Securities and Exchange Commission Historical Society
Interview with William Johnston
Conducted on May 10, 2010, by Kenneth Durr

KD: Interview with William Johnston, May 10th, 2010, in New York City by Kenneth Durr. Let's talk a little bit about your earliest background, and your father, and what you knew about the Stock Exchange and that kind of life.

WJ: My dad was in the business. When he graduated from college in 1928, his first job was with Fenner & Beane before it became Merrill Lynch Pierce Fenner & Beane. The great stories out of my father, who's been dead for twenty years, were the Crash, 1929, and his job in those days of doing margin trades in 1929 for Fenner & Beane. The kind of thing, Ken, that I heard around the dining table from the time I was old enough to understand basic English was talk about Wall Street and what was going on. After Fenner & Beane, dad went to Wilmington, Delaware where he was, basically, first an assistant branch manager and then a branch manager for E.I. DuPont, which is a firm that's long gone.

He had the pleasure of a man in Wilmington, Delaware who was married to a DuPont, and the two of them formed a firm called Johnston and Lunger [founded 1939, liquidated 1970], and it was a quasi full-line small brokerage firm. Dad came to New York and became a member of the New York Stock Exchange in 1939, the year I was born. He became a member of the Exchange, and they did a little brokerage, a little trading operation; it was a two-man, mom and pop business.

At about age thirteen or fourteen, I got interested in trading. I borrowed some treasury bills to use as collateral from my mother, and made my first trade at age fourteen, ridiculous as it is, and I never stopped.

KD: Now was your dad a specialist at any point?

WJ: He was a specialist from 1943 on due to the war. He did it for twenty years. He was a member of the Exchange until the early seventies, and then he sold his seat and retired. He left the floor of the Exchange in 1967 and had gone upstairs to do investing versus trading. There is a significant difference. He was an investor. He wasn't a particularly good trader. He was a far better investor.

KD: What makes the difference between the two?

WJ: I think there's a time horizon difference. I have found that I was not a particularly good investor, that I was far better in the short-term swings, more emotional, more falling in and out of love with stocks than buying something, having the intelligence to do the research and buy something at a cheap price and hold it for a longer period of time. In fact, if one would make a complaint today about markets, it would be there's too much trading and not enough investing, too much short-term mentality.

KD: Even for people who aren't on the floor of the Exchange.

WJ: Exactly.

KD: You were trading all along, apparently. You went to school at Washington and Lee, I guess, for business?

WJ: Washington and Lee Business School. I've got a BS degree in commerce. I came out of W&L and did basic training for the Reserves. I proceeded to get called up for the Berlin call-up in September of 1961. I had taken a course at NYU that summer with the idea of going ahead and getting my MBA, and that got shot down quickly in the literal, no pun intended, sense. I got out of the Berlin call-up in August of '62. Betsy and I got married ten days later, August of '62, and I started in Wall Street right after Labor Day. I started as a clerk on the floor of the Exchange.

KD: With what company?

WJ: In those days, I was working for a joint account which my father was a part of, but quickly thereafter, I went to work for a friend of his. The firm was another joint account. It was a 2 men named Neville Hart and Ian Murray. In those days, there were probably 150 specialist firms on the floor of the Exchange. Today there are five. You had an awful lot of—I use the term mom and pop. They were two people, three-people firms, and they would band together and join accounts to get more stocks and to merge capital together. We can talk about this later because, obviously, there was a real economy of size. I'll get to that after '87 happens, but that's when the real merger of firms started to take place in mass numbers.

KD: You're talking about a lot of small firms. To do something big, they joined together in a group temporarily.

WJ: Exactly.

KD: Okay. You were working for one of these joint accounts. What was your job?

WJ: My job first was as a clerk behind the post of the Exchange. I became a member in '64. I borrowed the money and bought a seat on the Exchange. They brought me out in front of the post, this firm Ian Murray and Neville Hart. They had just gotten a very, very big stock called Tektronix, which was one of the early sort of technology companies that was more gauges and measuring devices than it was pure electronics as we know it today.

KD: That was a period when those sorts of things were just starting to take off.

WJ: Oh, exactly. This is '64, '65.

KD: Everything had a name that sounded highly technical.

WJ: Exactly.

KD: That was the first stock that you acted as a specialist.

WJ: Yes. I ran stocks. They had Western Airlines in those days, they had a couple of railroads, a couple of utilities. They didn't have any Dow stocks. They didn't have anything truly enormous. In those days, I saw days of 3 and 4 million shares a day volume. I can remember days of less than a million shares for the whole Exchange. Now they do that in the first nanosecond.

KD: Right. But, of course, it was handled very differently.

WJ: Oh, totally different. It was all paper. There were no electronics. It was all paper orders and paper book.

KD: I assume there was a pecking order at the Exchange, on the floor of the Exchange, and you moved into the bottom rung.

WJ: Yes. I moved from being a clerk or a trading assistant to being a junior partner, if one wants to call it that, and junior is probably the right word, very junior.

KD: Which is why you'd get not the most seasoned stocks.

WJ: Exactly. You would trade the less active or backup the more senior partner in terms of helping him trade the stock.

KD: Well, take me forward a little bit. Talk about how you developed a career in that.

WJ: What happened was that ultimately, my father came over and joined this joint account. In the late sixties, dad decided he wanted to get out of the business, and the firm was liquidated, our piece of the joint account. I basically took the handful of stocks that were allocated to me, I think there were six stocks that we were "the sole specialists" in, and I went to a firm called Mitchum, Jones & Templeton, which was an L.A.-based full-line brokerage firm in those days, a regional firm along the line of Wedbush and the E.D. Joneses, A.G. Edwards, all of those firms that had regional offices.

In 1970, I ran the East Coast division of Mitchum, Jones & Templeton as a market maker specialist on the floor of the Stock Exchange, and was the only non-Californian on their board. It was a public company, publicly traded, listed on the Pacific Coast Stock Exchange. I went to California about once a month to talk to the bosses.

KD: Now this is a pretty sizable brokerage, I guess. Is that right?

WJ: Sizable in those days, yes. Sizable today? No. Not even a blip in today's idea of size.

KD: But pretty different from this joint account that you were on.

WJ: Oh, very different. Very different, because we had brokerage offices, we did investment banking, we did minor syndicate work.

KD: How did that change your function as a specialist?

WJ: Not at all.

KD: At some point, you decided to set up for yourself. Is that right?

WJ: In 1980, the principle shareholder of Mitchum, Jones & Templeton, a guy by the name of Rick Guerin wanted to get out of the trading business. He, basically, said to me, "Take your East Coast trading division and get out." He did the same thing with the West Coast trading division. There was a specialist firm on the floor of the Pacific Coast Stock Exchange, in those days, both in San Francisco and L.A. We had operations in both cities. It was all spun out, if you want to call it that. That was 1980. In 1980, I founded something called Agora Securities. What we did, basically, was just change the name on the door. Nothing else changed. I went to London looking for some outside capital and was introduced to a firm there called Smith Brothers, not the cough drop people, but a bona fide brokerage firm, and they became a 25 percent shareholder, 24.999 percent shareholder, in Agora Securities, which caused less problems with the Exchange in terms of control. That's why they were not a 25 percent owner. They didn't want to be, and the

Exchange wasn't excited about having somebody that was a non-New York firm, in those days, owning 25 percent of a specialist's firm.

