

present a "united front" with conferences between the various groups already being scheduled. There will be, of course, a natural reaction to any regulatory plan designed to give mutual fund investors more of the returns from their pooled funds, brought about by abolishing the present "double commissions" and higher rates than are charged elsewhere in the investment industry. The clear obligation of administrators, both state and federal, is in the direction of protecting the investor. This report is the third of a series, made by independent and impartial study groups. All have reached the conclusion that there has been overreaching for compensation, which needs legislative and administrative correction. We, in Wisconsin, are giving consideration to the possibility of public hearings on some of the proposals, giving industry and organized and unorganized investors a chance to be heard on the merits of these plans. We sometimes think too many securities regulation patterns are developed in "chambers".

"POOR AUNT JANE"

There has already been an indication of the type of argument which will be used by industry in an attempt to defeat the SEC recommendations. Keith Funston, President of the New York Stock Exchange, recently made a speech before the American Management Association. He apparently knew of the concern of administrators over the "give-aways" of about half of the commissions charged mutual funds and other institutional investors for the handling of large portfolio transactions. Twice in the speech and twice in the highlight summary, Funston cried that "to give a big institutional customer a preferential break over Aunt Jane would offend the public interest."

No one has proposed changing the commission rate charged the mythical Aunt Jane in those cases where the transaction is small and there must be a minimum charge so the dealer will not lose money on the deal. This is a recognized business practice similar to the charge made when Aunt Jane, with her limited resources and appetite, buys a quarter of a pound of butter at the store instead of a full pound.

Mr. Funston's argument ignores the thousands of Aunt Janes and Uncle Llewellyns, who have pooled their investment funds in mutual funds. According to advertising of the sponsors, they have been joined by ivy-walled colleges, trust funds, and other good folks who are looking for dependable and honest money managers to invest for them. What has been happening?

When Aunt Jane and Uncle Lew pool their money this way, the amounts involved are so large that dealers handling portfolio transactions have been saying: We don't need the full commissions to be properly paid for our work, and can't we find somebody to whom to give about half of it.

But poor Aunt Jane and Uncle Lew, whose collective money generated these commissions, don't get the benefits. The portfolio dealer and the fund managers and underwriters look around for someone else to share in the largess. Much of the time they discover other dealers, who have already been paid 7 to 9 percent for selling shares in the fund to a new group of Aunt Janes and Uncle Lews, and they give away, what properly belongs to Aunt Jane and Uncle Lew, to these salesmen, in the form of a kind of bonus.

It is plain that in the forthcoming debate it will be up to those charged with protecting the public interest, to unmask these arguments and to see that the right concern is expressed for not only the good old aunts and uncles, the "widdler" Browns, and the young parents planning for their children's college education, for retirement, etc., etc.

Mr. WATKINS. Personally, I feel as though no one wants to keep this thing going at—I think perhaps your study has been very good but as I said, I think we have to go much further. I think you have infringement upon State rights and on the cost, and you want to regulate this one industry with a fee.

Mr. COHEN. There is no infringement on State rights, sir.

Mr. WATKINS. That is questionable.

Mr. COHEN. The statute makes it clear that there isn't. It so provides.

Mr. WATKINS. I wonder yet with all the testimony you haven't said just why you are so interesting in putting this 5 percent level on, subject to court approval, of course.