

WHO OWNS THE NEW YORK STOCK EXCHANGE?

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Some of you may have been surprised to read in Securities Week recently that my ideas about who owns the New York Stock Exchange had "shocked" some of the Directors of the Securities Industry Association.

Most business people don't like to receive shocks -- myself included. And so, to help clear up any misconceptions about whether Mil Batten is trying or planning to expropriate the world's leading securities marketplace, I'd like to explain rather more fully what I said, and what I meant.

Let's begin with a very simple question:

Who does Own The New York Stock Exchange?

The equally simple answer is: The 1,366 members of the Exchange -- just as the 1-1/4 million shareholders of General Motors own that corporation.

But how meaningful is that answer?

If the Exchange were to be liquidated, it would be, in legal terms, very meaningful indeed, because the members --like a company's stockholders-- are the only people who would be entitled to share in the assets of the corporation.

So, I did not say that the Exchange's members do not own the Exchange. Of course they do.

But despite what you may have been hearing or reading about the imminent demise of the Exchange, we have no plans --not even contingency plans-- for liquidation.

So it seems to me that a more relevant question than “Who Owns the Exchange?” is: “Who Has The Greatest Stake In How The Exchange Is Managed?”

The answer to that question is both more meaningful and more complex. And I believe it was that answer that surprised some of the people who heard it. In all candor, however, I must add that I was surprised that they were surprised -- since I have been expressing my views on this subject fairly regularly since I became Chairman of the Exchange some 17 months ago.

Again, if you are thinking about liquidating a business, the owners --in our case, the 1,366 holders of Exchange memberships-- clearly have the greatest stake. But if you are not looking toward liquidation --as we most certainly are not-- then the stake of the owners is crucially dependent on the support and good will of the other constituents of the business.

In other words, the stock exchange, like any other business, must be managed in a way that gives priority to the needs and demands of its users, its customers and whatever other constituents are in a position to influence --by continuing, increasing or withholding their patronage, as the case may be-- the success of its operations.

When I first became associated with the New York Stock Exchange as a Public Director, some 5½ years ago, I was puzzled and disturbed by what seemed to be the Exchange’s chronic inability to define itself or its purpose. At different times, it appeared to be primarily a membership organization, or primarily a marketplace, or primarily a regulator, or primarily a trade association, or primarily a service organization. There was, at least to an outsider trying to learn what the organization was all about, a sense of multiple schizophrenia --or a kind of single-unit conglomerate-- trying to be all things to all constituents simultaneously.

That doesn't work -- particularly in a business environment that has become noticeably more uncertain and buffeted by change. It does, perhaps, explain the remark attributed to Franklin Roosevelt that the person in charge at the New York Stock Exchange had the second-toughest job in the country.

For me, one of the most intriguing aspects of becoming Chairman of the Exchange was the challenge of trying to sort things out and determine, as far as possible, what the Exchange really is -- and what it ought to be in the future.

WHAT IS THE NEW YORK STOCK EXCHANGE?

Thus, before trying to answer the question of who has the greatest stake in how the stock exchange is managed, it is essential to have a clear idea of just what the stock exchange does.

I believe we've made some progress toward an answer. Although many people may have lost sight of the fact in the past, it has become increasingly clear that, today, the New York Stock Exchange is, above all else, a marketplace. Its principal purpose is to provide the highest quality markets in the world for the stocks of --at the most recent count-- 1,556 of the world's largest, most widely held public corporations.

Some of the relevant statistics are literally staggering.

The NYSE today maintains the definitive pricing mechanism for some \$800 billion worth of corporate stocks. And that figure advances to well over \$1 trillion if you add in the bonds that are traded in our marketplace.

Since the beginning of this year, the Exchange's stock list has increased by some 1-1/2 billion shares -- bringing the total number of shares eligible to be traded in our marketplace close to 26 billion. At the end of fiscal 1975, the assets of NYSE listed companies aggregated \$1.8 trillion, their sales exceeded \$1.4 trillion, and those companies posted net income of \$63 billion.

In recent years, NYSE listed companies have, in fact, accounted for assets and sales approaching the total for all other U.S. corporations -- and they have earned more than four times as much income as all the others combined.

Perhaps even more significant in our present national economic climate, we estimate that listed companies employ a total of some 16 million people in their worldwide operations; even reducing that amount by, say, 25% to exclude employees overseas, that works out to some 12 million U.S. jobs directly provided by the corporations whose shares are traded in the NYSE marketplace.*

Although the market is generally regarded as behaving very sluggishly this year, reported trading volume, through the close of business last Friday, totaled 4. billion shares. That means that on any average day in 1977, 20. million shares of listed stocks changed hands on the Exchange. By contrast, average daily volume in what was then regarded as the frantically active year 1968, was a shade under 13 million shares.

“A BAROMETER OF MOOD AND EMOTION”

The point is that the New York Stock Exchange’s principal function is to provide the facilities through which investors anywhere can buy or sell as few or as many shares of any listed stock, as quickly and as easily as possible, whenever they wish.

On a different level, as The New York Times recently noted, “the stock market,” --which many people tend to regard as synonymous with the New York Stock Exchange-- “is partly a barometer of economics, but more a barometer of mood and emotion.” In that sense, what

*Note: These figures are very approximate, at best. When NYSE compiled job figures back in the 1960s, they showed listed companies accounting for about 20% of the U.S. labor force. With employment at about 80 million today, that would be 16 million listed company employees. The reduction of 25% for overseas employees is a ballpark guesstimate.

happens each day in the NYSE marketplace offers valuable insights into the economic hopes, expectations, fears and anxieties of many millions of Americans.

Obviously, in the face of the foregoing statistics and judgements, reading a list of 1,366 names of people or securities firms who have purchased the right to conduct business on the Exchange trading floor would be a glaringly inadequate --perhaps even a fatuous-- response to the question: Who has the greatest stake in how the Exchange is managed?"