

- (1) There has been definite pressure brought to bear on Mr. Gay. Since his election to fix the splitting of commissions between the New York brokers and their out of town correspondents through a system of zoning. While the matter is frequently discussed, it has not been presented formally to either the Law Committee or the Q. C. Committee. The question has not been thought through and needs a great deal of additional study. Expressions of opinion and suggestions would be welcomed by the Q. C. Committee.
- (2) I do not think this to be a fact. There has been a little talk but nothing even approaching action thereon.
- (3) No definite regulations have been proposed to prevent branch offices being opened in cities where a member broker is already established. Several suggestions as to correcting abuses of free competition are proposed, one of these being incorporated in the new customer's men rules under consideration now in that no office may hire a man from another office at a higher salary than he is already receiving, for a period of six months and any increase in salary, which he is given at the end of that time, must be based on the volume of commissions produced and with the approval of the Q. C. Committee. It is thought that this will prevent big wire houses from opening a branch office by taking a promising customer's man from a local house at an increased salary, milking the community and then when business gets dull, closing up. There is also a proposal that where a branch office is opened, if it is closed within a period of one year, a forfeiture fee, or closure fee of from one to five thousand dollars be charged.
- (4) It is proposed that in large and important cities of a population of 500,000 or more, branch offices when opened, must be in charge of a resident partner as the prestige and dignity of the Exchange demands this. However, the manager of a branch house in which there is no member brokers should be a partner of the firm, but it is unlikely any fixed rule of this sort will be made and even if it is made it is probable that the Q. C. Committee would grant many exceptions.
- (5) Dues ranging from \$1,000. to \$5,000. have been proposed as an offset to the expenses of memberships where a competitive branch house is in the same city. There is practically no likelihood that anything like this will be fixed on in the near future.
- (6) The securities commission will probably rule on whether there should be a segregation between dealer and broker early in 1936. If they should rule that there is to be a segregation I think the value of seats in the New York Stock Exchange will be materially reduced and I think it will reduce even further the value of seats on smaller exchanges throughout the country. I do not think this will be beneficial to the houses who are at present doing a strictly commission business tho at first glance it might appear to be so. In the long run I think it would be detrimental to all. I do not think the S.E.C. will cause this segregation to be made as the overlapping of the securities act and the securities and exchange commission act in conjunction with their working with the Federal Reserve Board, is already causing them many a headache and making them realize that their chief job is to prevent the issue of fraudulent securities and eliminate so far as possible manipulation in security prices while at the same time passing as little as possible on the merits of this business or that and the interrelationship of business. The opinion of the Board of Governors of the New York Stock Exchange is very much mixed.

(7) The Committee working on revising commissions has come to a practical impasse and I think it improbable that they will accomplish anything or even make a tangible report prior to 1938.