KD: Was that an arbitrary number, 25 percent?

WJ: Probably. It was probably driven more by IRS than anything. It probably had more to do with reporting and those kinds of things, how you'd factor in taxes for a British company. Smith Brothers became Smith Newcourt, and Newcourt was the Rothschild family, and they were bought out by Merrill Lynch. We all know the Merrill Lynch story thereafter.

KD: Well, we've got the genealogy down a little bit. Let's track back and talk about the sixties. You talked about your tech stocks and that rings all the chimes of that period, the go-go period where the market's really taking off in a way that nobody had seen before.

WJ: I think that that was a much briefer version than the nineties' version, electronics and technology. The sixties were interesting. Volume was starting to pick up on the Exchange. I mean, you had days that we were really kind of busy instead of sitting around shooting the breeze and doing whatever. The Exchange was a little bit more playful in those days than it became later on. The practical jokes were significantly greater in the sixties.

KD: You had time for personal interactions.

WJ: Exactly. You could talk.

KD: Where was the volume coming form?

WJ: Volume was coming from the big stocks, the General Motors type stocks, the bigger Dow companies. Even in those days, you could have a stock that was a secondary kind of company that would trade 300,000-400,000 shares a day, and that was a lot of volume

KD: Is this institutional investors? Is that what's happening?

WJ: It's the beginning of it. It's just the beginning of the mutual fund and people taking larger positions in stocks.

KD: I would assume that specialists are looking to get into the bigger stocks.

WJ: We wanted to get the allocations, yes.

KD: How do you do that?

WJ: In those days, it was very much more political than it became. Political in that the governors and directors of the New York Stock Exchange tended to get the better allocations. The firms without politically-connected people got, shall we say, not as good selection of stocks. That's biased.

KD: There was a committee or something, I would assume.

WJ: There was not an allocation committee to the degree that it existed in the eighties, nineties and now. It was more of an old boy club. A "This one's yours, Ken; the next one's mine," kind of thing.

KD: What were some achievements for your organization? You're in this regional firm, and you're obviously not connected at the top.

WJ: Well, no. I started getting interested in politics at the Exchange in the mid-seventies. The first political job I had at the Exchange, on the floor, was floor official. I think I became a floor official in maybe '71 or '72. I started to try to be more noticed. By the way, I think also the allocations were getting more equitable by that stage of the ballgame. I don't remember when they put in the first pure allocation committee, but I want to say it was probably the eighties when that happened.

We started applying for better stocks and getting some decent stocks. We got a company called Fleetwood Enterprises, which was a mobile home builder out in California. We got one of the gaming stocks. We got two or three REITs, one of which, Great American Mortgage Investors, GAMI, was a monthly dividend-paying stock, and it got some volume around the dividend date every month, so we started to pick up better volume and get better allocations.

KD: And that's growing your business.

WJ: That's growing the business. Absolutely. Without horses to bet on, you have no race. That's what we want. We wanted more horses.

KD: I would assume that you were starting to get more horses when you started to get politically active.

WJ: Correct.

KD: Because you're starting to move out of the day-to-day. That's really intriguing to me. What was behind the decision, and what was involved in doing that? You just sign up for groups, or tell people, "Hey, I'm available?"

WJ: No, I think it was more being noticed, it was more being able to run active stocks and control crowds, which in those days—you don't see a crowd on the floor of the Stock Exchange anymore except rare opportunities at the opening or at the close with some huge imbalance. I had helped out in stock situations with other firms where they needed some help.

I remember the Tylenol scare with Johnson & Johnson. At that time, I think I was a governor at the Exchange, which was the next step up in the pecking order, and I went over and helped them with Donnie Stone, and another friend of mine. When they needed some help, I pitched in.

KD: What do you do? How do you control a crowd?

WJ: You basically get them all to quiet down, and you get buyers to announce they're buyers, and sellers to announce they're sellers, and you try and bring them together. That was the classic old New York Stock Exchange model. Bring buyers and sellers together, and only have the dealer there when needed to take a piece of the imbalance or, in the case when there were an absence of buyers or an absence of sellers, to have the specialists step in with his or her own capital. That was the classic model. That doesn't exist anymore today, as you well know.

KD: Which has been much discussed in recent days.

WJ: And is being discussed right now as we sit here talking.

KD: They noticed you, you got more visibility, and somebody says, "How would you like to be a floor official. Is that the way it worked?

WJ: That's sort of the way it works. The directors in those days anointed the floor officials. Then as I say, this next step was governor. There were sixteen governors on the floor of the New York Stock Exchange, eight specialists and eight brokers. I was one of those from ’83 to '91. I ran for director in 1992. There were three directors on the floor of the Exchange, two specialists and one broker. I became one of those two specialist directors in 1992, sat on the board. I was a director of the Exchange.

KD: There were slots for two specialists.

WJ: Correct.

KD: Tell me a little bit about the floor official job.

WJ: Floor officials had things that they could do and couldn't do. With a floor official job, you could approve stop loss orders, an accumulation of stop loss orders. A stock is trading down from thirty to twenty-nine. The specialist has gone on record with the Exchange that there's this accumulation of stop loss orders at $29 a share, and if it sells there, they're going to be elected and then become market orders to sell stock.

A stop loss order works to protect the purchase you made. You bought IBM at 100, and it's now gone to 130, and you say, "If this stocks trades back down to 125, I want to lock in my profit." You put a stop loss order in to sell at 125, and when it first ticks at 125, your order then becomes a market order to sell the stock, and you get the next price. It could be 124 ½ , it could be 125, it could be more dramatic like last Thursday [May 6, 2010].

It could be any combination of things, but the specialists went on record when they had these big accumulations of stop loss orders, and then they would get a floor official or, depending upon how truly dramatic it was, maybe a governor in there, and we would try to bring buyers in and let everybody know and take a minor timeout if you will, a minute or two to determine what was a fair price for the stop loss orders. There was a feeling that they were there for the specialist's ability to get rich. Because if he could quickly pick them off at 124 and the stock went back to 125, he'd had a good day's profit.

KD: That would've been their function, in essence.

WJ: Their function would have been to pick the right price. If they picked a dramatically bad price, they were going to go before regulation. The last thing you wanted to do was see the regulators.

KD: Tell me about the regulators. The Exchange had its own regulators.

WJ: The Exchange was a self-regulatory organization. It still is.

KD: Were they considered the regulators? Is that who you're talking about?

WJ: Yes, but with a reporting function to the SEC. The SEC had the ability to come in and ask for any piece of paper they wanted at any time, and we provided it. Come back to '87 a second, let's digress. In '87, there were a whole bunch of stocks that were analyzed very, very thoroughly from the standpoint of did the specialist stand up and commit capital, or did he walk away. There were some stocks reallocated, which means that the specialist was considered not to have done his job.

KD: What happened to those specialists?

