

OPERATION AND PROBLEMS OF SOME OF THE SMALLER  
SECURITIES EXCHANGES OF THE UNITED STATES.

BY

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Before the

Economics Club of the

College of the City of New York

New York City

Friday, May 5, 1939.

When I received the invitation to address you, I was gratified at the opportunity for several reasons. In the first place, as a former member of the staff in the Department of Economics of The City College, I am interested in the work of the Economics Club. Secondly, I feel that a discussion of the topic suggested by your Faculty Advisor affords me an opportunity to explain to native New Yorkers the operation and problems of some of the smaller securities exchanges of the United States.

Being residents of the city which harbors both the New York Stock Exchange and the New York Curb Exchange, it is natural for you to be proud of the services rendered by these market-places to the investors of the nation. To preclude the possibility of being termed "provincial", however, it is important to be familiar with and to recognize the advantages of the smaller securities exchanges which attempt to perform, in a small way in local communities, functions similar to those performed by the New York City exchanges.

The Securities Exchange Act of 1934 has been designed primarily to regulate (1) credit in security transactions, to limit speculation; (2) securities markets, to prevent unfair practices; and (3) securities publicly traded in, to make available to the public adequate information, and to discourage unfair use by insiders of information which is not made public. The administration of the Act is vested partly in the Federal Reserve Board and partly in the Securities and Exchange Commission. The former is given control of credit in securities transactions, and the latter control of securities markets and securities bought and sold on such markets.

My discussion shall pertain only to the work of the Commission in regulating the securities markets of the nation. All national securities exchanges are the concern of the Commission and they are equal in the eyes of the law. It is the duty of the Commission not to prefer one over the other because of size. The public interest and the protection of investors is the only measuring stick available to the Commission under the statute.

Upon the advent of the Securities and Exchange Commission in 1934, 46 securities exchanges were in existence in the United States and its territories. Of these exchanges, 5 were operating in the City of New York. One of the first tasks of the Commission was to register or to exempt from registration each of these 46 exchanges. The process of registration entailed a far-flung investigation to determine whether the exchange was so organized as to be able to comply with the Securities Exchange Act of 1934, and whether its rules were adequate to insure fair dealing to investors. The exchanges applying for exemption were likewise investigated. Where, by reason of the limited volume of trading on an exchange, the public interest did not require registration, exemption was granted upon such conditions as would protect investors. Today, there are 20 registered national securities exchanges in the United States, of which number three are located in New York City. The Commission has exempted from registration seven of the smaller exchanges. Mergers and dissolutions have accounted for the reduction in the number of organized exchanges.

Although the New York Stock Exchange is the nation's principal securities market, it is not the oldest in the land. The Philadelphia Stock Exchange was organized in its present form in 1790; the New York Stock Exchange in 1817 and the New York Curb Exchange in 1911. It was natural for New York and Philadelphia to establish the earliest exchanges since they were the largest

industrial cities of our early American history. However, it is perfectly easy to see why other smaller and more local markets have sprung up across the entire country as one district after another developed enough industries and securities of those industries to make advisable the formation of a particular gathering place for exchange.

From a more practical standpoint, however, there are equally important circumstances responsible for this growth. In the first place, there is the physical limitation of the New York Stock Exchange. With all of the modern machinery for speeding its work and increasing its capacity, the fact remains that the New York Stock Exchange could not begin to handle efficiently all of the securities which have resulted from the development of American industries and which call for an active market in which their values may be ascertainable at any time. The second practical reason for development of the outside exchanges is not so far distant from the first, but it is more important perhaps from an economic standpoint. It is the added public attention which securities may receive from being listed and traded on such outside exchanges. We know that the New York Stock Exchange still stands supreme as the model market for the securities of both large and small corporations. But the fact also remains that the New York Stock Exchange is so large, has so many issues listed, and trades in such heavy total volume, that securities of many smaller and more local industries would be veritably swallowed up by the bigness of the premier market if they were to be listed thereon.

It would be illogical even to attempt the argument that industries and corporations of vast size whose securities are listed on the larger markets are the only securities, or the only corporations, worthy of public confidence and public investment. There are literally thousands of individual corporations scattered throughout the nation whose fundamentals are relatively just as sound as the larger and nationally known corporations whose securities take a front position on the New York Stock Exchange. Their industry is sound, their financial position is good, their management is capable, their earnings are large and their future prospects are bright. The mere fact that they are small or local companies is no reason for excluding them from public recognition, from active trading or from popular interest.

