

Draper, Sears & Co.
Boston, Massachusetts

March 26, 1968

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

Dear Mr. DuBois:

This is in response to the invitation in Securities and Exchange Commission Release No. 8239 to comment on proposed Rule 10b-10 concerning direction of commissions by investment companies.

We are in receipt of a copy of Mr. Robert W. Haack's letter to you of March 21, 1968, on the same subject, and we find that we are in general agreement with Mr. Haack's response to you on these matters.

As a regional firm, we find ourselves specifically in the position of having developed a Technical Department which a number of institutions deem to be highly competent. In return for the advice and services we render we naturally receive brokerage business. Some of this takes the form of give-ups and some as direct executions. We feel that this department should be compensated for the various services it renders. It would be very difficult for a regional firm to operate as does a large national wire house and we think that a logical consequence of the SEC proposals would result in concentration of institutional business in the larger firms and that this would be very much to the detriment of regional firms like ourselves who offer a specialized and, we feel, valuable service.

We also retail the shares of mutual funds which we think will do a good job for our clientele. In return for this we receive reciprocal business. It seems to us that commercial reciprocity has been a generally accepted way of life as long as the capitalistic system has existed and we see nothing wrong with it.

Beyond this, we feel a breakdown in the minimum commission structure via the rebate route, and other than by agreement of the investment community as to rates, would result in competition that could result in the virtual destruction of firms like ours.

We have always endeavored to compete by placing the interest of our customers foremost. In order to do this it seems to us essential that a regional firm generate

enough revenues to maintain the quality of its personnel, the training of which is a relatively large overhead expense. Our research endeavors are also expensive. Yet we feel they are necessary to serve our clientele.

In conclusion we would like to reiterate our position in favor of the Exchange's proposals for the reasons cited in Mr. Haack's letter to you and, additionally, for the specific reasons set forth above.

Very truly yours,

George Draper
President