

DAVIS, SKAGGS & CO., INC.

Established in 1927

STOCKS - BONDS

MEMBER

NEW YORK STOCK EXCHANGE

PACIFIC STOCK EXCHANGE

MIDWEST STOCK EXCHANGE

TELEPHONE (415) 392-7700

CABLE ADDRESS DASCO

160 SANSOME STREET
SAN FRANCISCO 94104

September 1, 1977

Commissioner Harold Williams
Securities & Exchange Commission
Washington, D. C.

Dear Commissioner Williams:

As senior in this regional securities firm, now celebrating its 50th year, I take leave to advise the SEC not to cancel Rule 390. Such a move would create too many radical conditions within the securities business, none of which would be in the public's interest.

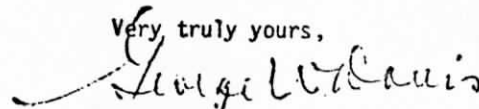
Put to you very succinctly, negotiated rates, extant since May 1st, 1975, set off a tidal wave of failures of firms and mergers of necessity. The stress from banks and institutions placing orders at 7¢ and 10¢ a share has created a desire on the part of many brokers to set aside 390 in the hopes that they may revert to a dealer business in order to make a living. It is a well known fact that upon the demise of 390 certain large firms are now organized to step into the dealer business. Many small firms, seeking survival, also will follow suit and deal as principals. There is no way that their bids and offerings can be related to a central market. They will make a profit on net transactions, small though it may be. It is their only offset to the horrendous pressure of negotiated rates.

You may have it in mind that despite present conditions some firms are making money. But since May Day profit has come largely from handling options trading for customers, money on margin accounts to speculate in real estate, selling insurance programs, and tax shelters.

Comes now the possible cancellation of 390 and for self-preservation many securities firms will turn to dealing as principals just to make a profit.

Within the hodge-podge of profit centers created as an offset to negotiated rates, lies the makings of the next financial crisis in this country. 390, if cancelled, provides just one more area of operation in securities which is not in the public's interest.

Very truly yours,



George W. Davis
Honorary Chairman
of the Board

DAVIS, SKAGGS & Co., INC.
 Established in 1927

STOCKS - BONDS

26

MEMBER
 NEW YORK STOCK EXCHANGE
 PACIFIC STOCK EXCHANGE
 MIDWEST STOCK EXCHANGE

TELEPHONE (415) 392-7700
 CABLE ADDRESS: DAVIS

160 SANSOME STREET
 SAN FRANCISCO 94104

