

CHAIRMAN COHEN
COMMISSIONER WOODSIDE
COMMISSIONER OWENS
COMMISSIONER BUDGE
COMMISSIONER WHEAT

MEMORANDUM

give-ups
Status report
on Exchange rule
changes:

For Commission
calendar on: MAY 26 1966

May 23, 1966
Letter recom-
ended in

Orval L. DuBois
Secretary

Commission
I. Pollack, Director
of Trading and Markets

Item 3 in
P.T.

640971

SUBJECT: Pacific Coast Stock Exchange (Rule XIII §7(a))
New York Stock Exchange (Tenders)
Philadelphia-Baltimore-Washington Stock Exchange
(Give-up Rules)

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This memorandum summarizes the status of rule changes submitted to the Commission for its review under Rule 17a-8 of the Exchange Act.

1. The Pacific Coast Stock Exchange, in response to our letter advising them to defer adoption of the proposed rescission of Rule XIII §7(a), has agreed to defer final action on the proposed rescission until "a determination has been made on the New York Stock Exchange Off Board Rule 394". The Exchange also noted:

"You state that you do not believe it is in the public interest at this time to rescind this Section for specific reasons you set forth. The Exchange Board of Governors take exception to these reasons, other than the pending study of New York Stock Exchange Rule 394."

The staff recommends that Council for American Securities Corporation, and other interested parties, be advised of the decision of the Pacific Coast Stock Exchange to defer action on this matter.

* * * *

2. The New York Stock Exchange has advised us that they have received the staff's letter on minimum service fees for tenders. In that letter we recommended that the Exchange eliminate the interpretation which requires a minimum charge for tenders. The Exchange has advised us that they have referred the matter to the Costs and Revenues Committee for its consideration.

* * * *

3. Philadelphia-Baltimore-Washington Stock Exchange was advised that it should consider deferring adoption of its proposal to increase give-ups from 25% to 40%. The Board of Governors of the Exchange, however, voted to implement the change. A memorandum and draft letter requesting that the Exchange defer final adoption (now scheduled for May 27) is attached.

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ATTACHMENT

MEMORANDUM

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Status report
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May 23, 1966 *ended in*

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TO: The Commission

FROM: Irving M. Pollack, Director 
Division of Trading and Markets

SUBJECT: Pacific Coast Stock Exchange (Rule XIII §7(a));
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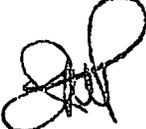
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May 23, 1966

MEMORANDUM

TO: The Commission

FROM: Irving M. Pollack, Director 
Division of Trading and Markets

SUBJECT: Philadelphia-Baltimore-Washington Stock Exchange
"Give-up Rule".

RECOMMENDATION: That the Commission approve sending the attached
letter to the Exchange.

On April 22, 1966, the Exchange informed us pursuant to Rule 17a-8 of proposed amendments pertaining to "give-ups" on investment fund orders. These amendments increased from 25 to 40% the amount of commission permitted to be given up to nonmembers on orders from investment funds.

As you will recall, on May 2 the Commission directed this Division to deny the Exchange's request for acceleration of the 21-day waiting period required by Rule 17a-8 and directed the Division to conclude its letter with the following paragraph:

"In light of the fact that the Commission is nearing the completion of its study concerning these questions, the Commission suggested that you give consideration to deferring adoption of the proposed amendments to Article XX."

On May 18 the Exchange informed us that their Board of Governors approved the amendments. After posting for members for 10 days,

final action on such proposed amendments will be taken on or after Friday, May 27, 1966.

In view of our recent letter to the New York Stock Exchange on give-ups, we suggest that the Commission authorize the Division to send the attached letter again advising the Exchange to defer its adoption of these amendments.

Attachment

S. J. Birnbaum

DRAFT

Mr. Charles L. Wilson
Executive Vice President and Secretary
Philadelphia-Baltimore-Washington Stock Exchange
17th Street and Stock Exchange Place
Philadelphia, Pennsylvania 19103

Dear Mr. Wilson:

On May 2, 1966, I informed you that the Commission suggested that the Exchange consider deferring adoption of the proposed amendments to Article XX, allowing a 40% give-up to nonmembers on transactions for investment funds.

It appears that the Exchange chose not to defer final action and intends adopting the proposed 40% give-up on or after May 27, 1966. Perhaps your decision was based on the assumption that the Commission's study of this vital question was still some months from completion. In fact, the Commission's study and decision on the widespread practice of give-ups are imminent. It is most likely that any decision made by the Commission on this matter will require uniformity on the various national securities exchanges.

I would like to urge strongly
In view of these facts, ~~the Commission requests~~ that your Exchange delay the final adoption and implementation of the proposed amendments. *76 May*

If you feel that you would like to discuss this further, I would be pleased to arrange a mutually convenient meeting.

Sincerely,

Irving M. Pollack
Director