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December 17, 1965

Honorable Manuel F. Cohen
Chairman
Securities and Exchange Commission
Washington, D. C.

Re: S. 2704

Dear Manny:

In looking through the legislative calendar of the Senate Committee on Banking and Currency recently, I noticed that the above bill introduced on October 22 by Senator McIntyre of New Hampshire, proposing to exempt bank-sponsored mutual funds from regulation by the Securities and Exchange Commission through the device of extending the common trust fund exemption presently contained in Section 3(c) of the Investment Company Act of 1940, has been referred to your office for a departmental report.

We have an interest in this legislation by reason of the fact we do work for various investment companies and other members of the securities industry. It is our opinion that banks entering the mutual fund field should be regulated by the Securities and Exchange Commission under the Investment Company Act of 1940, the same as all other investment companies. This attempt to escape regulation under the Federal securities laws by altering Section 3(c) of the 1940 Act not only evades the policy of investor protection embodied in those laws by Congress, but also violates the Congressional policy of the Glass-Steagall Act prohibiting banks from engaging in non-banking activities.

We respectfully urge that your agency report oppose S. 2704 for these reasons.

Very truly yours,

Carl L. Shipley

CLS:tb

Encl.

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