

our over-all effort which best serves the smaller investor who is usually much better off owning mutual fund shares than dabbling in low priced speculative shares. It is these smaller investors who would suffer most from lack of service by curtailment of training programs, closing of smaller offices and liquidation of smaller investment firms. In addition I believe that our larger producers would definitely shy away from sale of mutual fund shares because of reduced commissions. After all it is profit potential that attracts the best producers and in order to compete with other industries and professions we must be able to compete in the vital area of compensation.

On an over-all basis these legislative proposals appear to be aimed in essence at the revenue side of the securities business. While the industry has long recognized and lived with a vast variety of regulation it is also a highly competitive industry and therefore appears unsuited to a regulatory approach more applicable to possible monopolies. In fact these proposals would more likely create a monopolistic situation because only a few of the very largest companies in the business could operate profitably. They would dominate the industry and tend to concentrate in the larger cities and give less service in smaller communities. As a businessman I am sure you can understand the impact of a sudden loss of 40% of your gross and no reduction in your cost of doing business.

It is my understanding that hearings begin this week in the Senate where this bill is known as S. 1659. We have not yet been informed about the House schedule but thought you might find this information useful in the near future.

As to my own interest and qualifications, I first entered the securities business in 1934 in Denver, Colorado. I spent 14 years with Waddell & Reed as an officer, director and portfolio manager. I joined H.O. Peet in January, 1966 and became a partner in April, 1967. In all those years I have never seen a regulative proposal less calculated to serve the public interest than a mere reduction in sales charges. I think this would have about the same effect as reducing haircuts from \$2.25 to \$1.25. There soon would be no barbers.

With best wishes for your continued success, I remain

Sincerely yours,

ROBERT E. GUNN.

WADDELL & REED, INC.,
Kansas City, Missouri, July 28, 1967.

HON. LARRY WINN, JR.,
*House Office Building,
 Washington, D.C.*

DEAR MR. WINN: Thank you for your letter of June 15th, and your request that I again write you with the possibility that this letter might become a part of the hearing record on H. R. 5910. I cannot argue with the overall intention of the Security & Exchange Commission in their desire to further benefit the small investor using the open-end investment trusts. I believe that the regulations on our industry have helped to develop the mutual fund industry, and I do not object to the numerous and strict regulations that are now in effect.

Two of the three main areas of the bill cover management fees, and sales commission. In both areas competition is keen. Various funds make a sales point of how their fees and expenses are being progressively reduced and state their position in the industry. Sales commissions run from nothing in the no-load funds to 8.75%. In each area there is competition, a choice.

The third area of the proposed legislation regards "contractual plans." Sales costs in many contractals are actually less than afforded to the cash buyer! I use a plan myself because it enables me to use relatively small amounts of money, gives me an objective, and supplies me with the discipline I need. The terms of a contractual plan are so carefully spelled out for the buyer that they know an early liquidation will not be to their advantage. Amazing sums of money have been accumulated by people using contractual plans, and it has helped our registered representatives to be able to sell and service the small but systematic investor. Without such programs we would simply have to confine our work to those with lump sums of cash. Here particularly is a place where the suggested legislation would work to the disadvantage of the wage earner and the average sales person.

Since my particular job is that of hiring, training and supervising registered representatives, I am quite aware of their average earnings and the work they do