

a point—but if they could pass down a decision, and then if the member wanted, direct it to some independent judicial authority for review as with regard to their own standards or to the law which they interpret, then I think you would see unleashed vast new competitive forces. I mentioned this plan which we have. We can economically keep the independent broker-dealer in business and at the same time cut the load.

Mr. Moss. We would be of course most interested, I assure you, in the proposal that you have to cut the load from eight and a half to six and a half, because that is one of the things that this series of hearings is about, but the authority that you ascribe to the NASD in this particular area of activity I do not think exists.

Mr. ALGER. You are wrong, Mr. Chairman.

Mr. Moss. My counsel advises me that I am not.

Mr. ALGER. I think your counsel is wrong.

Practically speaking, you have to go to the NASD first to make any change. I am not talking about just cutting the load. We are talking about an overall plan, a new way of compensation.

Mr. Moss. I think that a new way of compensation would probably have to come here, would it not?

Mr. ALGER. No, no.

Mr. Moss. To the extent that you are discussing it in this context.

Mr. KEITH. Mr. Chairman, the area in which I think the disagreement exists is as to the judicial review. The NASD could prescribe a lower commission schedule, as long as it was within the scope of the—

Mr. ALGER. Oh, now. We could, for instance, cut the load. I mean we could independently cut, instead of saying eight and a half, cut it down to six and a half or two or anything. We could do that.

Mr. KEITH. Who is "we"?

Mr. ALGER. I am talking of the Security Management Co.

Mr. KEITH. Your firm could do it.

Mr. ALGER. Well, the Security Management Co. We advise them on how to run portfolios.

Mr. Moss. Yes.

Mr. ALGER. But the Security Management Co. could, or anybody could who is a member of the industry. You can cut the load. However, if it involves a restructuring of the meaning of discounts and concessions—I will tell you exactly what we were going to do. We were going to set up—are you acquainted with pension funds?

We were going to set up a pension fund for the salesmen of independent broker-dealers, which would have full vesting after 5 years, no vesting before 5 years, but full vesting at the end of the fifth year. Further, we would do this via a closed-end mutual fund, which would have 400 shares or a per share value of \$250.

Now in return for a sustained commitment by the independent broker-dealer to sell our shares, we would agree that to the extent the performance of the fund fell below a certain performance level, we would contribute into the fund from the management company fees which his sales would represent, so basically we would be running a pension fund for his salesmen.

Now this would all be fully disclosed in the prospectus. We were going to cut the load, and also we were going to spell out the details of