

District meeting

off Board -
general

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Roberta -
The material about
Monday is circled on
page 1 - the rest of
the speech (if you read
it) will probably sound
familiar - I enjoyed
see you -
Geehan

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OUR ANNUAL FALL CLEARANCE SALE, IS UP ABOUT 10%. IN SPITE OF A
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NASDAQ LEVEL 3 TERMINALS IN USE HAS INCREASED 8%. THERE HAS BEEN
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S.I.A. - District meeting

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NOVEMBER 21, 1977

SAN FRANCISCO, CALIFORNIA

IT IS A PLEASURE TO BE HERE, TO RENEW MANY OLD FRIENDSHIPS AND TO SEE AGAIN THE SIGHTS OF THIS BEAUTIFUL CITY. IT IS SAD TO SEE, HOWEVER, THE IMPACT THAT RECENT CONDITIONS IN THE SECURITIES MARKETS HAVE HAD ON SO MANY PEOPLE IN OUR INDUSTRY. LATELY I HAVE HAD OCCASION TO VISIT WITH SECURITIES DEALERS IN MANY PARTS OF THE COUNTRY AND IN EVERY CITY, I HAVE SEEN A LARGER THAN NORMAL SHARE OF GLOOM.

IN THE MIDST OF SUCH BEARISHNESS, IT MIGHT BE WORTHWHILE TO POINT OUT THAT IN MANY WAYS ACTIVITY IN NASDAQ THIS YEAR HAS BEEN QUITE GOOD AND HAS RUN AGAINST A GENERAL TREND OF ACTIVITY IN OTHER SEGMENTS OF THE SECURITIES MARKET. VOLUME IN THE NASDAQ SYSTEM SO FAR THIS YEAR IS UP NEARLY 15%. AVERAGE DAILY VOLUME HAS INCREASED FROM 6.5 MILLION SHARES IN 1976 TO ALMOST 7.5 MILLION SHARES A DAY THIS YEAR - A MILLION SHARES A DAY MORE. IN the November 17th WALL STREET JOURNAL, NASDAQ VOLUME WAS LISTED AS 9,637,600 SHARES WHEREAS COMPARABLE VOLUME FROM THE AMERICAN STOCK EXCHANGE WAS 2,840,000 SHARES. PRICES HAVE ALSO SHOWN AN INCREASE AND THE NASDAQ COMPOSITE AVERAGE, EVEN REFLECTING THE RECENT ACTIVITY DURING OUR ANNUAL FALL CLEARANCE SALE, IS UP ABOUT 10%. IN SPITE OF A REDUCED NUMBER OF DEALERS IN THE INDUSTRY THIS YEAR, THE NUMBER OF NASDAQ LEVEL 3 TERMINALS IN USE HAS INCREASED 8%. THERE HAS BEEN AN EVEN MORE STARTLING INCREASE IN THE NUMBER OF LEVEL 1 DESK TOP TERMINALS WHICH NOW TOTAL 33,000 OR 14% ABOVE THOSE IN USE LAST YEAR.

SYSTEM ACTIVITY HAS BEEN SO GOOD THAT THE BOARD OF DIRECTORS OF OUR SUBSIDIARY NASDAQ, INC. HAVE VOTED A \$1,000,000 REBATE TO SYSTEM USERS TO BE PAID NEXT MONTH.

RETURNING NOW TO THE GLOOM IN OTHER SEGMENTS OF THE MARKET, MUCH OF IT SEEMS TO BE RELATED TO HOW INVESTORS AND OTHER INTERESTED PARTIES VIEW THE PEOPLE CURRENTLY RUNING OUR GOVERNMENT. SINCE POLITICAL FACTORS SEEM TO BE SO IMPORTANT THIS YEAR IN DETERMINING THE LEVEL OF STOCK PRICES AND ACTIVITY, IT MIGHT BE USEFUL TO SPEND A MOMENT ANALYZING SOME OF THE DIFFERENCES BETWEEN OUR TWO MAJOR POLITICAL PARTIES. THE MATERIAL I AM ABOUT TO QUOTE IS FROM AN EDITORIAL IN THE FARMINGTON, CONNECTICUT VALLEY HEARLD ENTITLED "HOW TO CHOOSE A POLITICAL PARTY". RATHER THAN READ ALL OF THE ARTICLE, I WILL JUST RELATE THEIR SUMMARY POINTS WHICH ARE AS FOLLOWS:

DEMOCRATS BUY MOST OF THE BOOKS THAT ARE BANNED SOMEWHERE. REPUBLICANS FORM CENSORSHIP COMMITTEES AND READ THEM AS A GROUP.

