

L. M. Rosenthal & Company, Inc.  
New York, NY

March 26, 1968

Mr. Orval L. DuBois, Secretary  
Securities and Exchange Commission  
500 North Capitol Street, N. W.  
Washington, D. C. 20549

Dear Mr. DuBois:

This is in response to the invitation in SEC Release No. 8239 to comment on proposed Rule 10b-10 concerning direction of commissions by investment companies.

I would like to make the following comment:

At the present time, Mutual Funds have custodian agreements with banks and other institutions. Under these agreements, the custodian is paid by the fund for various activities. Among them is an activity charge per transaction of about \$8.00 to cover bookkeeping costs. It has been usual for funds to compensate brokers for various services by providing them with commissions on execution of orders. If a fund should place individual orders with many brokers, to compensate them instead of doing a transaction with one broker and distributing the commissions by give ups, it could create a large number of transactions and a lot of activity charges. Thus, the custom of "give up commissions" has developed in part as an effort to reduce the cost of operations to the fund, and a prohibition of "give up" would result in reducing profits to the stockholders of the funds or the general public.

Very truly yours,

Charles M. Rosenthal

cc: Mr. Robert W. Haack, President  
New York Stock Exchange