WJ: They are all still there. The firm that I merged with in 1990 lost a stock after the '87 mess. Spear, Leeds & Kellogg, which was one of the biggest and best, lost a stock. It didn't have any impact on Spear, Leeds and Kellogg's ability to ultimately sell themselves to Goldman Sachs. Peter Kellogg, who's a personal friend today, built a marvelous business.

KD: But the perception was that somewhere in there, one of the specialists didn't do his job.

WJ: That day, exactly.

KD: Supposedly, there were a lot of folks who were unable, if unwilling, to do their jobs.

WJ: Well, I think that was a reflection of a) the time; and b) the amount of capital. The Exchange did a marvelous job after '87 of ratcheting up the capital requirements, and they kept ratcheting up through the nineties and into the oughts. The capital requirements have been diminished to some degree, because, in essence, there is no more specialist.

They are more designated market makers like you would have in options and futures today than they are what I would call the classic specialist model.

KD: People putting together these joint accounts wouldn't be able to come up with that kind of capital, I would assume.

WJ: They would come up with small capital. I'll give you the number. In 1987, we had about \$10 million of cash capital, and borrowing power of four times that, so \$40 million, that was what you could borrow, up to 25 percent. The first thought that went through my head after 1987 was a) we didn't have enough money; and b) where was I going to get it? That's what began the consolidation phase as specialists realized, first, that they didn't have enough money for these dramatic moves and, Lord knows, 500 points on the Dow was a dramatic move from 2,500 down. It's a little less dramatic from 11,000 down. That's when the first thoughts, I think, started to run through those of us that were in our forties and fifties, in those days thinking about the future of our firms and the future of our businesses. That's what drove me to move Agora into LaBranche, which I did the 2nd of January 1990.

KD: It sounds like you started looking around right after that.

WJ: You should ask my daughter this question because she'd give you a different answer. My daughter would probably say to you I was scared, I was petrified, I was thinking about my own future in the business and what was Tuesday going to bring after the Monday, October 19th crash. We never used the word crash by the way, it was always a correction. Always correction. Never anything that rhymed with bash or dash or clash.

KD: I thought it was okay to call it a market break.

WJ: Market break. Break is probably all right. Break, you break a bulb, you break a plate, you break the market, you break the bank. That was the driver for most of us that were sitting there and remember it. At this time, in 1987, I've got a firm that's trading close to forty stocks. We have five partners, what I would call full partners, and then three or four or five junior partners depending on the time, and maybe a total firm of twenty-two, three employees in all.

KD: The partners and junior partners are all on the floor?

WJ: They're all on the floor. Well, we had some upstairs people doing clearing and administrative partner. I, actually, had dinner with her last week. This is a gal I hired at twenty-two right out of college, and she's still working with a specialist firm. That's great. That's thirty years ago. That's the beginning of the thought process, not only the loss, because we lost about 30 percent of our cash capital that day, not only the loss, but more thinking about the future and how were you going to survive if another one of these events happened? Could you take another 20 or 30 percent hit on your capital? More importantly, it was really, in those days, all our own money.

There was no real outside money, no public firms. LaBranche goes public in the late nineties as the first big specialist firm to go public. Others had done joint ventures. There was a book that merged with Bear Stearns, and they were a public firm, and even Goldman. Spear Leeds sells out to Goldman—it's got to be very late nineties, early 2000s before Speer Leads sells out to Goldman, and they're private, they're still a partnership in the classic sense of the word.

KD: The question becomes why did you think this might happen again? One would think, "This was a once-in-a-lifetime experience," but did it seem like the market was getting more and more volatile, more and more money was going in and out.

WJ: You didn't have the same frenzy on the upside that you had in the late nineties with the technology bubble. It was more, as I remember '87, '87 to me was more of a political event. The dollar was in basic freefall. There was, obviously, an over-valuation of stocks, but it wasn't the same frenzy, it wasn't the same panic that I think that you saw in the late nineties.

You asked the question, why do you think that this can happen again, because I think that's the first thought that goes through the rational paranoid brain. Not that they're even a sequitur rational and paranoid, but you've got to think, "Oh, my God. I lost this kind of money. A) how am I going to recoup it; and b) can I afford to have this happen again?"

KD: Clearly, things accelerated after '87, for all the reasons you talk about. Had there been an incremental change up until then? Were you seeing some merging of some of these small groups?

WJ: Minor, but much more dramatic after the '87 debacle.

KD: Okay. So this was a quantum shift at that point.

WJ: Exactly. We talked a lot to one another. We had a group of about a half a dozen of us who met often. In '87, I'm forty-eight years old. There are a half a dozen of us that are running medium-sized firms and we are all in our forties and fifties and are thinking, "How long are we going to be doing this? Are we going to be doing this into our seventies? Are we going to be out of this place in our sixties?" We're thinking not only about survival. We're thinking about our own ultimate retirement, perhaps.

KD: Which helps when you're thinking about merging into a larger company.

WJ: Exactly.

KD: That's interesting. That's a factor that I hadn't ever encountered before.

WJ: I believe that. Let me tell you something we did with junior partners, too. I learned this from Kellogg. Peter was as bright a guy as any I've seen. We took all of our junior partners, and we moved them from being a trading assistant to getting a white badge and becoming a specialist. They were required to put up capital in the firm. What we did was we started withholding some of their money as they became more senior as trading assistants so that they would have some dough to put into the firm to, in essence, buy their percentage of the firm as we brought them out front, which was a minor league to major league move. They didn't run out and spend the newfound wealth they had as junior partners. They were withholding a piece for capital in the firm.

KD: Was this something that other groups did?

WJ: We started talking about that, all of us. The younger people, the people in forties and fifties about how to build the capital of our firms. That was even prior to the '87 crash. I think it must've been a niggling thought in the minds of some of us. How were we going to continue to grow capital, how were we going to get young people to be able to buy our shares of firms?

KD: You're talking about a generational change here, and you're talking about your young people, but from the governance of the Exchange, I would assume that your colleagues would have been considered young people at this point.

WJ: We were probably, by the old fogies, considered brash kids, but by that time, the mid-eighties, you've got directors and governors of the Exchange that are all in their forties and fifties. I think most of us thought that we were going to be well off of the floor of the

Stock Exchange by the time we were sixty. It's only the Jimmy Maguires that are still there at age seventy-whatever the heck Jimmie is that want to still be there. I think all of us thought that there was life after 11 Wall Street that we wanted to participate in.

KD: Back in the sixties, I guess, Keith Funston was still there.

WJ: Own a share of America. That was the tagline.

KD: The great PR man.

WJ: Right.

KD: Did you see a point at any of these generational shifts in the leadership of the Exchange? Was that ever perceptible to you and your colleagues?

WJ: Probably not until the eighties. Probably not in the sixties. I was far too young to really be thinking that far out. Probably more into the eighties when it begins to cross my mind, "Oh, my Lord, the other generation is gone. I'm now about to run a firm." I founded Agora. I was forty-one years old when I founded the firm.

KD: You probably weren't taking a real hard look at the governance of the New York Stock Exchange in those years.

