

Memorandum

THE New York Stock
Exchange

November 27, 1973

TO: J. J. Needham

FROM: R. M. Bishop

SUBJECT: Market Surveillance - Conversation with the SEC

Nelson Kibler of the SEC telephoned this morning to say that the SEC is concerned that their normal surveillance is not adequate for the precipitous declines in the market of recent days and that they are sending the self regulatory agencies a letter today requesting that they make special surveys of the capital and margin conditions of their member firms and report to the SEC by Friday.

I told Mr. Kibler that we have standing programs of this kind which have been working for the last ten days or so and that we were therefore prepared to report.

Our Coordinators have been calling firms that they know have significant proprietary positions to inquire about the capital position as the result of market declines. We are also currently making a computer run against the Joint Regulatory data base to list firms who, based on the securities positions shown in the September and October JRR, could go above 1000 if their portfolios declined in value by 25%. This list is to be used for another check of these firms.

In the margin area our people are calling a sampling of firms as to the extent of margin calls as the result of yesterday's market decline and how calls compared with other periods of decline. We also are keeping an eye on any concentrations in margin positions that we know about, such as those of Edwards & Hanly, which are already being charged 100% against capital. It would be this kind of position that could cause a capital problem for a firm. The Coordinators are inquiring about such positions which might be unknown to us in their calls on capital.

For specialist firms, the Market Surveillance division has been following their usual practice of requiring reports from specialist firms at the close on any day when there is a significant market decline. Such a report is due from all firms this morning. Further, the Market Surveillance division is watching the values of proprietary positions hourly of M.J. Meehan & Co. which traditionally has very large positions.

As a result of all this surveillance we have no known acute problems at present. We will be getting this information in shape for a reply to the SEC. I asked Mr. Kibler to give

their letter to our Washington office for transmittal by wire so that we would receive it quickly.

Robert Bishop

cc: F.J. Palamara
D.L. Calvin
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