NEW YORK STOCK EXCHANGE
ELEVEN WALL STREET
NEW YORK, N. Y. 10005

ROBERT W. HAACK
PRESIDENT

November 19, 1968

Mr. Manuel F. Cohen, Chairman
Securities and Exchange Commission
500 N. Capitol Street, N.W.
Washington, D.C. 20549

Dear Chairman Cohen:

This is in reply to your letter of August 30, 1968 modifying the request contained in your letter of May 28, 1968.

The following language has been added to Article XV, Section 1 of the Exchange Constitution:

> "No member, member firm or member corporation shall, in consideration of the receipt of listed business and at the direct or indirect request of a non-member or by direct or indirect arrangement with a non-member, make any payment or give up any work or give up all or any part of any commission or other property to which such member, member firm or member corporation is or will be entitled."

In your letter you ask for confirmation that the additional language is intended to prohibit all forms of customer directed give-ups, but is not meant to preclude or interfere with non-customer directed interdealer reciprocal business on regional exchanges nor is it designed to prevent the procedures whereby broker-dealer affiliates of institutions may credit or return commissions to institutions with which they are affiliated. We assume that the word "interdealer" in your letter means "inter-broker" and that the procedures referred to for affiliates of institutions are those permissible under rules of regional exchanges but not of the New York Stock Exchange.

Under these assumptions, we agree with your understanding that the prohibition of customer directed give-ups is not intended to preclude or interfere with the inter-broker arrangements as they have existed for many years, whereby NYSE members have given their regional exchange business to regional-only members in reciprocity for NYSE business which the regional members have obtained casually in the course of their other business.

However, the interim commission schedule which will become effective on December 5 is expected to bring about changes in trading patterns, particularly those of institutions, which are unforeseeable. For instance, it is beginning to appear that arrangements which today involve principally the above described traditional broker-to-broker reciprocity for listed NYSE business generated by members of regional stock exchanges may, after December 5, be used to subvert the intent of the give-up prohibition in the interim schedule, revive the give-up practices which it is designed to prohibit, and be a vehicle for circumventing the anti-rebate provisions of Article XV, Section 1 of the Exchange Constitution.

In view of these uncertainties, we must make clear that if future experience shows that these arrangements are being used to circumvent the give-up prohibition or the anti-rebate provisions of the Exchange Constitution, we may be required to change our interpretation to prevent sharing of commissions through a barely disguised give-up technique and to protect the integrity of the minimum commission, which we deem more important to the public interest than inter-broker reciprocity.

Very truly yours,

Robert W. Haack