

Mr. MURPHY. How about for the selling of one fund versus another?

Mr. JENNINGS. Oh, certainly, but as to price, its retail price is maintained.

Mr. MURPHY. The individual would be subject to subscription by several salesmen, say one salesman representing one fund.

Mr. JENNINGS. Oh, yes; or by a broker/dealer who sells, say 50 funds.

Mr. MURPHY. Thank you.

Mr. WATKINS. Do you know of any other industry where the Government has a—

Mr. JENNINGS. I just want to point out again that this is a regulated industry where you have a structure in effect which is approved by the Congress.

Mr. WATKINS. You are not answering my question. Do you know of any other industry that the SEC puts a fee on?

Mr. JENNINGS. That the SEC is putting a fee on?

Mr. WATKINS. Yes, or setting a fee.

Mr. JENNINGS. Well, so far as Commission rates are concerned, and also so far as Commission rates at the over-the-counter level. They are self-regulated subject to SEC supervision. Now, this bill does not propose that as a solution. This bill proposed that this be left to a court to determine the reasonableness, not of fixed fees, but, you know, a question of whether it is reasonable under the circumstances for the particular company, which is a more flexible—

Mr. WATKINS. It is my understanding, if I am correct, that they would set a fee of 5 percent subject to court.

Mr. JENNINGS. No, on the sales commission you are quite right. I was on the advisers fee. You are quite right; yes, sir.

Mr. WATKINS. I am concerned very much with the little fellow. I think that is the fellow we have to worry about. How can a little man, how can he know about the markets, how would he know what stocks to buy? Don't you think that these mutual funds give a real service to the little fellow?

Mr. JENNINGS. Yes, I think that mutual funds perform a real service, surely. I haven't argued to the—

Mr. WATKINS. Do you know of any crookedness where an investor has been hurt?

Mr. JENNINGS. Well, yes, the managed fund case. It has been, I think, a clean industry, but you asked me do I know of any.

Mr. WATKINS. In other words, what percentage would you say have been hurt, where they have found bad cases—1 percent, 2 percent?

Mr. JENNINGS. No, I think it is a well-managed industry.

Mr. WATKINS. In other words, it is the same as any other industry.

Mr. JENNINGS. No, the securities industry, I think, is probably cleaner than most.

Mr. WATKINS. We know of lawyers who go bad, don't we?

Mr. JENNINGS. Yes.

Mr. WATKINS. What would happen to the small mutual funds? For instance, I know of a gentleman who testified here that he has 240 employees, and he said if this fund is reduced to 5 percent, that they could never pay the salesmen, the management fees, the office fees, the various costs of running this fund. These people would have to be laid