

Here, again, there is incomplete documentation. The available analysis relates fees only to the cost of producing services. There is no recognition in the SEC proposal of the fact that in most service businesses (and particularly in the business of money management), any true measure of fees charged must also consider the value of services rendered. In fact, determining the appropriateness of fees and commissions by relating them only to costs, could very quickly destroy the ability of the industry to serve public investors and particularly the smaller investors.

The present approach, whereby directors of investment companies and their shareholders, using their best judgment, pass on the reasonableness of management fees, is far superior to the SEC's approach of regulatory and judicial determination. An increase in the ratio of independent directors from 40 percent to a majority would be consistent with the public interest. To have these directors make a specific finding regarding any management fee contract may also be in order. Such steps, we feel, would tend to minimize any risk that the public and shareholders' interests may be jeopardized by excessive costs for management.

INDUSTRY RESPONSIBILITY TO ITS CUSTOMERS

The investor is better protected in the United States than anywhere else in the world. In buying securities, he is afforded three levels of protection: By those in the individual securities firms striving to earn and retain his confidence; by strong self-regulatory agencies; and by Federal and State governmental agencies functioning under laws designed to protect the public interest.

The securities industry has been striving diligently to achieve higher standards of professionalism and service through more thorough training of salesmen and the introduction of modern data processing equipment and high-speed communications systems. In cooperation with the SEC, and acting under its self-regulatory authority, the industry also is committed to meticulous compliance with a mounting multiplicity of laws, rules and reporting requirements. These efforts, voluntarily instituted as often within the industry itself as in response to outside pressures, have unquestionably benefited the investing public. Of course, these measures have resulted in higher costs of doing business.

The New York Stock Exchange has taken a formal look ahead, to try to determine the size and scope of the needs of a growing investing public in an expanding American economy over the next decade. This review led to some startling conclusions. By 1975, shares listed on the NYSE alone can exceed 20 billion—double what they are today. The number of potential shareowners is expected to increase by at least 10 million, and shares traded will rise accordingly. The exchange community alone will have to add 50,000 more persons to its payrolls, including 25,000 more qualified and trained sales representatives. This is eight more people for every 10 employed today—and many more than that number will have to be recruited and trained to produce a net addition of 25,000. As many as 1,500 additional offices—four for every 10 now in operation—will have to be planned, located, and staffed.