Pacific, and he felt it was "necessary" for him to remain at the Gilligan, Will post until he could "work out" this stock. The Committee thought it proper that De Martini trade at the Gilligan, Will post until his positions were considerably reduced. The Committee did not question De Martini as to the circumstances of his acquisition of these large blocks of Gilligan stocks or the propriety of his distributing them on the floor.

At the same meeting, De Martini and Denman were questioned about their practice of leaving their limited orders at Gilligan's post on green slips of paper. They were directed to use the approved uniform white order slip. The record does not disclose whether the Committee sought to ascertain why these floor traders were using slips that would distinguish their orders from those of the public.

Despite De Martini's pledge of cooperation, he continued to concentrate heavily in Gilligan stocks. At the January 23, 1961 meeting of the Committee, Reilly was also delegated to speak to De Martini about his continued activity at the Gilligan post.

²⁰ Statistical studies of all floor trading on the Exchange show that Rule 110 was generally ineffective to curtail floor trading activity on the Exchange. (See Appendix VI)

Again on April 17, 1961, the minutes of the Committee on Floor Transactions state that De Martini was called before the Committee because of possible violations of the floor trading rule in connection with certain substantial transactions in Acme-Hamilton, a Gilligan stock, on April 10. At the conclusion of the discussion Reilly stated that he was satisfied that no violation existed, but he cautioned De Martini about the possibility of affiliation with a specialist and stated that he would continue to look into the matter. It was shortly thereafter that De Martini was asked by Reilly to become a specialist.²¹

Other floor trading activities of De Martini are worthy of note. Between March 6 and July 29, 1959, De Martini purchased 94,000 shares and sold 144,700 shares of Consolidated New Pacific ("New Pacific"), a Gilligan stock.²² At all times during this period De Martini was long in New Pacific, except that at one point during the morning of July 28 he was short some 10,500 shares, which he substantially covered later in the day by purchasing some 10,000 shares. De Martini was involved in 30% of all transactions in New Pacific stock on that day. The next day, July 29, was the effective date of a registration statement covering a public offering of 1,265,000 shares of New Pacific stock, to be sold from time to time on the basis of reported prices or quotations on the Exchange. At the beginning of July the price of New Pacific had been $1\frac{3}{16}$. By July 27 the price had risen to $1\frac{5}{16}$. At the close of trading on July 28 the price was $1\frac{1}{16}$. It is obvious that De Martini's trading on and prior to that date had an effect on the quoted price on the Exchange at the time of commencement of the offering.

De Martini had other connections with the New Pacific underwriting. He testified that he introduced the president of New Pacific to the presi-

dent of Biltmore Securities,²³ a broker-dealer firm which subsequently engaged in an over-the-counter distribution of some of the New Pacific shares covered by the registration statement. In December, 1959, De Martini purchased 92,000 shares of New Pacific, covered by the registration statement, off-board through Gilligan, Will, at a substantial discount, some of which were distributed on the Exchange.

One final aspect of the floor trading activity of both Alter and De Martini may be mentioned. Both participated heavily in openings and closings according to their reports of floor trades in 1959. About 20% of all their trades in that year took place within ten minutes after the opening or ten minutes prior to the closing. Fifty percent of Alter's purchases and 75% of De Martini's purchases at the opening were on "plus" or "zero plus ticks," indicating that the specialist must have had an excess of buy orders at the opening and Alter's and De Martini's purchases could only have added to this imbalance. (See Appendix VII.) The two floor traders also bought heavily on "plus" or "zero plus ticks" at the close, either establishing or helping to establish a higher closing price.

Louis Alter sold his Exchange seat in June, 1961, one month after the institution of this investigation. George De Martini is currently registered as a specialist.

C. Conclusion

For purposes of the present report on organization, management, and regulation of conduct of members, it is sufficient to state the obvious conclusion that the floor trading rule and its enforcement by the Exchange have not been effective in controlling floor trading activity—notwithstanding that the Exchange has expressed particular satisfaction with its accomplishments in this area.

²¹ See Sec. III A (2), *supra*.

²² During all of 1959 De Martini purchased 102,100 and sold 150,600 shares of New Pacific.

²³ On November 24, 1961 the broker-dealer registration of Biltmore Securities was revoked by the Commission for multiple violations of the anti-fraud provisions of the Securities Acts. These violations occurred between 1958 and 1960. See Exchange Act Release No. 6673.

V. Regulation by the Exchange of Its Members

A. Introduction

Measured by the conduct of its members described in preceding sections of this report, the supervision and disciplining of Exchange members by the Exchange have not been effective. In this concluding section, the report describes the procedures by which the Exchange supervises and disciplines its members and analyzes the operation of these procedures in specific situations.

B. The Regulatory Pattern

The Exchange Act contemplates that the responsibility for regulation of the conduct of members of national exchanges be divided between the exchanges and the Commission, the initial and direct responsibility being placed on the exchanges themselves.¹ All securities exchanges are required to register with the Commission unless exempted.² The Exchange was registered with the Commission on September 23, 1934. At the time of its registration the Exchange was required to agree "to comply, and to enforce . . . compliance by its members, with the provisions of [the Exchange Act] . . . and any rule or regulation . . . thereunder."³ The registration was granted upon a finding by the Commission that the Exchange was "so organized as to be able to comply with the provisions of [the Exchange Act] . . . and the rules and regulations thereunder and that the rules of the exchange are just and adequate to ensure fair dealing and to protect investors. . . ."⁴

The rules of the Exchange are required to "include provision for the expulsion, suspension, or disciplining of a member for conduct or proceeding inconsistent with just and equitable principles of trade, and [to] declare that the willful viola-

tion of any provisions of [the Exchange Act] . . . or any rule or regulation thereunder shall be considered conduct or proceeding inconsistent with just and equitable principles of trade."⁵ It has been held that this requirement places a duty upon the exchanges to enforce such rules and regulations.⁶

The Commission has broad residual powers over the exchanges under the Exchange Act. It has the power, after notice and opportunity for hearing, to suspend or withdraw the registration of an exchange, to suspend or expel any member or officer of an exchange, and to alter or supplement exchange rules dealing with a variety of matters.⁷

The entire statutory scheme contemplates self-regulation by the exchanges with supervisory power lodged in the Commission. This privileged self-regulatory status enjoyed by the exchanges carries with it the responsibility of acting in the public interest. If that responsibility is not borne by the exchanges, the Commission must take appropriate action.

C. Supervision of Members

Both the standing committees and members of the Exchange staff have duties in connection with the detection of wrongdoing and the supervision of members. In general, staff members have no authority independently to investigate member conduct and their activities are restricted to reporting to the committees and handling clerical work. Although the President appoints and supervises the staff, the tendency has been for that part of the staff which has duties in connection with member supervision and discipline to be subject to the direct control of the standing committees.

The floor governors (members of the Committee on Floor Transactions) have the responsibility of supervising the trading posts to which they are assigned. Situations calling for possible remedial

¹ See "Stock Exchange Regulation," Letter of Transmittal from the President of the United States to the Chairman of the Committee on Banking and Currency with an Accompanying Report Relative to Stock Exchange Regulations, Senate Committee Print, 73d Cong., 2d Sess. (1934) pp. 6-7

² Sec. 5

³ Sec. 6(a)(1).

⁴ Sec. 6(d).

⁵ Sec. 6(b).

⁶ *Baird v. Franklin*, 141 F. 2d 238 (2d Cir. 1944), cert. denied, 232 U.S. 737

⁷ Sec. 19(a)(1); Sec. 19(a)(3); Sec. 19(b).

or disciplinary action, such as failure by a specialist to maintain a fair and orderly market in a security, violation of floor trading rules, or manipulative activities, are referred to the chairman of the Committee on Floor Transactions.

