

managed by banks and other professional trustees and types of investment companies other than Mutual Funds * * *". (Senate Record, Page 66). In fact on June 30, 1966 the total assets of just four banks in the United States exceeded the total assets of the entire mutual fund industry :

	Billions
Bank of America-----	\$15,619
Chase Manhattan-----	13,597
First National City Bank of New York-----	12,588
Manufacturers Hanover-----	6,849
Total -----	48,653

During the House hearings some statements tended to assume that mutual funds were the persons causing the increased institutionalization of the market. Actually there is no showing that they are other than a small part of it.

Mention was made in the Senate hearings that Federal Savings and Loan Associations made no sales charge, but further inquiry would have disclosed that in their last record year they spent a total of \$122 million in advertising and this was the shareholders' money. This is part of their "sales charge" and the cost is a continuing one.

C. SEC proposal will work adversely to present law

If the drastic proposal to cut the sales charge by 50% is adopted it will also work in a manner contrary to the objective that Congress expressed in the 1964 legislation. The greatly reduced sales compensation could not do anything other than lower the quality of solicitation. The recruitment, training and compensation of these salesmen to meet the high standards imposed by the company and the statute has been costly. In the past 27 years IDS has distributed on the average over \$186 million worth of our Fund shares yearly and the profit after taxes to IDS from such distribution has average only \$276,000 per year. Should such minimal profits be attacked?

If the sales charge is reduced as proposed in H.R. 9510 we feel it would interfere with our ability to contract for full time, high grade, highly trained salesmen; for skilled sales investigators; for high standards for acceptance of new business; for continuous customer servicing and for free transfers between affiliated funds, all of which we consider to be most desirable.

D. Section 22(d). An anti-rebate provision

Much mention has been made of Section 22(d) and it has been claimed that it is an anti-trust provision prejudicial to a free market and that nothing like it exists elsewhere. One SEC witness even went so far as to contend that this created a "monopoly". (See testimony of Prof. Wallich.) Nothing could be further from the truth. This provision merely requires that all shareholders who buy the same mutual fund on the same day pay the same price; i.e., the "current public offering price described in the prospectus". Each fund is free to choose the commission to be paid and these vary widely from no-load to about 8%. Nothing in the law prohibits a shareholder from selling his shares at any price he chooses. Section 22(d) is thus in effect an Anti-Rebate provision with respect to the sales commission. It is a provision against fee splitting. It prohibits discrimination against purchasers of mutual funds. Every state in the union has a similar provision prohibiting rebate of any portion of the sales commission paid on any life insurance contract. Both laws are designed to guarantee against salesmen discriminating in favor of one purchaser as against another. 22(d) exemplifies exactly the same legislative purpose for mutual funds that the Anti-Rebate provision of the State Insurance Laws supply for life insurance.

The North Carolina law is a good example, it prohibits:

Insurance Laws of North Carolina. 58-54.4(8). Rebates. "* * * offering to rebate * * * any rebate of premiums on the contract * * *."

Such laws are of long standing in the insurance industry. See Appendix "A" for list. These laws are designed to protect the public by giving a "fair shake" to all purchasers of life insurance. The purpose of 22(d) of the Investment Company Act of 1940 is the same; i.e., to guarantee that fund shares sold to each shareholder on the same day are sold at the same price and that there is no discrimination against shareholder applicants, that there is no rebate of sales commissions and that all applicants are treated alike.

Thus, there is no reason to repeal 22(d) unless it is desired to make it possible for discrimination to exist daily in the sale of the same mutual fund and there