WJ: No, not then. But later, yes.

KD: You must have been thinking about it a little bit as you talk about becoming politically active in the seventies.

WJ: Well, it looked like the right thing to do in terms of allocation. Then, of course, the allocation process became a committee process where you made a bona fide application, and it became less political and more realistic. Can this firm handle it? Do they have the capital? Do they have the manpower? Do they have the talent? Do they understand anything about this industry, particularly as technology starts to get more interesting, and we get listings on the Exchange. The committee process made allocations much fairer.

KD: Where else did you see the committee process at work?

WJ: I think you saw it in technology, and that I was very, very involved with due to a friend who was, at that time, a director when I was a governor. He pointed me towards technology and said, "I want you to get very involved, because paper and pencils are going the way of the dodo bird." '87 taught us. We had just introduced our first touch screen in late '86 or early '87. Our firm, Agora Securities, on October 19th, was 100 percent electronic to the degree that we had a book. We had far less problems than some of our peers that weren't 100 percent electronic. I knew then that that was the answer. I'd had that drilled into me by smarter people than I was that were on the board and were very interested in it as well.

KD: Do you remember who they were?

WJ: Oh, sure. Jim Jacobson, who lives right down the block. Peter Sullivan was a director. Michael Creen, guy that lives out in New Jersey, Donnie Stone, these guys were all directors of the Exchange.

KD: Were you on the technology committee?

WJ: I ended up on the committee and then, ultimately, running it for a while.

KD: Okay. Tell me about it.

WJ: It was more "What's the next step?" The original technology was touch. It was a touch screen, and then we, basically, went to a keyboard technology with IBM, and the Exchange would send groups of us up the Hudson River to IBM's headquarters where we'd spend time with them looking at screens and talking about what we thought the ultimate answer was, and decided that keyboard technology was better than touch.

KD: Now you're talking about technology, and the assumption is that you're really looking to replicate the same processes that the paper and pencil had, just with computers. But, supposedly, there are all kinds of other things you can do with computers, like change the process or change the system.

WJ: You know, more importantly than that, we learned in '87, was keeping track of our inventory. We didn't have good ways in those days for the computer to say, "Gee, you just bought 500 shares of IBM. You're now long 1,500 or 5,000, or 10,000 or whatever." I remember the biggest concern I had on October 19th was how was I going to pay for all the inventory I had? I was walking around the post to my partnesr saying, "How many shares of X, Y, Z do you think you're long?"

We were the specialist in Kroger. How many shares of Kroger do you have? How many shares of Mead Paper do you have? How many shares of this do you have? How many shares of that do you have? We knew there were no short positions. They were all long inventory. I was trying to figure in my head how much money. I had to go back upstairs that night and call the bank. I told the bank, I said, "I think we're going to need $40 million." You could hear the audible gasp. We'd never borrowed $40 million. We had never borrowed more than $20 million from the bank. Here, suddenly, is this client in a free market fall that's going to have to borrow $40 million. Enormous amount of money.

We can thank the New York Fed, and we can thank John Phelan for the fact that on Tuesday, the banks were told politely to ease up, and they did. They gave us all the money we needed to pay for those purchases, which in those days was a week later. We had to settle the trades of the nineteenth on October 26th. By October 26th, our positions were back to what they normally were, but we weren't out of the woods. We were breathing a little easier than we were on Tuesday when we had another market collapse, as you know, on Tuesday the 20th. That was the scary day.

That was even, in many respects, scarier than the 19th. Because on the 20th, you had time to think. On the 19th, you were just reacting. Somebody was in your face, "I want to sell 10,000 shares of Kroger. Make me a bid, make me a bid." You made them a bid. You prayed you weren't going to get hit, but more often than not, you bought the stock, and you ratcheted down to the next level.

KD: On the 20th, was it just a matter of time? There was more time to think about what was going on?

WJ: You got that little blip at the opening, a little tiny rally at the opening, and then they started to go into freefall, and the Exchange was s hutting down stocks, particularly the big stocks, one by one. You got less busy as stocks were shutting down, and as the other players in the marketplace, particularly with program insurance, they couldn't do those options trades without the underlie, because you need some place to lay off your bet, right?

KD: Right.

WJ: No place to go. Things came to a quiet period. Then stocks reopened, and then late afternoon the 20th, you got that marvelous rally and everybody wiped their brows and said, "You know, maybe we're out of the woods." As it was, we were.

KD: Anything we haven't talked about? Highlights of the sixties-seventies period?

WJ: Well, sixties, I think, are a growing—for me, it was a maturation period of my life, of growing up and understanding the business better, and realizing that if I was going to make a career out of it, I'd better go do all the right things in terms of talking to my peers, and understanding the business better.

KD: What did you learn? These are the kind of things I want to try to pick up.

WJ: I think you learn the sophistication of market making. You understand that market making is not so much an art or a science as is a matter of feel, and doing what's right. I was on the SEC's web site the other day. I've got to read you this. "The mission of the U.S. Securities and Exchange Commission is to protect investors, maintain fair, and orderly, and facilitate capital formation." That's an interesting charter, you know, mission statement.

Our job was to maintain fair and orderly markets. What was fair in IBM wasn't particularly fair in a stock that traded 500 shares a day when IBM might've traded 500,000 shares a day in those days. You had to learn the fine-tuning of the difference between a big Dow stock, and a secondary stock that might trade 2,500 shares in a day, and that was all it traded. You wanted to maintain a balance of inventory and not get yourself too extended in that secondary or tertiary stock that didn't have the same liquidity profile.

KD: But you'd have to take some because that was your function.

WJ: That was the function, exactly. How do you measure it, how do you figure out what the proper market-making responsibility is? Here's your analogy. Stocks are like children. Each one takes a little different something to raise. I think about our two, and which one needed more handholding, which one needed more communication, which one needed more patting on the head? Your partners are like that, and stocks are like that.

Then from the standpoint of a business model, our specialist firm was a grocery store. We stocked up the shelves every morning with canned goods, and bread, and dairy products, and meats. You pick the products here. And today, they might like the canned goods, and you did well trading the canned goods, but boy, the meats weren't going off the shelf very well, and you had to watch your inventory of meats because you didn't want to get stuck with inventory that was going to turn bad on you. That's sort of the thinking that I went through in the sixties and seventies as an analogy of how the business worked.

As the business grew, that became less and less relevant because you had more stocks, first of all. You had more horses in the race, but also, you had more volume and more liquidity.

KD: Right. Things are trading.

WJ: Better. Yes, they're trading better. Better is the right word.

KD: Were there benchmarks?

WJ: Oh, yes. We had guidelines. We had definite spelled-out guidelines.

KD: From the Exchange?

WJ: From the Exchange. Oh, yes. Computer models. All these bright guys from MIT came in and did computer models for us.

KD: How well did they work?

WJ: They worked well in normal times. They weren't nearly as tasty delicious in times like October 19th, 1987, because you get burned.

KD: Anything else we should talk about as far as the early period? I do want to sort of follow you through your political involvement in coming up from walking around on the floor, and sort of policing the precinct, I guess.

