

quence would have been to reduce the charge to the investor, to reduce the management fee, the rate, the per dollar rate.

My conviction is—and this is what I wish to point out—that the present system is working. I think had the SEC made its charge 10 years ago, there might have been a great deal more validity to the charge, but I think that the charge is predicated upon circumstances which might have obtained 10 years ago, but which no longer obtain in the industry.

Let me refer specifically to the present situation as it exists at IDS.

During the past 5 years, since 1962, four new sets of contracts relating to the management fee have been put into effect, each one successively reducing the per dollar rate of cost to the investor. One of them related to an IDS subsidiary which became a member of the Pacific Coast Stock Exchange, for the purpose of being able to handle portfolio brokerage transactions for the funds. At the time that that was done, the contracts were amended to provide that the management fee would be reduced by an amount equivalent to 100 percent of the net profits from the handling of the fund brokerage transactions.

The other three contract changes during the past 5 years were the result of rather extensive negotiations between IDS and those directors of the mutual funds who are unaffiliated in any way with IDS.

There have been other factors which have influenced the present trends of management fees. These include increased public awareness, increased awareness on the part of the managers, the general maturity of the industry, and increased competition.

As a result of all of these factors and these contract changes, on page 21 of the written statement which I have submitted are the figures showing the effect at IDS, and the benefits which have accrued to the million fund accounts which IDS has.

In 1962 the expense ratio for the IDS funds was 0.53 percent. That covered all expenses of the funds, fifty-three hundredths of 1 percent. Under the IDS contracts IDS absorbs all expenses of the funds out of the management fee so the management fee and the expense ratio are exactly the same. In this current year, the expense ratio has been reduced down to 0.30 percent. That is a reduction of 43 percent. What does this mean to the individual shareholder, to our individual IDS customer?

In 1962 it cost \$26.50 total expense for the maintenance of an account of \$5,000, which is our average account. In 1963 it was \$25. In 1964 it was \$22, in 1965 \$20, in 1966 \$17, and currently this year it is running at a rate of \$15, a 43-percent reduction. There have been substantial economies. These have been passed on to the funds shareholders.

It is our conviction that this present system is working and is working well and effectively.

Mr. Moss. Would you tell me where in this system the force of competition enters?

Mr. LOEFFLER. Yes, sir.

It has its bearings in many ways. One is when we sit down to review our management contract annually; we are very much aware of the cost of equivalent type services, primarily the charges being