

Cyrus J. Lawrence & Sons
New York, NY

March 28, 1968

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

Dear Mr. DuBois:

I would like, on behalf of this firm, to respond to the Securities and Exchange Commission's Release No. 8239 and to comment on Rule 10b-10, as proposed, concerning the direction of commissions by investment companies as well as what appears to be the possibility as a practical matter under Rule 10b-10 of the elimination of a minimum commission rate structure. This letter is to a large degree in support of New York Stock Exchange President Robert Haack's March 21st letter to the Commission, but it speaks more specifically in opposition to volume discounts on commissions.

This firm, which was founded in 1864, has in the past thirty years directed its principal attention to the development of institutional research and institutional brokerage business. We are also qualified as investment advisors and operate an investment counseling business on a fee basis, where our individual accounts are enabled to receive the benefit of continuous investment review and the benefit of our substantial investment research programs. We do not now conduct or seek a large retail business, nor do we have branch offices or underwriting participations. We do not sell mutual fund shares.

I suppose that there are two ways of looking at the proposed Rule 10b-10 as well as the Stock Exchange's counter-recommendations. First, how do these propositions affect the self-interest of each firm and, second, how do these propositions affect the interests of the investing public generally? The two are not necessarily inimical.

In the first instance, speaking for Cyrus J. Lawrence & Sons, we do, as a result of our investment research and marketing capabilities, a substantial commission business with investing institutions. On occasion we are directed to give up a percentage of our commission business, and on occasion we receive give-up checks directed to us by others. On balance we would not be materially affected if the give-up as it exists today were virtually eliminated as specified in Rule 10b-10. On the other hand, we agree with the New York Stock Exchange's letter of

March 21st to the Securities and Exchange Commission that the restriction on the give-up practices under Rule 10b-10 would have far reaching and seriously adverse effects on the operations of investment companies and a large segment of the Exchange member firms.

In the second instance, this firm would be seriously affected by the reduction in commission rates on a block volume basis. A substantial part of our overhead is deliberately incurred to attract and justify volume orders from large institutions. Were the commissions therefore to be reduced on large orders, it might be difficult or impossible for us to supply the same or any degree of the quality research and brokerage service which earns us this business. We believe that the commissions which we earn are not high relative to the cost and value of the service provided and that a reduction in commission rates for the large block might make it necessary to raise commissions on smaller lots in order to pay for the cost of research and other services. In our opinion this would not be in the public interest, since it would shift the burden of research cost to the small investor who has the least ability to pay for it.

The Commission has discussed the foregoing problems with the New York Stock Exchange, the Investment Company Institute, and the representatives of many large brokerage firms, each of whom have spoken in their self-interest as well as in the public interest. We believe that the interests of the many thousands of smaller member and non-member broker-dealer organizations and investment companies have not been fully represented at or considered by the Commission. We would therefore suggest that the Commission solicit and consider further information from the investment community and indeed the investing public itself before going forward with its proposals under Rule 10b-10 or those of the New York Stock Exchange outlined in Mr. Robert Haack's letter of March 21st addressed to the Secretary of the Commission.

Yours sincerely,

Alexander B. Johnson

cc: Mr. Robert W. Haack