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SEC REGISTRATION FEES

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HEARING BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON BANKING AND CURRENCY UNITED STATES SENATE EIGHTY-NINTH CONGRESS FIRST SESSION ON S. 1707

A BILL TO AMEND SECTION 6(b) OF THE
SECURITIES ACT OF 1933

SEPTEMBER 22, 1965

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U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1965

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HEARING
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON BANKING AND CURRENCY

COMMITTEE ON BANKING AND CURRENCY

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S. 1707

SEC REGISTRATION FEES

WEDNESDAY, SEPTEMBER 22, 1965

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON SECURITIES,
Washington, D.C.

The subcommittee met at 10:05 a.m., in room 5302, New Senate Office Building, Hon. Harrison A. Williams, Jr. (chairman of the subcommittee) presiding.

Senator WILLIAMS. Our committee hearing will come to order.

The Subcommittee on Securities is meeting this morning to hear testimony on S. 1707. This bill would amend the Securities Act of 1933 by increasing the fee paid in connection with the filing of registration statements for securities offering from one-hundredth of 1 percent to one-fiftieth of 1 percent of the maximum aggregate offering price of the securities involved, and increasing the minimum fee from \$25 to \$100.

At this point, I would like to insert into the record both the Senate and House bills, and a letter from Mr. Cohen recommending and giving reasons why we should act on this bill. I would also like to insert the changes that would be made in the statute by this bill.

(The material submitted begins on p. 2.)

89TH CONGRESS
1ST SESSION

S. 1707

IN THE SENATE OF THE UNITED STATES

APRIL 6, 1965

Mr. ROBERTSON (by request) introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

A BILL

To amend section 6 (b) of the Securities Act of 1933.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 6 (b) of the Securities Act of 1933 is amended
4 to read as follows:

5 “(b) At the time of filing a registration statement the
6 applicant shall pay to the Commission a fee of one-fiftieth of
7 1 per centum of the maximum aggregate price at which
8 such securities are proposed to be offered, but in no case
9 shall such fee be less than \$100.”

10 SEC. 2. The effective date of section 6 (b) of the Securi-
11 ties Act of 1933, as amended by this Act, shall be July 1,
12 1965.

Union Calendar No. 440

89TH CONGRESS
1ST SESSION**H. R. 7169**

[Report No. 1015]

IN THE HOUSE OF REPRESENTATIVES

APRIL 6, 1965

Mr. HARRIS introduced the following bill; which was referred to the Committee on Interstate and Foreign Commerce

SEPTEMBER 16, 1965

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

A BILL

To amend the Securities Act of 1933 with respect to certain registration fees.

- 1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 6 (b) of the Securities Act of 1933 (15 U.S.C.
4 ~~77(f)~~ 77f(b)) is amended by striking out "one one-hun-
5 dredth" and inserting in lieu thereof "one-fiftieth", and by
6 striking out "\$25." and inserting in lieu thereof "\$100."
7 SEC. 2. The amendments made by the first section of
8 this Act shall take effect ~~July 1, 1965~~ *January 1, 1966.*

SECURITIES AND EXCHANGE COMMISSION,
Washington, D.C., March 26, 1965.

Re fee legislation.

HON. HUBERT H. HUMPHREY,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: I have the honor to transmit legislative proposals of the Securities and Exchange Commission with respect to fees charged for the filing of registration statements under the Securities Act of 1933.

In his budget message last month President Johnson stated: "Fairness to all taxpayers demands that those who enjoy special benefits should bear a greater share of the costs." This Commission has given considerable thought to the application of this principle with respect to the laws it administers and has concluded that it would be appropriate to amend section 6(b) of the Securities Act of 1933 by increasing the fee paid in connection with registration statements for securities from one-hundredth of 1 percent of the maximum aggregate offering price and increasing the minimum fee from \$25 to \$100. A proposed bill that would effectuate these changes is attached.