Using as a standard the dollar value of all stock transactions effected on the registered exchanges during 1938, the more important of them may be classified as follows:

1. New York Stock Exchange
2. New York Curb Exchange
3. Boston Stock Exchange
4. Chicago Stock Exchange
5. San Francisco Stock Exchange
6. Philadelphia Stock Exchange
7. Los Angeles Stock Exchange
8. Detroit Stock Exchange
9. Pittsburgh Stock Exchange

Since the Boston Stock Exchange ranks first among the securities markets outside of New York City, I shall go into some detail relative to its mode of operation. Any general statements which I may make are equally applicable to the Philadelphia Stock Exchange and to the Pittsburgh Stock Exchange.

The Boston Stock Exchange was organized on October 13, 1834 and, with but two exceptions, has continued its activities uninterruptedly from that date. The exchange was closed for some four months in 1914 and for approximately eight days in March 1933. The first closing was the result of chaotic conditions precipitated by the beginning of the World War and the second was brought about by the Presidential Proclamation closing all banks in the country.

At the start of this exchange, the available securities were very limited, consisting largely of the stocks of banks and insurance companies, of the local mill and canal projects, of small mining enterprises, and of the various types of public debts; but, with the growing exploitation of national resources and industrial upbuilding, the supply was an expanding one.

In the early days, business was conducted in a very different fashion than at present. Then, there were no telephones, no tickers, no gesticulating crowds. A "seat" was a literal fact at that time, for every member had a particular chair and desk and was forbidden to trade out of it. There were then two sessions daily, one shortly after ten o'clock in the morning, and one about two o'clock in the afternoon. It was not until 1885 that seats on the Boston Stock Exchange were abolished and continuous daily sessions from 10 A. M. to 3 P. M. were instituted. Prior to 1885, the President of the Exchange opened each session and, taking up each stock in which trading was permitted, "called" each stock in turn. Upon the calling of a stock, all members having orders in it would state their position and endeavor to effect transactions. When all had been accomplished, the President would then proceed to call the next stock, and so on through the entire list. Transactions originally were private and it was not for a decade after its founding that the Boston exchange gave its quotations to the press.

Of the 139 members of the Boston Stock Exchange, approximately 60 are active on the floor of the exchange. Of these 60 members, 45 act as odd-lot dealers in securities the primary market for which is on another exchange. The other 15 members trade in both round lots and odd lots of local securities.

Approximately 75% of the total shares traded on this exchange are handled by its odd-lot dealers. These dealers must accept for execution all odd-lot orders in securities which are assigned to them. At their option, they may also accept round-lot orders for execution.

It would be well to distinguish at this time between securities listed on the exchange and securities admitted to unlisted trading privileges thereon. In order to become fully listed, the issuer must comply with the listing requirements of the exchange and must file with the Securities and Exchange Commission the information required by Section 12 of the Act and the Rules and Regulations promulgated thereunder. In this manner, adequate information is made available to investors.

Some time prior to 1880, the Governing Committee of the Boston Stock Exchange authorized its Odd-Lot Committee to admit to unlisted trading privileges any security which was listed either on the New York Stock Exchange or on the Philadelphia Stock Exchange. Auction markets were actually made in these securities and both odd-lot and full-lot orders were executed by members.

Some of the other exchanges admitted securities to unlisted trading privileges merely at the request of one of its members. Since such securities were admitted without any action on the part of their issuers, appropriate information was, in most instances, not available. Here, then, was a type of exchange trading which was in direct conflict with one of the fundamental principles of the 1934 Act. Because of the magnitude and importance of the questions involved, Congress made no final disposition of the problem for a two-year period and directed the Commission, in the interim, to make a study and to recommend the course which should be taken with respect to this kind of trading.

The Securities Exchange Act of 1934, as amended, now permits three types of unlisted exchange trading. In the first category are those securities which were admitted to unlisted trading privileges on exchanges prior to March 1, 1934. It is with respect to these securities that adequate information may not be available and, therefore, the Congress determined that there should be no expansion in this category. It was believed that if this type of trading were prevented from expanding, it would be gradually diminished through the liquidation or reorganization of the issuers, the retirement or redemption of securities, and the transition of securities to a fully listed or fully unlisted status.

The trend in this direction is indicated by the following figures. On October 1, 1934, 3,918 issues were admitted to unlisted trading on national securities exchanges. To this figure may be added 55 issues which were so admitted on the Chicago Curb Exchange and the Standard Stock Exchange of Spokane when these exchanges became registered in the latter part of 1935, making a total of 3,973 issues formerly enjoying unlisted trading privileges. As of March 30, 1939, there were 1,960 issues in this category. Thus, during the last four and one-half years, the number of issues has been decreased by 2,013 or about 51% of the former total. It is reasonable to assume that some of these securities passed into the over-the-counter market while others became fully registered on exchanges.

