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November 11, 2003

Chairman William Donaldson
Securities and Exchange Commission
Washington, D.C. 20549

Re: Public Hearings and the New York Stock Exchange

Dear Chairman Donaldson: SR-NYSE-2003-34

In view of the urgent restructuring of the New York Stock Exchange that is currently underway I would like to take the liberty of strongly suggesting that the Securities and Exchange Commission hold public hearings on this matter.

Much more should be considered as to the make-up of the Board of Directors. For example the corporate listing requirements should be made much stricter.

I hope that you and your fellow Commissioners will give this matter serious consideration. And needless to say if public hearings are held I would very much appreciate an opportunity to testify.

Thanking you for your kind consideration, I remain --

Sincerely yours,

Hans R. Keinisch

Hans R. Keinisch

P.S. I am enclosing herewith a few articles dealing with my efforts to reform the NYSE more than thirty years ago.

Heard on the Street

By RICHARD E. RUSTIN

The New York Stock Exchange's 10 new public directors have flunked their first test in looking out for the small investor.

So asserts Hans R. Reinisch, president of the National Shareholders Association, the emall-investor advocate whose stature an a securities industry gadfly has risen over the past few years in inverse proportion to Wall Street's sagging public image.

Mr. Reinisch's latest campaign is to get the Big Board, the Securities and Exchange Commission or anyone else who will listen to specifically require brokers to abide by the same cash-remittance rules as their customera.

Regulation T of the Federal Reserve Board generally requires an individual investor to pay for a stock purchase within five business days after the transaction. However, Mr. Reinisch observes, there isn't any corresponding rule requiring a broker to send his customer the cash when the investor sells stock. Consequently, Mr. Reinisch says, brokers may deliberately delay these payments and use the interest-free "float" to finance their own operations or engage in other moneymaking arrangements. The only thing governing brokers' activities in this area is a broadly worded SEC rule requiring a broker to "promptly" deliver securities or funds owed to a customer.

That brings us to Mr. Reinisch and the new board, which is a product of the exchange's much-publicbed reorganization and is designed to dramatically increase public participation and influence at the Big Board. In contrast to the old 33-man board, which Included 28 brokers. the new 21-member panel, formed last month, consists of 10 public representatives, 10 brokers and a full-time chairman, James J. Needham, a former SEC member.

In mid-July, Mr. Reinisch wrote to the 10 public members (Mr. Needham hadn't yet been designated chairman) and asked for their opinions on his proposal to make the cash-remittance rules "a two-way street" applying equally to broker and customer.

The response says Mr. Reinisch, "was, to say the least, disappointing." One public director, Robert W. Sarnoff, chairman of RCA Corp., didn't answer, while four others reserved specific comment on the ground that they were new at their directors' posts and the matter raised by Mr. Reinisch was unfamiliar territory. They were Jerome H. Holland, U.S. Ambassador to Sweden; Raymon H. Mulford, chairman of Owens-Illinoh Inc.; Karl R. Bendetsen, chairman of Champion International Corp., and William C. Greenough, chairman of Teachers Insurance and Annuity Association and College Retirement Equities Fund.

But, Mr. Reinisch found the moat distressing aspect of the affair in the five other replies. These came from, or on behalf of, Donald C. Cook, chairman and president of American Electric Power Corp.; Juanita M. Kreps of Duke University; Cornelius W. Owens, executive vice president of American Telephone & Telegraph Co.; William M. Batten, chairman of J.C. Penney Co., and James M. Roche, formerly chairman of General Motors Corp.

All five letters took the position that a broker is obligated to promptly remit cash proceed of a sale when the customer so requests, and all invited Mr. Reinisch to report to the exchange staff any cases where brokers didn't comply.

"They missed the point—they didn't even give specific reactions to my proposal—but that's not what galls me," asserts Mr. Reinisch. "Four of the letters (from Messrs. Roche, Owens, Batten and Cook) were almost identical in their wording, and three were actually rent and signed by stock exchange staifers on behalf of Mr. Roche, Mr. Owens and Mm. Kreps.

"As soon as the exchange got Wind that I wrote to all the public governors, they decided to get together and give me the party line. It proves that the governing board isn't thinking Independently on behalf of the investing public:

"It leaves me with a distasteful first reaction to the board. The reaction of the public representatives is exactly what I feared it would be. They got the officials of the New York Stock Exchange to answer for them. Rather than looking out themselves after the public interest, they are defending an improper practice of the brokers," he says.

Mr. Reinisch has equally unkind words for the SEC in this case. "The SEC is more interested in protecting the broker8 than in developing a rule to protect the small Investor," he charges. "The SEC is sitting on its hands."

As for the invitation to report cases where broker8 allegedly dawdled deliberately in remitting cash to customers, Mr. Reinisch snorts:

"It's highly unreasonable for the New York Stock Exchange to expect me to recite on a case-by-case basts the violatlons of its member firms, as I was asked to do."