In addition to the provision for fees for securities registrations, which in fiscal 1964 totaled \$1,780,697, there are statutory provisions for an annual registration fee for national securities exchanges and for filing fees for applications for qualifications of trust indentures relating to securities not required to be registered under the Securities Act of 1933. These are the only statutory provisions whereunder fees are collected in connection with the Federal securities laws, except for provisions permitting the Commission to make reasonable charges for copies of information filed with it. The registration fee for national securities exchanges is provided for by section 31 of the Securities Exchange Act of 1934 and amounts to one five-hundredths of 1 percent of the aggregate dollar amount (2 cents per \$1,000) of sales of securities on such exchanges in the preceding year. In fiscal 1964 these fees totaled \$1,323,150. The filing fee with respect to trust indentures is provided in section 307(b) of the Trust Indenture Act of 1939 and the amount collected pursuant thereto in fiscal 1964 was \$1,500. All fees collected pursuant to these sections are deposited into the general fund of the Treasury.

At the time of the passage of the first two securities acts there were indications that the registration fees provided therein were intended to cover the anticipated costs of administration. In fact, the amounts collected have fallen far short of this. There have been no amendments of the securities acts with respect to fees, except for the 1964 amendment to section 15(b)(8) of the Securities Exchange Act relating to fees to defray the cost of examinations and other expenses in regulating broker-dealers who are not members of a registered securities association.

Over the years there have been numerous suggestions or proposals for increased or additional fees. In 1951 title V of the Independent Offices Appropriation Act, 1952, 5 U.S.C. 140, authorized agencies to adopt fees to cover the cost of agency activities where fees were not fixed by statute. Pursuant thereto in 1952 the Commission submitted for comment proposed rules which sought to impose substantial fees on various segments of the securities industry. These proposals resulted in considerable controversy and a subcommittee of the House Committee on Interstate and Foreign Commerce, which was studying the activities of this Commission, reported its view that any fees in this area should be "spelled out in specific legislation which has been submitted to and passed by the Congress, rather than through any delegation of authority to any agency to pass upon the need for or amount thereof."¹ Thereafter the Commission abandoned its proposal and has never since proposed fixing fees by rule.

In subsequent years the Commission has expressed the view that any fair fee proposal should include an increase in at least one of the existing fees. Thus in 1957 we submitted to the House Committee on Interstate and Foreign Commerce a legislative proposal that would have increased the stock exchange registration fee from 2 cents per \$1,000 of the aggregate dollar amount of each transaction to 5 cents per \$1,000 and would have imposed a similar fee upon broker-dealers effecting transactions otherwise than on a national securities exchange. This proposal resulted in the introduction of bills in both the House and Senate² but, although the Senate passed its bill, no action was taken in the House. Substantially similar bills were reintroduced but not passed in 1959 and 1961.³ In

¹ "Report of Committee on Interstate and Foreign Commerce on Securities and Exchange Commission," H. Rept. No. 2508, 82d Cong., 2d sess. (1952), p. 138.

² S. 2520, 85th Cong., 1st sess.; H. R. 7778, 85th Cong., 1st sess.

³ S. 737, 86th Cong., 1st sess.; S. 755, 87th Cong., 1st sess.

1962 a bill increasing the stock exchange registration fee to 5 cents per \$1,000, but containing no provision for over-the-counter transactions was introduced but not passed.⁴

While we have again considered the possibility of amendments such as those referred to above, we feel that the proposal to increase the Securities Act registration fee at this time would be more suitable. To increase the cost of the stock exchange fees alone without assessing a similar fee with respect to over-the-counter transactions might be considered unfair, particularly in the light of the growth of the "third market" for listed securities. On the other hand, it appears to be most untimely to assess fees on over-the-counter transactions now, when the NASD has recently increased its fee assessment on over-the-counter dealers to defray costs of the additional self-regulation imposed following the Commission's Special Study of the Securities Markets.

The Securities Act registration fee is necessarily passed on to investors. Since the increase would result indirectly in investors paying a larger proportion of the overall cost of this Commission, which operates to protect investors, it appears to us to be fair and in accordance with the principle stated by the President that "those who enjoy * * * benefits should bear a greater share of the costs." In this connection, the larger the public offering, and hence the fee, the larger normally would be the segment of the investing public purchasing the registered securities.

During the last fiscal year, had the proposed fee been in effect, the Commission would have collected approximately \$3,561,400 under the Securities Act. This, together with the amounts collected under the stock exchange registration fee and trust indenture fee would have totaled \$4,886,050. While this is slightly more than the total costs of the Commission's Divisions of Corporation Finance and Trading and Markets,⁵ which processed the registrations involved, a substantial portion of the work of other divisions, particularly the Office of Records and Service and the Office of the Chief Accountant, was also spent in connection with the filings.