The second category of securities to which an exchange is permitted under the 1936 amendment to extend unlisted privileges, includes those which are already listed and registered on some other national securities exchange. The distinguishing fact here is that comprehensive information is available with respect to the issuer by virtue of the registration of the security on the other exchange. However, the availability of information does not alone satisfy the requirements of the Act. In addition, it must be established to the satisfaction of the Commission that there exists in the vicinity of the exchange sufficiently widespread public distribution and sufficient public trading activity in the security to render the admittance thereof necessary or appropriate in the public interest or for the protection of investors. Finally, even if these conditions are satisfied, the Commission is required to deny the application unless it finds that such admittance would in all other respects be in the public interest.

To date, under this provision, 66 stock issues and 2 bond issues have been admitted to unlisted trading privileges on 8 exchanges.

Securities eligible for unlisted trading under the third category are those in respect of which there is available from registration statements, periodical reports and other data filed with the Commission, information substantially equivalent to that available with respect to a security listed and registered on a national securities exchange.

Here, also, the standards of distribution, trading activity, and public interest, which I have mentioned, must be satisfied.

Thus far the New York Curb is the only exchange which has sought to admit securities in this class. One stock issue and 18 bond issues have been granted unlisted trading privileges under this section.

Securities which are listed only on the Boston Stock Exchange and those which have a primary market thereon are traded on the floor of the exchange in much the same manner as securities are traded on the New York exchanges.

With respect to securities the primary market for which is elsewhere, the Boston exchange has adopted a set of rules which affords facilities for the establishment of an independent secondary market. The rules also provide for the execution of round-lot orders against the primary market, a system often referred to as being "mechanically geared". This system has been condemned by some exponents of centralized trading. It must be noted, however, that Congress was apparently fully apprised of this system of trading on the smaller exchanges. This is indicated by the testimony given by former Commissioner James M. Landis before the Committee on Banking and Currency of the United States Senate on February 25, 1936, when the amendment to Section 12 (f) of the Act was being considered by that Committee. The statements made at that time are as follows:

"The second type of unlisted security that it is important to distinguish from the type just mentioned, is the security which is listed on one exchange, and properly registered there under the requirements of the exchange, but is admitted to unlisted trading privileges on a second exchange. What is usually true in such a situation is, that a second exchange makes a secondary market as *against the primary market* made upon the listed exchange, and that gives, of course, information about the security which is readily available as distinguished from the first case."

"With reference to the second problem, where the real issue at stake is whether or not the public interest is to be maintained by the creation or *continuance of a secondary market as against a primary market* where the security is listed, the bill states in that connection that considerations of that type, which are spelled out in the bill, should control whether or not unlisted trading privileges should be continued or extended to a security in another market than that in which it is listed."

"And we have suggested to Congress that it give us the power to determine that question as to whether in any particular case an exchange should be allowed to continue or to maintain a secondary market, an unlisted market, *as against a primary listed market.*"

Beginning in 1923, orders for securities either fully listed or admitted to unlisted trading privileges on the Boston Stock Exchange, the primary market for which was on another exchange, were executed by Boston brokers on the basis of prices reported on the stock ticker of the primary exchange.

Odd-lot orders are now transmitted to the registered odd-lot dealers for execution and they are time-stamped upon receipt. The dealer is bound to accept all such orders for securities in which he is registered. Only by giving at least 48 hours' notice can he relieve himself of this obligation.

A market order is ordinarily executed by the odd-lot dealer at the price of the first round-lot transaction in the stock reported on the ticker of the primary exchange after a lapse of three minutes from the time he receives the order, plus or minus the odd-lot differential. This differential is usually  $1/8$  of a point and is the same as the differential charged for the execution of odd-lot orders on the primary exchange.

A limited odd-lot order is executed by the dealer on the first effective round-lot transaction in the stock reported on the ticker of the primary exchange after the three-minute interval. In the case of a buy order, the first effective round-lot transaction will be the first such transaction at a price equal to or lower than the limit price less the odd-lot differential. In the case of a sell order, the first effective round-lot transaction will be the first such transaction at a price equal to or higher than the limit price plus the odd-lot differential.

If the ticker of the primary exchange is late, the lag is added to the three-minute interval.

