

Since this 80% share, on average commissions, amounts to only 5% of the dollar amount invested, we do not hesitate to state that this figure is economically and morally justified and that the registered representative is fully deserving of his approximate 50% share of this figure. Small orders, involving as little as \$100, requiring the same individual handling by Bache & Co. as is given to large orders, constitutes a large percentage of all our mutual fund transactions. These orders involve a substantial amount of time and effort on the part of the registered representatives and service personnel of Bache & Co., in consideration of the commission generated. If these commissions were to be reduced, it would definitely increase the competition that presently exists in the registered representative's business day, necessarily resulting in fewer small mutual fund sales.

If sales charges are excessive as the SEC states, I think our practical experience in our own internal mutual fund sales development program would be quite different. The list of figures below gives the net yearly commissions earned by the average Bache & Co., Incorporated registered representative from total mutual fund sales for the last five years.

Year:	Amount
1963	\$790
1964	607
1965	1,018
1966	1,253
1967	1,711
5-year average per registered representative	1,075

During this period of time, Bache & Co., Incorporated had an average of about 1,500 registered representatives. If the mutual fund sales of the 25 most successful registered representatives were not included, the figures quoted above would dip drastically. These average figures indicate that registered representatives in the Bache & Co., Incorporated organization do not share the SEC's contention of the lucrativeness of mutual fund sales.

Perhaps the most uninformed argument made against costs is that mutual fund shares involve higher acquisition charges than other types of securities. We feel that there is justification for such higher costs. Shares in mutual funds are *unlike* any other security and are bought and sold differently. A mutual fund share is a participation in a *long-term investment plan*. The principal characteristics of mutual funds are broad diversification of investments and continuous professional management. Open-end mutual funds provide the *only* medium through which millions of investors with limited capital can own shares in diversified portfolios of 50 to 100 or more carefully selected securities under professional investment management with immediate redeemability of their shares at net asset value. Therefore, you can see why it is an extreme oversimplification, albeit true, to say it costs eight or nine times as much to invest \$4,000 in a mutual fund as to buy 100 shares of a \$40 listed stock. Using the same \$4,000 investment, if the investor buys an odd lot or an Over-The-Counter stock, he pays a much higher acquisition cost either in the way of mark ups, or higher sales charges. In addition, he also pays commission for liquidations.

The services provided a mutual fund shareholder also point out clearly the difference between a mutual fund share and a stock. Holders of individual stocks receive no services other than those supplied by the brokerage house through which he makes his purchase. Mutual fund shareholders, on the other hand, have such services as automatic reinvestment of income and capital gains distributions, tax information, plans for periodic withdrawals of cash and the built-in convenience of handling an ownership interest in many stocks through one security.

The investor has a wide range of choice in the price he pays to acquire mutual fund shares. The sales charge depends upon the schedule of charges of the fund and the size of the purchase. All sales charges do not start at 8% or 8½%. One of the largest funds charges 7½% for purchases up to \$5,000 and then dips to 6¼% for purchases over \$5,000, and as is true for most funds, they do not charge a redemption fee. There are very few services or products that can be brought to the public with mark ups as low as these.

We think it is important to point out that there are over 50 no-load funds available to the public without any sales charge. With such competition, it is inappropriate to seek lower sales charges for funds where sales charges exist.

A study conducted by the NASD in April, 1967, dealing with the impact of the proposed sales charge limitations revealed some startling information. This