

MEMORANDUM

September 5, 1963

TO: Ralph S. Saul, Director

FROM: Robert Block, Chief Counsel

SUBJECT: Proposal to adopt a new confirmation rule under Section 10(b) of the Exchange Act and to require other pertinent disclosures by broker-dealers.

You will probably remember that some time ago this Division prepared a proposal to adopt a rule under Section 10(b) of the Exchange Act specifying the information which must be contained in confirmations and requiring certain disclosures to customers before the transaction is entered into. A copy of the material which was submitted to the Commission is attached hereto. No action was taken on the proposal at that time because Milton Cohen suggested that the matter be held in abeyance pending completion of the Special Study, particularly the Chapter on over-the-counter markets.

I believe that this proposal has considerable merit and should be revived, although the Commission may not want to announce any such proposal until completion of the present legislative hearings. Most of the provisions of the proposed rule still appear to be appropriate, except that perhaps paragraph (a)(1)(C) could be deleted. However, before the proposal is submitted to the Commission, I believe we should consider and discuss what other information, if any, the broker-dealer should be required to disclose concerning the market at the time of the transaction (in this connection see particularly Recommendation 13 of Chapter VII).

Attachment

cc: Mr. Pollack
Mr. Silver
Mr. Wagner