August 19, 1968

Securities and Exchange Commission
Washington, D.C.

Gentlemen:

Subject: Statement by an investor in reply to the Securities & Exchange Commission's invitation for comments on the New York Stock Exchange's proposed commission rate changes.

The New York Stock Exchange has submitted their solution to the question now before the Securities and Exchange Commission of how to offer volume discounts instead of the splitting of commissions between brokers.

The solution proposed is to reduce commissions on some stock transactions involving more than 1000 shares. On transactions of this type the change would create the rule that the lower the price the greater the rate reduction. As the price of the stock increased the reduction would narrow until on stocks priced at $90.00 per share or more there would be no decrease. On transactions involving 1000 shares or less no rate changes would occur.

This solution would perpetuate the concept of basing commission rates on the number of shares traded instead of the dollar volume of the transaction. Such a structure has no defense. It is significant that none has been presented at the present hearings. And none will be presented since the brokerage industry states that this rate structure is based on tradition alone.

This solution mocks the argument that the greater the monetary value of the transaction the lower the commission rate should be. Instead it proposes to offer a discount which would argue that the lower the monetary value of the transaction on all trades of more than 1000 shares the <u>lower</u> the commission rate. This is the exact opposite of the Securities and Exchange Commission's contention over the years that a discount ought to be given for volume. This is a strange offer by the New York Stock Exchange.

There is one possible side effect of this which could be very detrimental to the investor buying 1000 shares or less. This solution should cause both large investors and brokers to try to pressure companies to split their shares. The large investors would do so to obtain the more favorable rates. The brokers because the have traditionally encouraged such a device because a dollar transaction involving 200 shares which have been split yields a larger commission than the same dollar transaction on the pre-split 100 shares, if there was a two for one split, for example. To the extent this proposal caused stock splitting, those dealing in 1000 shares or less would have to pay higher rates on the same dollar transactions.

What merit is there in this proposal? It would continue the idea of charging commissions on the number of shares traded rather that dollar volume. It would create the concept of a volume premium on transactions of more than 1000 shares. It would probably cause additional commissions to be paid by those nor fortunate enough to own more than 1000 shares of a stock. This is what it would accomplish. Is this what the Commission desires?

Sincerely yours,

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