The Department of Floor Transactions of the Exchange has the task of maintaining surveillance over the Exchange market and of reporting to the chairman of the Committee on Floor Transactions any situations which may indicate violations of the Exchange Act or the constitution or rules of the Exchange. The Department of Floor Transactions has only five men of professional caliber to handle its responsibilities.⁸

In the surveillance of trading by specialists, the Exchange relies upon reports filed by specialists of transactions for their own account in securities in which they are registered. Until August 1961, however, these reports were required only when the Committee on Floor Transactions deemed it advisable. Under a new rule adopted by the Exchange in August 1961 specialists are required to file daily reports of such transactions.⁹ It is not possible to judge the effectiveness of this rule since, more than two months after its adoption, it was not yet being enforced.

Over-the-counter transactions by members in securities traded on the Exchange are required to be reported to the Exchange on a weekly basis. These reports could have provided another tool for the surveillance of specialist activities.¹⁰ Critical to the operations of the Res and Gilligan were the large volume of off-board purchases made by them for accounts in which they had an interest, and which they would have been required to report. It is difficult to obtain a picture of total transactions by any given member, however, since the reports are filed in chronological sequence. Until 1961 the principal purpose of the Exchange in reviewing over-the-counter transactions in listed securities was to determine how much business was being lost to the over-the-counter market. The present purpose of this surveillance program is to ensure compliance with Rules 5 and 6 of the Exchange, which require members to maintain bids and offers on the Exchange when making over-the-counter transactions.

⁸ See Sec. I D(6), *supra*.

⁹ Rule 181.

¹⁰ Under Rule 187, as amended May 18, 1961, specialists are, in effect, prohibited from purchasing off-board any security in which they are registered as specialists.

The Exchange has adopted an elaborate system for the supervision of floor traders and enforcement of the rule which regulates their conduct.¹¹ This system depends in large part upon the required filing of reports by floor traders.¹² Floor traders are required to file two reports with the Exchange. On one of these reports, every member must, at the close of each trading day during which he has engaged in floor trading, list every such transaction, together with the time and "tick." The information in these daily reports is transcribed onto a weekly report for each member, which is filed with the Commission and which provides data for Commission studies of the volume and character of floor trading.

In addition, all members of the Exchange are required to file a weekly report showing totals of purchases and sales for the week in each category, i.e., floor trading, specialist trading, off-the-floor trading. These reports are not filed with the Commission but are tabulated by the Exchange and the results of the tabulation are sent to the Commission.

As early as July 1956 the Division of Trading and Exchanges indicated to the Exchange that there were certain discrepancies between the information on the daily reports and the weekly reports filed by floor traders. The Exchange explained the discrepancies by the fact that there were differences in the reporting requirements. Transactions involving warrants, rights, or arbitrage were not required to be reported. The Exchange apparently took no further action to determine whether the reports were accurate.

During the course of the current investigation it became apparent that the reports filed by one or more floor traders contained substantial discrepancies from their books, which could not be accounted for by the explanation which the Exchange had made in 1956. These discrepancies, which are discussed in detail above in Section IV, make it clear that the Exchange's program for supervising floor traders has not been fully effective. It was determined that the Exchange never, even on a spot-check basis, compared floor traders' reports with their brokerage accounts.

Staff members of the Exchange's two regulatory departments—Floor Transactions and Outside Supervision—are given little authority to inves-

¹¹ Rule 110.

¹² See Sec. IV B(1), *supra*.

tigate or follow up reported violations of law or the Exchange constitution or rules or customers' complaints. No staff member has authority to interrogate a member of the Exchange or to develop charges against a member or member firm. Authority in the regulatory field is held tightly in the hands of the Committees on Floor Transactions and Outside Supervision.

Besides its lack of authority, the Exchange staff is made less effective by the absence of any formal procedures by which it can present any findings it may have made to the government of the Exchange. Staff members handling regulatory matters are responsible to the Committees on Floor Transactions and Outside Supervision. The Director of the Department of Floor Transactions generally reports orally to the Chairman of the Committee on Floor Transactions on unusual trading activities. It is thus easy to see how such matters can be ignored or forgotten.

The semi-annual audit of the books of members has been largely ineffective. At least until the latter part of 1961, the staff examiners did not perform a complete audit but examined the books only in order to discover violations of margin and minimum net capital requirements. Furthermore, no audit of any kind was performed on member firms who were also members of the New York Stock Exchange, since the Exchange took the position that the audits performed by the examiners of the New York Stock Exchange were adequate to protect the interests of the public. Until recently, the only examination of the books of Exchange specialists using member firms of the New York Stock Exchange as clearing agents was the audit of the books of their clearing agents by New York Stock Exchange examiners, who could have had little interest in detecting violations of rules relating to American Stock Exchange specialists.

The inadequacy of the auditing procedures of the Exchange may have been a reason for the failure of the Exchange to detect the activities of the Res. A complete audit of their books, not limited in purpose to the detection of margin and minimum net capital violations, would presumably have disclosed the great volume of their off-board trading in securities in which they were registered as specialists, such as Swan-Finch Oil Corporation.

President McCormick indicated in late October 1961 that the Exchange had recently hired five additional examiners and that henceforth all books

of members or their clearing agents, including those who are members of the New York Stock Exchange, will receive a complete audit. It is too early to estimate the effectiveness of this reform, but it is believed that the new auditing procedures, if effectively undertaken and not unduly limited in scope and purpose, will constitute an important improvement in the supervisory program of the Exchange.

D. Disciplinary Responsibilities and Procedures

As noted above, the constitution of the Exchange provides, pursuant to Section 6(b) of the Exchange Act, that any member who willfully violates any provision of the Exchange Act shall be deemed to be guilty of an act inconsistent with just and equitable principles of trade.¹³ It would not appear to be the policy of the Exchange, pursuant to any provision of the constitution or otherwise, to discipline or regulate the conduct of members in connection with the violation of any other provision of law, including the closely related Securities Act.

The lack of concern over the possible participation by members in violations of the Securities Act is clearly illustrated by the following incident. James R. Dyer testified that on one occasion a specialist told him in his capacity as a floor governor that certain securities in which the specialist was registered being offered on the Exchange were in all probability part of a block of unregistered securities being distributed by a controlling person, in violation of the Securities Act. According to Dyer, he told the specialist that his function was only to make a market in the security. Dyer's reason for taking this attitude was that the brokerage firm offering the shares was an "old-line commission house," the type of firm "that wouldn't accept an order . . . unless it was proper." Accordingly, without consulting counsel for the Exchange or making any inquiry, Dyer told the specialist to execute the order without "interfering in somebody else's business."

The constitution of the Exchange outlines the disciplinary procedures of the Exchange and provides for the imposition of fines and suspension or expulsion of members for various kinds of misconduct. The principal responsibility for prosecuting disciplinary action is placed on the Committee on Business Conduct, but any standing

¹³ Const., Art. V, Sec. 4(J).

committee except the Committee on Public Relations or Arbitration may impose a fine not exceeding \$250 in any case within its jurisdiction. The Committee on Floor Transactions also has the authority to suspend the registration of a specialist and to suspend the on-floor trading privileges of any member who has violated the rules governing floor trading.

The Committee on Business Conduct is required to investigate violations of the constitution or rules of the Exchange or the Exchange Act or any rule or regulation thereunder and "to consider matters brought to its attention by committees of the Exchange, customers, members or others involving the possible violation of such provisions. . . ." ¹⁴ Despite this mandate, the Committee on Business Conduct normally restricts itself to handling matters referred to it by the Committees on Floor Transactions and Outside Supervision. John Brick, the chairman of the Committee on Business Conduct from 1959 to 1961, testified that the Committee acted only on matters referred to it by the Committee on Floor Transactions or Outside Supervision.