There has been some criticism of the use of this three-minute time interval. The argument has been advanced that if a local odd-lot dealer finds that he has a large number of customers' sell orders against which he will have to buy stock at  $1/8$  below the first quotation appearing on the tape after three minutes when he already has several hundred shares of the same stock which he wants to sell, the odd-lot dealer might force all of his existing inventory on the market immediately and thereby liquidate his position as he intended and at the same time purchase the odd-lot orders at a lower price than would ordinarily be possible. This argument is without merit for two reasons. First, the positions taken by the odd-lot dealers of the smaller exchanges are so small that any liquidation thereof would have little or no effect upon the price in the primary market. Furthermore, the example cited presupposes the intention of the odd-lot dealer to liquidate his long position. Such being the case, no breach of faith seems apparent since his intention to liquidate existed prior to the receipt of the many sell orders from his customers. Secondly, if an odd-lot dealer had no position in a security and received odd-lot selling orders amounting to 100 shares, he might, and many dealers do, immediately transmit a round-lot sell order to the primary market. In such a case, the execution of the odd-lot orders might be based upon the ticker report of his own sell order. - Is a man to be condemned because he wants to maintain an even position in a security? Furthermore, let us not forget that an odd-lot dealer, in many instances, loses money on such a trade because he has to pay the regular commission charge for the execution of his order on the primary market. If such charge is more than \$12.50, the odd-lot dealer loses money on the deal. The federal and state transfer taxes paid by him are passed on to the customers selling the odd lots. It can be seen, therefore, that this immediate balancing of position cannot be used by the dealers to cheat or "chisel" their customers. It is used only when the odd-lot dealer desires to keep his position even or when he does not want to increase his long or short position.

It is interesting to note that originally, odd-lot dealers executed all odd-lot orders on the basis of the first round-lot transaction in the security reported on the ticker of the primary exchange after receipt of the order. During 1929, the Boston Stock Exchange conducted "stop watch" tests to determine exactly the amount of time which elapsed between the execution of an odd-lot order by an odd-lot dealer on the New York Stock Exchange and the printing

of the full lot against which such an order was executed on the New York Stock Exchange ticker on the floor of the Boston Stock Exchange. These "stop watch" tests were conducted as a result of complaints received by the exchange in the execution of odd-lot orders. In one case, a member of the Exchange received an order to sell at the market an odd lot of a security listed on the New York Stock Exchange. This order was received by the odd-lot dealer on the floor of the Boston Stock Exchange shortly before the close of the New York market. Following the practice of executing the odd-lot order on the basis of the next full lot transaction reported on the New York Stock Exchange ticker, the Boston odd-lot dealer reported execution of the order to the member and through him, to the customer. Immediately after the execution of the order, the stock involved advanced sharply. Due to this fact, the customer complained to the Exchange that execution of the odd-lot order based on the next full lot reported on the New York Stock Exchange ticker was unfair, since his order could not possibly have been executed upon the basis of such sale if it had been transmitted to the odd-lot dealer on the floor of the New York exchange. The customer felt that there should be a time interval between the receipt of the order by the Boston odd-lot dealer and the execution thereof based on the New York Stock Exchange ticker.

As a result of these "stop watch" tests, the Committee on Odd Lots and Specialists of the Boston Stock Exchange, on January 2, 1930, ruled that all odd-lot dealers, after receiving and time-stamping odd-lot orders, should allow one minute to elapse before executing the order on the basis of the next full lot of the security reported on the stock ticker of the New York exchange. On March 14, 1930, this Committee increased the time interval to two minutes and on October 25, 1930, it was again increased to three minutes. This latter time interval has continued to the present day and represents an attempt on the part of the exchange to approximate as closely as possible the price which the customer would receive or pay if his order were transmitted directly to the primary exchange.

There seems to be no justification for any attack upon the use of a time interval in the execution of odd-lot orders on the smaller exchanges. It must be remembered that the time interval was first used in 1930, when securities exchanges throughout the country were comparatively "swamped" with business. In the quiet markets of today, it is most likely true that a round-lot transaction effected on the floor of the New York Stock Exchange may be reported on a stock ticker in a distant city in less than three minutes. Perhaps the time interval used by the smaller exchanges should be reduced to two minutes.

With respect to any security in which there is a registered odd-lot dealer on the Boston Stock Exchange, and for which the primary market is on another exchange, a member may not execute a round-lot order by accepting a bid or offer unless such execution is fairly comparable to the execution which might be obtained in the primary market; but in no event shall a sell order be executed by accepting a bid which is more than 1/4 of a point below the lower of the last sale or current bid in the primary market, nor a buy order be executed by accepting an offer which is more than 1/4 of a point above the higher of the last sale or current offer in the primary market. In this manner, the execution of round-lot orders on the Boston exchange are somewhat related to the primary market.

Round-lot trading on the Boston exchange may also be directly geared to



the round-lot trading on the primary exchange. Whenever this automatic method is employed, there must always be one registered odd-lot dealer in the trade. The system is primarily for the benefit of the odd-lot dealers who many times are interested in the purchase or sale of round lots for the purpose of balancing their odd-lot position. If round-lot orders are accepted for execution against the primary market, the usual three-minute time interval is used but, of course, no differential is charged the Boston customer as is the case of odd-lots.

The above discussion of the method of trading employed on the Boston Stock Exchange applies also to the other Eastern markets such as the Philadelphia Stock Exchange and the Pittsburgh Stock Exchange.