DEMOCRATS GIVE THEIR WORN OUT CLOTHES TO THOSE LESS FORTUNATE. REPUBLICANS WEAR THEIRS.

REPUBLICANS EMPLOY EXTERMINATORS. DEMOCRATS STEP ON BUGS.

DEMOCRATS KEEP TRYING TO QUIT SMOKING BUT ARE NOT SUCCESSFUL. NEITHER ARE REPUBLICANS.

REPUBLICANS KEEP THEIR SHADES DRAWN ALTHOUGH THERE IS SELDOM ANY REASON WHY THEY SOULD. DEMOCRATS OUGHT TO BUT DON'T.

REPUBLICANS STUDY THE FINANCIAL PAGES OF THE NEWSPAPER. DEMOCRATS PUT THEM IN THE BOTTOM OF THE BIRD CAGE.

MOST OF THE STUFF YOU SEE ALONGISDE THE ROAD HAS BEEN THROWN OUT OF THE CAR WINDOW BY DEMOCRATS. REPUBLICANS GIVE THEIRS TO THEIR RELATIVES.

REPUBLICAN BOYS DATE DEMOCRAT GIRLS. THEY PLAN TO MARRY REPUBLICAN GIRLS, BUT FEEL THEY ARE ENTITLED TO A LITTLE FUN FIRST.

DEMOCRATS PLAN, AND THEN DO SOMETHING ELSE. REPUBLICANS DO WHAT THEIR GRANDFATHERS DID.

REPUBLICANS SLEEP IN TWIN BEDS - SOME EVEN IN SEPARATE ROOMS. THAT'S WHY THERE ARE MORE DEMOCRATS.

NOW, WITH YOUR PERMISSION, I WOULD LIKE TO SET ASIDE FURTHER CONSIDERATION OF CURRENT MARKET ACTIVITY AND ATTEMPT TO FOCUS ON SOME OF THE MAJOR TRENDS IN OUR INDUSTRY PARTICULARLY THOSE LEADING TO THE OFT DESCRIBED "NATIONAL MARKET SYSTEM". ANYONE DISCUSSING THIS SUBJECT DURING THE PAST FEW YEARS HAS BEEN SOMEWHAT LIKE A MODERN DAY PAUL REVER GALLOPING THROUGH THE COUNTRY SHOUTING "THE GLACIER IS COMING."

IN 1974 OUR BOARD WAS SO CONCERNED WITH THE GROWING DUPLICATION OF FACILITIES IN THE SECURITIES INDUSTRY, PARTICULARLY IN LIGHT OF THE HORRIBLE STATE OF MARKETS AND INVESTOR ACTIVITY AT THAT TIME, THAT I WROTE AND DELIVERED A NUMBER OF SPEECHES ON THAT SUBJECT. ONE OF THEM, DELIVERED IN SAN FRANCISCO, WAS ENTITLED "THE SECURITIES INDUSTRY-SMOG, TRAFFIC JAMS AND CAR POOLING". ANOTHER, COVERING THE SAME THEME, WAS ENTITLED "WE'RE ALL ON THE RIGHT TRACK, BUT WE EACH HAVE OUR OWN TRAIN." THE MAJOR PURPOSE OF THESE REMARKS WAS TO DISCUSS AND EXPOSE THE EXTENSIVE AMOUNT OF DUPLICATION IN FACILITIES THAT OUR INDUSTRY MUST PAY FOR TO RECEIVE SUCH SERVICES AS REGULATION, CLEARING AND DISSEMINATION OF QUOTATIONS AND OTHER INFORMATION.

SINCE THAT TIME, SUBSTANTIAL PROGRESS HAS BEEN MADE - AND EVEN BEFORE THAT TIME, SOME PROGRESS WAS UNDERWAY. THE SUM TOTAL OF THE PROGRESS THAT HAS BEEN MADE PLUS THAT WHICH HAS YET TO BE ACHIEVED, WILL RESULT IN A NATIONAL MARKET SYSTEM.

