22(d) were repealed, and the general level of loads received by dealers declined somewhat, the captive organizations would have an advantage over independent dealers in recruiting salesmen.

Now there are ways in which this advantage could be offset to some degree, for example, by requiring those funds to make their shares available to independent dealers at the same price, that is asset value, that is asset value plus distribution charge, on which their own sales force operates, and authorizing the Commission as well to make appropriate rules to be sure that the charges levied by these integrated or captive sales organizations would be in line with those that prevail generally in a situation where independent dealers are making markets in a regime of free competition. Both of these steps it should be noted would of course involve some regulation of sales load, at least for a segment of the industry.

It was also felt that repeal of section 22(d) probably would not benefit or might not benefit, maybe the word "probably" is too strong, the small unsophisticated investors to whom sales are made on a door-to-door basis, since such sales are made in an atmosphere in which price competition is avoided whenever possible. Thus, perhaps the very people most in need of protection would not get it from a repeal of section 22(d), which would primarily benefit the more knowledgeable and sophisticated investor who might be in a position or be advised to shop around.

We accordingly proposed regulation rather than repeal of section 22(d), because of the uneven effects that such repeal probably would have had.

Mr. KEITH. Mr. Chairman.

Mr. MOSS. Mr. Keith would like to query you further in order to clarify the response you are making to this question on section 22(d).

Mr. COHEN. Yes, sir.

Mr. KEITH. I do not believe that there has been much argument before this committee in connection with any recommendation to the effect that we seriously consider amendment of section 22(d). I understand as a matter of election you and the industry did reach agreement in this respect,

Mr. COHEN. No, sir.

Mr. KEITH. No?

Mr. COHEN. Not on this 22(d) issue. I am not sure that I understand your point. But I must say this, Mr. Keith. It was suggested to me the question should be answered. A member of the committee asked that I deal with this particular problem just as you did a little while ago, so that there is considerable interest, and I understand that Professor Wallich, if no one else, raised this issue. I understand further that this issue has been raised by other people, and I assume that it is before the committee.

Indeed, in the memorandum which is dated May 1, 1967, which I sent to each member of the committee, together with our technical statement on the bill, I listed among the possible alternatives which we had considered, or which had come to our attention, the possible repeal of section 22(d).

Now I have tried in a few minutes to explain the reaction of the industry as we understand it, and the reasons which led the Commis-