CORPORATE RESPONSIBILITY TO THE INVESTING PUBLIC

Remarks by Robert W. Haack, President, New York Stock Exchange, at a Meeting of The Association of The Bar of the City of New York, New York, N.Y., Monday Evening, March 25, 1968.

As a non-lawyer, I certainly appreciate the honor of being invited to address this group, and I am delighted to be here this evening.

Earlier this month, I read an ad in one of the newspapers which many of you probably saw too: something to the effect that an individual was threatening to sue every corporate officer and director who read the ad. The ad, which was clearly a plug for liability insurance, went on to say that all this particular individual had to do was own a few shares of stock in the reader's company and that would automatically empower him to sue any director or officer of the company. I am not here to sell insurance, but I think you will agree that it is far better for publicly owned companies to cultivate good relations with stockholders than to risk strike suits, even if they are covered by insurance.

I would like to talk to you about some of the corporate policies that can help keep relations with investors out of the courts. I understand this is in keeping with the corporate lawyer's creed of practicing "preventive law." I think it is especially timely now in view of the imminence of the annual meeting season. However, it is not my intention to practice law here without a license. Nor would I presume to advise lawyers on legal matters. But I do have a few thoughts which I think will touch on your professional activities as well as ours. These days there seems to be no end to a corporation's responsibilities to investors. We hear much about corporate responsibility for improving housing, for relieving poverty, for taking part in community affairs, for assisting the balance of payments situation, and many others. The list is long. And, of course, every corporation will always have the basic responsibilities to provide high quality products and services, to meet payrolls, to treat employees equitably and -- the responsibility many people seem to take for granted -- to make a profit. Not the least of a corporation's responsibilities is to the growing ranks of investors.

The importance of this responsibility is underscored by the fact that the country now has some 24 million individuals who own stock directly, and probably another 100 million who have beneficial interests in such pools of capital as pension funds, mutual funds, insurance companies and profit-sharing plans.

Of course there is nothing new in the concept that corporations must be alert to interests of investors. The New York Stock Exchange and many farsighted corporations have worked together over the years to build a relationship between corporations and investors in this country that is not equaled anywhere in the world. The Exchange has pioneered in insisting on publication of annual and quarterly reports, and on voting rights for stockholders, proxies, annual meetings, timely disclosure of significant corporate news and maintenance of communications with those who have been invited to become part-owners of a corporate business.

What is new today is the complexity of the responsibilities that corporations bear toward their shareowners. It would be impossible to recite the entire catechism of these responsibilities here this evening. But I think that you, as attorneys who advise corporate clients, may be interested in a few of the current problems which concern the Stock Exchange.

First, let me explain how the Exchange views its relations with listed companies. As you know, there is a legal document -- the listing agreement -- which is a contract between the Exchange and the listed company. This agreement imposes minimum standards on listed companies in such areas as disclosure to the public and to the Exchange. However, the listing agreement is just a starting point. Over the years the Exchange and its listed companies, working together, have evolved a code of ethical practices governing the relations of corporations with their investors. This code goes well beyond the bare bones of the rules. In fact, we endeavor to keep formal rules and regulations to a minimum. With regard to listed companies, the Exchange does not consider itself a regulatory body, but rather strives to serve as a guide to conduct. Our primary interest is to insure the quality of the marketplace rather than to regulate the internal operations of our listed corporations.

New questions constantly arise and we work with the listed corporations to develop answers as we go along. This mutual cooperation has helped avoid any specific need to keep adding regulatory provisions to the listing agreement. In some very delicate areas, substantial progress has been accomplished simply by making new standards known through the New York Stock Exchange Company Manual and special Exchange publications. Probably the most significant of these in recent times is entitled “The Corporate Director And The Investing Public.”

As I’ve already pointed out, the basic principle of relations with stockholders is more important today than ever before. We are in an era of fast corporate change -- takeover bids, merger negotiations and other acquisition efforts. Major technological breakthroughs, innovations and new products are constantly before us.

The Exchange’s listing agreement with companies provides for immediate disclosure of such things as dividend action, quarterly and annual earnings and stock splits. We also urge companies to disclose promptly such developments as mergers and acquisitions, and key management changes. We strongly believe that it is just as important to release bad news as good. No investor will be very happy if he finds he has paid too much for a stock, or has held it too long because bad news was withheld by the company. The reverse also can be true. Good news withheld can also mislead investors.

