Mr. COHEN. That is another issue, sir. I thought you were talking about tombstone advertising.

Mr. KEITH. I am talking about ways to open up the market. It goes on to say "No sales promotion incurred by such company"——

Mr. COHEN. Let me deal with that. First I will finish the other very shortly by saying that in 1954 the matter of advertising——

Mr. KEITH. But there is nothing in the statute under which they operate today that inhibits their more aggressive selling of load funds. They can today if they want to finance sales or promotion expenses. I am talking about the 1940 act, is that not pertinent today?

Mr. COHEN. Is that not pertinent today?

Mr. KEITH. Yes.

Mr. COHEN. I am not sure. Pertinent to——

Mr. KEITH. Is it not pertinent to this discussion?

Mr. COHEN. I am not sure that that is pertinent to the discussion on this bill, but I think it is a pertinent question.

Mr. KEITH. My question was how can we open up this thing to get the competitive forces at work to give the buyer more choice?

Mr. COHEN. Well, I think the industry has indicated that, that they have to pay salesmen increasing amounts in order to——

Mr. KEITH. I realize that.

Mr. COHEN. I understand that.

Mr. MOSS. I think that what Mr. Keith is asking, Mr. Cohen, is the only device available to increase the attractiveness of the sales field itself to the salesmen, or is there available a legal method for more aggressively advertising these funds, bringing them directly to the attention of the prospective buyers?

Mr. COHEN. There is a basic issue. I am sorry, I misunderstood the question. I think the Congress was concerned very seriously with dilution of the interests of people who are in a fund.

Now for this reason section 10(d), and I am now aware of a particular provision to which you refer, provides that there shall be no promotion expenses incurred by the registered company, because to the extent that they became more aggressive and they used the assets of the fund, this would be a fee paid by existing shareholders, who have very little interest or concern with whether or not other people come into the fund. This is the reason for that provision.

Now normally to the extent that there is promotion, and there is considerable promotion by some in the no-load area, it is paid for by the investment adviser out of the fees that he gets for managing the fund, and there is a very simple business reason for it. The larger the fund, the larger the fee. So it is a business expense which he is prepared to assume.

But if you should impose that charge on the fund itself, you may be asking people who bought 10 years ago, 5 years ago, 3 years ago, to pay the part of the promotion for the benefit of the investment adviser to bring other people into the fund.

Mr. KEITH. I suppose what it leads to is internal management of mutual funds.

What we are trying to do on this committee is allocate economies of scale through the present scheme of things, the free enterprise system, full disclosure, true competition, and not to set up, if possible, a pater-