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CHAIRMAN'S OFFICE
MAILED

JAN 4 1967

Signed by: _____

Mr. Malcolm S. Forbes
Editor-in-Chief
Forbes, Inc.
70 Fifth Avenue
New York, New York 10011

Dear Mr. Forbes:

I read with interest your Fact and Comment column in the December 15, 1966, issue of Forbes concerning the Commission's recent report on Public Policy Implications of Investment Company Growth. Comments such as this contribute to a better public appreciation of the problems raised by the growing institutionalization of the securities markets. I regret, however, your apparent assumption that the Commission has "casually dismissed" the problems arising from the power of mutual funds, as sizable stockholders in numerous companies, to influence the managements of their portfolio companies and the markets for the securities of such companies.

The Commission fully recognizes and appreciates the problems arising from the increasing economic power of mutual fund and other institutional managers. As the Report indicates, we are not yet prepared, on the basis of the information presently available, to make specific legislative recommendations in this area. The Report does, however, have an extensive discussion of the available data and points up the need for further study of these and other aspects of the growing institutionalization of the stock markets. A concern with questions of institutional power also is evidenced in my recent speeches to the American Management Association and the Investment Bankers Association, which were devoted mainly to these matters. Copies of these speeches are enclosed.

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The fact that the Commission does not believe that at the present time there is adequate information to justify specific recommendations should not be taken to mean that this is the end of the Commission's concern. Indeed, I contemplate that problems related to the institutionalization of the securities market will continue to be a major concern of the Commission, the securities industry and the institutional investors themselves in the ensuing years.

Sincerely,

Manuel F. Cohen
Chairman

Enclosures

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