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June 13, 1966

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HARRY S. HURD (1904-1943)  
ALEXANDER F. REICHMANN (1906-1948)  
ANDREW J. DALLSTREAM (1927-1982)

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CHAIRMAN'S OFFICE  
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JUN 14 1966

Chairman Manuel F. Cohen  
Securities and Exchange Commission  
500 North Capitol Street  
Washington, D.C. 20549

SEC. & EXCH. COMM.

Dear Mr. Chairman:

Re: I.O.S. Ltd., and Fund of Funds, Ltd.

Pursuant to my letter of June 9, I would like to supplement briefly my oral statement on June 7, as follows:

In connection with one of your questions, you referred (Tr. 36) to "a solemn undertaking" given to the Commission and not honored by my clients, and you related this to difficulties previously experienced in eliciting facts, and similar difficulties that might arise in arriving at a stipulation and in considering appropriate sanctions. You immediately passed on to another subject, and I failed to come back to this point in my later remarks.

As I understand the circumstances in 1960, when the undertaking was made, the Staff had insisted on the need for registration of I.O.S. as a broker-dealer, not because of its activities in the sale of securities abroad but solely because of its activities in effecting purchases and sales of portfolio securities in this country. While I.O.S. disputed this view of the 1934 Act requirements, it eventually did register (under protest) and at the same time filed the undertaking. In these circumstances, I believe

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it was reasonable and natural - even if erroneous - for the I.O.S. management to think of the undertaking, as it did, only in relation to the activities that had occasioned registration and not in relation to the foreign selling activities as to which no question of registration had arisen.

Unquestionably, the words of the undertaking are not so limited, but my point is that the very circumstances of filing the undertaking created an ambiguity as to its intended meaning and set the stage for later misunderstanding. It is indeed unfortunate that the ambiguity was not exposed at the time; if it had been, the problem might have been solved in an entirely different way or there might have been an impasse, but at least there would not today be a question in anyone's mind of dishonoring a commitment.

Moreover, there was and is an unresolved question of law as to the application of Section 30(b), and therefore of the record-keeping rules, in the case of a registered broker-dealer engaging in some business "without the jurisdiction of the United States." Again, my clients' position on this legal question may turn out to be wrong, but I feel that it is at least a respectable position that can be and is held in good faith, and I hope that you will so recognize it.

In summary, I believe that my clients' refusal of the demand to produce customers' names should not be interpreted as casting doubt on their good faith or on your ability to obtain full and accurate information on all other matters for purposes of a settlement. At worst, I.O.S. is giving an untenable interpretation to the undertaking and is taking an incorrect legal position as to Section 30(b). As it interprets

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the undertaking and the law, it feels that it is simply refusing what it has a right to refuse, not defying the Commission or dishonoring a commitment. These views may be wrong - I know that you consider them seriously wrong - but they are held in good faith. I therefore believe it would be most unfortunate if your view of the incident as a dishonoring of a commitment, creating doubt as to your ability to obtain accurate facts on other subjects, should prove an insurmountable obstacle to what would otherwise be a sound and constructive settlement.

Incidentally, I should like to say with respect to your reference to the difficulty of eliciting information, that I have been under instructions to be completely cooperative in the supplying of information, except as to names of customers, and that we have supplied (among other things) a long memorandum on "banking connections" and have made it clear to the Staff that we would proceed with the supplying of other information as and when requested. Whatever the earlier history may have been, there has been no difficulty about supplying information in recent months and I firmly believe there will be no difficulty in this respect in the future.

\* \* \* \* \*

We have strenuously tried to answer all questions and meet all issues as we understood them, based upon our own study of the situation, our meetings with the Staff and Mr. Loomis' letter of May 26. If there are any issues that have not been brought to the surface, I hope very much that they will be, so that we can face them and attempt to deal with them.

In this connection, I will add that I recognize in the I.O.S. situation certain important and difficult problems



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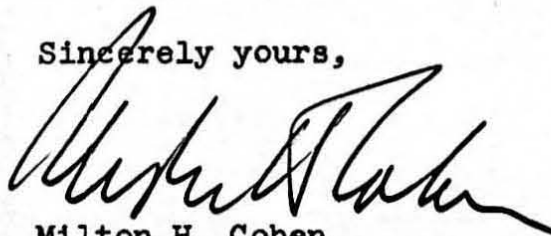
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that, although present here, are very much wider in scope, e.g., front-end loads, reciprocal brokerage and Swiss banks. I understand the Commission's concern with these problems and am generally aware of their importance and complexity. I hope, however, that you will consider the I.O.S.-F.O.F. manifestations of these problems as what they realistically are - manifestations of larger problems to be solved in due course and in a much broader setting than a broker-dealer proceeding which does not even raise some of these problems as issues. I hope, in other words, that the existence of unresolved larger problems will not preclude reaching a sound and workable present solution for the specific I.O.S.-F.O.F. situation - one that will not, of course, restrict or impede the Commission in dealing with the larger problems in the future.

\* \* \* \* \*

I am enclosing four extra copies of this letter for the other Commissioners and am also sending copies directly to Mr. Loomis for the Staff.

Sincerely yours,



Milton H. Cohen

MHC/lvh  
Encls.