

E. W. Smith Co.
Philadelphia, Pennsylvania

March 28, 1968

Securities and Exchange Commission
Washington, D.C.

Gentlemen:

We write to you because of our concern over proposed Rule 10b-10. In our opinion, the adoption of this rule would have a serious effect on our business.

We calculate, on the basis of our profit picture for the years 1966 and 1967, our loss of profits would amount to 20% if the rule were adopted. This loss necessarily would affect our entire business structure including our growth, employment, services to the public and training programs. All of this would obviously restrict the financial resources available for corporate financing.

Independent companies such as ours have largely been responsible for the development of institutional business. The adoption of the proposed rule would so favor the larger wire-houses as to compel the investing public to deal only with them. This would deprive the public of the personalized attention which we believe can be afforded to it only by regional securities firms. The existence of regional firms and exchanges is important not only to the economy which they serve, but also to the country as a whole. These firms have been of major importance in financing small and young businesses, many of which have grown into national prominence. Regional firms often maintain the only trading markets for smaller corporations, and local municipalities rely on them for financing and trading markets. To drive such businesses out of a competitive market seems unthinkable.

The evidence on hand is not convincing that the proposed savings to the mutual funds would, in fact, benefit the investing public. On the contrary, it would appear that whenever competition is severely reduced, or even eliminated, the public may suffer. It is clear to us that, the elimination of regional exchanges would have just that effect.

We shall not comment upon recent proposals of the New York Stock Exchange until more detailed information is available. We say now, however, that the possible combination of proposed Rule 10b-10 and other proposals could change the whole demand/supply factors of the securities market. Thus, the small

commissions saved by mutual fund shareholders might well be offset by dollars lost in the value of their underlying assets.

We trust that companies such as ours will be afforded the opportunity to challenge the wisdom of the proposed rule, both alone and in combination with other proposals. We suggest that there are obvious anti-trust implications which should require your most careful scrutiny.

Very truly yours,

M. A. Welsch
Vice President