

Janney, Battles, & E.W. Clark, Inc.
Philadelphia, Pennsylvania

February 8, 1968

Mr. Manuel F. Cohen
Securities and Exchange Commission
Washington, D.C. 20549

Dear Mr. Cohen:

I understand the reasoning of the SEC in its wishes to curb fee sharing among brokers. However, after doing some investigating on my own, I think your action might have just the opposite effect. As a matter of practical business, I think that these large investors, especially mutual funds, will have to split up their orders so as to compensate for research information and to reward individuals for selling their funds.

For example, instead of the fund buying 10,000 shares through broker "A" and directing "give-ups" to five other brokers, the fund must now enter five orders. This in itself would tend to increase the overhead expenses of the fund, to say nothing of the impact it might have on the stock price. I mention this last fact, only because I believe one broker working on a larger order may be able to handle it more efficiently than five brokers working independently.

Even if the SEC succeed in eliminating fee sharing, this would not mean mutual funds would save anything. The only way to save money for the institutional investor, is to reduce the commissions on large orders. However, the reverse side of the coin calls for an increase in the commission rates for small orders, especially where the commission charged is not sufficient to cover direct costs associated with that particular transaction.

In summary, I don not feel that the elimination of fee splitting will reduce the cost of mutual funds, and in fact, might tend to increase them.

Yours sincerely,

Peter A. Engelbach