

It is apparent from the foregoing that the present level of sales charges is determined by the economics of distribution, and is necessary to maintain an adequately compensated, adequately trained and properly supervised sales force. Moreover, as shown above, when viewed with all of the privileges included, the effective charge to the customer ends up to be low indeed.

Section 12 of the Bills Relating to the Sales Load

Section 12 of the Bills would amend Section 22 of the Investment Company Act to limit the maximum sales charge to 5% of the net amount invested—4.76% of the offering price.

IDS would be happy to see the sales charge on smaller sales lower than 8% if it were economically feasible. We have made studies seeking means by which the maximum sales charge could feasibly be reduced. To date, we have not been able to find a way—and at the same time maintain an adequately compensated, adequately trained, and properly supervised sales force. This does not mean that our efforts in this direction have ceased, but the present level is dictated by economic reality.

What would be the consequences of this proposal? Our studies show that with a 5% maximum the average income of an IDS sales representative in 1966 would have been reduced by \$2,900 to \$5,200, or over 35%. This simply would be inadequate to retain trained sales representatives or permit us to attract and properly train new ones.

I will not urge that the loss of income to sales representatives alone is sufficient reason to reject this particular proposal. There are other social consequences of a serious nature. To begin with, enactment of the proposal would undoubtedly mean that thousands of full time trained securities salesmen specializing in mutual funds will leave the business. Their loss would significantly reduce the availability of this particular investment medium to millions of people. Moreover, most of these persons, those with relatively little to invest, are the very ones for whom mutual funds are probably the most appropriate and safest form of equity investment.

There is another and equally serious consequence which must be mentioned. This proposal would have its heaviest impact on well-trained, full-time career sales representatives like those at IDS. These are the men it would drive from the business, leaving the field to the so-called moonlighter, the part-timer who has another job and sells funds to raise some extra cash. I do not believe this would be either socially desirable or wise. The Securities Exchange Act Amendments of 1964 sought to up-grade the training and qualifications of securities salesmen. This industry and my company joined with the SEC in support of that legislation. The current proposal is utterly contradictory to and inconsistent with those objectives. Therefore, we oppose it.

IDS MANAGEMENT SERVICES

In accordance with the Investment Company Act of 1940, IDS has entered into *Investment Advisory and Services Agreements* with each of its mutual funds. These contracts have been approved by the shareholders and their continuation has been subject to their approval or that of the funds' independent directors.

The name given these contracts is significant. Over and above the furnishing of investment advice, these contracts require IDS to perform—at its own expense—all of the administrative services necessary to the operations of the funds and to assume the expenses of any services performed for the funds by others. Thus, IDS furnishes the funds with office facilities and supplies, and perform or pays for all accounting and auditing services. In addition, IDS is stock transfer and dividend disbursement agent for the funds, prepares the funds' reports and proxy statements, pays for their custodial services and is responsible for the funds' compliance with the record keeping and reporting requirements of state and federal law.

This means that the management fee paid to IDS by each fund is the only expense of that fund.

All of the advisory and administrative services furnished by IDS must meet the approval of the directors of the funds. Each has twelve directors of whom only two are, in any way, associated or affiliated with IDS. The men who serve on these boards are experienced in business, financial and legal affairs. They in-