

**MEMO# 20965**

March 19, 2007

## **ICI Comment Letter on IOSCO Consultation on Soft Commissions**

[20965]

March 19, 2007

TO: INTERNATIONAL MEMBERS No. 5-07

SEC RULES MEMBERS No. 37-07

INVESTMENT ADVISER MEMBERS No. 9-07

EQUITY MARKETS ADVISORY COMMITTEE No. 13-07      RE: ICI COMMENT LETTER ON IOSCO  
CONSULTATION ON SOFT COMMISSIONS

The Institute submitted the attached comment letter to the International Organization of Securities Commissions (IOSCO) on March 15, 2007. The letter responds to the IOSCO Technical Committee's Consultation Report on Soft Commission Arrangements, which was published in late November 2006. [\[1\]](#)

The IOSCO Report did not attempt to develop general principles regarding soft commission arrangements, recognizing that the relevant law in many jurisdictions is changing. Instead, the Report identified potential conflicts of interest created by soft commission arrangements and presented the results of a survey of the soft commission regulatory regimes of the nineteen jurisdictions that participate in IOSCO's Standing Committee on Investment Management.

The Institute's letter welcomes the Technical Committee's assessment that soft commission arrangements can provide value to fund investors by facilitating fund managers' access to research and other services that enhance investment decisions. The letter then briefly discusses the importance of fiduciary principles and oversight, limitations on services that may be obtained with soft commissions, and disclosure in managing potential conflicts of

interest. [2] The letter also expresses strong support for the Technical Committee's decision to monitor changes in relevant law before attempting to develop general principles concerning soft commission arrangements.

Glen S. Guymon  
Assistant Counsel - International Affairs

#### [Attachment](#)

#### **endnotes**

[1] Consultation Report - Soft Commissions, Report of the Technical Committee of IOSCO (Nov. 2006), available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD227.pdf>.

[2] We have expressed these positions previously, most recently in a comment letter to CESR. See Letter from Bob Grohowski, Senior Counsel, Investment Company Institute, to Mr. Fabrice Demarigny, Committee of European Securities Regulators, dated Feb. 9, 2007 (CESR/06-687), available at [http://www.ici.org/policy/comments/07\\_cesr\\_mifid\\_com](http://www.ici.org/policy/comments/07_cesr_mifid_com).

---

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.