large enough quantities by institutions that the issues should be delisted? Do you think that the exchanges or sales by an investment company or an institution for that matter, actually can run up or run down the price of a security? Can the specialist function amid these big block transactions?"

As you know, I answered certain of these questions orally, at pages 635–637 of the typewritten transcript, when I appeared before the Subcommittee as counsel for the group of Investment Counsel Sponsored No-Load Funds. Of course, my remarks at that time as well as the following ones are made in my personal capacity and not on behalf of such group of No-Load Funds or any other group or person.

The 1963 Report of the Special Study of Securities Markets, for which I had senior responsibility as Director, had a good deal to say, directly or indirectly, on the topics covered in your questions. I would respectfully call your attention especially to the following portions of the Report:

Part 2, pages 13–18, dealing with the concept of a "free" market in relation to a "fair" and "orderly" one, and also the concept of "depth."

Part 2, pages 128–33, 136–42, and 164–65, discussing specialists in relation to the handling of block (institutional) transactions and in relation to "freedom" of the market.

Part 2, pages 167–21, containing our conclusions and recommendations concerning specialists, of which several are somewhat pertinent to your questions, especially the following:

"9. The NYSE and Amex should undertake studies, in conjunction with the Commission, as to methods or plans by which the capacity of specialists to acquire larger blocks of stock within the framework of the auction market could be otherwise strengthened. Among other possibilities, consideration should be given to (a) the establishment of an exchange-administered capital fund from which specialists could borrow under appropriate limits and safeguards; (b) the establishment of a capital fund, through contributions from the brokerage income of all specialists, that would be administered by specialists' representatives and/or the Exchange itself and would be available for taking positions beyond the financial capacity of an individual specialist; or (c) establishment of a system of limited self-insurance by specialists as a group. Reference is made to recommendation 4 above with respect to increasing specialist capital requirement and the recommendation in part F of this chapter concerning the possibility of creating a category of 'auxiliary specialists.' "

Part 2, pages 828–31, discussing the importance of, and factors affecting, "depth" of an auction market, including the factor of increased institutionalization.

Part 2, pages 838–70, dealing with institutional participation and block transactions, especially the summary and conclusions appearing at 866–70, including the following recommendation:

"1. Institutional participation has become increasingly important in the total business of securities markets and, since the institutions tend to deal in larger blocks and for other reasons, such participation presents special problems from the point of view of the exchanges and in relation to the public interest and protection of investors. In view of the growing importance of institutional transactions and the probability that needs and problems associated with them will not remain static, it is particularly important that there be an adequate body of information about them on a continuous basis for the use of the Commission, the self-regulatory bodies and the investing public. The Commission should institute programs to obtain, and to publish on appropriately aggregated bases, more continuous data concerning institutional participation in the securities markets, including securities held, amounts of gross and net purchases over periods of time, and turnover rates. From time to time the Commission should hold conferences with, or otherwise invite the views and suggestions of, institutional investors, the principal exchanges and representatives of the securities business with regard to changing impacts of institutional transactions on securities markets, related needs of institutional investors, and questions of public policy involved."

Part 2, pages 952–61, relating to "currents of change" in the securities markets and the need for continuing study, including the following finding:

"2. Institutions have become greater participants in trading markets, particularly in respect of NYSE-listed securities, and the relatively large size of their transactions has tended to aggravate the problem of temporary disparities in supply and demand in a continuous auction market. For this reason and because