WJ: Yeah, that's a good term. That's what we were. We were cops as floor officials, and then you moved on up. You might've been a detective as a governor and whatever the next grade-up, captain, as a director of the Exchange. Good analogy, I think.

KD: Well, a more direct analogy, of course, is there's guys in surveillance too running around.

WJ: Exactly.

KD: How much would you interface with them?

WJ: If you did a good job and kept your nose clean, never. You filed reports. First of all, we filed trading reports weekly, and then if they wanted to dig deeper into what was going on in a particular stock, they'd come in and they'd take your order flow, and they'd do a reconstruct of where you stepped in, and when Merrill Lynch came in to sell 5,000 shares, and how did you interact with Merrill Lynch's broker, and what did you do for him to try and make him feel good about his getting a good price for his customer? That's maintaining fair and orderly markets.

KD: Did everyone in your group or your colleagues, did everyone take a sanguine view of what was going on? One would think that it was a little strange having your own policeman in your own house.

WJ: Yes, it's a different model. There's no question about it, but yes, sanguine is probably not a bad word. There were the rules under which we played, and so we knew that if we stepped outside of the guidelines, if we didn't perform the function for which we were supposed to, that we were going to get hauled up in front of the regulators. As I told my good friend, Ed Kwalwasser, who was the head regulator there at the Exchange, the less I saw Ed, the happier I was. We became partners working for the Exchange itself, which is the other half of this story that you'll get to when I come off of the floor to go work for the Exchange itself.

KD: Then committee work. You talked about technology. You were on an IT team.

WJ: Yes. There was a group that was working on how do you communicate with your companies. Another thing we learned out of the '87 mess was that there wasn't as good communication with companies as many of us thought we had. That we might've thought that we were doing a marvelous job, and the company didn't think we were doing a marvelous job. That got tightened up too, and there were requirements on what levels of management you had to talk to, all as a result of '87.

KD: Is this, essentially, reporting type of stuff?

WJ: No. It's answering their questions. We probably needed to better realize that even though we didn't work for Kroger Groceries, or IBM, or General Motors, we had a responsibility to that company to inform them—it was generally the CFO, that was generally who you dealt with—of what was going on in the stock, who the sellers were, who the buyers were, and what we were trying to do to mitigate dramatic moves in the stock. There was a much better, after '87, process for making sure your companies knew. Then we all, as firms, hired people upstairs. Your downstairs trader would call your upstairs gal and say, "Call Kroger for me, and tell them that I've just seen a 100,000-share seller in the stock, I think the stock is going down a point or two."

We warned them before the dramatic move happened, like last Thursday where Accenture had no idea their stock was going from forty to a penny. Bad. Bad last Thursday [May 6, 2010].

KD: I talked to Don Stone.

WJ: Donnie's a champ.

KD: He really personalized it in that you get to know the company you're working for, and the people.

WJ: You're not an insider, but they treat you like you are a part of the community with a piece of the puzzle that they need to know, particularly for a CFO. Some did it with the IR-PR type people. I'd like to go to CFO or CEO. You had some companies where the CEO contacted you directly. God knows whether Donnie Stone, what his relationship was with his companies. I'm sure it was marvelous.

KD: I think he was right there in the hot seat with Tylenol.

WJ: He was Tylenol. I was right across the floor, directly cattycorner across from him. Whenever Donnie needed a little help, or maybe he didn't need any help at all. I was standing around there to help if he needed it.

KD: Did any of your stocks ever go through any gyrations or anything like that?

WJ: Not to the degree that we had some major product problem, no Edsels or Tylenols or things like that.

KD: No bad news.

WJ: Well, you had bad news. I mean, we had a stock go to zero. We were the specialists in Continental Illinois Bank. You know what happened to Continental Illinois Bank. We had our fare share. We had a company called Famous Artist Schools. I remember taking a significant position in the stock at $4.50 and thinking I had bought it very, very cheaply, and it went to zero. But nothing that got the visibility that a Tylenol got. By the way, that company handled it beautifully. That's your classic how-to-do-it right. Pull it off the shelves, warn everybody, do it beautifully.

KD: Which is unusual because it was really one of the first times something like that happened.

WJ: Exactly.

KD: You became a governor, and your purview is a little more broad at that point.

WJ: Correct. I can do more things. I can actually halt training in a stock as a governor. I can't halt training in a financial stock, but I can halt training in a manufacturing stock.

KD: Why not a financial stock?

WJ: The perception was if you halted training in a Citigroup, maybe there was something more dramatic there than met the eye, and so they wanted directors involved. They wanted Donnie Stones involved in the financial stocks when he was a director of the Exchange for many, many years.

KD: Okay. Was this starting to become a full-time job at that point?

WJ: Not as a governor. I think as a director of the Exchange, which I was from '92 until '96 when I came off the floor of the Exchange to become president, I think it was darn near a full-time job. I ran a panel of stocks but they were really very, very inactive, and they were more relationship than anything. It was more a company saying to me, "We know you're busy, but we'd like you involved in the trading of our shares." There were no big stocks. They were all tertiary-type companies.

KD: Tell me about the director's day, the kinds of things that you would be facing.

WJ: Directors would generally have meetings every single morning. We would get together for lunch generally once a week, if not more, and talk about problems that we saw. And then there were meetings after the close. We all had committees on which we sat as directors. Most all of us went through the regulatory committee. Stone, when he was vice chairman, made sure we all did that.

What we did, and Betsy used to get quite a kick out of this, was I would come home with piles of paper of regulatory issues, a registered representative at a member firm had churned grandmother's account, and we looked at those things. Some of them were appealed to this committee that I sat on, and we had to be reasonably well versed on what their job was, and we did it. We looked at all of these things, and we opined on them. Some went back to be retried, and some we upheld their ruling, the committee, and then it would go to the board of the Exchange in certain cases, and they would uphold or not uphold the ruling that had been originally made by an arbitration panel.

KD: Is this the governance committee?

WJ: Yeah, that was the governance committee.

KD: Okay. Because in the old days, the governance committee was the power in the Exchange.

WJ: Yes, before my time. Very definitely before I get involved in the politics of the Exchange.

KD: So now you're looking at the board.

WJ: Now you're looking at the board at least having some oversight, some view of it. Remember, the board changed. I don't know the exact date on this and Stone could give it to you, but I want to say it was probably mid-seventies. You go from a board that was alternating with the chairman between a floor guy and an upstairs guy to a full-time chairman of the board going way back to the Funston types. They were presidents of the Exchange. They were not chairmen and CEOs. They were president and CEOs. They were not chairmen of the board. The chairman always came from the industry, either the floor or one of the member firms. That changes. You start the governance climb of making this thing better run, better regulated.

KD: When do you think that climb started?

WJ: Probably mid-seventies. Probably in that timeframe. Stone would have a better answer for you.

KD: It's interesting to describe it that way. The question would be, what do you think was behind it? Is there public relations involved, is there a sense that the market is changing so fast that we've got to get our act together here?

