

**MEMO# 28738**

February 13, 2015

# **Request for Swiss Pension Regulator Recognition of U.S. Mutual Fund Expense Ratio as a Recognized TER Concept Approved**

[28738]

February 13, 2015

TO: INTERNATIONAL COMMITTEE No. 7-15  
ICI GLOBAL REGULATED FUNDS COMMITTEE No. 4-15  
ICI GLOBAL RETIREMENT SAVINGS COMMITTEE  
PENSION COMMITTEE No. 2-15 RE: REQUEST FOR SWISS PENSION REGULATOR  
RECOGNITION OF U.S. MUTUAL FUND EXPENSE RATIO AS A RECOGNIZED TER CONCEPT  
APPROVED

We are pleased to inform you that ICI Global's request to the Swiss Occupational Pension Supervisory Commission (OPSC, formerly known as OAK BV) that it recognize the total expense ratios of open-end investment companies registered under the U.S. Investment Company Act of 1940, calculated and disclosed in accordance with the requirements of the 1940 Act, as "Recognized TER Concepts for collective investment schemes" has been approved. The OPSC newsletter informing the public of this determination is available at: [http://www.oakbv.admin.ch/fileadmin/dateien/Weisungen/02\\_2013\\_Weisungen\\_VVK\\_Beilage\\_Liste\\_der\\_anerkannten\\_TER-Kostenquoten-Konzepte\\_DE\\_EN.pdf](http://www.oakbv.admin.ch/fileadmin/dateien/Weisungen/02_2013_Weisungen_VVK_Beilage_Liste_der_anerkannten_TER-Kostenquoten-Konzepte_DE_EN.pdf).

As we previously informed you, in 2013 OPSC enacted a directive on reporting the management costs of pension institutions with the goal of increasing cost transparency (Reporting Asset Management Costs, the "TER Directive"). [1] The TER Directive imposes requirements on how a collective investment scheme must disclose its costs to pension institutions in order to be considered "cost-transparent" investments and included on a pension institution's income statement. If an investment is not cost-transparent, the investment must be reported differently in the institution's financial statements.

The Swiss regulator is authorized to designate a TER as a "Recognized TER Concept" if it "essentially fulfills" the requirements of the TER Directive, in which case this concept may be used to determine the cost of the respective collective investment scheme. For example, the TER for UCITS in the Key Investor Information Document has been recognized by the Swiss regulator as meeting the TER Directive.

On July 2, 2014, we requested that the total expense ratio of open-end investment companies registered under the Investment Company Act of 1940 (US mutual funds) be recognized as meeting the standards of the TER Directive. We subsequently submitted a follow-up letter on September 3, 2014 responding to further questions from OPSC, and discussed any remaining concerns by phone. [\[2\]](#)

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Associate Counsel - International Affairs

#### [Attachment](#)

#### **endnotes**

[\[1\]](#) See Memo No. 28241 dated July 8, 2014, which includes our letter submitted on July 2, 2014. The letter is also attached.

[\[2\]](#) The second letter, submitted September 3, 2014, is attached.

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