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PROPOSAL OF SEC TO ADOPT RULE 17a-8 UNDER THE SECURITIES & EXCHANGE ACT OF 1934

The Securities and Exchange Commission has announced that the purpose of the above proposal is to prevent the possible violation of the registration provisions of the Securities Act of 1933 and/or the anti-fraud provisions of that Act and the Securities Exchange Act of 1934 with respect to the distribution of securities into the United States by or on behalf of non-resident aliens.

The press release with respect to the above proposal has suggested that the Securities and Exchange Commission might be in a position to cope more promptly and effectively with the problem if it received prompt notice of significant transactions for foreign accounts.

The Securities and Exchange Commission stated that a transaction would be deemed to involve a significant amount of a security if a transaction or series of related transactions within a six-months period involved the greater of 1% of the outstanding shares or \$50,000.

Brokers and dealers have to file reports within three (3) business days after the transaction.

A transaction would mean an execution or an order to purchase or sell securities.

As a practical matter, any non-resident alien could easily circumvent the proposed rule by -

- (a) - Distributing the orders among various brokers.
- (b) - Instructing banks and trust companies to enter the order, for, in that way, the bank or trust company would become the customer of the broker or dealer.

Notwithstanding the fact that a non-resident alien could easily circumvent the proposed rule, the broker or dealer would nevertheless be put to the

burden of instituting a system of checking and maintaining each foreign order received, thereby incurring additional clerical help and expense and in the final analysis, as a practical matter, no reports would conceivably be filed with the Securities and Exchange Commission.

It is suggested that the NASD suggest to the Securities and Exchange Commission to ascertain exactly the problem involved and ask the Securities and Exchange Commission to assign some of its staff to work out a solution to the problem with a Committee to be appointed by the NASD and other interested associations and exchanges.

It is the desire of our industry to fully cooperate at all times with the Securities and Exchange Commission and other branches of the Government, but it appears to be a futile task to have our industry go to the expense and burden of maintaining a continuous record which would be useless to the Government.