

MEMO# 29366

September 25, 2015

ICI Global Letter on IOSCO Consultation on International Standards on Fees and Expenses of Investment Funds

[29366]

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TO: ICI GLOBAL REGULATED FUNDS COMMITTEE No. 59-15
INTERNATIONAL COMMITTEE No. 53-15
INTERNATIONAL INVESTING SUBCOMMITTEE No. 10-15 RE: ICI GLOBAL LETTER ON IOSCO CONSULTATION ON INTERNATIONAL STANDARDS ON FEES AND EXPENSES OF INVESTMENT FUNDS

On September 22, 2015, we submitted the attached letter responding to the International Organization of Securities Commissions (IOSCO) consultation report on [Elements of International Regulatory Standards on Fees and Expenses of Investment Funds](#).

The consultation proposes an updated set of common international standards of best practice for the operators of Collective Investment Schemes (CIS) and regulators to consider. It builds on the recommendations made in IOSCO's 2004 paper on [International Regulatory Standards on Fees and Expenses of Investment Funds](#) and seeks to determine whether these standards should be updated in light of market and regulatory changes. IOSCO notes in the consultation that since the 2004 report, the natural evolution of the industry has resulted in new CIS product structures, new investment strategies and changing distribution models, amongst other developments. IOSCO further states regulatory developments in some jurisdictions or at the regional level (e.g. MiFID revision) have at the same time changed the way fees and expenses are disclosed, and the effectiveness of certain disclosure models has been tested with investors.

The consultation focuses on issues identified as being key across jurisdictions, and includes discussions of the following: types of permitted fees and expenses, performance-related fees, disclosure of fees and expenses, transaction costs and hard and soft commissions on transactions.

The statements of good practice that IOSCO proposes are generally high level and permit adequate jurisdictional flexibility. We have chosen to respond just in two areas – transaction cost disclosure and soft commissions.

With respect to transaction cost disclosure, we state that, given the challenges and the fact that regulators and market participants have appreciated the issues presented differently, IOSCO's proposed statements of good practice represent the right approach because they provide regulators with the ability to determine the most appropriate transaction cost disclosure regime – based on the facts and circumstances in that jurisdiction.

On soft commissions, we support IOSCO's high level statements of good practice, which would not prohibit the use of soft dollars to acquire investment research. We reiterate the points that we previously made to the U.K. Financial Conduct Authority and the European Securities and Markets Authority on this issue, namely that requiring unbundling payments for research from execution arrangements would have significant negative consequences that would disproportionately harm the provision of research, small and medium-sized issuers, small or niche research providers. We then describe additional oversights and controls that we believe can effectively and efficiently mitigate conflicts of interest.

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[Attachment](#)

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