

First Nebraska Securities, Inc.  
Lincoln, Nebraska

March 28, 1968

Mr. Orval L. DuBois, Secretary  
Securities and Exchange Commission  
500 North Capitol Street  
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. This firm is unalterably opposed to the proposed Rule 10b-10 for reasons outlined below.

There is much history and philosophy connected with the current attempts to change things. We are supposed to be the "free enterprise economy." For our economy to work properly as a free enterprise, it is necessary that capital be continuously available to business. In chronological order, it is then necessary for the investment fraternity to be a solid, profitable business in order to maintain and make the markets necessary to raise this capital.

It goes without saying, there must be constant reviews of all industries and all business. However, the markets have worked well in the past, and we believe there have been no great complaints on the mutual fund loads from the small investor. It is a few do-gooders that have brought the various suits against the management companies. This we continually see in all corporate affairs.

There are several precise facts that prove beyond a reasonable doubt that the investment fraternity, as a whole, has not had excessive profits. One need only look at the New York Stock Exchange I&E Report summaries for the past few years to determine that many firms do not make a profit on their brokerage business. It goes without saying that many of the mergers of small firms have been necessitated by the lack of being able to make a profit. Both the New York Stock Exchange and the SEC have substantial facts proving that much added capital must be available to the investment banking fraternity in the next few years. Notwithstanding the fact that many firms are having profit problems, we are now faced with reduced commissions.

To add insult to injury (1) banks are presumably being allowed to enter the municipal revenue bond underwriting field; (2) banks, along with insurance

companies, will be entering the mutual fund business in one way or another; (3) banks are already very competitive to the investment banking business as a result of their advisory service in trust departments, their common funds, their government agency business and their investment advisory business. They are now attempting to get permission for a comingled fund. I ask the question -- does this country want commercial banks to supply risk capital? I think not -- it should still be the investment banking business.

The proposed Rule 10b-10 could well serve to make markets more volatile than they are now. It goes without saying that a block of stock to be bought or sold can best be handled by one broker rather than having it split among several people, as when it is split the transaction is competing against itself. This creates wider swings than if handled in a single transaction.

In regard to the New York Stock Exchange proposals, this firm's views are as follows:

1. The volume discount is worthy of consideration, but if a volume discount on large transactions is to be given, we believe the entire commission schedule should be reviewed, looking toward an increase of the minimum commission. It is a recognized fact that nearly every firm loses money on a minimum transaction.
2. Customer give-ups. This could be controlled, but, if taken away by a rule such as 10b-10, it will create more problems than it solves.
3. Reciprocal practices. We do not buy the reasoning that is set out so long as the funds with which we compete (funds who have their own selling organization) are allowed to belong to exchanges. Through the years the most abuses of misselling in the mutual fund industry have come from organizations with their own selling group. Documentation of some of these violations could be had from blue sky commissioners.
4. Minimum commission for non-member brokers. If adopted, it should be closely regulated so that the amount is small. Those of us who must operate under the strict regulations and accounting and reporting requirements of the New York Stock Exchange, and thereby incur additional expenses, should not be placed in the same position as a non-member firm without requiring the non-member firm to meet the same standards.
5. Item 4 answer is applicable.

We believe the satisfaction of mutual fund investing is evidenced by their growth and, obviously, by their growth the institutional share of business on the exchange is bound to increase. In total, they have done a good job. We doubt

that you can find very many small investors who would complain about the performance of their mutual fund investment. This is not true for the front-end load situations, and I believe they should be closely controlled, if not eliminated.

When this country's and the world's monetary systems are in jeopardy, it is not the time to put out of business those charged with raising capital for our economy.

Respectfully submitted,

Very truly yours,

Dale C. Tinstman  
Executive Vice President