This partial abdication of its authority by the Committee on Business Conduct has left the prosecution of disciplinary actions largely in the hands of the Committees on Floor Transactions and Outside Supervision. Under the practice that has grown up, these committees have discretion to initiate a disciplinary proceeding, dismiss a complaint or charge without a hearing, or refer it to the Committee on Business Conduct. A member who has been disciplined by a standing committee or a member of the committee may appeal to the Board.

The Committee on Floor Transactions, whose chairman and all but one of whose members are specialists, has been anything but zealous in exercising its disciplinary powers and duties over fellow members and, in particular, against those members who are specialists. As described in Section III of this report, Gilligan enjoyed an apparent immunity from disciplinary action although on numerous occasions facts were brought to the attention of the Committee on Floor Transactions which should have placed its members on notice of the nature and extent of his operations. During the period from March 1957 to December 1959, the Committee did not take a single discipli-

nary action against a specialist although the minutes of the Committee show that during that period specialists were repeatedly called before it to explain certain questionable transactions. ¹⁵ In December 1959, the Committee took action against Rafferty and Jerry Re. The background of the Committee's action against Jerry Re is described in detail below. ¹⁶

In other cases, the Committee on Floor Transactions has found members guilty of charges brought against them but has failed to penalize them in any effective way. On one occasion, for example, the Committee found that John Heck had sold short 3,800 shares of the stock of H. L. Klion, Inc., in which he was registered as a specialist, at the opening of the first day of trading in the stock, and had sold short 600 additional shares later on the same day, at a price of 3. During the day, while the price of the stock declined to 2 $\frac{3}{8}$, Heck's only participation was to purchase 100 shares. The Committee found that Heck had violated Rule 174 in failing to maintain a fair and orderly market and revoked his specialist registration for a period of fifteen days. The chairman of the Committee berated Heck in strenuous language and told him that he was "completely ignorant of the functions and duties of a specialist." (At the time Heck had been a specialist for approximately nine years.) The penalty amounted to little more than a slap on the wrist, however, since Heck was expressly allowed to participate in the profit and loss derived from trading at his post and to trade for his own account at other posts during his suspension as a specialist. The Committee made no further inquiry into Heck's qualifications to act as a specialist. Heck did not exercise his right of appeal to the full Board.

There is no affirmative requirement that repeated violations be brought to the attention of

¹⁴ During this period the following specialists were called before the Committee and the following dispositions were made: Joseph Decker, Murray Furman and Mark Stuart—failure to maintain fair and orderly market—admonition; Jerry Re and Gerard F. Re—failure to perform their specialists' function—admonition and indefinite probation in the stock involved (See Sec. V E, *infra*); James Gilligan—negligence in selling restricted stock—admonition; Fred Husson—failure to maintain a fair and orderly market—talked to by chairman of the Committee; Charles Lechner—bickering on the trading floor and upsetting a cross on the floor—talked to by chairman; Raymond Bau—failure to maintain a fair and orderly market and failure to cooperate with officials of issuers—talked to by chairman; Joseph Decker—conduct as a specialist—talked to by chairman.

¹⁵ See Sec. V E, *infra*.

¹⁶ Const., Art. II, Sec. 3(a) (Ninth).

the Committee on Business Conduct or that repeated violators be treated more strictly than first offenders. The maximum penalty of \$250 which the Committee on Floor Transactions or Outside Supervision may impose has not constituted a deterrent to certain members of the Exchange. Charles King & Co., for example, was fined the maximum amount for violation of margin requirements in July 1957, February 1959, and February 1960. Pasternack & Co. has been fined the maximum amount three times since 1959 for failure to maintain adequate records and once for excessive trading. The records of the Exchange contain numerous other examples of repeated violations, but no consideration seems to have been given to the advisability of referring these cases to the Committee on Business Conduct.

The Exchange has failed signally to discipline floor traders for violations of Exchange rules. Between June 1959, when Rule 110, which placed restrictions on floor trading,¹⁷ went into effect, and July 1961, the Committee on Floor Transactions heard approximately 75 matters involving suspected violations of Rule 110.¹⁸ None of these proceedings was referred to the Committee on Business Conduct, and only one resulted in the suspension of trading privileges for a period as long as sixty days. The total amount of fines levied during this period was \$2,387.50. Most of the penalties that were imposed were for violation of the "freeze"¹⁹ provisions of Rule 110 or for not posting the white cards which would warn other floor traders that stock was "frozen". Other violations were for buying on the wrong "tick" or for failing to announce the presence of a floor trader at a post. Only a few disciplinary actions were based on excessive trading and most of these resulted in warnings.

In the rare instances in which a case is referred to the Committee on Business Conduct, the Committee investigates the charges with the help of members of the Exchange staff, who examine books and records and do other investigative and clerical work. Only the Committee, however, has the power to interrogate accused members or other

witnesses.²⁰ If the Committee finds the charges to be true, the accused member is notified in writing of the charges and required to appear at a meeting of the Board. The charges against the member are presented to the Board by the Committee on Business Conduct and the accused is given an opportunity to answer the charges orally and in writing and to present witnesses in his own defense.

The accused is not permitted to be represented by legal counsel at the hearing before the Board (or before any standing committee)²¹ and the Exchange's own counsel is not permitted to be present. The justification given for the exclusion of legal counsel is that these are business matters, which can be most expeditiously handled by businessmen, free from the technicalities which lawyers would very likely introduce.

Between January, 1959 and July 1, 1961, the Board heard charges against only two members. One of these hearings, which concerned Jerry Re, is described in a later section of this report.²² The other involved charges against Michael Horowitz, a \$2 broker, for (a) failure to pay to the Exchange the 1½% transaction charge on commissions amounting to approximately \$170,000 earned between December 1955 and May 1960; (b) failure to show certain transactions on his books; (c) failure to report to the Committee on Floor Transactions the existence of options which he held in securities listed on the Exchange; (d) making gifts to employees of a member firm without obtaining the written consent of their employers and without filing written notice with the Committee on Outside Supervision; (e) failure to retain canceled checks and other records; and (f) failure to comply with the request of the Committee on Business Conduct to furnish records.

Horowitz admitted that he had received his monthly commissions from three different brokerage firms, each in two separate checks. This arrangement was instituted at Horowitz's request. Horowitz each month entered one of the two checks from each brokerage firm in his books as income and diverted the other check to his own personal account. Horowitz also admitted that

¹⁷ See Sec. IV B, *supra*.

¹⁸ The disciplinary action taken against Louis Alter and George De Martini, two of the principal floor traders, is discussed in Sec. IV B, *supra*.

¹⁹ A "freeze" is a period of time during a trading session when, under Rule 110, floor traders may not purchase a particular security because the market is rising and other traders have previously made all the purchases permitted at that time.

²⁰ Each of the standing committees of the Exchange has the power to interrogate members and member firms. The Committee on Business Conduct and the President have the additional power to examine or to order before them for examination the books and records of members and member firms.

²¹ Const., Art. V, Section 1(d).

²² See Sec. V E, *infra*.

he had made false entries in his books as expenses for tax purposes.

The Board found Horowitz guilty of five of the six charges. It declared him innocent of failure to report the option, even though he admitted his guilt. Following the recommendation of the Committee on Business Conduct, the Board fined him \$5,000 and suspended him from the Exchange for a period of three months.

