

William J. McCrann
Family Income Planning, Inc.
Amityville, N.Y.

Orval L. DuBois
Securities and Exchange Commission
500 North Capitol Street
Washington, D.C. 20549

January 29, 1968

Dear Sir:

In Securities and Exchange Commission Release #8239 dated January 26, 1968, you state that, "in one instance the advisory fees charged to a large complex of mutual funds by their common manager were lowered in the aggregate by approximately 3.1 million for the year 1966, this sum being the approximate net profit of the manager's broker dealer affiliate." This evidently was not I.D.S., since their profit from this source was \$3,282,840 in that year. This sum would amount to approximately \$3.25 rebate on each mutual fund account on their books at the time.

If this is all that can be achieved for the mutual fund purchaser, I believe that fund managers should be barred from acting as their own broker dealer since it is my opinion that at least this much inures to the broker dealer firm through other activities in which the associated mutual funds do not necessarily participate and may possibly raise a conflict of interest situation which cannot be avoided.

This amount spread through the sales force of that organization would increase the salesman's income by less than 10% or add approximately \$820 to the average \$8,788 earned by said salesman.

A really "qualified financial planning correlator" is penalized by the fact that drastically reduced commissions apply to the sales that are derived from a really competent consideration of the customers' requirements and the increased sales unit that ensues. The salesman finds himself on a constantly speeded up treadmill -- the more efficient and competent he becomes, the more and more volume he must achieve to maintain the same average income for himself. Is this in the best interest of the public or somebody else?

I do not pretend to think that this reciprocal business you refer to gets down to the salesman either in the "captive sales force" or the independent dealer sales force. Mutual fund distribution, however, is the only sales effort in this country

where the most competent producer who accounts for the largest dollar volume per customer is paid the least per unit.

My contention is that as inappropriate as the rigid minimum commission rate structure, adopted many years ago by the New York Stock Exchange, is to today's problem of distribution of securities, equally so is the reducing sales commission on mutual funds sold to the public. The better able you are to purchase, the less you pay. The less able you are to purchase, the more you pay. Is this really in the best interest of the public?

This reducing commission approach drives the more competent sales people, those best suited to doing a really decent job for the public purchaser, out of the business. Despite the fact that I.D.S.'s sales force grows in number, never is any more than 25% of it over 10 years experienced, under the rank of District Manager, and the production per man increases much more slowly than the number of men employed. This occurs despite the fact that incentives of profit sharing and pensions are employed.

Do away with reciprocal business "give ups"? Yes, because it does not do the public or the sales producer any good. At the same time, do away with reduced loads for increased purchases of mutual funds. Everybody should pay the same, whether it's 4%, 6%, or 8%. Competent sales people are required if the public is to get any benefit at all eventually. A constantly "churned" sales force can only hurt the purchasing public.

If these problems are not satisfactorily considered picture the situation when the insurance companies start taking over. I ask: Is the public interest truly to be served by the recommendations under consideration today while paying no attention whatsoever to the true problem?

Sincerely yours,

William J. McCrann