

November 23, 1965

FOR

HENRY WILSON
MIKE MANATOS

Chairman Cohen of the SEC is in the process of developing a legislative proposal to help out the small shareholder against abuses in the management and operation of mutual funds.

- There are over 6 million shareholders, the majority of whom have incomes of less than \$10,000.
- The legislation governing the funds (Investment Company Act of 1940) badly needs a revision in view of the dramatic increase of the funds since World War II and the sharp practices now going on.
- The areas staked out are: (a) sales commissions charged the investor; (b) fees charged the funds by their managers; and (c) sales of mutual funds on the installment basis.

We would like to have your comments as quickly as possible on the feasibility of incorporating this as an Administration item in next year's program. Possibly this might come as part of a consumer message which would state that the SEC will study the matter and prepare the necessary legislation.

Joe Califano