mission's position leaves much to be resolved. We are impressed, as always, by the careful consideration this Committee is giving as it moves to make its determination of these matters. We respectfully urge that the changes made by the Committee in **H.R. 9510 and H.R. 9511** be consistent with the reservations and recommendations suggested above.

Mr. HAACK. My name is Robert W. Haack. I am president of the New York Stock Exchange. With me here today to present the views of the exchange on the proposed amendments to the Investment Company Act of 1940 which are incorporated in H.R. 9510 and H.R. 9511 are Gustave L. Levy, chairman of the exchange's board of governors, and Donald L. Calvin, a vice president of the exchange.

Our purpose in appearing before the subcommittee is to present the views of the exchange on the major proposals in this legislation. Mutual fund shares are not listed on our exchange and our board of governors has no self-regulatory responsibilities under the Investment Company Act of 1940. Nevertheless, the exchange does have an interest in these proposals because mutual funds currently account for approximately 10 percent of all trading on the exchange and own an estimated 5 percent of all stocks listed thereon. Further, the exchange's member firms account for approximately 40 percent of all sales of mutual funds to the public and hence could be affected directly and substantially by the proposed legislation.

We believe that the regulatory framework established by the Congress in the Investment Company Act of 1940 has worked well. This does not mean to say that changes cannot be made in the act to increase the protection of the investing public. The exchange's review of the bills before the subcommittee, however, raises a number of questions as to the potential impact on both the investing public and the securities industry of the changes that are recommended in the existing regulatory scheme. We are concerned with the thrust of some of the proposals for two very basic reasons:

First, no mechanism is provided for the self-regulatory processes which are well established in the securities industry. It is our opinion that industry self-regulation should play an important and positive role in the industry.

Second, little justification is given for many of the proposals in either the SEC's report on investment companies or in its testimony and supplemental analyses of the bills.

The exchange's specific comments on the four major proposals in the bills are as follows:

LIMITATION ON SALES CHARGES

The exchange is of the view that maximum reliance should be placed on self-regulatory procedures in the area of sales charges.

It is our experience that nowhere in the world is the investing public better served—and protected—than in this country. The self-regulatory agencies and exchanges within the securities business have demonstrated that they can be flexible and responsive to changing conditions.

It is in the public interest that self-regulation be continued, and that this concept be embodied in the bills before this subcommittee.