

But it is by a studious disregard of this situation that the industry is able to misconstrue our proposal as involving ratemaking or profit regulation. It is nothing of the sort. However, since——

Mr. MOSS. Mr. Chairman, Mr. Keith has a question.

Mr. COHEN. Yes, sir.

Mr. KEITH. You seem to be reading from a prepared statement.

Mr. COHEN. I am reading from some notes of mine of various types and kinds.

Mr. KEITH. I am somewhat handicapped. We had hoped to have your rebuttal statement yesterday so that we could review it and have a chance to comment on it. I am trying to read what you have prepared here and listen to what you are saying there, and it is difficult to follow. But I would like to have you restate if you could what you have said in the last couple of minutes. You seem to be saying that this is a strange phenomenon that exists on the part of the companies with the usual corporate structure and operation, what you might call corporate democracy. I wish you would restate what you have said.

Mr. COHEN. Some of the things are not included in the paper I have before me but I will try.

Mr. KEITH. Perhaps if the reporter would go back 2 or 3 minutes and read to us what you have got there in your notes, please.

Mr. COHEN. I would prefer to restate it, Mr. Keith, because I will make it stronger this time, but I will be glad to take your suggestion.

Mr. KEITH. You might pinpoint what I think is after all the main difference of opinion in one of the two areas involved.

Mr. COHEN. I don't think that so far as the things I have just said that there is any difference of opinion. I have heard no witness deny the fact that he is really a fiduciary. I have heard no witness say that the fee should not be reasonable. I have heard no witness say that he does not have an obligation to see that the fee is reasonable. I have only heard one witness suggest that there is truly effective argument, I am leaving the word "bargaining" out deliberately, with respect to fees. I don't think there is any great dispute here.

Mr. KEITH. I am talking about the corporate entity involved here, the way in which it differs from the usual corporate structure.

Mr. COHEN. I didn't testify to that, but I will be glad to right now.

Mr. KEITH. It seemed to me that you were speaking to this, even though it may not have surfaced, and you recall in your first statement you talked about how, as I recall it, the management companies formed the mutual funds, and then in a later application or further delineation of the activities of the mutual funds, you mentioned that they entered into a contract with the management group, and indicated that the tail thus was wagging the dog.

Now is it not a fact that by and large these investment companies have chosen a mutual fund vehicle to sell their product, and that there is a corporate purpose being served by this close relationship, and that it is simply the vehicle which is used to merchandise mutual funds to the mutual benefit of the person who buys it and the management company who advises?

Mr. COHEN. No, sir.

Mr. KEITH. You don't feel that this is the historical and in effect present modus operandi?