Application of the timely disclosure policy becomes most difficult these days in relation to plans for acquisitions, mergers or takeovers which have not been consummated. Each case, of course, must be treated on its own merits, but there are some guiding principles which should be kept in mind. Primarily, the investing public should be told the important facts affecting the company’s business.

Of course, no one normally would expect a company to disclose information when the act of disclosure would endanger achieving the company's goals, or provide helpful insights for competitors. In case of doubt, it is advisable to ask if, by not disclosing the information, the company may be creating an unfair market with special advantages for those with inside knowledge.

Many kinds of problems can arise. One recent situation which comes to mind involved an attorney for an ad agency representing one of our listed companies. The agency showed us in advance of publication a series of advertisements the company was thinking of running in newspapers across the country prior to the announcement of a new product development. The proposed ad invited the public to watch the company's stock on a certain date for a surprising development.

Of course the ad never ran in that form. We pointed out that such an ad would create rumors, make it seem as if the corporation's officials were flaunting inside knowledge, and constitute a violation of Exchange standards as well as of the Securities and Exchange Act. We urged, rather, an immediate press release.

When the Exchange sees signs that rumors influencing market action stem from news developments not yet officially disclosed by a company, our Department of Stock List discusses the problem, in confidence, with the company. Most often, the outcome of these discussions is that the company will prepare and issue a statement clarifying the situation.

How do such matters come to our attention? As some of you know, the Exchange has a Stock Watch program in which computers monitor all listed stocks, bringing to our attention those which show unusual patterns of volume or price movements. This information, incidentally, is also made available to the Securities and Exchange Commission.

Normally, the explanation that we get as a result of a stockwatch inquiry is routine. For example, the unusual stock action might have been caused by an earnings report or new product announcement, the recommendation of some particular brokerage house or investment advisory letter service which has a wide following. Occasionally, however, we do find something that warrants fuller explanation and, as with market rumors, the company is contacted to ascertain if there are any pending developments which should be made public.

If so, the Exchange may also hold up trading in the stock temporarily until the news can be disseminated and digested by the investing public.

Last May, the Exchange amended its company manual to spell out procedures for alerting the Exchange by telephone when news which may affect the value of a company's securities or influence investment decisions is released shortly before the opening or during market hours. In such cases, we recommend notifying the Department of Stock List no later than the announcement of the event to the news media. When the Exchange receives such notification, it can decide whether trading in the security should be halted temporarily to allow the public to receive and interpret the news.

From May through December last year, these telephone alert procedures were used no less than 200 times. We believe they helped maintain fair and orderly markets for the public and we'd like to think that they were helpful to the corporations involved.

We welcome listed corporations keeping a close eye on their own stock, especially when they are involved in delicate negotiations or preparing to make a significant announcement. Internal security procedures should be periodically reviewed to keep the possibility of leaks to a minimum.

Closely allied to the matter of timely disclosure is complete and comparable financial reporting. The Exchange is strongly committed to a voluntary program of improving the reporting standards among listed companies. This is an approach we think is far more reasonable and desirable than increased government intervention. The Exchange has consistently supported the efforts of the Accounting Principles Board of the American Institute of Certified Public Accountants to make corporate financial statements more meaningful to those who receive them. We vigorously advocated the inclusion of a Source and Use of Funds Statement in annual reports and, in 1966, over 1,000 of our 1,264 listed companies published such a statement.

More recently, we endorsed the Board's Opinion No. 9 which deals with the reporting of extraordinary charges and credits. It sets forth the proper method for disclosing the potential dilution of earnings per share which might occur because of such factors as the convertibility of a preferred or outstanding debenture or bond.

We are also working with our listed companies and their trade associations to bring about greater comparability in financial reports among companies in the same industry. This is a long-term effort which we believe will eventually pay off in better information for investors. In all of this we would welcome the support of corporate attorneys. I believe lawyers and brokers can agree that public confidence in the quality of corporate reporting is one of the keynotes of public participation in the securities market.

I'd like to say a word about tender offers. This is another area in which we have been working with listed companies to insure fair market conditions for investors, and it is especially prominent now. Our basic approach -- stated in the Exchange Company Manual -- is that all stockholders of a company should be given an opportunity to participate on equal terms in any offer which may affect the rights or benefits of stockholders.

