

MEMO# 21235

June 13, 2007

SEC Announces Agenda and Participants for June 19 Roundtable on Rule 12b-1; Requests Comments on 12b-1 Issues by July 19

[21235]

June 13, 2007

TO: BOARD OF GOVERNORS No. 17-07

INVESTMENT COMPANY DIRECTORS No. 12-07

SEC RULES MEMBERS No. 62-07

SMALL FUNDS MEMBERS No. 42-07

TAX MEMBERS No. 24-07 RE: SEC ANNOUNCES AGENDA AND PARTICIPANTS FOR JUNE 19
ROUNDTABLE ON RULE 12B-1; REQUESTS COMMENTS ON 12B-1 ISSUES BY JULY 19

The Securities and Exchange Commission will hold a roundtable on Rule 12b-1 under the Investment Company Act of 1940 on June 19, 2007. The Roundtable will consist of four panels addressing: (1) the historical circumstances that led to the adoption of Rule 12b-1; (2) the evolution of the uses of Rule 12b-1 and the rule's current role in fund distribution practices; (3) the costs and benefits of the current use of Rule 12b-1; and (4) the options for reform or rescission of Rule 12b-1.

The SEC has issued a release announcing the panelists and final agenda for the roundtable. [\[1\]](#) The agenda includes several specific questions for discussion. Of particular note, the description of the last panel states:

Regardless of their assessment of the cost and benefits of Rule 12b-1, most

people agree that Rule 12b-1 should be fixed or reformed. The question is how. Several options have been discussed publicly, including: (i) revising the factors for board consideration; (ii) regulating 12b-1 fees in the same way that sales loads are regulated and eliminating board oversight; (iii) requiring more specific or individualized disclosure of 12b-1 fees; (iv) externalizing the distribution and servicing fees that are currently levied under Rule 12b-1 by requiring funds to assess them on shareholder accounts rather than fund assets; or (v) rescinding Rule 12b-1 or capping 12b-1 fees at a specific level, for example, 25 basis points. What are the costs and benefits of each of these options? What additional options are there? If Rule 12b-1 were rescinded, what would happen?

The SEC's release encourages all interested persons to comment on the questions raised on the agenda, the issues discussed at the roundtable, or on any other issue relating to the use of fund assets to pay for the sale of fund shares. It states that "[o]f particular interest to the Commission are ideas for alternative regulatory approaches to the issues raised by rule 12b-1."

Comments are due to the SEC by July 19th. The Institute intends to comment, and will be working closely with members in developing its comment letter. In the meantime, if you have questions about the SEC's roundtable or Rule 12b-1, please feel free to contact me (rcg@ici.org or 202/371-5430), Frances Stadler (frances@ici.org or 202/326-5822) or Jane Heinrichs (jheinrichs@ici.org or 202/371-5410).

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endnotes

[1] See <http://www.sec.gov/news/press/2007/2007-112.htm>.

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