The Bureau of the Budget has advised us that the draft bill submitted herewith would be consistent with the administration's objectives.

By direction of the Commission:

MANUEL F. COHEN, *Chairman.*

A BILL To amend section 6(b) of the Securities Act of 1933

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That Section 6(b) of the Securities Act of 1933 is amended to read as follows:

"(b) At the time of filing a registration statement the applicant shall pay to the Commission a fee of one-fiftieth of 1 per centum of the maximum aggregate price at which such securities are proposed to be offered, but in no case shall such fee be less than \$100."

SEC. 2. The effective date of section 6(b) of the Securities Act of 1933, as amended by this Act, shall be July 1, 1965.

⁴ H.R. 10167, 87th Cong., 2d sess.

⁵ See "Statement of cost by organization, fiscal year 1964," attached hereto.

SECURITIES AND EXCHANGE COMMISSION

Statement of cost by organization, fiscal year 1964

<i>Office</i>	
Executive Offices.....	\$341, 793
Office of Program Planning.....	179, 337
Office of the Secretary.....	73, 178
Office of Hearing Examiners.....	173, 006
Office of Opinions and Review.....	166, 942
Office of the General Counsel.....	347, 185
Office of the Chief Accountant.....	147, 095
Division of Corporation Finance.....	2, 942, 084
Division of Trading and Markets.....	1, 738, 224
Division of Corporate Regulation.....	1, 083, 682
Office of the Comptroller.....	143, 914
Office of Personnel.....	130, 083
Office of Records and Service.....	739, 271
Subtotal, departmental.....	8, 205, 794
Regional offices.....	5, 728, 154
Grand total.....	13, 933, 948

SECTION 6(b) OF THE SECURITIES ACT OF 1933 (15 U.S.C. 77f(b))

(b) At the time of filing a registration statement the applicant shall pay to the Commission a fee of [one one-hundredth] *one-fiftieth* of 1 per centum of the maximum aggregate price at which such securities are proposed to be offered, but in no case shall such fee be less than [\$25.] \$100.

Senator WILLIAMS. We have two witnesses this morning, and we are pleased indeed that the very distinguished Chairman of the Securities and Exchange Commission, Manuel Cohen, will lead off.

Mr. COHEN. Thank you, Mr. Chairman.

Senator WILLIAMS. This bill has been reported in the House of Representatives?

Mr. COHEN. Yes; the bill has been reported favorably by the House Interstate and Foreign Commerce Committee with one minor amendment. The House bill would make the same changes S. 1707 does. It was amended to change the effective date from July 1, 1965, to January 1, 1966. Otherwise it is in substance the same.

Senator WILLIAMS. July 1, 1966?

Mr. COHEN. No; the new effective date is January 1, 1966.

**STATEMENT OF MANUEL F. COHEN, CHAIRMAN OF THE
SECURITIES AND EXCHANGE COMMISSION**

Mr. COHEN. Mr. Chairman, as you have already pointed out, I am Manuel F. Cohen, Chairman of the Securities and Exchange Commission. I have with me a number of staff people who have been interested in this matter over a number of years.

Senator WILLIAMS. I have read your statement with the appendix material and it certainly justifies, in my judgment, the measure that is before us. If you would rather summarize it or read it, we shall be glad to hear you either way.

Mr. COHEN. After hearing the chairman, I am content to rest.
(The prepared statement of Mr. Cohen follows:)

PREPARED STATEMENT OF MANUEL F. COHEN, CHAIRMAN OF THE SECURITIES AND EXCHANGE COMMISSION

Mr. Chairman and members of the committee, I am Manuel F. Cohen, Chairman of the Securities and Exchange Commission.