For example: companies agree with the Exchange to select their listed securities for redemption only on a pro rata basis or by lot. We think the same principle should apply when a company invites stockholders of another company to tender their shares for purchase. We urge that a tender offer remain open for a minimum of ten days so that all stockholders will have opportunity to learn of it and tender their shares, if they wish to do so.

Also, in fairness to all stockholders, we urge that tenders be accepted on a pro rata basis if more shares are tendered than are to be purchased. After a minimum period of ten days for the acceptance of shares on a pro rata basis, we do not object to the acceptance of subsequently tendered shares first come-first served.

We look for disclosure of the identity of the principal making a tender offer, and assurance of his financial ability to purchase the shares sought. This is a subject also of interest to Congress. The Exchange has advocated these principles in testimony on the so-called "Take-over Bids" bill, introduced by Senator Williams and passed by the U.S. Senate last year, which is presently awaiting action in the House.

We support the objective of the Bill which is to provide full and timely disclosure to stockholders whose companies are the object of takeover bids. For companies listed on the N. Y. Stock Exchange, the moral suasion of Exchange policies, generally speaking, has dealt with this situation satisfactorily. We think the legislation will be useful in extending added protection to areas beyond our purview.

I'd like to say a word, too, about institutional activity in the stock market, which, to me, is one of the most significant developments of the last decade. Of the 11 ½ billion shares listed on the Exchange, almost 23% are now owned by investing institutions. Together with bank-administered personal trusts, institutions account for about a third of all transactions on the Exchange. We can foresee the day when this will grow to 40 per cent.

By the same token, institutions -- as shareowners -- are becoming more important to your corporate clients. Perhaps the most delicate question in this specialized area of corporate shareowner relations centers on how much a corporation can properly tell a large institutional investor or a security analyst representing the institution.

It is familiar practice nowadays for these well-informed representatives of institutions to make the rounds of listed companies and ask very penetrating, searching questions. Inevitably, discussions between corporate officers and inquiring analysts are more detailed than the material the company is likely to cover in its annual report or at its annual stockholders meeting.

What principles should guide the discussion? The Exchange takes the position that while more detail is permissible, nothing more of substance should be disclosed to an institutional analyst than the company is prepared to tell any inquiring stockholder. If, during the course of discussion, some important information is divulged that has not yet been published -- information which could affect the holdings or investment decision of any stockholder -- that information should be made the subject of an immediate and comprehensive news release.

Corporations can assist in the much-needed analysis of the effects of institutional transactions on the stock market. Some of you are aware of the discussions concerning a joint industry-government economic study of the institutional impact on markets, and we would welcome the views of corporate officials on the many important questions involved. Certainly the listed companies whose stock is being bought and sold in these transactions should be important contributors to the study itself.

As the institutions grow more important in the market, so does the need to balance their concentrated buying power by means of an expansion of individual ownership from the present base of 24 million. The country's principal securities market should not become the private preserve of large institutions. That can be avoided only if we maintain a healthy balance between institutional and direct individual ownership. There are many ways to do this.

The Exchange has its own diverse programs for broadening share-ownership on a sound basis, and for helping to create a nation of informed shareowners. Corporations themselves can play a major role. One method is through enlightened and responsible financial public relations--joining with the Exchange and its member firms in educational efforts to bring advantages of stock investments to the attention of the millions who are financially qualified.

Another very specific thing companies can do is to take steps, when appropriate, to broaden the base of their own ownership. The Exchange supports and occasionally recommends stock splits if a company's stock is selling at a relatively high market price and the company's record of operation indicates a continuing growth trend. Probably the most significant benefit of a split is the increased market liquidity which comes from the additional supply of stock. A split also may result in a greater number of shareowners, since the adjustment in market price usually places it in a more attractive price range to investors.

All kinds of Americans are interested in owning stock these days: the union man, the white-collar executive, the housewife and even the student. Corporations can, on their own, do much to extend the opportunities for participating in the capitalist system.

In what I have been saying, I trust I have not stepped over the boundary between a statement of policy and the practice of law. And I certainly hope that at least some part of these comments may be helpful to you in the application of your professional skills to these very acute problems. Thank you very much.

NOTE: Mr. Haack’s address was followed by a two-part question-and-answer period. In the first part, the speaker replied to questions posed by a panel of Bar Association members. Subsequently, he accepted questions from the floor. Following is a representative selection of questions and answers from both sections.

