# INVESTMENT TRUSTS
# AND INVESTMENT COMPANIES

## REPORT

OF THE

## SECURITIES AND EXCHANGE COMMISSION

---

PURSUANT TO SECTION 30 OF
THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

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## PART THREE

CHAPTER VII

**Abuses and Deficiences in the Organization and Operation of Investment Trusts and Investment Companies**

WASHINGTON, D. C.

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WASHINGTON, D. C.

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SECURITIES AND EXCHANGE COMMISSION,
*Washington, February 24, 1941.*

SIR: I have the honor to transmit herewith Chapter VII (the final chapter) of Part Three of the Commission's over-all report on the study of investment trusts and investment companies made pursuant to Section 30 of the Public Utility Holding Company Act of 1935. Chapter VII deals primarily with the problems in connection with the management of assets and the pyramiding of investment companies.

The study and report were under the general supervision of Commissioner Robert E. Healy, with Paul P. Gourrich, former technical adviser to the Commission, as director of the study; the late William R. Spratt, Jr., as chief of the study; David Schenker as counsel; and L. M. C. Smith as associate counsel. Mr. Justice Douglas, former Chairman of the Commission, whose resignation from the Commission was submitted on April 14, 1939; Paul P. Gourrich, former director of the study, whose resignation from the Commission was submitted on March 31, 1939; and William R. Spratt, Jr., former chief of the study, whose death occurred on June 20, 1938, did not participate in the preparation or consideration of Part Three. Chairman Frank and Commissioner Henderson were not able to participate in the consideration and approval of Chapter VII of Part Three.

Chapter VII was prepared under the supervision of Harry S. Carver, Harry Heller, and Rella Resnick Shwartz.

By direction of the Commission,

ROBERT E. HEALY,
*Acting Chairman.*

THE PRESIDENT OF THE SENATE,
THE SPEAKER OF THE HOUSE OF REPRESENTATIVES,
*Washington, D. C.*

## LIST OF REPORTS SUBMITTED

Part One, Part Two, and Chapters I to VI, inclusive, of Part Three of the over-all report have heretofore been transmitted by the Commission to the Congress. Part One, which was transmitted by the Commission to the 75th Congress on June 10, 1938, consists of a discussion of the nature, classification, and origins of investment trusts and investment companies, and has been printed as House Document No. 707, 75th Congress. Part Two, the transmission of which to the 76th Congress was completed on March 10, 1939, consists of a statistical survey of investment trusts and investment companies and has been printed as House Document No. 70, 76th Congress. Chapter VII, herewith transmitted to the 77th Congress, completes Part Three, which deals with the abuses and deficiencies in the organization and operation of investment trusts and investment companies. Part Three is printed as two House documents, Chapters I-VI as House Document No. 279, 76th Congress, Chapter VII as House Document No. 136, 77th Congress.

The Commission has also transmitted to the Congress six supplemental reports, namely: Investment Trusts in Great Britain, transmitted on June 26, 1939, and printed as House Document No. 380, 76th Congress; Investment Counsel, Investment Management, Investment Supervisory, and Investment Advisory Services, transmitted on August 17, 1939, and printed as House Document No. 477, 76th Congress; Commingled and Common Trust Funds Administered by Banks and Trust Companies, transmitted on August 30, 1939, and printed as House Document No. 476, 76th Congress; Companies Sponsoring Installment Investment Plans, transmitted on September 22, 1939, and printed as House Document No. 482, 76th Congress; Fixed and Semifixed Investment Trusts, transmitted on January 15, 1940, and printed as House Document No. 567, 76th Congress; and Companies Issuing Face Amount Installment Certificates, transmitted on March 13, 1940, and printed as House Document No. 659, 76th Congress.

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