

Over and above adding new rules, a great deal was done in our public programs. We put greater emphasis on educating the public about investing and pointing out the risks as well as the rewards. From time to time, as conditions warranted, we warned the public about speculation and the need to follow sound investment practices. In our 1961 advertising campaign the Exchange stressed rules for the wise investor. I am enclosing a booklet which discusses the difference between a broker and a tipster and the dangers that can result from heeding tips and rumors. A special campaign devoted to informing the public of Exchange regulations designed to protect investors was run in the Fall of 1962. This theme was continued in the Spring of 1963 in a new series of clear and factual ads. Part of our 1964 advertising was devoted to educating the public about the basic workings of the New York Stock Exchange. This was in addition to cautionary statements which appear in virtually all Exchange ads, in one form or another. Sample copies are enclosed.

3. *The Department of Stock List*

Rules and procedures affecting companies listed on the Exchange are administered by this department. Many investors—both individual and institutional—limit their holdings to companies listed on the New York Stock Exchange because of the hallmark of quality implied in a listing.

To maintain this confidence, the Exchange, among other steps, has increased its standards of eligibility for original listing and criteria for delisting three times since 1961. Applicants for listing must meet increased requirements for past annual earnings, share distribution, and related items. As the general level of the economy has risen, these requirements have been stiffened to ensure that a company applying for listing on the New York Stock Exchange has an exemplary operations record and sufficient distribution of its securities to provide a market in depth.

Our delisting criteria today are approximately 40% of our original listing requirements and are generally more stringent than the original listing standards of any other national securities exchange.

To prevent rumors and misinformation from influencing market activity, we have strengthened our policy requiring listed companies to disclose in a timely manner events which may affect investment decisions or securities values. This policy, spelled out in a 1960 letter from me to the presidents of all listed companies, has resulted in a more careful observance and regard for this objective.

In the same vein, new methods of handling the public release of information by government agencies have been developed, to prevent individuals from capitalizing on advance information regarding contract awards, important regulatory decisions and the like.

Proper conduct by officers and directors of listed companies is important for the protection of investors. In November 1965 we published a booklet, "The Corporate Director and the Investing Public," outlining Exchange policies concerning outside directors, ethical conduct, conflict of interests and other problems which affect investors' security. Over 50,000 copies have been distributed, and it has been widely acclaimed as an important contribution in the area of proper corporate conduct. I am enclosing a copy of this booklet.

We have been successful in obtaining further investor safeguards through such means as requiring newly listed companies to report to stockholders on a quarterly basis, and to include a source and application of funds statement as well as comparative financial statements in their annual reports.

We continually urge listed companies to include outside directors on their boards. Companies applying for a listing are urged to elect at least two outside directors to their boards within a reasonable time after listing. While precise figures are not available, as of 1961 we estimate that 60 companies did not then follow this practice, while today only about 15 companies have no outside directors.

4. *The Floor Department*

The Floor Department is responsible for the administration, interpretation, surveillance and enforcement of the Exchange rules and policies relating to the overall operations on the Floor including the functioning of the auction market, the handling of orders and reports, and the publication of transactions. It also conducts the examination, registration, and surveillance of specialists, registered