



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE VICE CHAIRMAN

May 26, 1967.

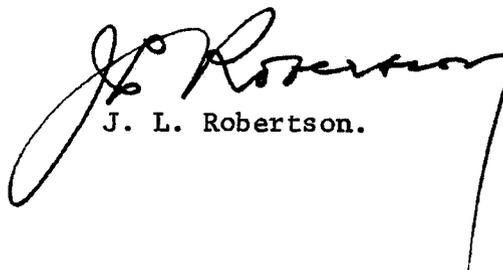
The Honorable Harley O. Staggars,
Chairman,
Committee on Interstate and Foreign Commerce,
House of Representatives,
Washington, D. C. 20515

Dear Mr. Chairman:

This is in reply to your request for a report on H.R. 9510, a bill to amend the Investment Company Act of 1940, as amended, and the Investment Advisers Act of 1940, as amended, to define the equitable standards governing relationships between investment companies and their investment advisers and principal underwriters, and for other purposes.

While the chief thrust of the bill is outside the area of the Board's responsibility, the Board is concerned with promoting the kinds of savings flows required for economic growth. Findings of a survey of mutual fund investors prepared for the Securities and Exchange Commission at the Wharton School of the University of Pennsylvania suggest that current selling practices can result in mutual funds being sold to some persons for whom they are not an appropriate savings or investment medium and may lead to instability of savings. To the extent that the present bill would tend to correct this situation and shift the relative emphasis to areas where mutual funds can contribute most effectively in mobilizing savings to meet expanding needs for capital, the Board believes the proposals merit careful consideration.

Sincerely,


J. L. Robertson.