ONE OF THE INITIAL STEPS IN CONSTRUCTING A NATIONAL MARKET SYSTEM WAS TO ADD THE NEW YORK AND AMERICAN STOCK EXCHANGE TAPES- INFORMATION ABOUT TRANSACTIONS IN LISTED SECURITIES REGARDLESS OF WHERE THOSE TRANSACTIONS TOOK PLACE. IT MIGHT BE WELL TO REMEMBER SOME OF THE ARGUMENTS IN OPPOSITION TO SUCH A MOVE. THE BOTTOM LINE OF THOSE ARGUMENTS WAS THAT IT WAS INDEED IN THE PUBLIC INTEREST TO HIDE THE INFORMATION ABOUT NON-NEW YORK TRADES SO THAT INVESTORS WOULD NOT BE CONFUSED. OF COURSE, THAT LINE OF THINKING DID NOT PREVAIL AND TODAY WE HAVE A TICKER TAPE WHICH REPORTS ALL TRANSACTIONS IN ELIGIBLE SECURITIES FROM ALL PARTS OF THE COUNTRY. NOW, NEARLY EVERYONE WILL ADMIT IT IS A GREATLY ENHANCED FACILITY. IT IS ALSO INTERESTING TO NOTE THAT THE DEBATE LEADING TO SUCH A CHANGE TOOK NEARLY TWO YEARS WHILE THE ACTUAL MECHANICS OF IMPLEMENTING THE CHANGE NEEDED ONLY ABOUT SIX MONTHS.

A SECOND MAJOR STEP TOWARD A NATIONAL MARKET SYSTEM IS THE DEVELOPMENT OF A CLEARANCE AND SETTLEMENT FACILITY. THE LACK OF A CLEARANCE FACILITY IN THE OVER-THE-COUNTER MARKET WAS ONE OF THE UNDERLYING CAUSES OF THE PAPERWORK LOG-JAM DURING THE LATE 1960's. IN 1970 THE ASSOCIATION FORMED A SUBSIDIARY CORPORATION AND, WITH THE HELP OF THE PACIFIC STOCK EXCHANGE, STARTED TO IMPLEMENT SUCH A FACILITY FOR THE OVER-THE-COUNTER MARKET. IN 1974, REALIZING THE BENEFITS IN BROADENED SERVICE AND REDUCED COSTS, WE SERIOUSLY ENTERED INTO DISCUSSIONS WHICH LEAD EVENTUALLY TO THE MERGER OF OUR CLEARING CORPORATION WITH THOSE OF THE NEW YORK AND AMERICAN STOCK EXCHANGES.

WE EXPECT THAT ALL MEMBERS WILL RECEIVE SIGNIFICANT BENEFITS WHEN THIS MERGER IS FULLY IMPLEMENTED. A FIRST RESULT WILL BE REDUCED RATES FOR CLEARING OVER-THE-COUNTER TRANSACTIONS. FOR THAT MATTER THERE WILL BE JUST ONE LEVEL OF CHARGES FOR ALL TRANSACTIONS REGARDLESS OF WHETHER THEY TAKE PLACE IN A STOCK EXCHANGE OR IN THE OVER-THE-COUNTER MARKET. A SECOND BENEFIT OF THE MERGER WILL BE THAT THE NEW RATE SCHEDULE WILL PROVIDE FOR SIMILAR CHARGES TO ALL USERS OF THE SYSTEM THUS ELIMINATING WHAT, UP TO NOW, HAD BEEN A SITUATION WHERE DEALERS LOCATED IN NEW YORK WERE ABLE TO CLEAR AND SETTLE AT PRICES SIGNIFICANTLY BELOW THOSE OF THEIR COMPETITORS WEST OF THE HUDSON RIVER. THE MERGED ENTITY WILL BE ABLE AND MOTIVATED TO EXTEND ITS SERVICE TO CITIES NOT PRESENTLY COVERED BY ANY CLEARING ENTITY. OUR GOAL HERE, OF COURSE, IS TO HAVE AS MANY AREA CENTERS AS IS ECONOMICALLY POSSIBLE AND THUS PROVIDE LOCAL SERVICE TO THE HIGHEST NUMBER OF NASD MEMBERS. AND TOO, THERE IS THE ADDITIONAL BENEFIT OF ALLOWING MEMBERS TO CLEAR ALL TRANSACTIONS THROUGH ONE ENTITY REGARDLESS OF WHERE THE TRANSACTION WAS EXECUTED. IN SUM, WE THINK THE FULL IMPLEMENTATION OF THIS CLEARING MERGER WILL BE OF GREAT BENEFIT TO OUR MEMBERS AND A MOST IMPORTANT STEP TOWARD A NATIONAL MARKET SYSTEM. FOR THAT MATTER, IT IS WORTH NOTING THAT ONCE THE MERGER IS FULLY IMPLEMENTED, THERE WILL INDEED BE A NATIONAL MARKET SYSTEM FOR ALL TRANSACTIONS FROM THE TIME THAT THEY ARE COMPARED THROUGH THAT POINT AT WHICH MONEY AND CERTIFICATES CHANGE HANDS.

