

made. On this institutional activity in the New York Stock Exchange report, they show the average number of blocks per month, blocks being 10,000 shares or more. You are certainly familiar with this document.

Mr. COHEN. I have seen it; yes, sir.

Mr. KEITH. They show, for example, that in 1965 there were a total of 181 block per month. In 1966 there were 304 blocks per month. In 1967, the first quarter, 462 block per month as an average. That is a 50-percent increase over the previous year in blocks per month and it is three times what it was in 1965. Do you have any comment to make?

Mr. COHEN. Yes.

Mr. KEITH. What has happened in successive quarters? Is that still accelerating?

Mr. COHEN. So far as I know that is still accelerating, and I should say that other activities are accelerating. I don't want to use this as a sounding board for my problems, but let me give you some indication of the situation with respect to new issues and trading volume. Since July 1, the beginning of our fiscal year, we have received I think almost twice as many registration statements as we did in the corresponding period last year, and the volume of trading on the exchanges has been at an average level of around 10 million shares a day, and there doesn't seem to be any sign that this is going to let up. My own feeling is that it will increase.

Now I would like to tie this together, and as you have invited me, to make a record. There is an aspect of the testimony given, particularly by the IBA, that I thought particularly interesting, and I hope you will indulge me a minute or two.

They talk about people's capitalism and about the necessity for liquidity of the markets and a few other things. They said liquidity meant having more shareholders, and there is an increasing number of shareholders all the time. Yet they insist on providing these great rewards to sellers who might otherwise invite their customers to buy listed securities, over-the-counter securities, thus increasing the liquidity, but because of these great rewards, these salesmen keep putting people into institutional investment media, and these institutions are growing at a great rate.

Now apart from the inconsistency of it, you can understand why I think these institutions will continue to grow, even if the Congress adopts every jot and tittle of our recommendations.

There is another argument they made in this field of sales charges which I think is terribly interesting and which is related to this point. They say that there are many small- and medium-sized firms that make local markets, that engage in distribution of small issues, that sell over-the-counter securities, and if you cut the sales charges for mutual funds, they will go out of business.

First, I don't believe it. If, however, it is true, consider what it means. It means that they are levying a heavy charge on the unsophisticated investor, by their own admission, in order to subsidize these other areas. Now maybe they are not making enough in the other areas, but that is no way to make up for it, by charging the unsophisticated investor with a high sales load. That is what they say. "If we don't get this high sales load, we are out of business." That is a very, very unusual position to take before this committee.