

**MEMO# 6985**

May 30, 1995

# **INSTITUTE SUBMITS RECOMMENDATIONS TO SEC FOR IMPROVING FUND INSPECTIONS**

1 See Memorandum to Compliance Committee No. 17-95 and SEC Rules Committee No. 49-95, dated March 30, 1995. May 30, 1995 TO: COMPLIANCE COMMITTEE No. 24-95 SEC RULES COMMITTEE No. 69-95 RE: INSTITUTE SUBMITS RECOMMENDATIONS TO SEC FOR IMPROVING FUND INSPECTIONS

The Institute recently submitted the attached letter to Lori Richards, Director of the SEC's new Office of Compliance Inspections and Examinations (OCIE), offering suggestions for improving the operation and efficiency of mutual fund inspections. The letter summarizes the suggestions that were set forth in a memorandum previously circulated to you<sup>1</sup> and additional recommendations provided by members. In addition to offering a number of specific suggestions for improving the inspections process, the letter notes that many of the Institute's members, when asked for their views on improving inspections, expressed particular interest in the relationship between the OCIE and the Division of Investment Management. Specifically, the letter explains that members expressed concern about, among other things, "the need for clarity in the respective functions of the two offices and for effective coordination between them so as to avoid any conflict." In this regard, the letter states that we were pleased that Chairman Levitt, in his recent speech at the Institute's General Membership Meeting, confirmed our understanding that the Division of Investment Management would continue to be responsible for the development and interpretation of regulatory and policy matters affecting the mutual fund industry, and that the OCIE would be responsible for conducting inspections and examinations that reflect such policy. Amy B.R. Lancellotta Associate Counsel Attachment