The important exchanges of the Middle West and Far West (Chicago, San Francisco, Los Angeles, and Detroit Stock Exchanges) do not "mechanically gear" their executions to the New York market when orders are for securities which are traded both on a local exchange and on one of the New York exchanges. However, when orders are executed locally, then customers expect an execution which is comparable to what might have been obtained had the orders been executed in New York. The Los Angeles exchange has on its floor a Trans-Lux machine which projects the stock ticker tape of the New York Stock Exchange. The Los Angeles members are thus advised at all times of the price movements in New York in dually traded securities. In the proper performance of his duty as a broker, the Los Angeles member is required to execute all orders in the best available market. He is therefore bound to transmit orders to New York if a better execution can be obtained in that market.

Due to the prevailing time difference between Los Angeles and New York, the Los Angeles exchange is open 3-1/2 hours later than the New York market. The Los Angeles market in dually traded securities after the close of the New York market is truly of an independent character. We have had many instances in which important announcements are made to the country after 3:00 P.M. New York time. If they are important market-wise, western investors and many eastern clients, rather than await the opening of the New York market on the succeeding day, enter their orders for immediate execution on the Los Angeles exchange. These statements apply also to the San Francisco exchange.

The Chicago Stock Exchange attempts to make an independent market at all times but as I have stated before, whenever a security is also traded on the New York Stock Exchange, the customer expects as good an execution as might be obtained in the New York market.

While many securities exchanges originated as "call" markets, most of them have progressed to the stage where continuous trading is now conducted thereon. However, there are still some exchanges which use the "call" system, among them being the Salt Lake Stock Exchange, The Standard Stock Exchange of Spokane and the Washington Stock Exchange in the District of Columbia.

There are many people who question the economic value of the services performed by the small local exchanges. There are those who state that there is only one real securities market and that there need be only one. The Congress of the United States believed, however, that the local exchanges are providing a service which is of value to industries and investors of the various regions. In other words, Congress visualized a competitive decentralized system rather than a monopoly.

For many years now, the small exchanges have listed securities which either were not eligible for admittance to the list of the New York exchanges or were not sufficiently distributed to warrant a market place in that city. The securities of these smaller corporations undergo a seasoning process on the smaller exchanges and when they become of national interest or importance, listing privileges are usually granted by either of the New York markets. It is apparent that this process is sound, for when a security becomes national in scope, it should be traded on the leading securities exchange of the nation. When such securities become listed on one of the New York markets, the local market diminishes in size, if it does not disappear entirely. To substantiate this point, I would like to cite one of the many examples of such transfer of market place from a local exchange to New York. The common stock of a Pennsylvania corporation was listed on one of the Pennsylvania exchanges in January, 1929. For eight years this security was traded only on that exchange. In 1937, it was also listed on one of the New York markets.

For the eight years during which the Pennsylvania market was the only market for the security, approximately 12,000 shares were traded annually thereon. From January 1937 to date, the average trading in this security has been approximately 4,000 shares per year. On the other hand, the New York market has traded in approximately 84,000 shares per year. This example is merely cited to indicate that the smaller exchanges almost completely lose their market once a security is traded in New York. The smaller exchanges are at a loss to prevent this transfer of market place. As I have stated before, once a security becomes national in scope, it is but right and proper that the principal trading therein should be transferred to a national market. However, to compensate the smaller exchanges for this loss of business subsequent to the completion of the seasoning process, it is but fair to permit such smaller exchanges to retain whatever trading they can. If an issue continues to remain listed on the local exchange after it is admitted to listing on one of the New York markets, the brokers may, of course, continue to execute both odd-lot and round-lot orders in the local market. However, in many instances, the issuer of securities has deemed it wise to delist from local exchanges whenever New York listing was obtained. In such cases, the local brokers are compelled to transmit all orders in such securities to the New York market.

In the interest of the smaller exchanges, Section 12 (f) of the Securities Exchange Act of 1934, as amended, now permits local exchanges to apply to the Commission for the extension of unlisted trading privileges to any security which is fully listed and registered on any other exchange. Prior to the granting of any such applications, the Commission must be satisfied that first, there exists in the vicinity of the local exchange sufficiently widespread public distribution of the security; and second, there exists in such vicinity sufficient public trading activity therein to render the extension of unlisted trading privileges necessary or appropriate in the public interest or for the protection of investors.

The Commission has not promiscuously granted unlisted trading privileges to securities merely because they were listed on another exchange and registered with the Commission. To date, approximately 27% of the total applications filed pursuant to Clause 2 of Section 12 (f) have been denied. 68 have been granted while 25 have been denied.

