

For example, the Exchange's planning and development studies made over the past ten years did not indicate that present volume levels would be reached until the mid-1970's. The Exchange nonetheless pushed ahead with physical and operational improvements to handle much larger volume than was expected during any given year. Thus, we introduced the high-speed ticker in 1964, the computer center in late 1965, and have been continuing to work at automating the trading floor, odd-lot switching, certificate clearance, and back office procedures. These steps have enabled the Exchange itself to cope with the upsurge in activity without any serious problems in the marketplace.

In summary, I think the increase in volume experienced over the past year is primarily attributable to institutional and other professional activity and does not at this time suggest a return of the conditions with which I was concerned in 1961.

STEPS TAKEN SINCE 1961 TO FURTHER INVESTOR PROTECTION

The Exchange continually assesses its programs and procedures to insure that we are doing all we can to provide a climate of security for investors. I am finishing my tenure as President with the knowledge that the Exchange in these years has been highly responsive to the interests of investors in a great many small ways and some very large ones. It would be impracticable to enumerate all the steps taken during even the past six years and an attempt to do so would surely tax your reading patience. Consequently, may I remark on some of the major developments and offer examples of our more or less everyday progress. For convenience, I am dividing my review by the titles of the Exchange departments which are primarily concerned with procedures designed to benefit investors.

1. *Department of Member Firms*

This department administers most of the Exchange rules and policies affecting member brokerage firms, their principals and their employees among whom, of course, are the registered representatives who deal directly with the public. Obviously, any effective program must be centered on the organizations and personnel which advise the public, execute its orders, and handle its funds and securities.

When I appeared before your Committee in 1961, we were in the process of revising our written registered representative examination program to maintain high standards of quality as the number of individuals entering the industry mushroomed. I think this program has proved successful. Since 1961 we have instituted new written examinations for branch office managers and supervisory security analysts. In addition, we ended a practice of over 100 years' standing by supplementing the oral interviews of new Exchange members and allied members with a comprehensive written examination. All these examinations are continually being upgraded in an attempt to maintain high standards of performance for member organization personnel.

Shortly after I met with your Committee, we established a formal program whereby Exchange staff personnel spot-check the supervisory practices of some 3,700 branch and main sales offices at least every third year. This step was accompanied by a program designed to encourage member firms to put increased emphasis on the selection, training and supervision of sales personnel. This intensified attention to the performance of supervisory personnel and the training of registered representatives is, I believe, one of the most significant developments of the last six years for the protection of the investing public.

We now utilize computers in our "stock watching program," which is designed to inform us daily of significant changes in price-volume and concentrations of activity in individual stocks. A review is made of each such security and of any other security which may warrant attention to learn why such activity has occurred. The object of this program is to permit the Exchange to satisfy itself that a fair and orderly market is being maintained. We work closely with the SEC in this program.

In addition to administering rules and policies, the Exchange instructs member organizations in ethical standards of conduct towards customers and sponsors conferences throughout the country to spread this message as widely as possible among member organization personnel. I am enclosing a copy of our "Ethical Conduct Study Guide."