

Robert W. Baird & Co.  
Milwaukee, Wisconsin

March 29, 1968

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

Dear Mr. DuBois:

It is the considered opinion of the partners of this firm that full support should be given to the suggestions of the New York Stock Exchange relating to the matters being considered as they related to proposed Rule 10b-10 (Release No. 8239).

We consider our firm to be an average, fair-sized regional firm with membership on the New York, American and Midwest Exchanges. Through our corporate affiliate we manage or co-manage underwritings of debt and equity issues of large and small corporations in our area (\$46,055,000 in 1967) and participate as underwriters in many offerings of national issues (\$75, 018,000 in 1967). We actively trade security issues in the over-the-counter market maintaining a primary market in the issues of companies we follow more closely. We bid for and trade tax-exempt securities and are substantial distributors of open-end mutual funds.

Like many good, sound, aggressive regional security dealers, we have a high regard for the contribution we make to our free enterprise economy. We provide capital to growing companies which are not large enough to develop any interest in their securities in national markets. We contribute to the growth of public ownership of equity securities by servicing the accounts of thousands of individual investors. We sell mutual funds where the issue meets an investor's particular needs. Through our research departments we maintain a constant contact with companies in the area we serve at substantial cost and believe this provides a valuable service to both individual and institutional investors including not only mutual fund managers, but insurance companies, trust companies, foundations, self-administered pension plans, union funds, etc.

We agree entirely that any trustee or manager of any fund has a fiduciary responsibility to obtain for the beneficiaries the maximum benefit from any expenditure made. We accept the premise that the direct costs of handling a 10,000 share order is less per share than the direct costs of handling a 100 share order. We do not agree that the direct costs of handling an order is the same

regardless of size. We believe a provision that any give-up must be returned directly or indirectly to the fiduciary is nothing more than a further reduction in the established minimum commission schedule and will create a competitive condition between the very large brokerage firms which will force from competition the smaller regional firms. This is contrary to the intent of any regulated industry.

We believe the basic principle of a give-up is to accomplish the distribution of a large order to the firms that provide many services to the fiduciary without losing the advantages of having the order executed as a unit. It is a method of spreading the business for the greatest possible over-all benefit to the fiduciaries. It is not a gift for which no benefit is received. Most businesses engage in reciprocal business.

If a volume discount is designed in such a way that a fiduciary will be required to place its orders with a relatively small number of large brokerage firms and will be restricted in compensating in any way by elimination of any form of give-ups the many important regional securities firms, it is obvious that the services now received from the regional firms must dissipate. If fiduciaries wish to benefit from the research capabilities now provided by our firm we must receive some compensation to absorb the cost or the fiduciaries must provide their own research facilities at a cost which logically will be higher than ours because our costs are spread over a larger number of users.

The unit cost of executing a transaction in any securities firm will depend upon the volume and mix of transactions it executes. The fixed cost of complete facilities can only be absorbed if volume is adequate. If give-up practices are completely eliminated, a regional securities firm can only be compensated for its services by a fiduciary by the spread of order executions to the regional firms.

If neither give-ups nor the spread of orders result from any changes in the present rules of the Commission, we believe many securities firms will be severely restricted in the services they now provide to all types of investors and to industries as well. The end result could be the liquidation or merger of these regional firms into a decreasing number of major investment firms, a concentration in our important industry which we believe is unsound and contrary to the intent of congress in regulating the industry.

In conclusion, we reiterate our support to the complete five-point program of the New York Stock Exchange, and subscribe to the arguments advanced by that Exchange in its letter to you of March 21, 1968.

Sincerely,

A. G. Stepanek  
Partner