

MEMORANDUM

February 8, 1962

To : Philip A. Loomis, Jr.
Director
Division of Trading and Exchanges

From : William L. Cary
Chairman

In his report to the Commission, Joe Weiner recommended that the Commission request of the NASD that they, in effect, establish listing requirements for trading in over-the-counter securities. As was pointed out in this memorandum, the NASD now endeavors to exclude from its quotation list of securities all companies which do not furnish financial information. The question is raised whether this same principle could not be applied to a prohibition against trading in such securities.

In effect Mr. Weiner is recommending that the NASD have listing requirements for any security that may be traded by a member. Presumably these requirements would include, at a minimum, the necessity for financial reporting by the issuer and possibly the necessity to solicit proxies. To implement this suggestion, the NASD would, of course, have to promulgate standards, develop a staff for enforcing them and verifying the accuracy of the reports filed under the rules.

I would very much appreciate your comments as to the feasibility and desirability of this program in light of the aims of the Market Study to reevaluate Frear-Fulbright legislation, the feasibility of imposing this type of burden on the NASD, and the problems involved in dual requirements as between Exchanges and the over-the-counter market.

cc: Mr. Milton Cohen