Mtg. re Institutional Membership

MEETING OF THE SECURITIES AND EXCHANGE COMMISSION

Tuesday - January 28, 1969- 2:00 P. M.

COMMISSIONERS PRESENT:

Manuel F. Cohen, Chairman
Hamer H. Budge
Francis M. Wheat

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Mr. Pollack, Director, Mr. Rappaport, Associate Director, and Mr. Wolfson of the Division of Trading and Markets; Mr. Loomis, General Counsel; and Mr. McHugh, Chief Economist, Mr. Foster, Special Counsel, and Messrs. Finn and Garil of the Office of Policy Research were present.

Messrs. Haack, Frank, Rosenberry, Calvin and McConnell, representing the New York Stock Exchange, appeared before the Commission to request that it take action pursuant to Section 19(b) of the Securities Exchange Act of 1934 to suspend, pending a study and definitive resolution of all aspects of the problem, the right of all national securities exchanges to admit "institutions" to membership. Mr. Haack observed that institutional membership was indivisible from such other problems as fixed commission rates, access of non-member firms, and public ownership, and he urged that the Commission should order a "moratorium on institutional membership" in any exchange until all aspects of the problem could be thoroughly studied and resolved. A prepared statement was read by Mr. Calvin (see, also, memorandum dated January 27, 1969 from the Division of Trading and Markets). During the course of the discussion, Mr. Haack reported that at a recent meeting of regional exchange representatives there was unanimity of agreement that the problem was so acute that it was in the best interests of all exchanges that such a moratorium be ordered. However, it was indicated that the exchanges were not inclined to take any such action independently. When pressed as to why the NYSE believed the problem was so acute that the Commission should order the moratorium requested, the Exchange representatives indicated that the continued growth of institutional membership would only aggrevate the problem and that inaction at this stage in effect constituted endorsement of institutional membership without benefit of the results of a study which would shed light on the impact of such membership, but in response to a question Mr. Calvin observed that the Exchange was not convinced that institutional membership was bad but had a "fear" of its potential consequences. These and other related aspects of the Exchange's request, including the power of the Commission to take the action requested, were explored during the discussion. However, no definitive action was indicated.

The conference was concluded at 3:50 P.M., at which time the meeting was adjourned.

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Orval L. DuBois
Secretary