MR. THOMAS HALLERAN (Cravath, Swain & Moore): You pointed out in your talk that the Exchange has pioneered in requiring annual reports, quarterly reports and reports on material developments in the business of listed companies. When these reports are made, does the Exchange do anything by way of policing them to see that they don’t contain any puffing of the stock or products in a way that could affect market action? Or does the Exchange consider that sort of policing entirely a matter for the SEC and law enforcement agencies?

MR. HAACK: We scrutinize these reports very carefully -- not only for accuracy, but also because we regard the self-regulatory function as absolutely vital. We would much rather do this job ourselves than have government do it for us. We think that this is definitely an area where our expertise should prevail.

We examine the reports for accuracy, for distortions, for magnifications -- and even for minimizations. There have been instances where we have asked companies to amplify or clarify the published information.

MR. HALLERAN: I think our audience would be interested to know what action the Exchange would take if it came to your attention that something were questionable or materially incorrect in a report filed by a listed company.

MR. HAACK: Well, that would depend on our judgment of the amount or significance of the distortion. If it were minimal and could be corrected by an amplifying or modifying statement by the company, we would probably let such a statement suffice.

On the other hand, I recall that in an extreme case involving an annual report in which there was something we regarded as not quite the way it should be, the company was requested to --and did-- correct the situation and re-issue its annual report.

MR. EDWIN DEANE LEONARD (Davis, Polk, Wardwell, Sunderland & Kiendl): You stated the general rule that information should be disclosed if, by non-disclosure, the company would be creating an unfair market with special advantage to those having inside knowledge. Could you comment on the extent to which this test can be met by maintaining internal company security and preventing insiders from profiting from the information.

MR. HAACK: As one who has been in the securities business for 25 years, I can appreciate, probably as much as lawyers can, the difficulty of maintaining 100% security. There are stenographers, wives, cousins, telephone operators, and many others -- any one of whom can be the conduit for some kind of leak. I think a company takes upon itself an unwarranted risk in not making timely disclosure and relying on the hope that internal security will be adequate. I think there is considerable peril in such a course and I don’t think the game is worth the candle.

Obviously, one of the things that can be done is to keep to a minimum the number of people who have access to the information. But even at that, as you get involved in the subsequent developments, more and more people become aware of what's taking place -- and the reliance on people's ability to maintain perfect security becomes increasingly unrealistic.

MR. LEONARD: What happens when you decide you must disclose information and no one pays attention? I'm thinking of a recent situation that had to do with a fairly technical matter. It was reported in detail in a company news release that was widely distributed -- and absolutely nothing happened.

MR. HAACK: Well, I'm not qualified to give a legal opinion, as counsel for the Exchange could. But I don't think you can be put in the position --nor can the Exchange-- of trying to determine what is newsworthy from the standpoint of the news media. I think the fact that a company makes an honest effort to inform the media and the public of significant developments should constitute compliance.

MR. MELVIN C. STEEN (Cleary, Gottlieb, Steen & Hamilton): I understand there sometimes arises the uncomfortable situation in which a company has a securities offering going forward, and a rumor starts flying. The company gets a call from your Department of Stock List and is asked to put out a statement. The company calls its counsel who, in turn, calls the SEC and informs them that the Exchange has suggested, in no uncertain terms, that a statement be issued. And the fellow at the SEC says: "Oh, I see, just a little selling outside the prospectus, eh?" What do you do with that one?

MR. HAACK: We'd like to think that the SEC agrees with us that the processing of a registration statement does not eliminate the need for timely disclosure by a corporation when a significant development is involved.

However, I suppose there are all kinds of gradations, and possibly there are some people who might try to use the news release as a selling device. This is really a question of good judgment and honorable intentions on the part of the company. But assuming the presence of those qualities, there is nothing that, to our knowledge, would preclude or eliminate the need for timely disclosure of a significant development during the processing of the registration statement.

MR. HALLERAN: You mentioned earlier that increasingly large amounts of stock are now being bought by institutions. As I understand it, the concentration of these institutional holdings might be balanced by broadening the base of individual shareowners beyond the present 24 million. I don't quite see how it follows that, if institutions are garnering a larger percentage of outstanding stock, the situation would be materially changed by cutting up the remainder of the pie into smaller pieces through stock splits or other attempts to broaden the base of ownership.