A FEW YEARS WE WERE TERRIBLY CONCERNED THAT THE INDUSTRY MIGHT BE PLAGUED WITH MANY DUPLICATE FACILITIES OFFERING QUOTATION SERVICE FROM ALL EXCHANGES AND OTHER MARKET MAKERS. ALTHOUGH THAT STILL MAY BE THE CASE, AT THIS TIME IT APPEARS THAT THE SERVICES OFFERED BY NASDAQ, INCLUDING THE RECENTLY ADDED CONSOLIDATED QUOTATION SERVICE WHICH PROVIDES A MONTAGE OF QUOTES IN EXCHANGE LISTED SECURITIES, WILL BE THE MOST POPULAR AND ECONOMICAL FOR MEMBERS TO USE. SOON THE SEC WILL IMPLEMENT A RULE REQUIRING ALL EXCHANGE MARKET MAKERS TO STAND BEHIND THEIR QUOTATIONS FOR AT LEAST A HUNDRED SHARES AND POSSIBLY PERMIT MARKET MAKERS IN TAPE APPROVED SECURITIES TO SHOW THE SIZE OF THEIR QUOTATION IF IT IS DIFFERENT FROM THE NORMAL 100 SHARES. AFTER THE IMPLEMENTATION OF THAT RULE YOU WILL BE ABLE, ON YOUR NASDAQ SCREEN, TO RECEIVE A MONTAGE OF QUOTATIONS ON ANY OF THE 2600 SECURITIES LISTED IN THE NASDAQ SYSTEM PLUS ALL SECURITIES LISTED ON THE NEW YORK AND AMERICAN STOCK EXCHANGES. IN A WAY, YOU WILL THUS HAVE A NATIONAL MARKET SYSTEM FOR ABOUT 5,000 SECURITIES IN YOUR OWN TRADING ROOM. FOR THE BENEFIT OF THE CQS SUBSCRIBERS, WE WILL ADD LAST SALE AND HIGH/LOW INFORMATION TO THE SCREEN IN ADDITION TO THE MONTAGE OF QUOTATIONS.

OVER THE YEARS MANY OF US HAVE BEEN DISTURBED BY THE OVERLAPPING EXPENSE AND OTHER BURDENS CAUSED BY THE REGULATORY ACTIVITIES OF THE MANY STOCK EXCHANGES AS WELL AS THE NASD. CLEARLY THERE HAS BEEN A NEED FOR A MORE ORDERLY PROCEDURE AND ONE WHICH WOULD SAVE THE MEMBERS BY CREATING LESS DISTURBANCES IN THEIR OFFICES AS WELL AS LESS DIRECT EXPENSE OF SUPPORTING ALL THOSE EXAMINERS AND RELATED STAFF. DURING

