

I think it in concept and in principle is perfectly all right and justifiable. The abuses, as I say, can be controlled and corrected.

Mr. MOSS. In other words, your answer anticipates the following two questions: Can the exchange handle the matter? Your answer would be yes, it can.

Mr. HAACK. I think that the exchange in concert with the NASD could very well do this. As a matter of fact, I understand that my former associates at the NASD are presently addressing themselves to this very problem.

Mr. MOSS. And then does the SEC have the authority to direct regulation in this regard?

Mr. HAACK. I would say yes, under 19(b) they certainly would have control.

Mr. MOSS. The answer, however, just given by you as to policy represents an individual view and not at this moment the position of the exchange.

Mr. HAACK. That is right. There are a number who would support me, Gus, do you want to speak to this?

Mr. LEVY. I agree with Mr. Haack, Mr. Chairman, 100 percent. My personal position again is that the mere execution of an order is just one part of the commission. There is lots more that goes into the earning of the commission than the execution. Therefore, I personally believe in the give-up system. I believe in reciprocity. Reciprocity is a part of the American way of life.

Mr. MOSS. But again we have no official position.

Mr. LEVY. Not as yet.

Mr. MOSS. By the exchange.

Mr. HAACK. Not as yet.

Mr. MOSS. Another matter which the SEC mutual fund report considers is that of the portfolio commissions paid by the various funds. It appears that there have been certain questions, and in some instances lawsuits, regarding the management securing its portfolio at the lowest possible cost. I believe this has led to suggestions either that the third market be used or that the stock exchange have lower rates on larger blocs of shares. What is the exchange's viewpoint on this matter of commissions? Or has it developed?

Mr. HAACK. We are presently addressing ourselves to this problem. Instead of a commission based on the number of shares involved, we are addressing ourselves to a study of a concept involving the amount of money involved. This would in effect give some kind of a volume discount to the larger buyer or seller.

One of the problems, however, is to make sure that the volume of brokerage commissions is not substantially damaged, because if you reduce commissions at the large end of the spectrum, the question is the possibility or advisability or feasibility of raising this in other areas which in turn might throw an unwarranted burden on the smaller investor.

Mr. MOSS. What authority does the SEC have in this?

Mr. HAACK. Similarly under 19(b) of the 1934 act, they could institute proceedings to accomplish their objective.

Mr. MOSS. In the letter which this committee received at the end of August from the then President Funston, it was indicated that a sub-