WJ: I think the market's changing. Technology is changing the markets. You're getting much more volume, you're getting more players in the market. You're getting a mutual fund industry that's growing by leaps and bounds. You haven't gotten to hedge funds yet, but you're getting people that are getting more interested in the market, and you need that level of confidence, that layer overhang of ability to check on people that are doing erroneous things. Don't get me into Bernie Madoff. I'll talk for two hours about Bernie.

KD: So your decision to really go full time, then, in the governance.

WJ: The products are getting more interesting too. That's crucial. Options are coming into business. You've got this ability to hedge and to trade differently. There always have been options, but not to the degree that the CBOE brings it to a whole new level. They're going to create product for us because they want a place to hedge their positions, so they're going to create more volume for us. The products are becoming more sophisticated, more interesting.

KD: At the same time, you've got the rise of the NASDAQ, which is sparking a little more interest in investing and all that sort of thing. At the same time, there's something of a competition that starts.

WJ: Oh, heck, yes. Still a competition.

KD: That's part of, I guess, their banging heads together in Washington today.

WJ: They're kissy-kissy as of yesterday, supposedly. The long story is, you've got to have the same rules across all markets. The SEC has got to get this message, and get it right. In the old days when the Stock Exchange had 85 percent of market share, you concentrated all your efforts on making sure they were running the business properly. Today, you've got peripheral marketplaces that are doing 5, 10, maybe more, percent of the volume, and they've got to have the same rules as the Exchange. Or the Exchange has got to have the same rules as them. I don't care whose rules they are. They've got to be the right rules, and played on a level playing field.

KD: Right. One of the things about '87 was that the NASDAQ market makers just weren't picking up the phone.

WJ: Yes. Mr. Greifeld the other day accused the New York Stock Exchange of the same behavior. True or false? I wasn't there. I don't know. In fact, actually, I was driving back from New York City last Thursday and was shocked when I got an email pulling into my driveway saying, "What's going on with the market?" and it was 3:00, and I didn't realize the market was down 1,000 points.

KD: Yes. Well, if you'd checked at 1:30, you wouldn't have noticed that.

WJ: Exactly right. Down 200 or whatever they were at that time.

KD: It happened fast. Tell me a little bit about the decision to move up to the governor and then the president.

WJ: Well, I think that I was interested in the mechanics of the Exchange, and if you wanted to be interested in the business as a whole, you had to move up the political ladder. Once again, Donnie Stone was a mentor to so many of us. He's the guy that gives me the shove to get involved. "You want to get involved? Come on. Here's the way you do it. Here's how you do it." Jacobson, who was also one of Donnie's mentees, would say to me, "Let's go out to dinner and talk about this business, and talk about where we see it five years, ten years down the pike." Those were great friends. Great people to have as friends.

KD: Because of that, you'd come to the attention of the higher-ups.

WJ: Exactly. I got to be known by heads of member firms, and people in corporate America, and you start to get a name for yourself.

KD: Would you run for governor?

WJ: Yes.

KD: I'm putting my name on it.

WJ: You, basically, got tapped, but you ran in a sense that the directors signed off on you. When you ran for director, that was a political race. That was a vote by the membership. I was elected a director in June of 1992.

KD: How did your perspective change? Was there a point at which you said, "I never realized that that was happening that way before," as you start to get up higher and higher and have a different view of the Exchange?

WJ: For me, it was just a continuation of the learning process. I wanted to understand the evolution of an order. I would go to mutual funds and spend some time with them, and sit with their trader, and sit with their research people. I would go to member firms and sit with their traders and try and understand how they were going to get an order. Mutual Fund A gives Brokerage Firm B an order to buy 100,000 shares of IBM. How are they going to execute that order? Are they going to break it up, or are they going to give it all to the broker on the floor? Are they going to look for people that might've been sellers in their own customer base?

All of these things, maybe, from the standpoint of understanding the clearing process, the settlement process, and the incubation of that first idea. "IBM looks cheap here. We want to buy shares for our mutual fund in IBM." Where did that idea come from? What caused it to spark? What then caused this reaction of buying the shares? That's education. I mean, come on, you know that better than I do.

KD: You're looking at the machinery and seeing how it really worked.

WJ: Exactly. How the pieces all fit together.

KD: When you're doing that, that's got to be a fascinating exercise. But when you're doing that and you're talking about it with your friends, we're also talking about a time when, as you mentioned, technology is changing like crazy, the market is changing. Were there points at which people focused and said, "We can't keep doing it this way?"

WJ: '87 eliminated pencil and paper. After 600 million shares down, 500 points, I don't think even the hardest-core people realized that technology wasn't the answer. We had to get out of the horse and buggy days. NASDAQ had helped us with that, despite our never saying anything nice about NASDAQ. They had a technology process.

KD: But what else? Were there other issues? Even if it wasn't technology, when you're looking at the Exchange in these years, were you seeing things that you felt were going to have to change in order for the Exchange to keep up?

WJ: Yes, but I think they were more buried deep down. '87 was really the catalyst for me to really think about the future, to really think about capital, to really think about technology, to really think about market making.

KD: How about regulation and surveillance and all that kind of stuff?

WJ: I never lost major amounts of sleep over regulation. I figured if I kept my nose clean and did my job, that I'd be fine.

KD: Right. But what about as a challenge for the Exchange? I mean something the Exchange has to do, and it has to do it well.

WJ: Well, they did it after '87. Once again, they ratcheted up capital, they ratcheted up communication requirements. I think the Exchange encouraged, and I know John Phelan did and Grasso, encouraged mergers to get rid of these little mom-and-pop businesses. There was no room for mom-and-pop businesses. They had to be run like bona fide grocery stores. Supermarkets. Wal-Mart.

KD: How about the presidency? Tell me about the process.

WJ: Of how I became president of the Exchange?

KD: Yes.

WJ: I was in the wrong spot at the wrong time. I'm on the board in 1995 when Dick becomes chairman. Dick told the board in early '95 that he would have a president in place within a year because there was none. He had really held the job even as vice chairman to Donaldson. I don't know how many titles Dick had in those days. He was executive vice chairman. He had a bunch of titles. I had moved up to vice chair from the floor in June of '95. For Stone, it had been a full-time job. Stone was everywhere at every meeting doing everything.

I found out you couldn't run a firm and be vice chairman at the same time. I started to walk away from the firm. It was April of '96 when Grasso came to me and said, "I want you to come off the floor and become president and chief operating officer." I said to Dick, "What, are you nuts? I got two years left on the board. I'm going off the floor at the end of two years." I'd already thought about going off the floor. It was a young person's game. In '96, I'm 57 years old. I'm starting to think there's light at the end of this tunnel regarding retirement, and Betsy’s pushing me to start thinking about it.

Dick said to me a couple of times over the course of a day, "I'm serious about this." He said, "Meet me in my office tomorrow morning." I had an office on the sixth floor of the Stock Exchange building as vice chairman, across the hall from Dick. I met him the next morning, and I said, "Gee, Dick, I don't know." He told me all the reasons why he thought I should do the job, and I told him all the reasons why I thought he had better people to do the job. He had an answer for everyone that I suggested.