The proceedings in the Horowitz case were extremely slow. The Committee on Outside Supervision, after an examiner's report disclosed the inadequacy of Horowitz's records, referred the matter to the Committee on Business Conduct on September 23, 1959, a full year before the case was presented to the Board. Meanwhile, Horowitz was continuing the complained-of conduct. The penalty, although serious, hardly seems adequate in view of the offenses involved, especially since the constitution of the Exchange provides expulsion as the punishment for fraud. Horowitz, by his own admission, had for years been defrauding the Exchange and the Federal Government. To Horowitz, who was earning over \$200,000 a year in commissions, a fine of \$5,000 could not be expected to provide an adequate deterrent.

When disciplinary action is taken by the Board or a committee, it is rendered even less effective by the failure to disclose the action to the public. The official policy of the Exchange is that all disciplinary actions will be made public except those in which the public interest is not affected. In practice, however, the Board and the committees of the Exchange take the position in almost every instance that the public interest is not affected and that no public disclosure should be made. According to the Exchange, the public interest is not affected by such offenses as failure to meet margin and net capital requirements, excessive trading by floor traders, failure to maintain adequate records, and failure by member firms to exercise proper supervision over registered representatives. For example, the disciplinary action described below which resulted in the revocation of Jerry Re's specialist registration for 30 days²³ was not disclosed, on the ground that "the public was not involved."

In 1941 the public governors of the Exchange recommended that all material disciplinary proceedings be publicly disclosed, and indeed this

²³ See Sec. V E, *infra*.

policy was followed by the Exchange until 1949. The language of the 1941 report by the public governors can hardly be improved upon:

We realize that it has been the policy of the Exchange to give full publicity to any and all disciplinary action that the Exchange has taken as to members, whenever the offense has involved any financial loss on the part of the public. We likewise understand, however, that the Exchange has not seen fit to publicize disciplinary action taken with members when it felt that the public interest was not directly involved. In this last respect, we believe that such failure to publicize has been a mistake.

A National Securities Exchange is a quasi-public institution. If it is to continue to act in that capacity, it must render a full account of its stewardship to the public at all times.

A National Securities Exchange has a definite public service to perform. That service is to maintain a free market for the sale and purchase of securities. If this service functions properly, business enterprise will be aided by the flow of capital into industry.

It must be a fundamental requirement that the members of a National Securities Exchange, to whom orders are entrusted by the public, should so conduct themselves that the highest degree of confidence may be placed in their integrity. Once this high standard has been established, there is no reason for not apprising the public as to the commission of a material offense by any member of the Exchange. The public should be given full information so that it may decide for itself whether its interest has been affected, either directly or indirectly.

E. Exchange Disciplinary Action Involving the Res

The *Re* case, which was the immediate occasion for the Commission's order of May 12, 1961, instituting an investigation of the Exchange, demonstrates the shortcomings of the Exchange's disciplinary procedures even in dealing with flagrant violations. The Res were repeated violators of the securities acts and the constitution and rules of the Exchange. Most of the violations were evidently unknown to, or ignored by, Exchange officials. In the few that became the subject of disciplinary proceedings, there seems to have been a great hesitancy about imposing penalties.

In June 1957, the Res and others were enjoined by a United States District Court from distributing unregistered stock of Swan-Finch Oil Corporation, in which the Res were registered as specialists, in violation of the Securities Act. Shortly thereafter, the Res were found guilty by the Committee on Floor Transactions of failure properly to perform their specialist functions in connection with the stock of American Manufac-

turing Company.²⁴ The Committee imposed no penalty but instead placed the Res on indefinite probation, during which they were obliged to file a daily record of their activities as specialists in American Manufacturing Company. The probation was lifted after six weeks. The record of the prior violation by the Res does not seem to have been considered by the Committee, nor does it appear that the Exchange officials examined the Res' activities in any greater detail than they would have examined the activities of a first offender. Complacency of the kind exhibited on this occasion must be counted one of the principal reasons that the Res' activities were able to escape detection and adequate disciplinary sanctions.

Another disciplinary proceeding was brought against the Res on November 4, 1959, when the Committee on Business Conduct preferred charges against them for violating the Commission's short selling rule under the Exchange Act.²⁵ This proceeding was brought only after the Staff of the Commission directed the attention of Exchange officials to certain activities of the Res which appeared to constitute violations of the rules of the Commission and of the Exchange.

The Res were accused of illegally selling short stock of Trans Continental Industries, Inc. at prices below the next preceding different price. The Res, in a written answer to the charges which was apparently prepared by counsel, defended on the ground that the allegedly short sales were actually long sales, since the Res were under contract to purchase over-the-counter a large number of shares of Trans Continental Industries, Inc. Although the Res presented no contemporaneous evidence to substantiate their defense and their own records showed no such purchase, the Board by a vote of 18 to 5 found them innocent.

A number of members of the Board evidently believed that the Res deserved some penalty. Upon the suggestion of one of the public governors,²⁶ (who had himself voted for acquittal),

²⁴ The Exchange has been unable to furnish full information to the staff concerning this disciplinary action.

²⁵ Rule 10a-1 (a).

²⁶ According to the minutes, the following statement was made by Zeckendorf after the Board meeting: "Speaking as a Public Governor, I think it is very much in the interest of a public relations and the relationship with the SEC itself, that we do take some action on the matters of omission and commission that were so clearly brought out here that are contrary to proper business procedures. I hope that will be done at the earliest possible moment."

the Committee on Floor Transactions hastily met immediately following the Board meeting and voted to revoke the specialist registration of Jerry Ra for a period of 30 days for failure to keep proper records of transactions.²⁷ Despite the Res' record, no attempt was made by any official or member of the Exchange to examine their activities beyond the narrow scope of the short-sale charges. It would appear that Exchange officials, many of whom were specialists or closely associated with specialist, could not bring themselves to impose any effective disciplinary measure on one of the most prominent of their colleagues.

In February 1960, the Commission instituted its own investigation of the Res which eventually resulted in their expulsion from the Exchange.²⁸

F. Conclusions

There can be little doubt that in the case of the American Stock Exchange the statutory scheme of self-regulation in the public interest has not worked out in the manner originally envisioned by Congress. The manifold and prolonged abuses by specialists and floor traders and other instances of misconduct described in this report make it clear that the problem goes beyond isolated violations and amounts to a general deficiency of standards and a fundamental failure of controls.

Moreover, it is clear that the problem does not primarily consist of an absence or inadequacy of substantive rules of conduct. In certain respects the rules of the Exchange are stronger than those of other exchanges and in recent months there has been a veritable flood of new provisions. Undoubtedly there are many areas where the substantive rules still require substantial improvement, but a mere proliferation of substantive rules will be useless if the people subject to the rules do not take them seriously and there are inadequate mechanisms for surveillance and enforcement.

It is not too difficult to identify the basic causes for the manifest failure of self-regulation in the past: the failure of an important segment of the

²⁷ Reilly was present at the meeting of the Board and voted guilty on the short-sale charge. He presided at the subsequent meeting of the Committee on Floor Transactions. The resolution of the Committee to punish Jerry Ra for failure to keep proper records was adopted unanimously.

²⁸ As to the dearth of disciplinary proceedings taken against James Gilligan or Gilligan, Will, see Sec III B(8), *supra*.

financial community to exercise its share of responsibility for self-regulation of the Exchange; the resulting concentration of power in the hands of a small self-perpetuating group dominated by specialists; the disproportionate concern with quantity rather than quality, i.e., the emphasis on enlarging the market through new listings rather than on the functioning of the market; the delegation of responsibility for supervising floor conduct to a committee composed largely of specialists; the lack of adequate staff organization and the failure to grant adequate authority to staff members—all have played a part. It is in these areas, over and above any necessary changes in

substantive rules, that fundamental correction must be made.

