

A. E. Masten & Co.
Pittsburgh, Pennsylvania

April 18, 1968

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

Dear Sir:

I am writing in response to your request for comment in Release No. 8239 dated January 26S 1968 apropos of Proposed Rule 10b-10 and to express opinion on the New York Stock Exchange Volume Discount Proposal. To identify myself, I am a Partner of a small Pittsburgh headquartered New York Stock Exchange Member Firm with Branch Offices in Butler and Johnstown, Pennsylvania and Wheeling, West Virginia. We have been part of this business community since 1891.

In commenting first on Rule 10b-10 eliminating give-ups on reciprocals, I am sure the economic implications for such firms as mine are very evident to the SEC. Some regional firms would have to reduce operations, personnel and services. Others would seek take-over by large national wire houses; others more predictably would close their doors. The impact is not to be compared to gross revenue but to net profit. However it could be said by some, of whom I hope the SEC is not numbered, that these results are to be desired. Definitely not among those numbers would be the communities whose bond issues of school, parking and sanitation are considered too small to be underwritten by national firms. Certainly not the businessman whose financing is too small to be accepted by such firms. Nor the investor, large or small, who has enjoyed long association, sometimes several generations, with regional firms such as A. E. Hasten & Co. Nor any investor serviced by a local firm in a community deemed too small for a branch by national wire houses.

I would acknowledge, however, that if there was inherent evil in reciprocal or give-ups, as is sometimes implied, then none of the above considerations could carry weight. The very obvious fact is that this system was devised by mutual fund managements as a benefit to their own shareholders. Originally managers, in lieu of directing reciprocals, divided orders among several brokers. Such a division made it difficult to obtain the best price in an auction market. Attempting to obtain the best possible prices, funds clearly felt that an order should be in the hands of one broker, and those others not involved in the actual transaction, but

deserving of consideration would be entitled to part of the commission. I find it difficult to find fault with such an arrangement. Certainly firms such as A. E. Masten & Co. have made a contribution to the growth and success of the mutual fund industry. Elimination of commissions from funds could hardly be judged equitable.

I would also like to comment on the New York Stock Exchange Proposal for Volume Discounts and its impact on regional firms. Most small firms headquartered outside New York City, this firm included, operate on a correspondent or clearing arrangement. Depending on services obtained, the regional firm already releases from 20 to 40% of its commissions to its New York Correspondent. Thus it is quite obvious that the major impact of any meaningful volume discount would fall on the smaller firm with the New York clearing firm operating on much the same commission basis as before.

In closing, I would only submit that the concept of government regulation has hardly ever been to harm or eliminate the small businessman in favor of his large competitor. The SEC Proposal would, I think, be unique in this respect. Naturally I feel that such firms as A. E. Masten & Co. have a place in the investment community. I would hope that before the SEC decides differently, no harmful legislation is enacted.

Sincerely yours,

L. W. Young, Jr.
Partner