He said, "Go home, talk to Betsy about it. Think about it." I came back a couple of days later and said, "Okay, let's talk about how long and whatever." That was the job. He took my name to the board. I think Dick wanted a floor person, and I doubt after I held the job that anyone ever would have it again, someone from the floor. I think he saw the floor changing dramatically. Whether Stone helped in all of this, which he probably did knowing Donnie, the idea that the floor had to continue to grow, had to continue to change, and the technology had to continue to come in, that we had to ratchet it up.

As I said to you, the biggest thing that I learned out of '87 technology was, the biggest lack that we had in those days was the fact that I didn't know what my inventory was instantly. I wanted to know instantly. I now own 10,000, I now own 11,000, I now own 12,000. Why couldn't the machine give us that? Stone and Jacobson got that for us.

KD: How long did it take?

WJ: Not very long. They went back to IBM and said, "Put another bell or whistle on this thing."

KD: Right. Your presence as a floor trader, as a specialist was important.

WJ: Yes, I think so. How does one say this without sounding snooty? Dick knew I was interested in the business. I think Dick knew I didn't want his job. I had no desire to be chairman of the board of the New York Stock Exchange, or work as hard as Grasso did. Never. I was thinking about the exit door. As it was, I probably stayed around longer than Betsy would've liked or I would've liked. I stayed around until the end of '03.

KD: In some sense, he was looking for an ability for someone to talk to the –

WJ: Customers and I was good with the floor. That was my strength. I was good with the floor, and I was good with the customers. I like customers. I learned early in my career, without a customer, you don't have a business. This goes back to the grocery store analogy. If your wife doesn't walk into Kroger to buy those canned goods, they might as well close the door. I wanted people that were interested in trading our stocks. The more trading that went through our stocks, the more ability I had to make an income, the more volume.

KD: What was your job like then as president, with customers, and the floor.

WJ: Betsy would tell you I had no life. My life was subjugated to Dick. I mean, basically, I called on customers, I spoke academically. I've taught probably in over a hundred colleges and universities across this country. I did a lot for him, backing him up on the international side. We listed probably 500 international companies in the eight years that Dick was chairman of that board. I mean, he was marvelous on the international side. So for some reason, I got very interested in India as a country, and we got ten or twelve listings from India. I spent a fair amount of time with those companies telling them about the specialist process. I was a salesman. I was a salesman with a glorified title.

KD: For the New York Stock Exchange.

WJ: Stock Exchange, exactly. For listings, for customers to come there, to make sure that everybody was performing their function on the floor.

KD: I had international. Did that change things at all, the viewpoint of the Exchange, the fact that the whole show is not right here in New York?

WJ: I think that was Dick's vision, definitely, that you were going to see, ultimately, around-the-clock trading to some degree, maybe not the way it's done in T-Bills or commodities, but you were going to see a movement of market making around the globe. I had already done that with a London market maker. I mean, I had already given them positions. We were the market maker in Glaxo, we were the market maker in Phillips, not petroleum, but Phillips Electronics. We were the market maker in Total, we were the market maker in Benetton, we were the market in Club Med, all of which had their primary listings abroad.

I would give my positions to a European broker overnight and say, "Okay, here's where I want to buy and sell Glaxo, and I want to be a seller of much more at this price, and a buyer of less at this price." Do that every night. That was just inventory maintenance.

KD: You're handing off the baton.

WJ: Yes, exactly. But in a much less formal way than what you have today. Today, Merrill Lynch will make you a market in any stock around the globe at any time if you're a good enough customer. You know damn well they will.

KD: This is the point, this is the time when NASDAQ gets in all kinds of trouble with their market maker scandal.

WJ: Yes, the odd eighth?

KD: Yes, the odd eighth. Some order handling rules come out of that, and things tighten up to some degree. Did the Exchange see some changes from that general regulatory push that came out of that?

WJ: Yes. You'd do better asking Ed Kwalwasser that question than you'd do asking me, Ken, but yes, definitely. I think that we all realized there but for the grace of God go we, particularly with the market making scandal on NASDAQ. In fact, the Stock Exchange has their own problems, as you know, in the early 2000s, although less heinous. Finally, the judge throws most of the cases out.

KD: This is the stuff starting with Oakford and all of that?

WJ: No. That's the floor broker scandal. That's the late nineties. Oakford is really, basically, a NASDAQ firm where they are clearing transactions for people on the floor that are $2 brokers, primarily. Those brokers are buying and selling stocks without orders, and illegally doing so, and then the orders are being clocked upstairs to cover their transactions. What they had was a clerk who was sticking blank pieces of paper into a time clock every minute or thirty seconds or whatever. They had a whole bunch of paper there that could cover orders so when I called upstairs and said, "Hey, Ken. I just bought 500 IBM at 130 three minutes ago," you could take up the piece of paper clocked twenty seconds before, and write on there, "Buy 500 IBM."

KD: Right. That exposed some problem in the procedures.

WJ: The inter-regulation of the exchanges. That was a NASDAQ firm that we didn't have regulatory power over. Grasso, God bless him, said to the brokers, without judge and jury, “Goodbye. Don't let the door hit you." You know another big change you'll get a kick out of? When I was a kid, I remember them ringing the bell at the New York Stock Exchange and drumming them out of the corps, ripping the epaulets off. You were publicly shamed, and you were escorted off the floor of the Stock Exchange if you had broken a rule, if you had done a Bernie Madoff. You were publicly chastised.

KD: You remember seeing that happen?

WJ: Oh, yes. Oh, yes.

KD: Any particular incidents?

WJ: Not that I remember. It's funny. I was thinking about that lying in bed the other night thinking about this conversation, and saying, "Boy, you know, that did a lot probably to deter some behavior."

KD: Well, it goes back to the old club thing where the rules are sort of mutually enforced. Honor is very important here.

WJ: Absolutely. Your word is your bond. I grew up hearing that expression from my dad, and went to a school with an honor system, and I've been back to that school any number of times to talk about your word as your bond. You didn't cheat, you didn't steal, you didn't scalp widows and orphans, you didn't pillage, you didn't do those kinds of things. It just was frowned upon.

KD: So when the Exchange starts to run into its problems –

WJ: Oakford, yeah.

KD: Oakford and the things that come in after that, did those things get worked on through committee? Is that the kind of thing you and Grasso would talk about?

WJ: We talked about it, but no, most of it was handled by the regulatory side with the SEC. The SEC knew that Grasso had thrown the people off of the floor of the Exchange without trial, without judge and jury, and I don't know what their reaction was because I wasn't involved in it in any way, shape or form, but it didn't come back to bite us the way the specialist problem did. The specialist problem was a problem.

KD: Tell me about that.

WJ: The specialist problem was really, basically, the machine lights up. Now you've got multiple market orders coming in at any given time to buy or sell at the best price. Let's do this first in NASDAQ. In a NASDAQ environment, you've got bid and offer exposed. A buy order pops up, and it gets executed against the offer. A sell order pops up, and it gets executed against the bid. In our model, you would try and pare those off. Some specialists opted to bunch all the sell orders, give them one price. Bunch all the buy orders, give them another price, and make the spread on what they could interact on.