We are here today to testify on S. 1707, a bill which was proposed by the Commission. H.R. 7169, a companion bill which was also proposed by the Commission, was reported out of the Interstate and Foreign Commerce Committee of the House of Representatives in House Report 1015 on September 16, 1965, and is now awaiting passage on the floor of the House. It varies from the Senate bill only as to effective date. These bills would amend section 6(b) of the Securities Act of 1933, governing the fee paid on the filing under that act of a registration statement in connection with a public offering of securities. The present fee is one one-hundredth of 1 percent of the maximum aggregate offering price, or 10 cents per \$1,000, with a minimum fee payable of \$25. The amendment would increase this fee to one-fiftieth of 1 percent of the maximum aggregate offering price, or 20 cents per \$1,000, and the minimum fee would be \$100. Thus, in the case of a public offering of \$2 million of securities, enactment of this bill would increase the registration fee from \$200 to \$400. Had the proposed fee been in effect during fiscal 1965, an additional \$1,790,000 would have been collected by the Commission.

As a practical matter, the Securities Act registration fee is probably passed on to investors. Since the increase would result indirectly in investors paying a larger proportion of the overall cost of the Commission, which operates to protect investors, it appears to us to be fair and in accordance with the principle stated by President Johnson in his budget message in January of this year that: "Fairness to all taxpayers demands that those who enjoy special benefits should bear a greater share of the costs."

The Securities Act registration fee is simple and familiar, and it is in most instances only a relatively insignificant part of the total cost of floating an issue of securities. Thus, as just noted, on an offering of \$2 million, enactment of this bill would increase the registration fee from \$200 to \$400, while the total expenses of such an issue, exclusive of underwriting discounts or commissions, but including such items as legal and accounting fees and printing costs, would probably be \$30,000 or more, and underwriting discounts and commissions would probably exceed that figure.

In addition to registration fees under section 6(b) of the Securities Act, the Federal securities laws also provide for several other fees in connection with the work of the Commission. Thus, an annual registration fee is payable by national stock exchanges, there is a filing fee for applications for qualifications of trust indentures relating to securities not required to be registered under the Securities Act of 1933, and the Commission may make reasonable charges for copies of information. As amended in 1964, the Securities Exchange Act also allows charges to be assessed against broker-dealers who are not members of a registered securities association.

During fiscal 1965, registration fees under the Securities Act of 1933 were \$1,790,349. Fees paid by the stock exchanges were \$1,506,353, and other fees collected were \$3,463. Thus, a total of \$3,300,165 was received by the Commission and deposited into the general fund of the Treasury for fiscal 1965. This represented 21.4 percent of our appropriation for that year. Had the fees proposed in the pending bill been in effect, the additional \$1,790,000 which would have been received would bring the total to \$5,090,165, representing 33 percent of the 1965 appropriation.

During the fiscal year which ended June 30, 1965, the direct cost of operating our Division of Corporation Finance, the Division which is chiefly involved in processing registration statements and trust indentures, was \$3,129,589 for fiscal 1965. While this figure is less than the total fees which would have been collected had the increased registration fee been in effect during 1965, and this Division also processes material filed under the Securities Exchange Act of 1934, it must be remembered that substantial work effort of other divisions and offices of the Commission is concerned from time to time with registration statements and other matters relating to issuers which file such statements with the Commission. It may accordingly be said that the total amount which would be paid under the proposed bill would by no means exceed the Commission's entire costs involved in administering those provisions of the Federal securities laws which are related to the registration of securities under the 1933 act.

At the time of the passage of the first two securities acts there were indications that the registration fees provided therein were intended to cover the anticipated

costs of administration. Thus, in the hearings before this committee on H.R. 4314, 73d Congress, 1st session, page 21, the Honorable Huston Thompson stated with regard to the provision which was later enacted as section 6(b): "We have estimated * * * that if we take one one-hundredth of 1 percent of the securities that are sold * * * [the amount realized] should be enough to carry on the proper administration of this act." In fact, the amounts collected have fallen far short of the entire cost of the Commission's work, but it must be remembered that a considerable part of these costs is attributable to enforcement activities, which are probably not an appropriate basis for the imposition of fees. There have been no amendments of the securities acts with respect to fees, except for the 1964 amendment to section 15(b)(8) of the Securities Exchange Act relating to fees to defray the cost of examinations and other expenses in regulating broker-dealers who are not members of a registered securities association.