THIS PAST YEAR THE NASD HAS SIGNED AGREEMENTS WITH THE PACIFIC, MIDWEST, BOSTON AND CINCINNATI STOCK EXCHANGES UNDER WHICH WE WOULD PERFORM MANY OF THEIR MEMBERS INSPECTIONS AND DISCIPLINARY TYPE FUNCTIONS WHILE SHARING INFORMATION WITH THEM TO INSURE THE INTEGRITY OF THEIR MARKET PARTICIPANTS. IN ADDITION WE ARE EXPANDING OUR CO-OPERATIVE EXAMINATION PROGRAM WITH THE NEW YORK STOCK EXCHANGE WHEREBY OUR EXAMINATIONS ARE SYNCHRONIZED WITH THEM TO SAVE DISRUPTION IN OUR JOINT MEMBER OFFICES. ALTHOUGH THESE CURRENT PROGRAMS ARE FAR FROM AN IDEAL LONG TERM ANSWER, THEY REPRESENT A SUBSTANTIAL STEP FORWARD IN ELIMINATING DUPLICATION IN OUR INDUSTRY.

LOOKING AT ALL THIS PROGRESS, YOU MIGHT WELL TREAT THE NATIONAL MARKET SYSTEM LIKE THE VIET NAM WAR - THAT IS WE MIGHT JUST DECLARE THAT WE HAVE WON, THAT THE WAR IS OVER, AND ALL RETURN TO OUR OTHER ACTIVITIES. SUCH A SOLUTION, UNFORTUNATELY, IS NOT ACCEPTABLE IN OUR CURRENT CLIMATE. IN SPITE OF THE ACHIEVEMENTS I HAVE JUST MENTIONED, WE ARE STILL LEFT WITH QUESTIONS RELATING TO THE REPEAL OF OFF-BOARD TRADING RULES AND THE RELATED QUESTIONS OF LIMIT ORDER PROTECTION AND THE LINKING OF MARKETS.

AS YOU ARE WELL AWARE, THE SEC RECENTLY COMPLETED EXTENSIVE HEARINGS CONCERNED WITH OFF-BOARD TRADING RULES. MOST OF THE TESTIMONY SUBMITTED WAS READILY PREDICTABLE - ALTHOUGH IN THE CONCENSUS OF THOSE THAT DID PARTICIPATE, THERE WAS A SOMEWHAT STRANGE TONE.

1. THE OVERWHELMING NUMBER OF PARTICIPANTS OPPOSE CHANGING THE PRESENT RULES WITHOUT FURTHER DEVELOPMENT OF A NATIONAL MARKET SYSTEM.

2. A SOMEWHAT SURPRISINGLY LARGE NUMBER OF PARTICIPANTS FAVORED THE DEVELOPMENT OF A SYSTEM OR FACILITY TO PROTECT LIMIT ORDERS AGAINST TRANSACTIONS IN ALL MARKETS.

3. MUCH TO OUR SURPRISE, IS THE FACT THAT NEARLY ALL PARTICIPANTS REQUESTED (SOME EVEN INSISTED) THAT THE SEC SHOULD BECOME MORE INVOLVED IN THE DEVELOPMENT OF A NATIONAL MARKET SYSTEM- IMAGINE THAT - OUR INDUSTRY, PART OF THE JUGULAR VEIN OF THE CAPITALISTIC SYSTEM, DEMANDING THAT THE FEDERAL GOVERNMENT TAKE A MORE ACTIVE ROLE IN SHAPING OUR DESTINY.

DURING THEIR TESTIMONY, THE SIA PROPOSED FORMATION OF A NEW CORPORATION WITH A MILLION DOLLARS OF CAPITAL AND SEVEN TO NINE DIRECTORS TO DEVELOP THE REMAINING COMPONENTS OF A NATIONAL MARKET SYSTEM.

THE PURPOSE OF THE NASD TESTIMONY WAS TO REFUTE THOSE AT THE COMMISSION AND EVEN IN THE INDUSTRY THAT ADVOCATED EXTENSIVE NEW REGULATORY BURDENS WITH THE EXPANSION OF OFF-BOARD TRADING. OUR FEELING IS THAT DISCLOSURE OF TRANSACTIONS IN THE CONSOLIDATED TAPE AND QUOTATIONS FROM ALL EXCHANGES AND INTERESTED MARKET MAKERS PLUS COMPETITION AND EXISTING RULES, ARE MORE THAN ADEQUATE TO ADDRESS THE POTENTIAL REGULATORY PROBLEM. AS A FALL AWAY TO THAT POSITION, WE WOULD HAVE TO SAY THAT ANY PROBLEM THAT MIGHT ARISE COULD BE MORE INTELLIGENTLY ADDRESSED AT A LATER TIME WHEN THE DIMENSIONS OF THE PROBLEM ARE MORE CLEARLY UNDERSTOOD.

