

ready access to financial markets and receive a full range of investment service.

(B) Reinforce consumer protection by having the sales force supervised by highly trained compliance specialists as well as by the partners or management-level officers.

(C) Provide investments and financial services to meet consumer needs. Consumers save in a variety of ways with varying means and objectives. Thus, to encourage maximum savings and investment flows, a diversification of investment media has to be developed.

With this as background, let us examine the proposals.

SALES CHARGES

The recommendation for a 5-percent ceiling on mutual fund sales charges is a seemingly magic figure, requiring no economic justification as to what it will do to or for the investor in mutual funds or the securities industry. In our view, the SEC has offered no meaningful evidence that the investor has been harmed by present selling charges. On the contrary, the sales charges do not appear to be inconsistent with the incentive required by sales personnel to bring mutual funds to potential investors.

The contention that lower price is the most important—and virtually exclusive—measure of the public interest, that something “cheaper” must be “better” is at best false economy.

In our view, the reduction of sales charges to 5 percent would place obstacles in the way of expanding the ownership of equities to broader groups, and thus limit rather than enlarge the savings services made available to the public. Fund sales personnel would be discouraged from catering to smaller investors who buy in lower dollar units and to investors outside urban centers. Our smaller regional firms tend to secure a relatively greater share of their revenues from mutual fund sales than do larger firms, so the burden would fall particularly hard on them. Mutual fund investors using ASEF firms are also being exposed continually to other investment opportunities, and are regularly supplied with market information from which they can make their own investment decisions.

In view of the paucity of information and economic justification behind the SEC's proposal, and the considerations noted above, it is our firm conviction that more comprehensive and detailed studies of the subject should precede any legislative action in this area. If it is determined that the services of an industry-government study group would be an appropriate vehicle for this effort, the ASEF—as in the past—stands ready to participate.

MANAGEMENT FEES

As we see it, it is clearly in our customers' and our own best interests to do everything possible, as distributors of mutual funds, to assure the continued maintenance of high standards of service and performance on the part of fund managements. The reservoir of individuals with outstanding managerial talent is never excessive in a growing economy, and such executives must be compensated according to the values they create.