It is to be hoped that such correction can and will be accomplished promptly within the present statutory framework of self-regulation. But the Commission must be prepared to exercise its supervisory powers if the necessary reform is not forthcoming. The Commission's performance of its supervisory role must undoubtedly be strengthened for the future—even assuming maximum achievement in the Exchange's own program of reform—if there is to be durable assurance of proper performance by the Exchange as a major financial institution in the American economy.

APPENDICES

APPENDIX I

Comparisons of Issues Traded, Total Annual Reported Volume, Total Market Value and Sale Price of Seats Between the New York Stock Exchange and the American Stock Exchange

	Number of issues traded		Total annual reported volume		Total market value on Dec. 31 of issues traded (000's)		Sale price of seats			
	NYSE	ASE	NYSE	ASE	NYSE	ASE	NYSE		ASE	
							High	Low	High	Low
1950.....	1,472	757	524,799,621	107,792,340	\$93,807,269	\$13,874,293	\$54,000	\$46,000	\$11,000	\$6,500
1951.....	1,495	763	443,504,076	111,629,218	109,483,613	16,492,135	68,000	52,000	15,500	9,500
1952.....	1,522	778	337,805,179	106,237,657	120,536,170	16,911,289	55,000	39,000	14,000	12,000
1953.....	1,530	794	354,851,325	102,378,937	117,257,208	15,298,341	60,000	38,000	14,500	10,100
1954.....	1,532	808	573,374,622	162,948,716	169,148,544	22,132,833	88,000	45,000	20,000	11,000
1955.....	1,508	820	649,602,291	228,956,315	207,699,177	27,145,160	90,000	80,000	22,000	17,500
1956.....	1,502	849	536,284,172	228,231,047	219,175,881	31,020,928	113,000	75,000	31,500	21,400
1957.....	1,522	855	559,946,890	214,011,566	195,570,176	25,545,237	89,000	65,000	28,000	21,500
1958.....	1,507	855	747,058,306	240,358,524	276,665,190	31,729,485	127,000	69,000	42,000	18,000
1959.....	1,507	871	820,296,279	374,858,546	307,707,698	26,429,593	157,000	110,000	65,000
1960.....	1,528	942	766,693,816	286,039,982	306,967,079	24,170,932	162,000	135,000	60,000	51,000
1961.....	1,532	1,000	938,831,244	448,967,362	392,000,000	30,000,000	250,000	150,000	75,000	55,000

¹ September 30, 1961.
² December 4, 1961.
³ November 30, 1961.

⁴ October 31, 1961.
⁵ Approximate, October 31, 1961.
⁶ Bid and offer as of Dec. 4, 1961.

APPENDIX II

American Stock Exchange Personnel Classification

Department	Total number employees (Nov. 7, 1961)	Executive and supervising	Clerical and other nonsupervising
Finance.....	16	5	11
Securities.....	14	5	9
Admissions and outside supervision.....	15	8	7
Transactions.....	17	7	10
Miscellaneous office.....	16	2	14
Public relations.....	8	2	6
Magazine.....	5	3	2
Telephone quotation.....	108	7	101
Special patrolmen.....	4	0	4
Trading floor miscellaneous.....	9	3	6
Tube room.....	18	1	17
Reporters.....	56	0	56
Pages.....	63	1	62
Building maintenance.....	39	7	32
Total.....	388	51	337

CLEARING CORPORATION

Central comparison.....	33	5	28
Day branch.....	32	5	27
Transfer service.....	43	4	39
Total.....	108	14	94
Grand total.....	496	65	431

APPENDIX III

AMERICAN STOCK EXCHANGE

Allocation to Specialists of Stocks Admitted to Dealings, July 1, 1956, through September 30, 1961

During the period July 1, 1956, through September 30, 1961, a total of 350 stocks were originally admitted to dealings on the American Stock Exchange.

These stocks were allocated to 75 separate specialist accounts. The ten specialists receiving the largest number of these new stocks are as follows:

Specialist	Number of stocks received
Gilligan, Will.....	17
Dyer & Maguire.....	16
Weiss, Langel & Koerner.....	15
Reiner & Bettman.....	14
Herman, Judis & Heller.....	13
May, Marks & Foshko.....	13
Petta, Rafferty & Leonard.....	13
Streicher & Streicher.....	13
Adriance & Finn.....	13
Bocklet & Bernhardt.....	12
Total.....	139

APPENDIX IV

AMERICAN STOCK EXCHANGE

Stocks Located at Post 23, Section A-F, During the Period July 1956-June 1961

GILLIGAN STOCKS¹

[In answer to item 7 of the questionnaire sent to all AMS members, the 7 members listed below indicated that they had been registered in the stocks indicated by an "X" beneath their name at some time during the 1956-61 period]

Stock symbol	Issuer	Date registered on AMS ²	J. P. Gilligan	A. Will	L. E. Howard	F. M. Alter	B. Samson	I. Yachnin	R. A. Sgambat	Remarks
ACE	Acme Hamilton Mfg. (changed from Spear & Co. Jan. 20, 1960).	Feb. 5, 1956	X	X			X			
AIR	Ainsworth Mfg.	U	X	X	X					Removed Nov. 1, 1957.
ATC	American Tractor	Jan. 1, 1955	X	X	X					Removed Feb. 1, 1957.
ARM	Armstrong Rubber	June 17, 1950	X	X						Removed May 17, 1960.
AFC	Associated Food Stores	May 3, 1955	X	X	X	X				
ASX	Associated Laundries of America	U	X	X	X	X				
AUE	Audion-Emenee Corp.	July 14, 1960				X				
BNR	Banner-Industries	May 26, 1961					X	X	X	
BBB	Barlons Candy	Mar. 17, 1960					X	X	X	
CHO	Canadian Homestead Oils	Apr. 19, 1952	X	X						
CCB	Capital Cities Broadcasting	June 29, 1960	X	X	X	X				
CNC	Cenco Instruments	Mar. 2, 1953	X	X			X			
CRO	Chromalloy Corp.	Oct. 23, 1957				X				
CDT	Consolidated Diesel Electric	Sept. 7, 1955	X	X	X	X				
CNN	Consolidated New Pacific (changed from New Pacific Coal & Oils, Feb. 30, 1960).	Sept. 17, 1955	X	X	X	X				
CAE	Continental Aviation & Engr.	July 14, 1953	X	X	X	X				
CUO	Continental Materials (changed from Continental Uranium, May 20, 1957).	Oct. 20, 1954	X	X				X	X	
CRW	Crowl Collier Pub.	Oct. 13, 1955	X	X	X	X				Removed Oct. 28, 1959.
DIL	Distillers Co. Ltd.	U	X	X	X	X				
DXW	Dome Petroleum (changed from Dome Exploration, June 20, 1958).	Sept. 11, 1952	X	X			X			
EBS	Electric Bond & Share	U						X	X	
ELT	EL-Tronics	Nov. 5, 1955	X	X	X	X				
ECA	Electronics Corp. of America	Nov. 29, 1954	X	X				X	X	Transferred Mar. 9, 1960.
GFC	Guild Films	May 24, 1956	X	X	X	X				Suspended Jan. 13, 1961.
HZB	Hazel Bishop	Dec. 3, 1954	X	X			X			Transferred May 1961 for 90 days.
HWL	Howell Electric Motors	Feb. 26, 1959	X	X	X	X				
KI	Kaiser Industries	June 13, 1946	X	X				X	X	
KVS	Kirby Petroleum (changed from Kirby Van Syndic, Jan. 6, 1958).	Feb. 17, 1957	X	X	X	X				
KLR	Kleinert Rubber	July 1, 1935	X	X			X			
KOB	Kostin Corp. (changed from Kobacher Stores, Jan. 3, 1961).	May 11, 1945						X		
LCY	Laclede Christy Clay Prod.	Nov. 16, 1946	X	X	X					Removed May 9, 1957.
LEF	Lefcourt Realty	June 23, 1955	X	X				X	X	
MDT	Molybdenite Corp. of Canada	Apr. 2, 1955	X	X	X	X				
NID	New Idria Mining & Chemical	June 23, 1953	X	X	X	X				
NPC	New Pacific Coal & Oil (changed to Consolidated New Pacific, Feb. 3, 1960).	Sept. 17, 1955	X	X	X					
NKM	New Park Mining	July 5, 1946	X	X	X	X				
NIK	Nickel Rim Mines	Sept. 2, 1956	X	X	X					
NRK	North Rankin Nickel Mines	May 1, 1959								
OXY	Occidental Petroleum	July 23, 1959	X	X	X	X				
OKO	Okonite	May 15, 1951					X			Removed Dec. 5, 1958.
PKR	Parker Pen "A" & "B"	U	X	X	X	X				Removed May 3, 1958.
PRU	Paramount Motors	July 1, 1935	X	X	X	X		X		Removed Dec. 14, 1960.
PEF	Perfect Circle	U	X	X	X	X				Do.
RTU	Reading Tube—common	Aug. 27, 1957	X	X						
	Reading Tube—Pfd.	Jan. 12, 1956	X	X						
RBT	Reeves Broadcasting & Dev.	Sept. 4, 1960					X			
RSC	F. C. Russell	Nov. 1, 1954	X	X	X	X				
SAN	San Carlos Milling	Mar. 28, 1956	X	X			X			
SBY	Selby Shoe	U	X	X	X	X				Removed Dec. 4, 1956.
SMI	Servomechanism	Nov. 21, 1955	X	X	X	X				
SIV	Silver Miller Mines	July 12, 1956	X	X	X	X				
SVR	Silvray Lighting	Apr. 12, 1956	X	X			X			
SST	Spear & Co. (changed to Acme Hamilton Mfg., Jan. 20, 1960).	Feb. 5, 1956	X	X			X			
SDR	Standard Dredging—common & pfd.	Feb. 20, 1938	X	X	X	X				
SCR	Statecourt Enterprises	July 31, 1957		X				X	X	Removed Feb. 3, 1961.
SCC	Stone Container	Apr. 10, 1958	X	X	X	X				
UAP	United Aircraft Prod.	Sept. 27, 1946	X	X			X			
WEY	Weyenberg Shoe Mfg.	May 15, 1937	X	X	X	X				
WHT	Whitmeyer Labs.	May 3, 1961	X							
WOY	Woodley Petroleum	Dec. 10, 1948		X				X	X	Removed Apr. 29, 1960.

