confidence and safety, and I appreciate the opportunity to summarize some of the measures we use.

I would like to thank you for the courtesy you have shown me and members of the Exchange staff during the sixteen years of my presidency. I like to think that during these years the Exchange and those concerned with our securities markets in Congress have been effective partners in proposing programs designed to prohibit practices harmful to the investing public. I know my successor, Mr. Robert W. Haack, will continue this policy.

Sincerely,

G. KEITH FUNSTON,
President.

Mr. HAACK. This is a valid concern and one again which we are addressing. The advent of the institutional customer has been a phenomenon that has been developing over a number of years. It would appear roughly that institutional volume at our exchange at the moment accounts for about 32 to 33 or 34 percent of our total volume. The indications are that this some time in the next decade might become as high as 50 percent.

This raises some interesting philosophical and also practical questions as to what effect this phenomenon has on the marketplace and the resilience of the exchange to adapt itself to this problem.

We have made several studies to determine the impact pricewise of activities of institutional holders. We, in 1962, came up with the conclusion that the funds on balance were a stabilizing force in the marketplace. At this point, our most recent study was made the latter part of 1966, and again we have come to the conclusion that the effects, except for a long-term basis, are not of great consequence.

The ability of the exchange to adapt itself to this phenomenon I think has been interesting. For example, in the third quarter of 1966 there were approximately 900 block transactions involving amounts of stock in excess of 10,000 shares. The third quarter of this year shows about a 100-percent increase in this, in that there were approximately 1,735 block transactions involving transactions of more than 10,000 shares, and totaling some 42 million shares.

Now, we tried to break this down, and we made a sample of 200 of those transactions. We found out that approximately one-half were affected at price fluctuations within a quarter of a point plus or minus of the preceding sale. We found out that two-thirds of these 200 sample transactions resulted in fluctuations of a half a point up or down from the prior sale.

This I think speaks amazingly well of the specialist system, the financial ability, the willingness of these people to make markets and to accommodate the exchange to the increased activity of the institutional buyers and sellers.

So far as the activity of these people is concerned, I would submit that our only control of them is through the broker-dealer, that we are not able under any authority to question the motivation of these people; whether they are speculatively inclined or investment minded is something that we are concerned with but we do not have jurisdiction or control over their motivations. We try to make certain that the marketplace functions, that price discrepancies and variations are minimal. We have a stock watch system which addresses itself to that very problem, and there are occasions when we do go behind transactions as far as possible.