

NEW YORK STOCK EXCHANGE

ELEVEN WALL STREET

NEW YORK 5, N. Y.

G. KEITH FUNSTON
PRESIDENT

September 24, 1958

The Honorable Edward N. Gadsby
Chairman
Securities and Exchange Commission
Washington 25, D. C.

Dear Chairman Gadsby:

Because it involves a matter of such vital importance, I am writing you today to express the Exchange's initial reaction and preliminary comments on the Commission's proposed Rule 17a-8 under the Securities Exchange Act of 1934. This proposed Rule is, we believe, the most sweeping and fundamental proposed change in SEC Rules affecting brokers in many years. We therefore earnestly request that additional time be provided for all interested parties to fully explore and comment on its many ramifications.

The imposition of a requirement that brokers report all significant transactions of foreigners could, we believe, have a serious and far-reaching impact on international securities transactions. It could damage or destroy the good-will of legitimate foreign investors and undermine the role of our New York markets as an international securities marketplace.

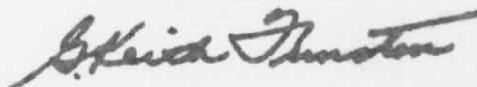
Such a requirement could be extremely burdensome on brokers, who would be required to keep daily cumulative totals of the trading in foreign accounts, broken down by individual stocks. The magnitude of this task can be measured by our estimate that approximately 300,000 foreign transactions a year are handled on this Exchange alone, totalling about \$2,000,000,000 and involving about 40 million shares. The flow of these reports might also be burdensome to the Commission and, even when analyzed, would not, in our judgment, supply any really significant information to aid in your enforcement of the law.

Furthermore, such a requirement could be easily evaded by the placing of orders through banks, by the use of nominees or agents, or by distributing orders among a sufficient number of brokers to assure that no one broker would be required to report.

In view of these fundamental problems raised by our initial review of proposed Rule 17a-8, the Exchange urges the Commission to extend the time for public comment on this proposal until December 1, 1958, so that these potential difficulties can be thoroughly analyzed and evaluated.

We are anxious to assist the Commission in its efforts to devise a solution to the problems which stem from the occasional apparent violation of the Securities Acts through the medium of foreign accounts. May we suggest in that connection that it would be extremely helpful if the Commission would release its full report on this subject which has been filed with the Legislative Oversight Committee. I understand that in your testimony before that Committee on September 18th you stated that the Commission had no objection to the report's being made public. I believe that the release of that report would give the securities industry a clearer understanding of the problems you face and would therefore give you the benefit of any suggestions the industry may have as to a workable solution of this problem.

Sincerely yours,



cc: Commissioners Hastings, Orrick,
Patterson, Sargent