¹ This list of stocks at Post 23, Sections A-F, may not be complete since information on stocks in which James Gilligan was the registered specialist is not available for the period 1956-1959.

² U—Admitted to unlisted trading privileges on the American Stock Exchange prior to Oct. 1, 1934, except Parker Pen "B" which was admitted on Oct. 26, 1951.

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APPENDIX V

Long-Term or Segregated Positions in Accounts of Specialists at October 23, 1961

Clearing agent	Joint specializing account	Account designation	Shares	Security
Levien, Greenwald & Co.....	S. Heller, J. Herman, L. Herman, R. Herman, R. Judis.	Investment account.....	3,600	Clary Corporation.
Carl M. Loeb, Rhoades & Co.....	do.....	do.....	10,000	Balley Selburn Oil & Gas Ltd.
	do.....	do.....	2,000	Loral Electronics Corp.
	do.....	do.....	1,000	National Presto Industries, Inc.
Wagner, Stott & Co.....	M. Furman, T. Marsalis & Co.....	do.....	1,000	Rollins Broadcasting, Inc.
	do.....	do.....	2,425	Gulf & Western Industries, Inc.
	do.....	do.....	1,375	Spencer Shoe Corp.
	do.....	do.....	600	Chesebrough-Pond's, Inc.
	do.....	Investment No. 2 account.	550	Gulf & Western Industries, Inc.
	do.....	do.....	1,395	Spencer Shoe Corp.
	J. Petta, V. Leonard, L. Petta.....	Investment account.....	2,000	Compudyne Corp.
	do.....	do.....	3,000	Giannini Controls Corp.
	do.....	do.....	1,000	Hydromatics, Inc.
	do.....	do.....	2,001	Puritan Sportswear Corp.
	do.....	do.....	1,500	Barnes Engineering Co.
Schweickart & Co.....	J. Heck, V. Grande, F. Grande.....	Long term.....	5,000	Colonial Sand & Stone Co., Inc.
Hoppin Brothers.....	R. Koerner, R. Bau.....	Investment account.....	2,302	Community Public Service Co.
	do.....	do.....	1,504	Wickes Corp. (not now a specializing stock).
	do.....	do.....	600	Gilbert (The A. C.) Co.
Andrews, Posner & Rothschild.....	E. Steinhardt, N. Leff, G. Berkman, Andrews, Posner & Rothschild.	Long term.....	2,038	Williams-McWilliams Industries, Inc.
L. F. Rothschild & Co.....	L. D. Babcock & Co.—Benedict and Vincent Mann.	do.....	1,000	Globe-Union, Inc.
Gilligan, Will & Co.....	J. Dyer, V. Mann, W. Benedict, L. Babcock.....	do.....	8,000	Canadian Williston Minerals, Ltd.
	B. Samson, Gilligan, Will & Co.....	Long term No. 1.....	4,792	United Aircraft Products, Inc.
	do.....	Long term No. 2.....	45,061	Acme-Hamilton Manufacturing Corp.
	do.....	Long term No. 3.....	2,800	United Aircraft Products, Inc.
	L. Howard, F. Alter, Gilligan, Will & Co.....	New Investment No. 3.....	2,020	Consolidated Diesel Electric Corp.
	do.....	do.....	63,959	North Rankin Nickel Mines, Ltd.
	do.....	do.....	2,163	New Park Mining Co.
	do.....	do.....	3,827	Perfect Circle Corp.
	do.....	do.....	8,390	Consolidated New Pacific, Ltd.
	do.....	do.....	1,905	Howell Electric Motors Co.
	L. Howard, F. Alter, Gilligan, Will & Co.....	Long-term No. 4 account.	2,858	Perfect Circle Corp.
	do.....	do.....	7,778	Occidental Petroleum Corp.
	do.....	do.....	15,450	Consolidated New Pacific, Ltd.
	do.....	Long-term No. 5 account.	4,025	Capital Cities Broadcasting Corp.
	do.....	do.....	16,200	Servomechanisms, Inc.
	do.....	do.....	1,800	Consolidated Diesel Electric Corp.
	do.....	Oxy joint long term.....	13,827	Occidental Petroleum Corp.
	M. L. Weiss & Co. and Reich & Co.....	Investment account.....	1,000	Wickes Corp. (not registered as a special-ist since July 17, 1961).
L. A. Mathey & Co.....	do.....	do.....	600	Standard Forgings Corp.
Ernst & Co.....	Mann, Farrell, Jacobi & Greene.....	Long term.....	500	Louisiana Lead and Exploration Co.
	Charles Lechner—Ernst & Co.....	Investment account.....	965	Wagner Baking Corp.
	Leff Bros., John Wise & Frank McCormack.....	do.....	5,044	Old Town Corp.
Andrews, Posner & Rothschild.....	Milton E. Reiner & Co.....	do.....	2,712	St. Lawrence Corp., Ltd.
Schweickart & Co.....	C. Kelly, Masterson & Co. and Schweickart & Co.....	do.....	1,500	Duraloy Co.
	do.....	do.....	1,500	Larchfield Corp.

