

American Life Convention, Chicago, Illinois
Life Insurance Association of America, New York, NY
Washington Office
Washington, D.C.

August 22, 1968

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

Dear Chairman Cohen:

This letter is written, in response to your letter of August 9, 1968, with which you enclosed a copy of a letter from the New York Stock Exchange proposing interim changes in certain aspects of the Exchange commission rate structure and the level of commission rates. You have asked that, if we wish to present views on the Exchange proposal, we do so prior to August 23.

On March 29, 1968 we submitted to the Commission our comments on your Release No. 8239 relating to give-ups. In short, the position stated in our submission was: (1) The give-up practice should be eliminated through adoption of appropriate volume discounts; and (2) If the Commission should conclude that a volume discount schedule sufficiently precise to avoid excessive commissions in all situations cannot immediately be developed, we would have no objection to some interim approach provided that all institutional investors, including life insurance companies, are treated on a non-discriminatory basis. If appropriate, we would like to have that letter made a part of the record of the hearings now being conducted pursuant to Sections 21(a) and 22 of the Securities Exchange Act of 1934.

The interim proposal of the New York Stock Exchange does seem to represent a step in the right direction. It would eliminate give-ups and would tend to enable all institutional investors to obtain reduced rates on volume orders on the same basis as mutual funds. At the same time, we seriously doubt that this interim proposal goes far enough. We question whether the rate reductions for volume orders are adequate. Furthermore, we note that when, under the Exchange proposal, the commission would be in excess of \$100,000, the excess would be open to negotiation. We are inclined to think that this break-point is too high and that commissions on orders of a considerably smaller size should be open to negotiation also.

Under all of the circumstances, however, particularly the shortness of time available to study the Exchange interim proposal and its application, we are unable at this time to make any positive suggestions. We understand that this is only an interim proposal which, as stated in your letter of May 28 to the Exchange, will not be taken in any way as an answer to the several problems raised in your Release No. 8239. We further understand that there will be additional opportunity to comment with respect to the ultimate action to be taken by the Commission, either during the course of the investigation and hearing currently being conducted under Sections 21 (a) and 22 of the Exchange Act or at the time a proposed final order is published for comment upon the conclusion of that hearing. It is our intention to study the various suggestions made by the Commission, the Exchange, and other interested parties during the course of that hearing, and we would like to reserve the right to comment in further detail on this matter at some appropriate time in the future.

Sincerely yours,

American Life Convention
William B. Harman, Jr.
General Counsel

Life Insurance Association Of America
Kenneth L. Kimble
Vice President & General Counsel