Educational and Business Aids
New York, NY

February 29, 1968

Securities and Exchange Commission
Washington, D.C.

Gentlemen:

In harmony with your invitation, we are glad to make the following comments on the proposal of the New York Stock Exchange for changes in its commission rate structure and your own proposed rule relative to "give up" practices of investment company investment managers.

In our judgment it is in the public interest for your Commission to view these proposals within the framework of free enterprise whereby competition would determine the commission charges exacted.

Investors would fare best under such a setup, too. Moreover, this approach would eliminate the basis for the charge the Commission is aiding and abetting the exchange in circumventing the anti-trust laws by sanctioning a floor under commission rates arbitrarily arrived at.

Most people realize an exchange in essence provides an auction room for the purchase and sale of certain securities. They are not, however, equally conscious of the fact that these facilities are owned by the individual members of the Exchange. Under a free enterprise approach they -- the individual members -- would be the ones who would be competing with each other for the business to be had.

In this computer are the Exchange could readily determine what fees it should impose for orders executed on the floor to bring in the revenue it sees as desirable. No ceiling should be put on such fees.

Fundamentally, as we see it, there is nothing improper for an investment manager for a fund to place an order with a broker-dealer for the account of a fund with the stipulation that a portion of the commission go to another broker-dealer as a reward for the good job the latter was doing in retailing the shares of the fund involved. This is within the framework of free enterprise, it appears to us. If there have been instances in the past in this area where such practices have been inimical to the funds themselves they should be dealt with as such, we believe.

Faithfully yours,

John Hancock
Executive Director