

MEMORANDUM

June 10, 1965

TO: Solomon Freedman, Director  
Division of Corporate Regulation

FROM: David Silver, Special Counsel to Director  
Division of Trading and Markets

SUBJECT: Proxy Statement of United Funds

On page 7 of the draft proxy statement of United Funds the following statement with respect to stock exchange commissions is included:

Under long standing rules and practices of stock exchanges in the United States, it is not possible for brokers executing transactions on stock exchanges to rebate to the customer a portion of the commission or voluntarily to reduce the commission.

In the course of our current study into the operations of the Detroit Stock Exchange, it appears that the rules of that exchange, which permit a 40% give-up to NASD members, would provide a vehicle for a rebate to a mutual fund, at least in cases where the fund's underwriter is an NASD member. In such a case the give-up could be directed to the fund's underwriter and the amount so received could be set off against the advisory fee. The mechanical aspects of such an arrangement would be particularly simple in the case of United Funds where, as I understand it, a single entity, Waddell & Reed, is both underwriter and investment advisor. Our investigation indicates that United Funds does use the Detroit Stock Exchange but directs give-ups to dealers.

In light of the facts set forth above, it appears to me that the quoted statement in the draft proxy material is inaccurate.

cc: Mr. Gordon