There has been some criticism of the Commission's policy relative to the extension of unlisted trading privileges to the smaller exchanges in securities traded on either of the New York markets. Rather than attempt

to evaluate the merit of these objections, let me place before you some interesting statistics.

Using as a standard the dollar value of all stock transactions effected on registered exchanges during the past 4-1/2 years, the two New York markets have done from 93.5% to 96.1% of the total stock business of the country. Consequently, the remaining 18 to 21 smaller exchanges have done from 3.9% to 6.5% of such total. The attached chart graphically sets forth the monthly ratios.

Now, if we use as a standard, the number of shares traded on all registered exchanges during the same period, we find that the two New York exchanges have done from 79.4% to 91.7% of the total shares traded.

The difference between this and the preceding ratio is due to the fact that the smaller exchanges trade in securities which have a lower market price than those traded on the two New York markets. The attached chart sets forth by months the division of such business between the two New York markets and all of the other registered exchanges.

To say that the maximum 6-1/2% of dollar value of shares traded on the smaller exchanges is of sufficient importance to affect the New York markets, is, to use the expression of our President, to say that "The tail wags the dog". It is hardly likely that trading on exchanges doing only 6-1/2% of the total business can have any detrimental effect, for the time being, upon the New York markets.

The first application for the extension of unlisted trading privileges was granted by the Commission on April 14, 1937. At the end of March, 1937, the two New York exchanges accounted for 95.8% of the total dollar value of stock sales on registered exchanges in the United States. At the end of March 1939, just two years later, the two New York exchanges accounted for approximately 93.6% of the dollar value of all stock sales on registered exchanges.

At the end of March 1937, the two New York exchanges accounted for 86.9% of the total shares traded on all registered exchanges and at the end of March 1939, the two New York exchanges accounted for 89.5% of such total.

These figures are submitted so that you may decide for yourself whether the policy of the Commission has had any appreciable effect upon the amount of business diverted from the two New York markets.

