

sion to depart from what I think in many other respects seems to be a most attractive way of dealing with this problem. In other words, we took on a real burden by recommending 5 percent so everybody could say we are price cutting and so forth and so on and price fixing, and so on, rather than taking the easier route and saying let's lift 22(d) and let's allow free competition to play, or at least to have a chance. We undertook the more difficult task, and we still feel that that is the appropriate route.

Mr. KEITH. If I may in an effort to give further discussion on alternative methods of achieving a better buyer's market, more choice, more economy of scale in the field of management, there are it seems to me at least three or maybe more ways in which people can buy mutual funds.

We have the no-load funds and we have internally managed funds, and we have relatively new developments, at least new to this committee, of those individuals who want to buy into a particular stock, such as the "Quimby Plan."

Of course, the law permits that kind of choice to the individual, and in order to open up that market, that may be somewhat under a cloud by reason of statute, isn't it possible to encourage variation in load by permitting no-load funds to advertise other than by "tombstone" ads?

Mr. COHEN. No-load funds have substantial and in many respects greater liberty in the area of advertising than do other corporations selling securities to the public. In 1954—

Mr. KEITH. In selling mutual funds to the public?

Mr. COHEN. Yes, sir. You are talking about no-load funds now. Maybe I misunderstood your question.

Mr. KEITH. I am talking about no-load funds.

Mr. COHEN. I will try to answer your question this way. In 1933, and we are now talking about the Securities Act of 1933, the Congress decided that the protection that the investing public needed was to have presented to it, in convenient form, a document which we call a prospectus, which contains the information deemed relevant and material to an informed judgment.

The Congress determined, based on hard experience, and many, many examples, some of which I have looked up in a curio case, to do away with the type of advertising that occurred in the 1920's and in the early 1930's.

So the Congress decided that the only advertising that should be permitted in the newspaper, subject to the reprinting of the full prospectus, or as we allowed later on, a newspaper prospectus, which is a kind of a summary of it, that they be permitted to have a very simple advertisement, which has gotten to be called a "tombstone" advertisement.

Mr. KEITH. Excuse me. We have got just a few minutes left today.

Mr. COHEN. Yes, sir.

Mr. KEITH. And maybe you can just disabuse me of my logic by accounting for section 10.

Mr. COHEN. Section 2(10)?

Mr. KEITH. Section 10(d), the ifs, "If such an investment company, open end company," and so forth, no sales load charged on securities—