DURING OUR TESTIMONY, COMMISSIONER EVANS ASKED WHY THE NASD COULDN'T FULFILL THE ROLE AS THE INDUSTRY COORDINATING GROUP RATHER THAN FORM A NEW BODY. LATER IN THE DAY, THIS SAME IDEA WAS PURSUED BY BOTH COMMISSIONER LOOMIS AND COMMISSIONER POLLOCK.

AS A RESULT OF THAT INQUIRY, THE MATTER WAS BROUGHT BEFORE OUR LAST BOARD MEETING. PRIOR TO THE BOARD'S DISCUSSION, THE BOARD OF OUR SUBSIDIARY THAT OWNS THE NASDAQ SYSTEM, CONSIDERED IT. INTERESTINGLY ENOUGH, THAT SUBSIDIARY HAS SEVEN DIRECTORS AND ONE MILLION DOLLARS OF NET WORTH. THE QUESTION WAS ALSO ADDRESSED BY OUR LONG RANGE PLANNING COMMITTEE CHAIRED BY DAVID MURPHY, A RELATIVELY SMALL DEALER FROM TAMPA, FLORIDA; BUT ALSO INCLUDING THE VICE CHAIRMAN OF DEAN WITTER, THE PRESIDENT OF MERRILL LYNCH, THE PRESIDENT OF HOPPER, SOLIDAY IN PHILADELPHIA, THE CHIEF EXECUTIVE OFFICER OF LORD ABBOTT AND COMPANY, THE CHIEF EXECUTIVE OFFICER OF LINCOLN NATIONAL CORPORATION WHICH PARENTHETICALLY IS ALSO A NEW YORK STOCK EXCHANGE LISTED COMPANY, AND PROFESSOR JAMES LORIE OF THE UNIVERSITY OF CHICAGO.

THE UNANIMOUS CONCLUSION OF THOSE TWO GROUPS AND EVENTUALLY THE BOARD OF GOVERNORS BY A 26-1 VOTE, WAS THAT PRIMARILY BECAUSE OF THE BROAD BASED MEMBERSHIP AND EXPERIENCE WITH THE NASDAQ SYSTEM, THE ASSOCIATION WAS CAPABLE OF FILLING THIS ROLE. WE RECEIVED A LETTER ON THAT SAME POINT WRITTEN JOINTLY BY CONGRESSMAN JOHN MOSS AND CONGRESSMAN BOB ECKERT WHICH WAS SUPPORTIVE OF THE ASSOCIATIONS' POTENTIAL INVOLVEMENT. IN ADDITION, SINCE THIS APPEARED TO OUR BOARD TO BE THE BEST WAY FOR THE SECURITIES INDUSTRY TO CONTROL THE CONSTRUCTION AND DEVELOPMENT OF ITS OWN FACILITIES (WITH, OF COURSE, APPROPRIATE SEC OVERSIGHT). THE CONCLUSION WAS THAT WE SHOULD AFFIRMATIVELY EXPRESS OUR WILLINGNESS TO FILL THIS ROLE. A LETTER WAS THUS SENT BY OUR CHAIRMAN, GENE ARNOLD, TO SEC CHAIRMAN HAROLD WILLIAMS. IN HIS ANSWERING LETTER TO

GENE ARNOLD, CHAIRMAN WILLIAMS SAID: "THE COMMISSION WILL GIVE THE APPROACH OUTLINED IN YOUR LETTER THE MOST SERIOUS REVIEW DURING ITS FUTURE CONSIDERATION OF THE DEVELOPMENT OF THE NATIONAL MARKET."

