

April 13, 1964

CHAIRMAN'S OFFICE
MAILED

APR 13 1964

Mr. G. Keith Funston, President
Mr. Henry H. Watts, Jr.,
Chairman of the Board
New York Stock Exchange
Eleven Wall Street
New York 3, New York

Signed by: _____

Gentlemen:

I understand that discussions of the past few days have helped to clarify the commitment to be made by the Exchange with respect to the use of automated procedures for surveillance of trading activities.

We strongly believe that the Exchanges should now, without delay, initiate the steps leading to a practical solution of the problems of input of transaction data and programming for surveillance purposes. We understand that your staff intends to recommend the engagement of personnel to bring these problems to a reasonably prompt solution. In this connection we think that it is important that the Board of Governors clearly state that it is the policy of the Exchanges to plan for and to take steps leading to automation of floor surveillance.

These steps will be essential to meet the surveillance requirements set forth in the Commission's Release No. 7290 under the Exchange Act covering floor trading. Surveillance of such trading constitutes a logical point of beginning not only because of the intrinsic importance of the problem but also, we are advised, because the input here apparently presents less problem than any other class of floor activity.

We anticipate that the regulation of the trading of specialists and other members will also provide for automated surveillance. We assume that the necessary input and programming studies will be carried out with respect to all of the various items of transaction data listed in my letter of March 18.

I would appreciate your bringing this letter to the attention of members of the Board of Governors prior to the meeting of April 16 so that it may be considered together with my letter of March 18.

Very truly yours,

William L. Cary
Chairman