

**MEMO# 20935**

March 8, 2007

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

[20935]

March 8, 2007

TO: EQUITY MARKETS ADVISORY COMMITTEE No. 12-07  
INTERNATIONAL COMMITTEE No. 3-07  
INVESTMENT ADVISERS COMMITTEE No. 6-07  
SEC RULES COMMITTEE No. 23-07 RE: DRAFT ICI COMMENT LETTER ON IOSCO  
CONSULTATION ON SOFT COMMISSIONS

In late 2006, the Technical Committee of the International Organization of Securities Commissions issued a Consultation Report on Soft Commission Arrangements. [\[1\]](#) The Report does not attempt to develop general principles regarding soft commission arrangements, recognizing that the relevant law in many jurisdictions is changing. Instead, the Report identifies potential conflicts of interest created by soft commission arrangements and presents the results of a survey of the soft commission regulatory regimes of nineteen IOSCO member organizations that participate in IOSCO's Standing Committee on Investment Management. The Institute has prepared the attached draft comment letter, which is briefly summarized below.

The draft 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.

Comments on the Report must be submitted by March 15, 2007. Please contact me directly with any comments on the draft letter at 202.326.5837 or [gguymon@ici.org](mailto:gguymon@ici.org) by Tuesday, March 13.

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>. See also [Memorandum](#) No. 20721, dated Dec. 22, 2006.

[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).

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