AT THE MOMENT THE SEC IS WEIGHING EVERYTHING THEY LEARNED AT THE HEARINGS ALONG WITH OTHER FACTORS WHICH THEY HAVE BEEN STUDYING DURING THE PAST 10 YEARS AND WILL PROBABLY COME FORTH WITH SOME PRONOUNCEMENT IN THE FORSEEABLE FUTURE. FOR THE PURPOSE OF PROVIDING ADDITIONAL DISCUSSION HERE TODAY, I WOULD LIKE TO MAKE A FEW PREDICTIONS WHICH MAY OR MAY NOT BE CONFIRMED BY SUBSEQUENT COMMISSION ACTION:

1. THERE WILL BE A NATIONAL MARKET SYSTEM. IT HAS BEEN MANDATED BY CONGRESS AND IT IS DESIRED BY KEY CUSTOMERS. INTERESTINGLY ENOUGH, IN A SPEECH IN PHILADELPHIA ON NOVEMBER 2nd, SIA CHAIRMAN DAVID HUNTER STATED THAT A VERY LARGE PERCENT OF PARTICIPANTS IN THE SECURITIES INDUSTRY ALSO DESIRE A NATIONAL MARKET SYSTEM.

IN 1970, WHILE PRESIDENT OF THE IBA, ANDY MELTON FORCAST THAT THE SECURITIES ACTS OF THE 70's WOULD MAKE THE ACTS OF THE 30's LOOK LIKE SWIMMING POOL RULES. ANYONE THAT DOUBTS WHETHER OUR INDUSTRY IS SUBJECT TO MORE RESTRUCTURING NEED ONLY TO TAKE A CURSORY LOOK AT THE INTENT OF THE SECURITIES ACT AMENDMENTS OF 1975 PLUS THE ENOUMOUS POWER VESTED IN THE COMMISSION BY THOSE ACTS.

2. IT WILL LINK ALL MARKETS AND INCLUDE BOTH EXCHANGE AND OFF-BOARD TRADING.

3. IT WILL OFFER SIGNIFICANTLY MORE PROTECTION FOR LIMIT ORDERS.

4. IT WILL FURTHER REDUCE THE COST AND THUS THE PROFITABILITY OF ORDER EXECUTION.

5. AN OFFSET TO THAT WILL BE THAT FIRMS DEALING WITH CUSTOMERS

WILL CHARGE MORE FOR ADVICE AND OTHER SERVICES, LESS FOR EXECUTIONS.

6. THE NATIONAL MARKET SYSTEM WILL BE SO VISIBLE AND ATTRACTIVE TO INVESTORS THAT IT WILL EVENTUALLY INCLUDE NEARLY ALL ACTIVELY TRADED SECURITIES - THERE WILL, HOWEVER, BE A HIATUS PERIOD WHERE MANY COMPANIES WILL DEFER THE LISTING DECISION PENDING CONCRETE DEVELOPMENTS TOWARDS A NATIONAL MARKET SYSTEM. THAT HIATUS PERIOD RIGHT NOW IS PUNCTUATED BY THE EXTREME FORCASTS OF GLOOM PUT FORTH BY SOME PARTICIPANTS IN OPPOSITION TO CURRENT PROPOSED CHANGES.

7. THE FINAL MARKET PLACE WILL BE DESIGNED PRIMARILY FOR THE BENEFIT OF CUSTOMERS - BOTH INVESTORS AND ISSUERS. FOR MANY YEARS AN AMAZINGLY LARGE PART OF THE ARGUMENT ABOUT MARKET STRUCTURE HAS FOCUSED ON WHETHER CUSTOMERS SHOULD ADAPT TO THE CHARACTERISTICS OF OUR MARKETS OR WHETHER THE MARKETS SHOULD BE TAILORED TO THE NEEDS OF OUR MODERN DAY POPULATION OF INVESTORS.

8. A FINAL PREDICTION IS RELATED TO THE POINT ABOUT BROKERS CHARGING FOR THEIR SERVICES IN DIFFERENT WAYS - BOTTOM LINE - NO MATTER HOW THE MARKET IS STRUCTURED, THE FACT REMAINS THAT THE SERVICE YOU RENDER IS IMPORTANT AND VALUABLE. IF WE CAN EVER GET TO THE POINT WHERE THE RULES AND BASIC STRUCTURE OF OUR INDUSTRY ONCE AGAIN HAVE A DEGREE OF PERMANANCE, YOU, AS PARTICIPANTS (OR MAYBE I SHOULD SAY SURVIVORS) WILL BE ABLE TO PLAN AND OPERATE YOUR BUSINESSES IN A PROFITABLE MANNER.

THANK YOU