

June 17, 1965

The Honorable Manuel F. Cohen
Chairman
Securities and Exchange Commission
Washington, D. C. 20549

Dear Chairman Cohen:

In response to your letter of June 11, 1965, I want to spell out the steps we have taken, and will be taking, with respect to the rumor about the President's health.

The first notice to the Exchange of this rumor came from a senior governor on the floor at approximately noon on June 9th. He reported the rumor of the President's illness to the Exchange staff. Promptly thereafter, Mr. Chapman of the Exchange staff was informed that a rumor had been reported that the President had suffered a heart attack. He called Mr. Saul of your staff to find out whether there was any substance to this rumor. At the same time a release over the Dow Jones news wire indicated the President had just completed a conference with the Governor of Iowa, and shortly thereafter the news wire carried a report from the White House physician that the President was in good health. The Exchange then proceeded to trace this rumor back from the governor who had reported it, to another governor who had heard it from a customer of his firm, who is reported to have heard it from a non-member firm. During the next several days our Department of Member Firms, in conversations with various member organizations, inquired about this rumor and was informed that it had come to them from customers calling in asking whether it was true.

We also contacted Mr. John Wingate, the radio commentator, in connection with his comments concerning the rumor in a news broadcast on Tuesday night, June 8th. He advised that on Tuesday evening he received calls from several brokers inquiring whether he, with his access to Washington news wires, had heard anything to confirm or deny the rumor that the President was ill. Mr. Wingate indicated that these calls were from personal acquaintances making a constructive attempt to run down the rumor rather than to pass it on in any form. For this reason he declined to tell us who they were. Thus, we cannot determine whether they were people connected with member or non-member organizations.

On Thursday, we were called by the Federal Bureau of Investigation, which is looking into this matter. We agreed to cooperate with them and have informed them of the above facts.

In an effort to pursue this matter further we have sent to our members and member organizations, a circular requesting them to forward to us copies of all communications in connection with this rumor. We are also in the process of talking to the floor governors to determine whether they know of any specific instances, other than that mentioned above, where this rumor came from. After we have reviewed the results of these studies we will be happy to inform you of any further facts that we may develop. We will also review Rule 435 and the possibility of sending our members a circular.

In connection with the possible abuse of Exchange facilities through short selling in advance of the rumor, and short covering while it was circulating, we are sending a questionnaire to our member organizations asking them for all round-lot short sales on June 7, 8 and 9, and for covering transactions of any of these short sales on the 9th or 10th. We plan to cover all stocks except ten share units and preferred stocks.

When these studies are completed we will inform you of the results and will be happy to sit down and discuss any proposed circular to the membership, or possible changes in Rule 435 which seem appropriate.

Sincerely,

(signed) G. Keith Funston

ABC/yjf