

exchange are Frank J. Rothling, senior vice president, John G. Weithers, vice president and secretary, and Joseph N. Morency, Jr., legal counsel. We appreciate this opportunity to be heard on H.R. 9511 and 9510.

Although this bill would make changes only in the Investment Company Act and the Investment Advisers Act, thereby altering the regulatory structure applicable to investment companies, investment advisers and underwriters, our Exchange members realize they have an important stake in the end result. We are here in the interest of our members.

Generally speaking, it is our view that, since the Securities and Exchange Commission has not provided sufficient facts and supporting evidence, in our judgment, to justify these concrete proposals, we must go on record in general opposition to H.R. 9511 and H.R. 9510.

It is our conviction that the problems involved are extremely complex and need analysis in depth before proper legislation can be proposed. We believe that the bill was portrayed too simply by the Securities and Exchange Commission's Chairman when he said in effect:

It is the purpose of the bill to give a fair shake to the more than four million Americans now owning mutual fund shares, and this can be done by reducing the sales load imposed on the acquisition of fund shares and by providing a way in which unreasonably high management fees can be reduced. This is the sum and substance of the bill.

Evaluation of this proposed legislation is complicated by the fact that it is based on an extensive document, prepared by the Securities and Exchange Commission and submitted to the Congress. This Securities and Exchange Commission report recommends substantial changes in stock exchange commission rate structure, reciprocity and other areas vitally important to the operations of the securities industry which are far beyond the scope of this bill. We realize and respect the fact that this bill is mainly confined to lowering sales loads and management fees and prohibiting front-end loads. Nevertheless, we submit all of the Securities and Exchange Commission recommendations are interrelated.

The Securities and Exchange Commission has pointed out the spectacular growth of mutual funds in recent years and the problems involved in the institutionalization of the marketplace. They further suggest the growing concentration of economic power over prices of individual stocks and corporations in the hands of a relatively small group of fund managers poses problems for investors, the investment industry and the orderly functioning of our capital-raising mechanisms. Obviously, these problems will not be solved by a simple reduction in profits, sales loads, or advisers' fees. These complex areas give us genuine concern. We do not have answers for them. That is why we feel strongly that further economic analysis and study is urgently needed if changes are to be made.

This bill, giving the Securities and Exchange Commission rate-making powers, is patently impractical and unreasonable. The various elements in the securities industry are in active and constant competition with each other for business. Securities firms are regulated, but they have no exclusive franchise as public utilities do. They also compete with insurance companies, banks, and other financial institutions for the savings dollars of the American people. Nonetheless, the