Massachusetts Investors Trust
Boston, Massachusetts

March 14, 1968

Securities and Exchange Commission
500 North Capitol Street
Washington, D.C. 20549

Dear Sirs:

We respond herewith to the Commission's Release No. 8239 relating to proposed Rule 10b-10 and the proposals of the New York Stock Exchange for changes in its commission rate structure. The issues raised by this Release are complex and any decisions made in this area will be far-reaching. Many of the issues are beyond any special competence we may have as an open-end investment company customer of the Exchange, and we will limit our comments to areas of concern to our shareholders and to our status as an Exchange customer.

Exchange volume and the institutional investor share of that volume have grown sharply in recent years. The Exchange commission rate structure does net provide institutional investors (and their millions of owners and beneficiaries) with economies of scale obviously available in the execution of their portfolio transactions. It is clear beyond question that the existing Exchange mechanisms for translating economies of scale into shareholder benefits other than directly reduced cost through transaction splitting and commission "give-ups" are inadequate to the task and uneven in their operation, effect and benefits.

We have for many years urged a volume commission discount for ourselves and other institutions of like size. We do not have the statutory power or the broad expertise of the Exchange and your Commission which are necessary to rewrite the Exchange commission rate schedule, but we assert unequivocally that it is long overdue and must be done. Such a revision must meet several requirements:

1. It must not interfere with the effective execution of portfolio security transactions. We must continue to be free to seek the best markets and the best channels to those markets without concern as to whether a purchase or sale program in a security is effected through one or several brokers or is effected in transactions which must be closely related in time.

2. It must produce a significant savings for our shareholders. Only if the economies of scale which should be available because of our volume of business are substantially returned to us in this way, will our shareholders be fairly treated.

The decisions required are economic in nature, and the data are in your hands and those of the exchanges. Nevertheless, we have hoped and believed that we would be consulted directly or through our industry representatives as to the mechanics of such a discount. These mechanics are of the utmost importance to us and other institutions if the quality of our portfolio execution is to be preserved. The volume discount must meet the following tests.

A. It must be a "status" or "volume" discount based on a reasonably long period of time.

B. It must be prospective in application, so that the brokerage cost is known with certainty at the time of the transaction.

C. It must be applicable to all Exchange business regardless of the broker or the manner in which transacted.

D. It must provide a profit for brokers willing to do a volume business, and the decision must be left to each broker as to whether he is willing to do business with the institution on a volume discount basis.

We are confident that a volume discount meeting the standards discussed is feasible and that it will resolve the problems discussed in the Commission's Release. We urge the Commission and the Exchange to get on with this job, and we are confident other interested groups will cooperate in the effort if invited. Serious cooperative discussion and study of the available data should be the method employed.

As we have indicated, we support the principle of volume discounts for large institutional investors, and we urge a discount substantial enough to resolve the problems discussed in the Commission's Release. Such a discount can be fixed by the exchanges subject to Commission review. When this has been accomplished, we believe it will continue to be desirable to preserve the flexibility necessary to effective portfolio execution by continuing the present practice of commission "give-ups."

We do not believe that the difficult qualitative and quantitative decisions involved in the Exchange proposals should delay an early volume discount. We suggest that the mechanics of a volume discount and at least a "first cut" could be decided upon in a very short time. The balance of these problems and a more or less permanent decision on a rate of discount could await further cooperative discussion. We again urge that the problem be approached with speed to relieve present uncertainties.

Sincerely yours,

John Barnard, Jr.
General Counsel