MR. HAACK: Well, I think it must be recognized that the pie itself is growing larger. If my memory serves me, in 1945, the number of shares outstanding and admitted to trading on the NYSE was about 1 ½ billion. By 1950, that figure had increased to slightly over 2-

1/3 billion. By 1960, it was about 6 ½ billion. Today, we have nearly 12 billion shares listed. Thus, the growth of the supply of stock --over the past 20 years or so-- has outpaced the growth of institutional investors.

The question raises an ancillary problem which I think is worth noting -- the tendency of corporations increasingly to finance by means of debt. You know the reasons better than I -- favored tax treatment, the wish to inject leverage into a corporation's operations, the desire to avoid dilution of earnings. Nonetheless, the problem, from our point of view, is rather disturbing, and we hope that it will be considered in detail in the institutional survey. What can we expect the picture to be some 15 or 20 years hence, given the growth of institutions versus the available supply of stock? Thus far, as I've indicated, the increased number of shares outstanding has more than kept pace with the institutional development. But can we expect this to continue?

MR. STEEN: Do I correctly understand you to say that there is some sort of relationship between the amount of institutional investing and the ratio of equity to debt in the typical company?

MR. HAACK: No, my concern is, on the one hand, increased ownership of equities by institutions and, on the other hand, a supply of equities which could be much greater if corporations saw fit to increase the proportion of equity financing. My point is not that the availability of debt influences their equity decisions, but that the issuance of debt has a limiting effect on the supply of equities.

MR. LEONARD: If institutional holdings continue to increase, does the Exchange see the possibility of regulating the amount of particular securities institutions can buy or own -- or sell at any one time?

MR. HAACK: Well, the SEC has suggested that this might be an eventual solution. I don't think it is the function of the Exchange to propose that a limitation be placed on the number of shares an institution may own. I believe --and there are some who differ with me on this-- that our job at the Exchange is primarily to provide a marketplace that has adequate depth and liquidity. Our problem is to adapt to the needs of the investing public --the individuals and institutions who use the marketplace-- and this may possibly involve a review of our specialist system, for example, and the creation of some kind of credit bank, to see to it that capital is available and in adequate supply. So I would say that it is not up to the Exchange to suggest any limitation of institutional holdings.

On the other hand, there are at present some percentage limitations on the activities of some of these pools of capital. There are strictures on bank trust funds, in some cases. There are limitations on the amount of shares of a particular company that can be owned by a mutual fund. Insurance companies have their own policies --or policies imposed by their states-- regarding the amount of equities they may own. So, again, I would say that this is not a problem for the Exchange to solve; we must be more concerned with being able to adapt to changing conditions.

MR. HALLERAN: Does the Exchange have any specific views as to the propriety of a listed company having as a director a person who is an officer or director of an institution which has a financial holding of that listed company's shares? I raise this question because this might be one way of avoiding conflict with the Exchange's position that a listed company should not afford more information to an institutional holder than it makes available to shareowners generally.

MR. HAACK: Our position is that there is nothing improper about an institutional holder having board representation. We do believe that it would be improper for an institutional holder to be an officer in a managerial capacity with the listed company whose securities are owned. We think that, on a day-to-day basis, continual conflicts of interest would arise if an institutional representative were also an officer of the company. So far as the directorship is concerned, we would certainly hope that such a director would recognize that there are strong fiduciary obligations which must be honored -- and that he would honor them. In summary, we take a much broader view of a director's ability to avoid conflicts of interest than we do of a corporate officer's ability to handle such situations.

MR. STEEN: [With regard to the Exchange's policies about conflict-of-interest situations] There is a situation where a listed company leases property from a controlling stockholder. Notwithstanding the fact that the lease is on a very favorable basis to the corporation, and notwithstanding the fact that the existence of the lease is reported in the proxy statement, year after year, to the stockholders, the Department of Stock List makes it clear that it regards the situation as a suspicious one -- and that the corporation should, in due course, eliminate it.

Now, one of a lawyer's functions is to interpret Stock Exchange policy to his client. And I thought you might have some new words that might be used to tell the President of the company that he must give up a highly advantageous lease.

MR. HAACK: Let me say, first, that this is a type of problem to which I am, personally, most sympathetic. At the same time, I think that a company that is of the size and stature to meet the requirements of listing should be able to stand on its own two feet. I think that the appearance or impression of possible wrongdoing is one that should, at all costs, be avoided.

