

*Floor Procedures*—During the Hearings before the Subcommittee on Commerce and Finance in early 1964, you expressed an interest in the procedures of the Exchange for halting trading in emergency situations. Your interest in this matter arose as a result of market conditions following the assassination of President Kennedy. The Exchange subsequently adopted new procedures to permit prompt action to meet fast changing market situations and we believe these procedures have worked well.

These procedures were adopted to deal with emergency situations but we have found that they can be applied in unusual market situations involving timely disclosure by listed companies of material corporate developments. Under the Exchange's listing agreement, a listed company is required to "make prompt public disclosure of any material developments in its affairs and operations, whether favorable or unfavorable, which might significantly affect the market for its securities or influence investment decisions." The Exchange is usually alerted to timely disclosure problems when its Surveillance Division detects unusual activity in a stock. A call to the company may reveal that significant corporate information has not been released to the public. The policy of the Exchange is to halt trading whenever there are indications that news of significant corporate developments is available to some buyers and sellers but not to others.

Under our special floor procedures, floor officials have the authority to halt trading in an issue. Floor officials will continue a halt in trading until the company has made public disclosure of the development and there has been a sufficient period after dissemination to allow the public to evaluate and act on the news.

The Exchange's ability to act promptly upon unusual market situations reflects improved liaison between floor officials on the floor and the Exchange administration.

*Market Data Systems*.—Last year a floor input system designed to speed the reporting of market information went into full operation. This system has virtually eliminated the manual processing of sales and quotation slips before data is printed on the ticker, reducing the lapsed time between a transaction and its report on the tape from three minutes to less than 30 seconds.

The Exchange's plans for conversion to a 900 character-per-minute (cpm) ticker are reaching fruition. As of September 5, 1967, market information at the higher 900 cpm speed will be transmitted to desk unit devices and to the press. Conversion of the ticker installations is now underway and we expect that the entire ticket network should be converted by early 1968. The Exchange has an obligation to the public to insure the dissemination of up-to-date market information and, consequently, we have made conversion of our market data systems a matter of highest priority.

*Automation of Clearing*.—An automated compared clearance program, in which reports of buyers and sellers are matched, is scheduled to go on line later this fall. This automated system should prove helpful to member firm operations, relieving back offices of some of the paper processing problems which recently required shorter trading hours.

*Market Surveillance*.—In December 1965, the Exchange amended its rules so that it could prescribe higher initial margin requirements in issues where speculative activity appeared to exist. Recent Exchange studies indicate that the selective margin program has been a valuable tool in controlling speculative activity. Since May 1, 1967, the Exchange has imposed selective margin controls on 38 issues.

In situations where unusual activity is noted, the Exchange is promptly contacting managing partners and officers of member organizations involved. While previously back office employees were contacted as part of our routine surveillance procedures, this new procedure is intended to emphasize the importance the Exchange attaches to such a referral. We have been using this technique on a selective basis where we believe it is necessary to emphasize our concern.

To aid in this program, the Exchange is obtaining every half hour a print out of the 35 most active stocks including last sale and net change. Where the situation appears to warrant it, an immediate follow up is instituted. Specialists have also been urged to report promptly unusual market situations which will provide timely follow up by our Surveillance Division. The Exchange is now making available to each clearing member organization a summary weekly and monthly report of purchases and sales in all securities traded on the Exchange by security and its percentage of Exchange volume in each security. This has