That's a no-no. You got two orders there simultaneously. They interact with one another. That was our model. If buyer and seller both got better price, God bless. Isn't that great? If the stock was $130, bid offered at $130.10, and they could interact at $130.05, that was marvelous. Each guy saved a nickel. Damn, isn't that great? That was the model and I love that model. I think that model is fantastic.

KD: How were people able to get around it, though?

WJ: They thought that the technology wasn't good enough to say that that sell order was there at the same time as the buy order. The technology was good enough.

KD: So the solution was the technology.

WJ: Exactly. You know that's simple. They're going to clock every order not only to the second, to the millisecond. Were there times when you froze the book to interact with a group of orders, and new orders were cuing up? Yes. Those orders weren't entitled because you were executing the two, or five, or ten orders before them. Your book would light up, you'd pick a price, and you'd print it. Your book would light up, you'd pick a price, you'd interact. Everybody got that price.

If IBM is trading 130 to a dime, somewhere in that range, all of those orders were going to get executed. That's a great market model. Today, the New York Stock Exchange looks like NASDAQ. All buyers trade with the offer; all sellers trade with the bid. Rarely do you get price improvement. Rarely do buyer and seller both get a better price.

KD: Was there a sense that that was coming in the late nineties?

WJ: Yes, there was a sense that was coming in the late nineties. NASDAQ encouraged that. The customers wanted speed. Now you've got this high frequency trading, which for the life of me I can't understand, what earthly good it serves in the world, but I read treatises that say it's good, and it provides liquidity and all the rest of that. I think the jury's still out. But that's up to the SEC to figure out and not to me.

KD: Right. When you left as president, I think you stayed on in some role.

WJ: I stepped down at the end of '01 as president. I stay on '02-'03 as a quasi-consultant. I think my title was senior advisor. I spent a half a year in '02 out in California. We weren't getting the listings from the West Coast that we thought we should be beating NASDAQ for, so Grasso sent me out there, and he said figure it out.

KD: You're trying to pick up the tech stocks and things like that.

WJ: Picking up tech stocks and other listings. It wasn't only tech, but tech was the big piece of it.

KD: Menlo Park, I think.

WJ: Well, we were near Sand Spring Road. We were in Palo Alto.

KD: The hot bed of all that stuff.

WJ: You bet. I spent all of '02 commuting back and forth. I spent about a half a year in California in '02, probably about four months in '03. We hire a new guy to run the office in mid-'03. My deal in '03 was I was to work six months, and I could take six months off. I had told Grasso what I was going to take the summer off. I spent two or three months in early '03 commuting to California, going out for a week or two weeks at a time and then coming back. Then I took the summer off, and then the whole Grasso thing blows up in September of '03.

I had just gotten back from Delaware in September, and his assistant called me up and said, "Come over, Dick wants to see you," and I said I had a lunch date, and she said, "Cancel it." I remember that. I canceled it. I went over, and she had some lunch for me there, and he said, "Am I going to survive?" I said, "I don't know enough. I've been out in the boondocks of Fenwick Island, Delaware," which is a lovely place, a lovely little town above Ocean City, Maryland, where my wife grew up, and I'd been out of the Exchange for three months. I read the paper, but the paper doesn't tell you the flavor of all of this thing. A week later, Dick is out.

Then John Reed comes in as interim chair. John Reed said to me after I was vetted by general counsel, he said, "Nobody knows the membership better than you do of the Exchange." He said, "I want a vote of 1,000 positive out of 1,366 for a new constitution of the New York Stock Exchange," and I was, basically, his ex-officio campaign vote getter, so I spent a lot of time calling lessor members of the Stock Exchange to get them to turn out the vote. We'd never gotten a vote of more than 850 people in favor of anything. But Mr. Reed got well over 1,000 votes for a new constitution of the Stock Exchange.

KD: What were the hurdles?

WJ: The hurdles were finding the people and getting them off of their dead butts to vote, and making them understand that it was time to make this thing look more like corporate governance. More like what Sarbanes Oxley and others had said.

KD: And the kinds of things the Exchange had been asking –

WJ: Exactly, companies to do. We weren't, necessarily, doing as well ourselves.

KD: In a sense, having been there all those years under the old constitution, your last job was to –

WJ: Write a new one! I didn't write it. I didn't have anything to do with the writing, just make sure it got voted, got passed.

KD: Was that your last involvement with the Exchange?

WJ: That was my last involvement. That's fall of '03. I have been out ever since.

KD: Is there anything that we've missed that we should talk about? Stories, ideas, people you worked with, tough times, interesting times.

WJ: Well, I've given the speech, and you can probably find it online somewhere because I've given it a number of times, "The Two Worst Days of My Life" to kids in colleges and the idea is not to scare the bejeezus out of them to make them understand there are going to be lousy days in their careers. Those two days are '87 and 9/11/01. Two totally different days, and for me, two totally different jobs. I'm president of the Exchange in '01. I spend the next two or three days spending all my time on the telephone with customers trying to find out their preparedness to reopen that Monday the 17th. Making sure whether they had office space, if it was people that were downtown, making sure that the corporations knew we were going to reopen. I just dialed. Spent my time dialing, talking to customers.

KD: What happens if they weren't ready?

WJ: Well, we pretty much knew and the SEC knew they were going to be ready. They told them they had to be ready, so some firms borrowed space from others. Fortunately, there were no significant firms who were not ready. Merrill Lynch was next door, as you know, and Morgan Stanley had some space. We had three floors in the south tower. Did you know that? Twenty-eight, twenty-nine and thirty.

The security guard over there, it's a marvelous story, got everyone out. The P.A. system was saying in the south tower, "Stay where you are, everything's fine." He said, "Nonsense. Out." He got them all out. Went to bathrooms, closets, offices, you name it. Got everybody out of that place. Marvelous story. Whether they'd have been all right, God only knows. Just a guy with brains. We had space in the World Trade Center in the '93, '94 garage mess. There were people that had the joy of being there for both of those.

KD: Anything else?

WJ: I think not. I met everybody. President of the Exchange was a marvelous job. I met people that I never would have met. I met corporate America, I met politicians, I met actors and actresses. I had the pleasure of meeting, literally, everyone. It was a great thrill. I had the pleasure of escorting Mrs. Clinton around on 17th of September 2001, I had the pleasure of meeting her husband one-on-one for five minutes for Martin Luther King Day. Just everybody and everything. They all paraded through. It was theater. The Exchange was theater. Doesn't sound good, but the companies loved it. The PR.

Grasso, like him, dislike him, love him, hate him, he could sell snow to Eskimos. He was the consummate marketer. A marvelous marketer. Just wonderful ideas on how to promote companies, whether it's an E-trade monkey on the floor. We had the Gateway cow, whatever the hell that thing was. Dancers from European countries. Just marvelous events. Marvelous marketing. What theater, what a venue for companies.

KD: Well, he certainly wanted to give people the sense that the Exchange was not a private club anymore.

WJ: Yes. I think he did that well.

KD: Well, terrific. Thank you so much for talking to me today.

WJ: You're very welcome.

[End of Interview]