Over the years there have been numerous suggestions or proposals for increased or additional fees. In 1951 the Congress in title V of the Independent Offices Appropriation Act, 1952, 5 U.S.C. 140, stated that "It is the sense of the Congress that any work, service [etc.] * * * provided * * * by any Federal agency * * * shall be self-sustaining to the full extent possible" and authorized agencies to adopt fees to cover the cost of agency activities where fees were not fixed by statute. Pursuant to the statute in 1952 the Commission submitted for comment proposed rules which sought to impose substantial fees on various segments of the securities industry. These proposals resulted in considerable controversy, and a subcommittee of the House Committee on Interstate and Foreign Commerce, which was studying the activities of the Commission, reported its view that any fees in this area should be "spelled out in specific legislation which has been submitted to and passed by the Congress, rather than through any delegation of authority to any agency to pass upon the need for or amount thereof." ("Report of Committee on Interstate and Foreign Commerce on Securities and Exchange Commission," H. Rept. No. 2508, 82d Cong., 2d sess. (1952), p. 138.) Thereafter the Commission abandoned its proposal.

In subsequent years the Commission has expressed the view that any fair fee proposal should include an increase in at least one of the existing fees. Thus in 1957 we submitted a legislative proposal that would have increased the stock exchange registration fee from 2 cents per \$1,000 of the aggregate dollar amount of each transaction to 5 cents per \$1,000 and would have imposed a similar fee upon broker-dealers effecting transactions otherwise than on a national securities exchange. This proposal resulted in the introduction of bills in both the House and Senate (S. 2520, 85th Cong., 1st sess.; H.R. 7778, 85th Cong., 1st sess.) but, although the Senate passed its bill, no action was taken in the House. Substantially similar bills were reintroduced but not passed in 1959 and 1961. (S. 737, 86th Cong., 1st sess.; S. 755, 87th Cong., 1st sess.) In 1962, a bill increasing the stock exchange registration fee to 5 cents per \$1,000, but containing no provision for over-the-counter transactions, was introduced but not passed. (H.R. 10167, 87th Cong., 2d sess.)

We have carefully reconsidered these proposals, and other possible bases for fees, and have concluded that the proposal to increase the Securities Act registration fee is, at this time, the simplest and fairest. To raise the stock exchange fees alone, at the present time, without assessing any fee for over-the-counter transactions might appear inequitable, particularly in view of the growth of the so-called third market, that is, over-the-counter trading in listed securities. On the other hand, we believe it would be untimely to establish now a fee for over-the-counter transactions because of the fact that the National Association of Securities Dealers has substantially increased the assessments which it levies on the over-the-counter dealers in order to cover the cost of the increased self-regulatory activity undertaken by the association following the Commission's Special Study of Securities Markets. Thus, the expenses of the association increased from approximately \$1,600,000 in its fiscal year 1960 to approximately \$2,700,000 in its fiscal year 1964, or an increase of approximately 40 percent. Comparable charges are expected to be assessed by the Commission against broker-dealers who are not members of the NASD, under authority granted by the Securities Acts Amendments of 1964.

I am attaching to this statement and submitting for the record a cost statement for fiscal 1965 itemized by offices and divisions of the Commission and a table setting forth comparative figures over the years on amounts appropriated by Congress for the Commission, total fees collected and the ratio of fees to appropriations.

SEC REGISTRATION FEES

9

Statement of cost by organization, fiscal year 1965

<i>Office</i>	
Executive Offices	\$408, 427
Office of Policy Research	197, 271
Office of the Secretary	80, 496
Office of Hearing Examiners	208, 523
Office of Opinions and Review	175, 289
Office of the General Counsel	382, 606
Office of the Chief Accountant	154, 450
Division of Corporation Finance	3, 129, 589
Division of Trading and Markets	1, 906, 648
Division of Corporate Regulation	1, 209, 387
Office of the Comptroller	151, 110
Office of Personnel	136, 587
Office of Records and Service	776, 234
Subtotal, departmental	8, 916, 617
Regional offices	6, 534, 960
Grand total	15, 451, 577

Statement of appropriations and fees collected, fiscal years 1935 to 1965, inclusive

