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National Association of Securities Dealers, Inc.

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UNIFORM PRACTICE COMMITTEE

25 Broad Street, New York 4, N. Y.

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Treasurer

WALLACE H. FULTON
Executive Director

April 9, 1959

Mr. Wallace H. Fulton, Executive Director
National Association of Securities Dealers, Inc.
1707 H Street, N. W.
Washington 6, D. C.

Dear Wallace:

Enclosed is a memorandum on Rule 17a-8.

It is my understanding that the New York Stock Exchange and the American Stock Exchange is also going to take a stand against this revised proposal.

Please inform me as to whether you want this Committee to send a letter based on this memorandum to the S.E.C. or whether it will be done through the Board of Governors.

Sincerely,



Lee C. Monett

LCM/mc
Enc.

Uniform Practice Committee

HENRY H. BADENBERGER, Chairman
One Wall Street, New York 5, N. Y.
THOMAS B. MacDONALD, Vice Chairman
14 Wall Street, New York 5, N. Y.

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New York
Chicago
New York
Philadelphia

Secretary
LEE MONETT
25 Broad Street
New York 4, N. Y.

Memorandum: Opinion expressed at meeting of Committee to study revised proposal of Rule 17a-8 held April 7, 1959 at the office of the National Association of Securities Dealers, 25 Broad Street, New York.

Subject matter: Securities & Exchange Commission proposed rule 17a-8 (release number 5774 and 5900 Securities & Exchange Act of 1934.)

It was the unanimous opinion of those present that neither the rule as originally proposed (release number 5774) nor the revised rule (release number 5900) will accomplish the purposes desired. ^{in addition,} As a matter of fact, it seems that the Commission itself is less than positive as to the results to ^{be achieved, stated purposes,} be derived from its proposal. For in release 5774, the Commission states that "It has been suggested that the Commission might be in a position to cope more promptly and effectively with the problem--." To place upon brokers and dealers the ^{considerable} expense and bothersome burden of accumulating data and filing monthly reports of securities transactions handled for the account of foreign residents merely on the basis that such information might be helpful seems unwarranted and unnecessary. Even if such information were helpful to the Commission in its enforcement and administration of the Acts, ^{Section 17(a) of the Act} it must be recognized that great quantities of such transactions, if handled through banks and other institutions, not subject to proposed Rule 17a-8, would not be made known under the provisions of this rule. It is agreed that eventually ^{it will immediately} brokers and dealers would be by-passed by foreigners whose natural tendencies would

be to place their business with those who are outside the scope of Rule 17a-8.

All agreed that the proposed Rule will ultimately drive legitimate investment business away from registered brokers and dealers and into channels (banks, trust companies and others) not subject to Commission jurisdiction. Foreigners are traditionally wary of anything that indicates control or disclosure and will surely place their business with those who are not required to report or disclose even minor details of their transactions.

In conclusion, we are concerned lest the present world leadership of the United States ~~and that of New York City~~ as the financial center of the world be severely impaired by any disclosure rule, regulation or laws which on their surface accomplish no worth-while end and are not at all inclusive. *can sufficiently inclusive*
In addition, we sincerely believe that a substantial market in American securities would develop abroad and a large part of business in foreign securities now handled by this industry would find its way back to foreign stock exchanges, thus undermining the efforts of our ^Ppresident, government and financial institutions to develop international trade.

April 9, 1959

Henry H. Badenberger, Chairman
Uniform Practice Committee

Henri L. Froy, Chairman
Foreign Securities Committee