February 15, 1968

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


Gentlemen:

The Directors of A. G. Edwards & Sons, Inc. would like to respond to your request for comments on both the proposed Rule 10b-10 under the Securities Exchange Act of 1934 and the proposal of the New York Stock Exchange for certain revisions in its commission rate structure in consideration of the Securities and Exchange Commission's 1) supporting the practice of customer directed give-ups, 2) taking steps to prohibit reciprocal practices which would result in rebate of New York Stock Exchange commissions to other stock exchanges, and 3) limiting membership on all registered exchanges to bona fide Broker Dealers.

A. G. Edwards & Sons, Inc. is a regional brokerage firm which has been in business since 1887. We have over 50 offices in 13 states in the Midwest and South.

There have been many arguments given by representatives of our industry and others in defense of reciprocal business. We agree with almost all of them and would like to point out one defense which we believe has not had too much mention. We feel that reciprocal commissions directed by Fund managers to firms distributing their shares to investors are completely within their fiduciary duties and should be considered the same as direct selling expenses such as sales literature, wholesaler organizations, etc. The greater the sales, the larger the fund, the lower the costs per shareholder and easier to attract top management. Our firm holds scores of expensive, public educational seminars which provide good investor education to the public without cost. The sale of mutual funds is important to these seminars as both the sales charge and reciprocal business are necessary to make those programs practical.

Use of the "lead broker" concept by Fund managements in effecting their purchases and sales has been deemed most efficient. Hence, the system of give-ups is necessary to effect the reciprocity. We believe the Commission made
the point that very often the recipient of the give-up check does not even know of the transaction from which the commission resulted. On the other hand, it would seem that the firm executing the order probably does not know from whence came the funds, while the recipient of the give-up knows that it has been responsible, at least in part, in the creation of the funds to be invested.

For the above reasons, we strongly oppose the adoption of Rule 10b-10. We should also like to point out several thoughts in regard to the New York Stock Exchange proposal.

It is evident that the very large order is much more likely to be profitable to the brokerage firm than the smaller order. It should be pointed out, however, that the large order is needed by most firms to make up for the many, uneconomical small orders and odd lots handled daily. We do not object to a volume discount but feel that there should be some follow through in the logic for the discount. To be specific, we feel that the commission rate should be raised on the smaller transactions if they are to be lowered on the larger transactions, both in keeping with the economics of the business. Further, we feel that the $2 odd lot differential is completely unjustified and should be abolished immediately. It actually constitutes a bonus to be paid on the unprofitable transaction.

When considering qualification for volume discount, we suggest that investing institutions be classified according to the amount of commission business done in the prior calendar year, with perhaps three size classifications running from 10% to 30% discounts. Once an institution is classified, it would receive its volume discount only if the order giver would be at least a minimum number of shares, possibly 5,000 shares.

In considering commission rates, we feel that a firm and enforceable rule on pre-payments should be made which would apply to everyone. The present practice of paying certain institutions on fourth day on liquidations of stock not clear for transfer constitutes a virtual rebate of commissions to the customer in the amount of the interest cost on the money until the stock certificates can be transferred and delivered to the purchaser.

We feel that the maximum give-up percentage to be allowed one member firm to give up to another member firm should be 70%. This, of course, should not apply to clearing arrangements on ordinary business.

Finally, in the area of discounts by members to non-members, we feel that this discount should not be more than 40%. If the amount allowed were to be over 40%, it is possible that a non-member firm might actually have a competitive advantage over a member firm.
We feel that it is very important that the Stock Exchange proposal, with these amendments and additions, be considered only as a package. In any case, we appreciate very much the opportunity of commenting on the proposed Rule 10b-10 and on the proposals of the New York Stock Exchange.

Very truly yours,
A. G. Edwards & Sons, Inc.

By: B. F. Edwards, III