	Amount appropriated by Congress	Total fees collected	Percent of fees collected to total appropriation
1935	\$1, 545, 337	\$227, 699	14. 7
1936	3, 029, 494	900, 400	29. 7
1937	4, 245, 000	1, 103, 780	26. 0
1938	3, 895, 000	716, 456	18. 4
1939	4, 872, 000	575, 399	11. 8
1940	5, 470, 000	492, 640	9. 0
1941	5, 400, 000	517, 772	9. 6
1942	5, 440, 000	312, 922	5. 8
1943	4, 910, 000	193, 366	3. 9
1944	4, 602, 500	407, 645	8. 8
1945	4, 696, 704	654, 176	13. 7
1946	4, 694, 200	1, 093, 432	23. 2
1947	5, 533, 700	1, 111, 416	20. 0
1948	5, 738, 700	946, 295	16. 5
1949	6, 121, 140	787, 545	12. 8
1950	5, 878, 250	790, 043	13. 4
1951	6, 230, 000	1, 087, 022	17. 4
1952	5, 813, 480	1, 364, 447	23. 5
1953	5, 245, 080	1, 199, 370	22. 8
1954	5, 000, 000	1, 215, 749	34. 3
1955	4, 843, 180	1, 703, 290	35. 2
1956	5, 278, 000	2, 074, 211	39. 3
1957	5, 749, 000	2, 243, 580	39. 0
1958	6, 935, 000	2, 334, 370	33. 6
1959	7, 705, 000	2, 407, 706	31. 2
1960	8, 100, 000	2, 631, 498	32. 5
1961	9, 517, 500	2, 927, 407	30. 7
1962	11, 412, 500	3, 422, 403	29. 9
1963	13, 261, 700	2, 533, 986	19. 1
1964	13, 937, 500	3, 106, 213	22. 3
1965	15, 442, 000	1 3, 300, 165	21. 4
Total	200, 514, 965	44, 382, 403	22. 13

¹ Had the proposed fee been in effect in fiscal 1965, the Commission would have collected approximately \$1,790,000 additional, for a total of \$5,090,165, representing 33 percent of the total appropriations for that year.

Senator WILLIAMS. On a matter like this, which we know is justified and has a great deal of merit, when you have all your men of high talent from your Department, I'm a little uncomfortable about keeping them here too long because I know what they have waiting for them back at the shop.

Mr. COHEN. They are busy, Mr. Chairman.

I might say this bill was reported in the House without any controversy, and I know of no opposition to the bill. It is very much in line with the program of the administration, and it conforms to the suggestion the President made earlier this year, that those who have the benefit of statutes of this kind should bear a fair proportion of the cost involved.

The bill is very simple. It was arrived at after considering a number of possibilities, some of which have been presented to the Congress before. It is simple in that it amends only the Securities Act of 1933 and has the effect of doubling the registration fee under that statute.

Had the proposed bill been in effect during the last fiscal year, we estimate an additional \$1.8 million would have been collected by the U.S. Treasury. And I wish to emphasize that the Commission does not receive any portion of the funds, certainly not directly, because it goes to the U.S. Treasury. It would increase the overall relationship of fees collected by the Commission under this provision and certain other provisions of the statutes administered by the Commission from approximately 21 percent to approximately 33 percent. We would still not be completely self-supporting but it would increase substantially the amount the Treasury receives.

I should say we have given consideration to increasing other forms of fees, including the fee that is paid by the Stock Exchanges each year, and we concluded that, as an element of fairness, such an increase would raise a question whether similar fees should not be levied on over-the-counter securities transactions. Not only would that produce administrative problems but both the stock exchanges and the National Association of Securities Dealers, Inc., at the instigation of and in cooperation with the Commission, have stepped up vigorously their activities of recent years, and that has resulted in an increase in expenses to them and fees levied on their members. We therefore thought it would not be an appropriate way of dealing with the problem at this time.

Senator WILLIAMS. Would you consider or recommend a fee structure that would make the fees provide full support for the Commission's activities?

Mr. COHEN. We have thought about this. Of course, a good deal of the Commission's activity is in the enforcement area. That is, we go after people who have violated the law and also assist in prosecution of those who violate the law. It is difficult to find a basis for recovering the costs of these enforcement activities.

We have given a great deal of consideration to that problem from time to time and have determined that there might be some serious question if we attempted to raise the fees to a point which would equal the expense of the Commission. We are therefore making a first step in this area and we hope that it will improve the situation considerably. We will have to review the situation from time to time, because, as you know, the President's program and the entreaties of the Budget Bureau have always been in the direction of the suggestion you have just made, to make more of the Federal agencies self-supporting. We will reconsider this from time to time and we may come back with further suggestions.

