

The Chicago Corporation  
Chicago, Illinois

March 28, 1968

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

Dear Mr. DuBois:

In response to your request for comment on proposed rule 10b-10.

We believe the present method of permitting designated brokers, who are not directly involved with the execution of a particular order, to participate in the commission generated is properly justifiable and in the public interest. There is no question that promulgation of Rule 10b-10 would result in decreasing the profitability of the securities industry, and, particularly, that of the smaller regional firm. I have discussed the effect of elimination of commission sharing with 20 or more smaller regional dealers whose net profits would have been adversely affected from 25% to 125% in 1967. In a poor year the effect would have been more drastic.

Insurance companies and banks logically employ the services of those brokers who do business with them; just as logically, mutual funds should favor those brokers who provide them with the funds to invest and/or with the research ideas to enable them to invest wisely and in the investor's best interest. In the purchase and sale of large blocks of stock, it is more efficient to have the order handled by one lead broker, with other brokers designated for a portion of the commission, rather than to create confusion and disrupt the market by having a multitude of brokers handle the order.

We are against volume discounts which discriminate against the small investor in favor of the large investor. A complete revamping of the commission schedule, in part to assure the continued profitability of the securities business, could involve a volume discount and would be in the public interest. Incidentally, a volume discount would have affected the net profit of The Chicago Corporation some 30% in 1967.

We are in favor of permitting qualified non-member firms to participate in commissions on listed transactions they generate.

Very truly yours,

David J. Harris  
President