

173

**THE** New York Stock  
**Exchange**

Commissioner Hugh F. Owens  
Securities and Exchange Commission  
500 North Capitol St.  
Washington, D. C. 20549

July 3rd, 1973

RECD S.E.C.

JUL 9 - 1973

Dear Commissioner Owens:

I have your letter of June 13th, 1973 containing the Commission's comments on the joint plan for a consolidated tape which we, the other principal exchanges and the NASD filed with the Commission in early March.

As the issues surrounding the consolidated tape are of interest and concern to the Exchange's Board of Directors, the comments in the Commission's June 13th letter must be reviewed by the Board before the Exchange can submit its comments to the Commission.

The next Board meeting is scheduled for July 11th, but there is a full agenda for that meeting which will not allow time for a discussion of the consolidated tape. This agenda, which was set weeks ago, includes finalizing a discussion paper on the central market system and reviewing future automation plans for the Exchange, among other things.

Therefore, the earliest the Board will be able to consider the June 13th letter in depth is at the August Board meeting. Depending on the Board's discussion at the August meeting, we should be in a position to comment on the Commission's June 13th letter by August 10th.

The Board has reviewed the various issues involved in a consolidated tape on a number of occasions, the most recent being in June at which time the question of equal regulation and the consolidated tape was discussed.

-2-

At that time, the Board unanimously authorized a cooperative program leading to the implementation of similar rules and regulations in all markets prior to any live display of a consolidated tape. Otherwise competition among markets will continue to be predicated on the disparity of regulation rather than on a rational plan designed to protect the integrity of the markets and therefore the investor.

The Board is equally concerned about the potential liability which may be incurred by member organizations of the various exchanges and the NASD if similar rules and regulations are not in place in all markets prior to any live display of a consolidated tape. To try and have the interested parties come to grips with this problem, we are defining those areas where we think similar rules and regulations should be applied in order that a dialogue might begin with the other exchanges and the NASD which will lead to a resolution of these regulatory issues prior to any live tape display.

If action is not taken to eliminate or at a minimum ameliorate the potential problem which member organizations face in terms of both possible liability to their customers and strained customer relations, there may be a severe reaction in the securities industry to abort any live tape display until these problems are resolved. We are hopeful that officials of the other exchanges and the NASD recognize and share this concern.

Therefore, it is essential that these problems be addressed now rather than later. It is for this reason that we plan, again hopefully with the cooperation of the other participants in the joint tape plan, to suggest to the Commission that the proposals in its March White Paper on the central market system dealing with uniform and equal regulation in certain areas be implemented prior to the activation of a consolidated tape rather than a composite quotation system.

In addition, it may be necessary for the participants, if they agree, to jointly propose amendments to the plan on file to delay the commencement of the proposed 20 week test consolidated tape if these necessary similar rules and regulations are not in place in all markets prior to the time for the commencement of the proposed test tape.

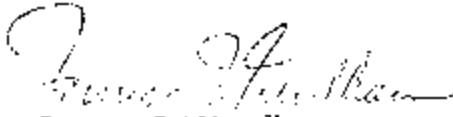
We are hopeful, as I have stressed, that these matters can be worked out cooperatively with the other exchanges and the NASD because of their importance to the public, users of the various markets and their respective member organizations.

-3-

As I stated in my letter of March 1st, 1973 transmitting the joint tape plan to the Commission, it was the generally constructive and cooperative attitude which resulted in the formulation of the joint plan which was then being filed by all of the participants. Since then, however, a number of the other participants individually commented to the Commission on aspects of the plan which they thought impacted adversely on their exchange or association. We too have had reservations about proceeding with the consolidated tape and expressed in our March 1st letter the fact that the Exchange reserved its right to object to Rule 17a-15 and to the Commission's authority in this area. We have not, however, exercised this right but have attempted to resolve these matters in a cooperative way.

Again, we hope to be in a position to submit our comments on the June 13th letter by August 10th. In the meantime, if the Commission or its staff has any further comments or suggestions, we will be pleased to hear from you.

Very truly yours,

  
James J. Needham

NARA-CP

RG 266 UD-UP Entr, 1

Subj Files 34-81

Box 24, Folder "New York Stock Exchange Volume 26"

7.