More to the case in point, conceivably the lease that was so advantageous when it was entered into may not be so favorable --from the stockholders' viewpoint-- when the time comes to renew it. And then what do you do?

I recognize the problem, of course. I think it must be looked at fairly; but I think, too, that all the amenities should be observed, even if it works some hardship on the corporation to undo that kind of arrangement.

MR. LEONARD: One of the things that is mentioned in the Exchange's publication, "The Corporate Director and The Investing Public," is that the Exchange favors the idea of having some outside directors on the boards of publicly held companies. Has the Exchange reached any policy decision as to whether such outside directors should constitute a majority?

MR. HAACK: The only thing we insist on is a minimum of two outside directors. This is our requirement, and we think it is completely reasonable. Our statistics --and those of the

National Industrial Conference Board, which some of you may have seen-- indicate that the trend to public directors is increasing daily. But, specifically, the Exchange has no policy in this area beyond requiring listed companies to have two outside directors.

MR. HALLERAN: You mentioned in your talk that Senator Williams' so-called "takeover bids" bill has been passed by the Senate and awaits action by the House -- and is being actively supported by the SEC. You pointed out that it will have a broad impact on unlisted companies. However, it will also have some substantial effect on listed companies -- for example, in connection with even routine purchases of their own stock. Is it the policy of the Exchange to support that kind of regulatory authority for the Commission?

MR. HAACK: Well, we supported that bill at the Senate's hearings. It may indeed affect a listed company's acquisition of its own shares. On the other hand, it would seem to us that the SEC presently has rule-making authority in this area. So we think that the provisions of the Williams bill, in this respect, may be somewhat superfluous.

QUESTIONS FROM THE FLOOR

Q: Is it the Exchange's position that every individual holder of a company's stock is entitled to the same thoughtful face-to-face discussion of company affairs as, say, an institutional analyst?

MR. HAACK: As a practical matter, it would be naive to think that the little old lady in Northern Minnesota can get --or wants-- the same treatment as does the representative of an institutional owner of 100,000 shares of stock. Obviously, the company is going to make a more sophisticated response to the institution -- one that will, in itself, elicit further questions. The Exchange doesn't quarrel with that. Our concern is whether anything of a substantive nature is revealed to the analyst -- some new product development, proposed acquisition or significant change in personnel. In such cases, we believe the need for disclosure is clear and, in all likelihood, a news release should be issued. In short, our guiding principle is that sophistication should not be the criterion for the availability of previously undisclosed information.

Q: In your Stock Watch program, do you try to locate the source of unusual price or volume activity?

MR. HAACK: Yes, there are sometimes instances of unusual activity or price fluctuation where the causes are not readily apparent. In those cases, we do investigate to find out where the buying interest comes from, and who are the people involved. If we find any malfeasance, we are able to take appropriate action.

Q: I think the Department of Stock List sometimes applies unwritten policies or judgments. Can't these things be included in the Company Manual?

MR. HAACK: I can certainly appreciate that it would be helpful to have clear, written guidelines to the Exchange's policies -- and we try to provide these in the Company Manual. At the same time, I think you will agree that it would be a gigantic task to try to reduce to writing every situation that <u>might</u> arise. The resulting Manual would be enormous and much more difficult to use. Even more important, however, I think it's necessary to leave room for applying the rule of reason to many questions and situations which simply do not lend themselves to codification.

Q: How do the five points in the Exchange's commission-rate proposal relate to one another?

Mr. HAACK: Well, first of all, we think that the volume discount would lessen the pressure on institutions to join regional stock exchanges. Our second proposal, involving the continuation of give-ups, would help preserve a more efficient way of executing large orders than would be available by fragmenting such orders. Third, we believe that by eliminating some of the undesirable reciprocal practices, business now being done outside New York might return to the central marketplace. This would help increase the depth and liquidity of our market and further improve our ability to handle the burgeoning institutional activity. Fourth, to compensate non-members of our Exchange for the loss of advantages which they now enjoy through some of these reciprocal practices, we would give them better access to our marketplace. And all of this, of course, ties in with what we view as the desirability of lessening the incentives for institutional membership on stock exchanges. The issues involved --and the prospective impact on the NYSE, the regional exchanges, the institutions, the third and fourth markets-- are extremely complex. But we feel very strongly that the package proposal we've submitted to the SEC offers the most constructive solutions, and the most equitable ones.