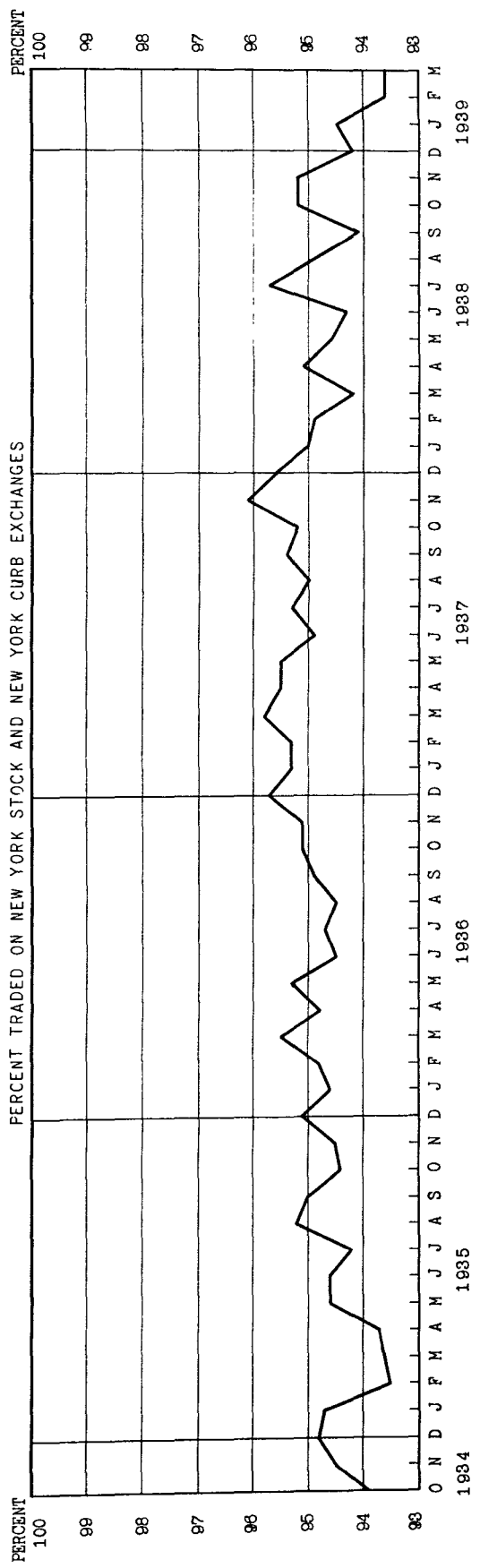
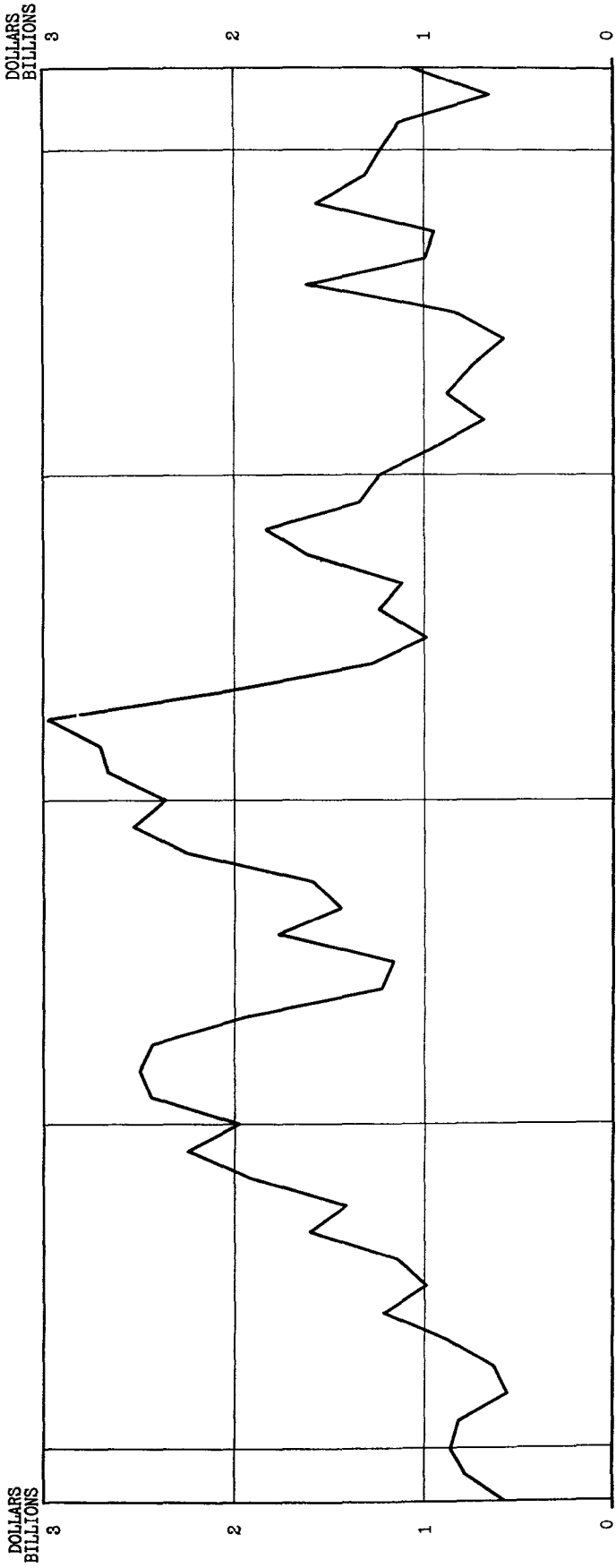
In conclusion, I would like to emphasize the point that the Commission is deeply interested in the development of the exchanges outside New York. It does not desire to assist the smaller exchanges at the expense of the larger exchanges. As I have stated before, the only measuring stick which the Commission may use is a consideration of the public interest and the protection of investors. Necessarily, public interest is not of local consideration but must be interpreted to mean the public interest of the nation as a whole.

The forces of competition and of economic necessity may gradually reduce the number of securities exchanges in the United States. They have already been reduced from 46 on October 1, 1934 to 27 as of April 30, 1939. The Commission does not intend to compel the dissolution of any exchange nor does

