

it, among other things, unlawful for any registered broker or dealer "knowingly to sell . . . any security issued by" a registered open-end investment company to any other investment company. This language might be construed as requiring a selling broker or dealer to discover the identity of the buying broker or dealer's customer in order that the selling broker or dealer can be sure he is not violating the law. Any such condition would impose an impossible burden on the selling broker or dealer.

Therefore, the exchange urges that the restrictions on broker-dealers be eliminated and that a workable regulatory framework be established to prevent any specific abuses which may be created by one fund holding the shares of other funds.

CONCLUSION

In the preceding comments we have discussed only four provisions of H.R. 9510 and H.R. 9511. In brief, we have urged the following alternatives to the Commission's proposals in these areas:

1. Sales charges. The exchange strongly endorses the approach of strengthening self-regulation in this area.
2. Management fees. The exchange opposes present section 8 of the bills and suggests that if changes are to be made that the role of the nonaffiliated director be strengthened.
3. Contractual plans. The exchange recommends that contractual plan or front-end load mutual funds not be abolished, but that any areas of real or potential abuse be regulated and possibly that a rebate policy should be instituted for certain early terminations involving hardship.
4. Mutual fund holding companies. The exchange recommends that a workable framework of regulation be established to prevent any specific abuses which may be created by one fund holding stocks of other funds and that the proposed restrictions on brokers and dealers with respect to the sale of mutual fund shares to a fund holding company be eliminated.

The legislation before this subcommittee promises to set down the legislative guidelines which will be controlling for many years. It is the exchange's position that additional legislation should not be adopted except to meet a clearly demonstrated need and that whatever legislation is adopted should be practicable and workable. The exchange agrees wholeheartedly with the SEC that the investment companies have been useful and desirable for investors, but we feel that the documentation—and lack of it—in the Commission's position leaves much to be resolved.

In conclusion, the exchange respectfully urges that the changes made by the subcommittee on H.R. 9510 and H.R. 9511 be consistent with the reservations and recommendations suggested above.

Thank you.

Mr. Moss. Thank you.

Do either of you other gentlemen have a statement?

Mr. LEVY. No, sir.

Mr. CALVIN. No, we do not.

Mr. Moss. Thank you.