

The Chase Manhattan Bank  
New York, New York

March 19, 1968

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

Dear Mr. DuBois:

Pursuant to the invitation contained in SEC Release No. 8239, we wish to record our views with respect to any extension of proposed Rule 10b-10 to other managers of pooled funds who act in a fiduciary capacity. Our Bank acts as trustee of various common trust funds and pension funds.

In a limited number of cases where a substantial block of a stock, or stock in which there is a limited market, is being purchased or sold, our practice has been to give the order to a particular floor broker on the Exchange, who we feel is best able to execute the order, and to inform such floor broker that he is to notify the selling or buying broker that the order will be cleared by designated member firms. The member firms, designated by us, are informed of the transaction and confirm the execution of the order to us. We pay the designated member firms the purchase price of the stock and the full commissions, and they deliver the share certificates to us. In a sale, this procedure is reversed.

We believe that the procedure described above is in the best interest of our trusts. It insures that a floor broker, selected by us as being in the best position to handle the transaction, is given the necessary discretion. Also, it enables the order to be executed without unduly influencing the market. By designating various member firms to clear the transaction, we are in a position to distribute the business among a number of firms, and to compensate, in part, these member firms which have been especially helpful to us in providing investment advice and other services and facilities.

As we understand the effect of proposed Rule 10b-10(1)(b), as the same might be extended to managers of pooled funds who set in a fiduciary capacity, either the clearing firms would be required to pay over to us the full amount of their portion of the commission or the floor broker would be required to pay over to us his floor brokerage commission. If the latter requirement were imposed, we believe that the procedure used in the case described would be impracticable to the detriment of trusts under our administration. If the clearing firms were to be

required to pay over to us their portion of the commissions, the result would be either a heavy concentration of orders through particular firms, or a splintering of orders, resulting in less efficient execution.

We respectfully submit that in the discharge of our fiduciary responsibilities we must meet the requirements prescribed by law and by regulation of the Comptroller of the Currency. We urge, therefore, that the Securities and Exchange Commission should not seek to impose upon banks other or different standards which may not conform with, or may be inconsistent with, the standard of conduct required of a bank in the performance of its fiduciary responsibilities. We are informed by counsel that there is a substantial legal question as to the authority of the Securities and Exchange Commission to extend the application of such a rule to a bank in the circumstances described but, in addition to any such legal consideration, we believe that such extension of the rule would not be in the interests of the beneficiaries of trusts administered by banking institutions.

We have noted from the Release that the New York Stock Exchange has proposed several alternatives, including a discount based upon the size of a particular order and a discount based upon the volume of a particular investor's transactions over a specified period of time. We believe that such recommendations, if adopted, by reducing the commissions payable, would redound directly to the benefit of our trusts without interference with any procedure which may be adopted from time to time and which, in our best judgment, are in the interests of our trusts. We, therefore, urge the adoption of such recommendations.

Yours very truly,

Robert B. Rivel  
Senior Vice President