NOTE—In addition to the long-term or segregated positions reported on the annexed schedule the firm of J. Streicher & Co. report that at October 23, 1961 out of the 31 securities in which they specialize they maintain long-term positions in 15 of them. They further report that of these 15 stocks the long-term position in 10 are substantial and in the remaining 5, the long-term position is nominal.

APPENDIX VI

EFFECTIVENESS OF THE FLOOR TRADING RULE

Although, as has been pointed out in the text, the basic data from which floor trading can be studied, i.e., the floor trading reports, may be substantially inaccurate, certain statistical studies have been made to determine whether the 1959 restrictions placed in Rule 110 have been effective in controlling floor trading activity. The new rule became effective on June 15, 1959. Five months prior to the rule change, January through May 1959, and five months subsequent to the rule change, July through November 1959 were chosen for study.

These studies show that the 1959 changes in Rule 110 have not been particularly effective. From January to May 1959 floor traders' purchases and sales amounted to about 2.0 per cent of all purchases and sales on the Exchange and from July to November 1959 their relative activity was only slightly less—1.8 per cent.¹ (See Chart A). As was found in previous studies, floor trading was concentrated among a small number of members with 25 traders accounting for 78 percent of all floor trading. (See Chart B). The new floor trading rule did not prevent floor traders from concentrating in active stocks. In both five-month periods floor traders effected approximately 30 percent of their purchases and sales each week in one or more of the ten most active stocks on the Exchange that week. (See Chart C). Moreover, they were relatively more prominent in these active stocks than in other stocks. (Compare Charts A and C). With respect to floor traders' proclivity to trade with the price trend (a tendency noted in other studies), the data for 1959 showed that, on rising prices, floor traders had larger purchases on balance after the rule was adopted than before. (See Chart D).

¹This reduction could have been a reflection of the smaller Exchange volume in the latter period since studies have shown repeatedly that floor traders are relatively less active in inactive markets.

CHART A
Floor Trading on the American Stock Exchange in
All Stocks

[Weekly, January-May 1959 and July-November 1959]

Weeks ended:	Total Exchange volume	Floor traders' purchases and sales	Floor traders' P and S as percent of 2 x total Exchange volume
1959			
January 9	8,699,255	421,400	2.4
16	11,735,855	468,000	2.0
23	10,173,530	420,240	2.1
30	10,221,355	328,300	1.6
February 6	8,334,560	244,500	1.5
13	8,345,990	258,167	1.5
20	9,175,040	353,975	1.9
27	7,776,030	253,375	1.6
March 6	10,755,295	353,640	1.6
13	13,477,930	455,600	1.7
20	14,246,910	463,800	1.6
27	11,757,210	425,850	1.8
April 3	10,236,435	408,550	2.0
10	7,586,810	353,175	2.3
17	7,715,020	370,375	2.4
24	7,576,620	300,050	2.0
May 1	7,984,195	421,690	2.6
8	7,686,605	312,865	2.0
15	7,559,370	385,800	2.6
22	7,208,560	334,100	2.3
29	7,012,210	310,275	2.2
Total, January-May 1959	195,274,785	7,641,710	2.0
1959			
July 10	6,099,485	245,690	2.0
17	6,343,710	254,840	2.0
24	6,101,830	214,420	1.8
31	6,077,210	239,830	2.0
August 7	6,229,845	176,075	1.4
14	6,123,525	197,900	1.9
21	4,201,185	169,675	2.0
28	3,703,745	176,660	2.4
September 4	3,848,105	92,030	1.2
11	3,629,000	79,690	1.0
18	4,362,510	117,000	1.3
25	5,156,025	141,850	1.4
October 2	4,134,225	174,400	2.1
9	3,980,450	105,400	1.3
16	4,137,330	133,800	1.6
23	4,451,330	156,490	1.5
30	6,182,600	261,660	2.1
November 6	4,560,030	203,100	2.2
13	5,927,935	239,400	2.0
20	6,804,220	240,000	1.8
27	6,083,145	183,150	1.5
Total, July-November 1959	107,151,040	3,794,060	1.8

Source: Summary of members' reports of Exchange trading (Form 1-HR) filed with the Commission by the Exchange.

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CHART B

25 Most Active Floor Traders on the American Stock Exchange in 1959

Rank	Name	Total shares purchased and sold	Purchases		Sales	
			Shares	Percent of all floor trading	Shares	Percent of all floor trading
1	N. L. Nathanson.....	1,800,808	899,650	11.4	901,158	11.0
2	Milton Sabin.....	1,381,170	710,530	9.0	670,640	8.2
3	Louis W. Alter.....	1,274,173	603,821	7.6	670,352	8.2
4	George J. De Martini.....	1,133,300	490,200	6.2	643,100	7.9
5	S. Denman.....	921,290	458,650	5.8	462,640	5.7
6	Daniel Schwartz.....	592,700	351,400	4.5	241,300	3.0
7	W. T. Wuestehube.....	526,700	270,050	3.4	256,650	3.2
8	Albert Marks.....	520,811	261,660	3.3	259,151	3.2
9	F. Walin.....	455,970	241,280	3.1	214,690	2.6
10	Reginald H. Morgan.....	448,600	221,200	2.8	227,400	2.8
11	Reich & Co.....	394,800	173,300	2.2	221,500	2.7
12	Hugh D. Newman.....	349,000	147,600	1.9	201,400	2.5
13	B. Rhaesa.....	280,100	141,900	1.8	138,200	1.7
14	J. M. Manley.....	274,402	136,251	1.7	138,051	1.7
15	Wallace Gardner.....	264,300	135,600	1.7	128,700	1.6
16	Eugene F. Dunn.....	257,011	137,411	1.8	119,600	1.5
17	R. E. Dowling.....	230,808	113,600	1.4	117,200	1.4
18	Harry J. Lipman.....	226,120	113,220	1.4	112,900	1.4
19	C. E. Judson & Co.....	195,080	90,360	1.2	104,720	1.3
20	D. E. Graham.....	194,000	68,650	.9	125,350	1.5
21	Robert B. Peck.....	189,750	95,850	1.2	93,900	1.1
22	R. Sgambat.....	169,274	82,410	1.0	86,864	1.0
23	David H. Cohen.....	166,309	79,459	1.0	87,850	1.1
24	W. J. Bergrath.....	147,400	72,900	.9	74,600	.9
25	W. J. Halpern.....	135,750	71,800	.9	63,950	.8
	Total, 25 most active.....	12,529,618	6,167,852	78.1	6,361,766	78.0
	Total, other floor traders.....	3,528,662	1,730,341	21.9	1,798,321	22.0
	Total, all floor traders.....	16,058,280	7,898,193	100.0	8,160,087	100.0

Source: Floor trading reports (Form MT) filed with the Exchange.