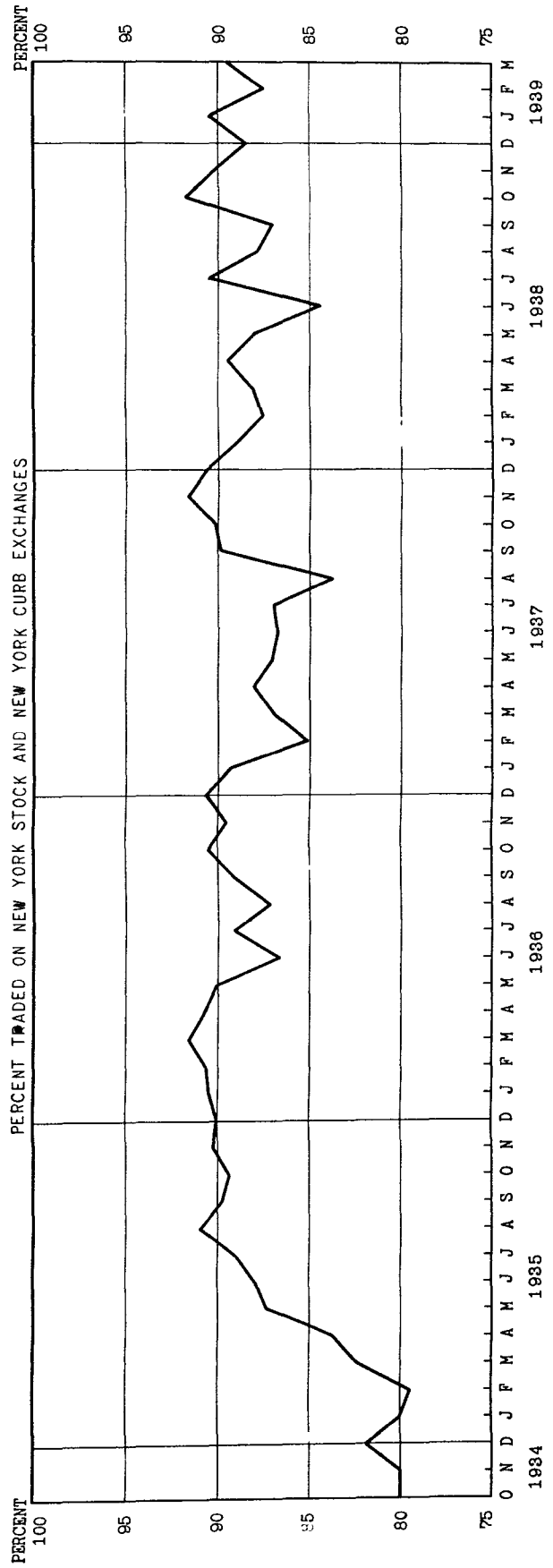
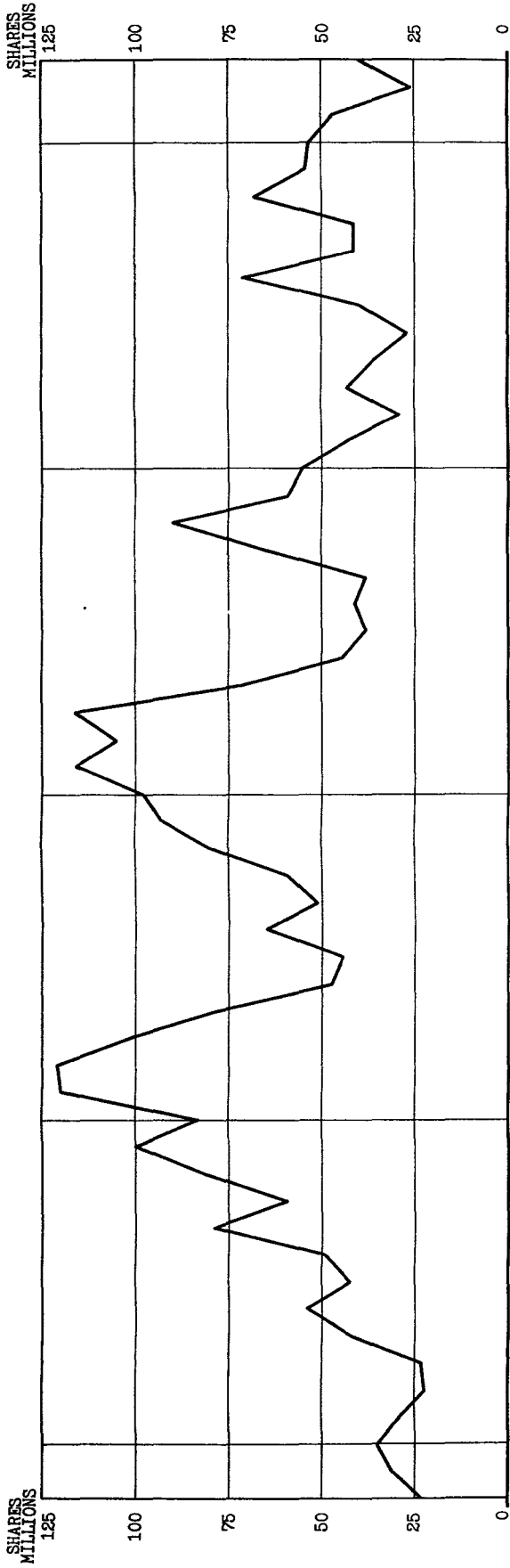
it wish to take any action which might necessitate the voluntary abandonment of an organized exchange in a local community unless such action be in the public interest. Again may I say that all national securities exchanges are the concern of the Commission and they are equal in the eyes of the law. It is the duty of the Commission not to prefer one over the other.

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VALUE OF STOCKS TRADED ON ALL REGISTERED EXCHANGES



SHARES TRADED ON ALL REGISTERED EXCHANGES\*



\*Exclusive of odd-lot and stop sales on N.Y.S.E. and N.Y.C.E. prior to April, 1935.