

ducted on the Senate side. I favor this type of proposal, and I would like to hear really a little bit more than what has been said about it, and do you think that there is a possibility of working this out?

Mr. HAACK. As you know, I have changed hats since I wrote that letter, but I haven't changed my convictions particularly. I think that the supervision or surveillance of sales charges is a natural and complementary function of self-regulation. The industry regulates itself in a number of ways.

It regulates markups on principal transactions. It regulates and supervises underwriting compensation and spreads on new issues of stock. It supervises commissions in the over-the-counter market. It would seem to be almost evolutionary that it would also view this as a reasonable function, the surveillance of sales charges in mutual funds. I think that the industry has acted well and responsibly in this area, and I would see no reason why it couldn't do the same insofar as mutual funds are concerned.

Mr. STUCKEY. I agree with you. Now, your mutual funds are only a small aspect of your new hat now. I mean other individuals come in and out, and we discussed whether an individual trading on his own through a broker is better off than a person investing through mutual funds. Being as you have worn both hats, I would like to read a statement that was made by the Vice President of the United States speaking before the Investment Company Institute in 1965 and see if you would agree with his statement. This is a quotation from the Vice President's talk:

I happen to believe that our great mutual funds represent a source of political stability and economic progress second to none in this nation.

Mr. HAACK. I would agree.

Mr. STUCKEY. So you are saying that the mutuals do have a good effect on the exchange.

Mr. HAACK. Unquestionably.

Mr. STUCKEY. Another area that I would like to get into, and we have discussed the wording if the NASD were to come in and to be self-regulatory, and that has been the use of the words "fair, gross, excessive or unfair." Now the NASD has adopted a rule to govern its members in the matter of mutual fund sales charges using the criteria "unfair."

Can you tell us what procedural steps that the NASD might take to enforce its decision that a sales charge would be unfair, fair, or unreasonable?

Mr. HAACK. Again I can't speak for them, but I would imagine that a study could be made in which transactions would be analyzed by volume, by size, by type of customer, by geographical area, by amount and degree of effort and salesmanship that goes into transactions, large, small, so forth and so on, and that out of this could evolve some kind of a policy.

It might not be unlike the evolution, if you please, of what is known as the NASD markup policy as far as over-the-counter stocks is concerned, in which some 24 years ago a study was made of the over-the-counter market, and out of that came the markup policy which involved