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THE GENERAL COUNSEL OF THE TREASURY  
WASHINGTON, D.C. 20220



DEC 10 1969

Dear Mr. Chairman:

Reference is made to your request for the views of this Department on H.R. 13754, "To amend the Investment Company Act of 1940, to regulate the sales charge on face-amount certificates."

The bill would amend section 28 of the Investment Company Act of 1940 to preclude front-end loading on installment type face-amount certificates by limiting the maximum load from each gross payment as and when made by the certificate holder to an amount equal to not more than 7 percent of such payment. The bill would also limit the maximum surrender charge for any face-amount certificate by prescribing a minimum redemption value of not less than 93 percent of the amount of the gross payments made on the certificate, plus any amounts credited to the account of the certificate holder in the form of credits, dividends, or interest.

The Department favors the general objective of investor protection sought to be afforded by the bill. However, the Department suggests that your Committee consider whether this objective could not be better achieved through requirements for adequate disclosure of costs of early termination under installment plans rather than attempting to fix maximum charges by legislation.

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the Administration's program to the submission of this report to your Committee.

Sincerely yours,



Paul W. Eggers

The Honorable  
Harley O. Staggers, Chairman  
Committee on Interstate and  
Foreign Commerce  
House of Representatives  
Washington, D. C. 20515