Senator WILLIAMS. Your cost of operating the Commission, the moneys appropriated for that, has steadily increased for the last 10

years. Each year has shown an increase. And I just wonder when this fee structure was last amended or changed or increased.

Mr. COHEN. The fee structure really hasn't been changed in any essential way since these statutes were first adopted in 1933 and 1934. Some of the later statutes, to one of which Mr. Richardson will refer this morning, have no specific provision for a fee.

However, in 1951 Congress passed title V, the Independent Offices Appropriation Act which was designed to empower those agencies which may have had some question about their authority to impose fees. This was intended to achieve a purpose similar to a bill now pending in the Congress which has as its purpose providing for user charges. The Budget Bureau persuaded the Commission to take the first step in this direction. In a sense I guess we were the guinea pig.

We did submit for public comment and consideration a number of fee proposals, including fees to be levied on investment companies. At the time there was a subcommittee of the House Interstate and Foreign Commerce Committee reviewing certain activities of the Commission and in a report issued by that committee, as a result of considerable complaint made to members of the committee and to other Members of the Congress, that committee reported that any increase in fees to be exacted by the Commission directly or indirectly should be spelled out in specific legislation which had been submitted to and passed by the Congress, rather than through any delegation of authority to any agency to determine the need for or amount of fees.

We therefore abandoned our rules proposal at that time and, as I indicated earlier, from time to time we have submitted legislative proposals of a slightly different character. None of those received favorable recognition in the Congress, although I believe it is fair to say that this committee did in fact recognize the problem and acted favorably on a number of those bills. Those bills did not survive House scrutiny.

Senator WILLIAMS. I don't have anything further. Thank you very much, Mr. Chairman.

Mr. COHEN. Thank you.

Senator WILLIAMS. Mr. Richardson. Mr. Dorsey Richardson has been helpful to this committee on many, many occasions.

STATEMENT OF DORSEY RICHARDSON, PRESIDENT, INVESTMENT COMPANY INSTITUTE

Mr. RICHARDSON. It is a great privilege to be here.

Senator WILLIAMS. Are you speaking institutionally or individually today here?

Mr. RICHARDSON. Institutionally.

My name is Dorsey Richardson. I am appearing on behalf of the Investment Company Institute of which I am president. The institute is a voluntary association of what is popularly known as the mutual fund industry. The member funds have assets of close to \$32 billion with approximately 3.4 million stockholders.

My statement, Senator, will be very brief indeed. Mr. Cohen has clearly stated the purpose and effect of this legislation. I wish to say first that the Investment Company Institute is in agreement with the purposes of the proposed legislation. In this connection, however, we

wish to call attention to the special characteristics of the registration of the shares of open end investment companies—popularly called “mutual funds”—which the institute represents. It is our belief that the recurring registrations of such shares to permit their continuous offering through periodically amended registration statements contrast sharply with the occasional registration of a new issue by any other type of corporation. Consequently, we may wish at an appropriate future time to request the Securities and Exchange Commission to give consideration to proposing some reduction of the fees payable with respect to the continuous issues of open end investment company shares, subsequent to their original offerings. It is not our intention to ask this committee to consider this matter at the present time.

That is all I have to say, sir. I will be very glad to answer any questions.

Senator WILLIAMS. It is your purpose, then, to be here to agree with this legislation, but with the caveat in a sense that later on you might want us to consider specially the continuous open end company issues; is that it?

Mr. RICHARDSON. We regard it at least as a valid point to raise, to discuss with the Securities and Exchange Commission. We might hope to get their consent to come back to this committee at some time in the future with a proposal.

Senator WILLIAMS. I would think from the Commission's standpoint there isn't the same expense on continuing issues as there is on an initial issue; is that right?

Mr. RICHARDSON. That would be the basis of such a proposal, I think.

Senator WILLIAMS. You were not raising that as a specific request at this time, out of a spirit of cooperation with our endeavors here to raise fees at this time; is that it?

