Foster Bros., Weber & Co.
Toledo, Ohio

February 6, 1968

Security Exchange Commission
Washington, D.C.

Re: Rule 10b-10

Gentlemen:

As members of the New York Stock Exchange and also as active dealers in shares of mutual funds, we are exceedingly interested in the proposal to ban so-called “give ups” through the adoption of a new rule known as Rule 10b-10.

Down through the years we have been beneficiaries of the “give up” procedure as directed by sponsors of various mutual funds. We feel that this participation is justified in the fact that it represents no increased cost to the fund nor to its shareholders; that it recognizes our services as representatives of said funds; that such services go far beyond the compensation as represented in the original transaction, since almost invariably there is continuous service rendered the shareholders -- inquiries on dividends, tax accounting, etc.

Another factor that may be overlooked is that most of the mutual funds are domiciled on the Atlantic seaboard in New York, Boston, and Philadelphia. As a natural result, purchases and sales of their securities are channeled through brokers in those localities. Brokers outside of the areas, therefore, are not the natural recipients of this business even though deserving it. The “give up” procedure is one way of allotting this business to more distant brokers not in the immediate region. Obviously such transactions could be directed to brokers all over the United States but would create added costs to the funds in the transmission of orders, delivering and receiving securities, inconvenience, etc.

The important place that the several regional exchanges occupy in the securities markets must be recognized, not so much on the dually listed securities as on the local securities, markets for which are developed through the regional exchanges, to ultimately reach a status of listing on the major exchanges. It would be highly undesirable to take action that would impair the usefulness and consequent life of the regional exchange. Yet under the proposed rule, business would be channeled away from the regional market. “Give ups” assist in carrying the overhead of brokers who help otherwise sustain the operations of regional markets.

As with the Government, so it is with security dealers and brokers -- the cost of doing business is constantly increasing. We sincerely believe that "He profits most who serves best", and part of such a consideration is that the cost to the public be reasonable. Any reduction in cost such as you propose will tend to impair the service rendered and could boomerang in providing less benefit to the shareholders. Not always is the lowest cost the cheapest one. For instance, "No-load" funds generally have not furnished the shareholder with greater benefit than the funds on which commissions are charged. We do not quarrel with the motive of reduction of cost to the consumer. However, if in achieving this, he is not benefited, the result has not been good. The mutual fund business has been a healthy one. Let's not damage it by unwise legislation that in its widest application would harm those whom it is intended to benefit.

Very truly yours,

Foster Bros., Weber & Co.

By: Ford R. Weber