CHART C
Floor Trading on the American Stock Exchange in 10 Most Active Stocks Each Week
 [Weekly, January-May 1959 and July-November 1959]

Weeks ended:	10 most active stocks			All stocks	
	Total Exchange volume	Floor traders' purchases and sales	Floor traders' P and S as percent of 2 X total exchange volume	Floor traders' purchases and sales	Floor traders' P and S in 10 stocks as percent of all floor trading
1959					
January 9	1,954,800	155,800	4.0	575,724	27.1
16	2,864,900	192,400	3.4	863,330	34.2
23	2,061,200	142,300	3.5	508,250	28.0
30	2,678,500	299,300	5.6	629,878	47.5
February 6	1,707,800	129,100	3.8	421,900	30.6
13	2,221,700	245,650	5.5	513,850	47.8
20	1,802,500	202,200	5.6	533,270	37.9
27	1,811,900	113,800	3.5	343,110	33.2
March 6	2,043,800	158,300	3.9	607,294	28.1
13	3,152,900	167,300	2.7	700,250	23.9
20	3,369,800	186,900	2.8	766,100	24.4
27	3,432,500	215,200	3.1	555,250	38.8
April 3	2,146,600	113,300	2.6	442,600	25.6
10	1,389,100	77,700	2.8	331,200	23.5
17	1,362,400	42,500	1.6	373,540	11.4
24	1,196,900	28,200	1.2	273,100	10.3
May 1	1,677,900	115,600	3.4	494,300	23.4
8	1,351,300	56,800	1.6	311,800	18.2
15	1,207,200	62,100	2.6	338,680	16.0
22	1,421,800	82,600	2.9	305,100	27.1
29	1,676,600	129,500	3.9	274,200	47.2
Total, January-May 1959	42,330,100	2,916,550	3.4	9,912,726	29.4
1959					
July 10	1,170,300	82,900	3.5	240,900	34.4
17	1,432,400	88,900	3.1	240,625	26.0
24	1,382,800	77,600	2.8	208,820	37.2
31	1,400,300	96,100	3.4	251,700	38.2
August 7	1,247,200	73,000	2.9	191,700	38.1
14	1,107,500	105,400	4.8	201,300	52.4
21	699,700	42,400	3.0	162,300	26.1
28	612,200	42,300	3.5	152,850	27.7
September 4	458,300	18,700	2.0	107,975	17.3
11	570,400	11,100	1.0	93,150	12.0
18	1,200,500	23,600	1.0	119,709	19.7
25	965,200	33,300	1.7	151,330	22.1
October 2	848,900	61,850	3.6	185,350	33.4
9	930,200	46,200	2.6	134,000	34.5
16	881,200	36,900	2.1	113,900	32.4
23	649,600	26,000	2.0	141,050	18.4
30	1,069,700	84,400	3.9	261,020	32.3
November 6	708,500	48,800	3.4	166,700	29.3
13	941,500	41,100	2.2	227,300	18.1
20	1,093,500	51,900	2.4	262,500	19.8
27	1,051,000	39,500	1.9	192,100	20.6
Total, July-November 1959	20,421,700	1,132,150	2.8	3,806,279	29.7

Source: Floor trading reports (Form MT) filed with the Exchange.

CHART D
Transactions of Floor Traders on the American Stock Exchange in 10 Most Active Stocks Each Week, Related to Price Movement
 [January-May 1959 and July-November 1959]

Weekly price movement of each stock	Floor traders' purchases	Floor traders' sales	Floor traders' purchase (+) or sale (-) balance
January-May 1959:			
Increased.....	997,850	1,000,400	-2,550
Declined.....	126,800	140,800	-14,000
Unchanged ¹	296,900	353,800	-56,900
Total.....	1,421,550	1,495,000	-73,450
July-November 1959:			
Increased.....	366,575	357,175	+9,400
Declined.....	67,200	86,200	-19,000
Unchanged ¹	131,900	123,100	+8,800
Total.....	565,675	566,475	-800

¹ Including changes of 1/8 of a point or less.

Source: Floor trading reports (Form MT) filed with the Exchange.

APPENDIX VII

Transactions at Market Openings and Closings¹ of Two Selected Floor Traders on the American Stock Exchange in All Stocks, 1959

"Tick"	Louis W. Alter				George J. De Martini			
	Purchases		Sales		Purchases		Sales	
	Number of shares	Percent of total	Number of shares	Percent of total	Number of shares	Percent of total	Number of shares	Percent of total
Opening transactions:								
Plus.....	3,200	5.3	24,400	27.7	8,400	20.7	17,600	18.8
Zero plus.....	27,300	45.6	57,400	65.2	22,100	54.4	71,900	76.9
Minus.....	14,100	23.5	1,500	1.7	6,700	16.5	3,500	3.8
Zero minus.....	15,300	25.6	4,700	5.4	3,400	8.4	500	0.5
Total.....	59,900	100.0	88,000	100.0	40,600	100.0	93,900	100.0
Closing transactions:								
Plus.....	10,400	15.1	17,000	39.5	15,100	32.3	13,400	37.9
Zero plus.....	21,300	30.9	18,500	43.0	15,600	33.4	17,500	49.4
Minus.....	8,200	11.9	200	.5	1,700	3.7	1,300	3.7
Zero minus.....	29,000	42.1	7,300	17.0	14,300	30.6	3,200	9.0
Total.....	68,900	100.0	43,000	100.0	46,700	100.0	35,400	100.0
Total transactions, open and close.....	128,800		131,000		87,300		128,900	
All transactions in 1959.....	603,821		670,352		490,200		643,100	
Open and close transactions as percent of all transactions.....		21.3		19.5		17.8		20.0

¹ Includes transactions 10 minutes after opening and 10 minutes prior to closing.
Source: Floor trading reports (Form MT) filed with the Exchange.

APPENDIX XII-B

EXPLANATION OF STATISTICAL TABLES RELATING TO NASD DISCIPLINARY ACTIONS

Tables XII-11 and XII-13, as well as tables II-2 and II-3 in chapter II, were prepared from a staff analysis of NASD records of its disciplinary actions decided by district business conduct committees during the 3-year period 1959-61.¹ In this analysis only decisions arising out of formal complaints have been taken into account and neither minor violation proceedings² nor informal actions, such as "letters of caution," have been considered. Also excluded from the analysis were actions terminated or withdrawn prior to final decision, and decisions entered in cases on remand from the Commission or board of governors in instances where the original case was also decided during the period studied.

Unless otherwise indicated,³ where references in the tables and in the text analyses derived therefrom are made to violations alleged, found, or not found, or to elapsed times they reflect the results and experience of the association's district business conduct committees, they do not reflect what, if any, impact a board of governor's decision might have had on such allegations, findings or elapsed times. This exclusion was made for a variety of technical reasons. A separate analysis of the effect of board actions on the cases included in the tables revealed that, while the board reviewed a large percentage of the cases, its actions (for various reasons) generally did not materially affect the statistical pattern shown by the district decisions. Significant exceptions were found in cases involving charges under the "commercial bribery" rule and the free-riding and withholding interpretation.⁴

APPENDIX XII-B: TABLE 1.—*NASD formal complaint actions decided by district (1959-61)*

[Number of actions]

District	Total	1961	1960	1959	District	Total	1961	1960	1959
All districts.....	809	288	291	230	7.....	71	38	16	17
1.....	46	10	17	19	8.....	72	27	31	14
2.....	112	14	77	21	9.....	35	7	2	26
3.....	37	24	6	7	10.....	62	33	20	9
4.....	33	4	12	17	11.....	72	29	22	21
5.....	50	27	7	16	12.....	140	50	51	39
6.....	18	2	9	7	13.....	61	23	21	17

Source: NASD records.

APPENDIX XII-B: TABLE 2.—*NASD minor violation proceedings, by district (1959-61)*

[Number of actions]

District	Total	1961	1960	1959	District	Total	1961	1960	1959
All districts.....	84	54	9	21	7.....	2		1	1
1.....	13	4	2	7	8.....	15		5	10
2.....					9.....				
3.....	1		1		10.....	1	1		
4.....	1			1	11.....	2	2		
5.....	4	4			12.....	44	43		1
6.....					13.....	1			1

Source: NASD records.

¹ A summary of the cases analyzed, by district, appears in table 1.² A summary of the minor violation proceedings, by district, appears in table 2.³ See, e.g., table XII-13 summarizing NASD free-riding decisions.⁴ See rules of fair practice, art. III, sec. 10, and pt. G.5.b(2), above.