

Investment Bankers Association of America  
Washington, D.C.

August 16, 1968

Honorable Manuel F. Cohen, Chairman  
Securities and Exchange Commission  
500 North Capitol Street  
Washington, D.C. 20549

Dear Mr. Chairman:

Thank you for your letter of August ninth inviting our views on the New York Stock Exchange letter of August eighth. The following is the current statement of policy of our Association.

1. The Board of Governors of the Investment Bankers Association of America on June 26 reaffirmed its belief that both a minimum stock exchange commission rate concept and the division of that commission among bona fide broker-dealers which perform direct or ancillary services for customers in connection with stock exchange transactions are necessary to provide depth and liquidity to stock exchange markets, to provide information for sound investment decision and to avoid concentration of securities business in a few firms.
2. The Board recommended that a percentage of the stock exchange commission be permitted to be divided with other broker-dealers as compensation for services in addition to solicitation, execution and clearance, such as research, investment advice and other ancillary services related to stock exchange transactions.
3. However, the Board recognizes the primary responsibility of the New York Stock Exchange to establish appropriate procedures and a minimum commission rate structure and the Board supports any practical rate structure and procedures recommended by the New York Stock Exchange for its members.

The complexities of the proposed interim rate schedule and prohibition of customer-directed give-ups submitted by the New York Stock Exchange and related matters make it difficult to ascertain just what the ultimate results will be. However, we are concerned that these changes may have adverse effects on the ability of the securities industry to better serve the public.

For instance, adoption of the proposed interim commission schedule, and at the same time prohibition of customer-directed commission sharing, eliminates any opportunity to discover how volume discount in itself might reduce undesirable give-up practices. Furthermore, the adoption of these changes without determining to what extent institutional subsidiaries may enter the securities business as broker-dealers raises new problems of unknown proportions.

We intend to comment on these problems at some later date, before conclusion of the current SEC hearings. In view of the interim nature of the proposed changes in rate schedules and procedures, we urge that their effect be thoroughly reviewed after a reasonable period.

Sincerely yours,

Francis B Schanck  
President