

**MEMO# 22932**

September 30, 2008

## **IDC Letter on Proposed Soft Dollars Guidance**

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TO: INVESTMENT COMPANY DIRECTORS No. 17-08  
SEC RULES COMMITTEE No. 69-08 RE: IDC LETTER ON PROPOSED SOFT DOLLARS GUIDANCE

The Independent Directors Council filed a comment letter with the Securities and Exchange Commission on its proposed guidance to fund boards to assist them in fulfilling their oversight responsibilities with respect to the trading of portfolio securities. The letter commends the Commission for responding to requests from fund directors for guidance in this important area.

In its letter, IDC stated that it supports the Commission's objective of providing guidance that is relevant, useful, and beneficial to fund directors. The letter notes that the Commission's expressed intent is to assist fund directors and not to impose any new or additional requirements. To ensure that the guidance meets the Commission's goal, the letter urges the Commission to address and clarify certain matters.

First, the letter recommends that the final guidance confirm that the board's role is to provide oversight and not to make specific determinations about specific trading practices or soft dollar services. Second, the letter urges the Commission to make clear in its final guidance that the lists of data, information, factors, or discussion items contained in the proposed guidance are suggested matters for fund boards to consider and not mandatory "checklists." Third, IDC's letter expresses concern that the language in the proposed guidance with respect to the regulatory framework for board oversight of soft dollars may be confusing. IDC suggests that the final guidance confirm that a fund board may use its discretion to determine whether the fund is benefiting from the soft dollar services acquired by the adviser and the fact that other clients, including other mutual funds, are receiving benefits should not lead to the conclusion that "services are inappropriately benefiting another of the adviser's clients at the fund's expense" (emphasis supplied).

In response to the Commission's request for comment on whether it should propose additional disclosure to fund investors of the information it is suggesting that fund boards should consider, the letter states that, while IDC supports disclosure of useful and relevant cost information to fund investors, it does not believe that additional disclosure to fund

investors is warranted at this time. IDC's letter expresses the view that there are a number of other, more pressing matters that the Commission and its staff may wish to pursue at this time.

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Deputy Managing Director

[Attachment](#)

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