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THE NEW YORK TIMES, TUESDAY: JUNE 6, 1972

Market Place: The Big Board And the Public

By ROBERT METZ

Now that the New York Stock Exchange has revealed the direction of its thinking on public members of its new 21-member board it is clear that many questions remain unresolved regarding appropriate qualifications for the 10 public members.

On Tuesday, May 30, it was disclosed that the name of Jerome H. Holland, the United States Ambassador to Sweden, would be submitted to the eschange membership as a public nominee. Mr. Holland, who is black, has already agreed to accept the nomination. The post reportedly **will** pay $12,000 to $15.000 a year.

Ostensibly, it seemed that the exchange was responding to criticism of its present "public" representatives. There were three such members on the old 33-member hoard—all of them corporate executives.

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How, critics have asked, could such members be expected to act in behalf of the nation's **32** million shareholders? As one critic, Hans R. Reinisch noted, the small investor was asked to pay more for brokerage services through a surcharge—which became in effect permanent when new higher cammission rates replaced the surcharge. Mr. Reinisch is president of a small public interest group known as the National Shareholders Association. He 'has testified several times before committees invesigating the securities industry.

None of the three public members of the exchange board protested the new fees, Mr. Reinisch says, adding, "They told me on the telephone that they supported the president of the exchange on this sensitive and highly debatable issue."

Mr. Reinisch was once executive director of the international division of Argus Research, an investment advisory service.

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The wcrd that a man with no connection to the securities business would get a public seat seemed favorable at first glance. However it is noted that Mr. Holland will he leaving a post that pays at least twice and perhaps three times as much as the board membership, Will he have other sources **of** income?

Wall Street sources are assuming that Mr. Holland has also made other commitments to the corporate world, the educational community Or both. Mr. Holland, in Sweden last week, was not reached for comment.

Mr. Remish said: **"If** he's going to teach, fine. **But** if he joints the staff of a corporation or becomes ***a*** director of one or more corporations, he'll have a clear conflict **of** interest. There is nothing in the exchange rules that would prevent him from doing this.

"Ideally, the qualifications for a public membership would be someone who had constructively criticized the securities industry and someone who had made proposals for meaningful reform.

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"Remember that many of the issues before the exchange — institutional membership, the level of commission charges, the future of the stock certificate, unbundling of services and so forth — are extremely complex. Public. members should have ***a*** thorough grasp of what's what and be willing to stanchly defend the interests of the small investor."

Mr. Reinisch said it had been reported that Mary Bunting, president of Radcliffe College, was also being considered as **a** possible public member.

"It seems incomprehensible to me that a college president—no matter how well-informed generally — could make a meaningful contribution," he commented.

Mr. Reinisch said that he favors men like Prof. Paul **A.** Samuelson, a Nobel Prize winner for his work in economics; Abraham Pomerantz, a weil-known lawyer who represents shareholders in class actions, and Lewis Gilbert, the critic of corporations.

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Mr. Reinisch said that the New York Stock Exchange **is** deciding a matter that has deep consequences **for** the public. Some other agency or authority ought to have a hand in this decision, he declared.

"After all, the public has ***a*** stake in the exchange through the Securities Investor Protection Corporation, since this organization can call upon the United States Treasury for **up** to $1-billion to cover brokerage firm failures," he said. "The exchange community is on the hook for $150-million. Then the $1-billion becomes available."

Mr. Reinisch said he thinks it is unfortunate that the Securities and **Exchange Com**mission (through its chairman. William J. Casey) has indicated that it does not want to be involved in picking public members.

THE NEW YORK TIMES, WEDNESDAY, JANUARY 30, 1974

Why Stocks Don't Sell

To the Editor:

In his Jan. 18 Op-Ed article, "Making a Better Market," Frank Weil omitted perhaps the most important reason for "today's stockmarket malaise."

Millions of investors have lost their appetite for buying and selling stocks

because of widespread .fraud on the part of corporate officials and brokerage firms. Inexplicably, Mr. Weil totally ignored the shattering effect that scandals such as Penn Central, I.O.S., Equity Funding, Four Seasons Nursing Centers, etc. have had on investor confidence in recent years.

Last September the former chairman of Four Seasons Nursing Homes received a one-year jail sentence for his part in the $200-million stock swindle. Unbelievably light punishmsnts such as this are no deterrents to continued white-collar crime. Brokerage firms found guilty of misappropriating customer funds or some other securities-law violaition are penalized by a ten- or twenty-day trading restriction.

Until the Securities and Exchange Commission, the N.Y.S.E.and this nation's courts impose severe penalties on corporate officials and brokers who engage in fraud, white-collar crime will continue, and the public will remain away from the marketplace by the millions. And it is the public's reluctance to invest that has been a main cause of the stock market's illiquidity and price erosion.

A little integrity would go a far way toward restoring the health of the nation's securities markets.

HANS RANDOLPH REINISCH
President, National Shareholders Ass'n.
New York, Jan. 21, 1974

Fraud never seems to stop! Alas, we never can let our guard down. Constant vigilance is required. JCRR