Dear Chairman Cohen:

We have your letters of July 7 requesting a report of the progress being made by the various exchanges on the questions of give-ups, volume discounts and related commission structure issues. As your separate letter to me clearly indicates, the Commission and its staff is well aware of the work that is being done by the Costs and Revenues Committee.

The questions raised in your letter have been, and continue to be, actively discussed by the Costs and Revenues Committee. On July 27, 1966 -- almost a year ago -- we responded to your letter of July 18, 1966 addressed to all the exchanges by stating that the Committee could not begin to try to resolve these questions until we had an opportunity to study the Commission's report on investment companies. Nevertheless, the Committee did work on these matters before the Investment Company Report was released last December.

Since then the Costs and Revenues Committee has vigorously pursued its study of these questions. The Committee has met eighteen times since the first of this year, and its Executive Committee has had three additional meetings. In addition, a Subcommittee has held four meetings with the Board of Governors of the Association of Stock Exchange Firms.

As you know, a Regional Advisory Group of eighteen men from different geographic areas outside New York has been named to consult with the Costs and Revenues Committee. The Advisory Group has met with the Committee monthly since it was created in March of this year.

All of this attests to the high priority which has been assigned to these matters by the Exchange. I might add that the men who serve on the Costs and Revenues Committee, the Advisory Group and the ASEF Board have done so at a great sacrifice to their own business affairs because of the time they have had to devote to these matters.
At the same time, the Exchange staff has worked countless hours in serving the Committee. We have a staff of some fourteen persons, who are working on commission income and expense matters, and many more who are involved in such related activities as research and data processing for the Committee.

In brief the Exchange is making the maximum effort to resolve the questions raised by the Commission. That we have not been able to complete this task in the short time since publication of the Investment Company Report is due to the complexity of the issues involved. However, I can assure you there will be no slackening of effort.

Enclosed is an advance copy of a paper on a new commission structure which is being mailed today to the membership. The paper reflects the intensive work of the Committee for the last few months on an approach which it thinks may be an improvement on the present commission structure. It notes that, despite the progress which has been made, the Committee foresees the need, for at least one more paper plus extensive gathering of data.

Gathering sufficient data on which to base specific schedule recommendations is perforce a lengthy process. It will be necessary, for example, to conduct an extensive survey on the order of a Public Transaction Study, probably this Fall.

Moreover, educational discussions will be conducted within the member firm community which eventually must vote on any commission charges. We are confident that the time expended will be worthwhile in producing the most effective final result.

We appreciate the offer of cooperation from your staff, and we shall continue to keep you informed of major developments.

Sincerely yours,

G. Keith Funston
President