

Mr. John J. Carroll
John J. Carroll & Co.
1018 Miracle Mile (U.S. 1)
Vero Beach, Florida 32960

Dear Mr. Carroll:

Thank you for your letter of April 10, 1972, in which you express your concern about captive sales forces in the mutual fund field. We have not prohibited captive sales of mutual funds because we presently have no statutory authority to do so. We have not asked for legislation which would give us this authority. One reason for this is that sales commissions charged by broker-dealers who are not "captive" have been substantially higher than those customarily charged for sales of other securities. This has given noncaptive broker-dealers an impetus to "push" mutual funds in some ways comparable to the conflict of interest you mention in the captive areas. We have tried to lessen this impetus by recommending that sales charges for mutual fund shares be reduced. As you may know, as a result of 1970 amendments to the Investment Company Act the NASD is now studying mutual fund sales charges with a view toward adopting rules to prohibit excessive sales charges.

In any event, thank you again for your comments.

Sincerely yours,

Alan Rosenblat
Chief Counsel

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