Mr. RICHARDSON. That is it. We are in full sympathy with your effort, and the Commission's, to raise fees. We think it is a proper direction in which to move. We do think, however, that the thought we have in mind is a valid subject for discussion later on with the Commission initially. If we can come to an agreement with the Commission, I presume the appropriate thing would be to come back to the committee here some time in the future.

Senator WILLIAMS. I think we all should thank you for your spirit of cooperation at this time, with the pressure to get this measure passed now.

Have Chairman Cohen and others of the Commission been advised of your advanced planning here?

Mr. RICHARDSON. I would say they have been. We attempted to advise them. Chairman Cohen had the opportunity to glance at my statement just before I came on the stand and he didn't seem to have any serious trouble with it.

Senator WILLIAMS. Well, Chairman Cohen is still with us in the hearing room and has heard all this and has a smile on his face.

Mr. COHEN. At the conclusion of Mr. Richardson's testimony, if the chairman will bear with me, I have a word or two I might add.

Senator WILLIAMS. Fine. Won't you come up?

Mr. COHEN. First, I should say the Commission joins the Chairman in expressing appreciation for the attitude here expressed by the

Investment Company Institute, and more particularly by Mr. Richardson, and we will, of course, be ready to sit with him and his colleagues any time to discuss this problem.

I think in all fairness, however, I should point out that there are some who believe that the investment companies have a special problem in their dealings with the SEC. They are required to file registration statements under the Investment Company Act and reports under that statute. They file applications. There are special types of reports that are much more voluminous than those required of ordinary industrial companies. We have almost an entire division devoting its effort to dealing with and meeting the problems of investment companies. The amount of fees to be paid by investment companies is a complicated problem and I would agree with Mr. Richardson that it does deserve some further discussion. We will provide that discussion at any time that Mr. Richardson deems it appropriate so to do.

I might add further to my comments on the 1952 rulemaking effort of the Commission in consequence of that 1951 statute. My recollection, although it is somewhat hazy, is that the investment companies were among those who objected the loudest. I would hope that, with Mr. Richardson at the helm now, we will have a much more congenial and understanding review of the situation.

Mr. RICHARDSON. Thank you for those very kind words, Mr. Chairman. We may not agree, but I'm sure we can discuss this thing on its merits and, if it has merit, you will take cognizance of that. In the meantime, I don't want to take your time, sir.

Senator WILLIAMS. No; I think it has been made clear by the Commission and the industries that this increase in fees is reasonable and proper. I wish all matters I have responsibility for had the benefit of the cooperation and harmony that this matter has.

Thank you very much, gentlemen.

We will proceed with the committee meeting as soon as we can.

Mr. COHEN. Thank you.

Mr. RICHARDSON. Thank you.

(Whereupon, at 10:20 a.m., the subcommittee adjourned.)



Investment Company Institute, and more particularly by Mr. Richardson and we will of course be ready to sit with him and his colleagues any time to discuss the problem.

I think in all fairness, however, I should point out that there are some who believe that the investment company laws are a special problem insofar as they are related to the SEC. They are related to the registration statements under the Investment Company Act and the parts under that statute. They are the applications. There are several types of forms that are made by companies that are required of ordinary industrial companies. We have along an entire division devoted to effort to dealing with and meeting the problem of investment companies. The amount of fees to be paid by investment companies is a complicated problem and I would agree with Mr. Richardson that it does deserve some further discussion. We will provide this decision at any time that Mr. Richardson deems it appropriate so to do.

I might add further to my comments on the 1952 regulatory effort of the Commission in consequence of the 1951 statute. My recollection, although it is somewhat fuzzy, is that the investment companies were among those who objected the heaviest. I would hope that with Mr. Richardson at the helm now we will have a much more congenial and understanding review of the situation.

Mr. Fitzmaurice: Thank you for those very kind words, Mr. Chairman. We may not agree, but I'm sure when discussing this kind of matters and it has merit, you will take no distance of that. In the meantime, I don't want to take your time, Mr. Senator. I think it has been made clear by the Commission and the industry that the interest in fees is reasonable and proper. I wish all matters I have responsibility for had the benefit of the committee and everybody else's input.

Thank you very much, gentlemen.
 We will proceed with the committee meeting as soon as we can.
 Mr. Chairman, Thank you.
 Mr. Fitzmaurice, Thank you.
 (Washington at 10:30 a.m. the subcommittee adjourned).





