

MEMO# 10586

December 21, 1998

ICI SUBMITS LETTER TO THE SEC REGARDING THE SEC REQUIRING ADDITIONAL DISCLOSURE OF AN ADVISER'S SOFT DOLLAR PRACTICES

* See Memorandum to Investment Advisers Committee No. 36-98, dated November 12, 1998. [10586] December 21, 1998 TO: INVESTMENT ADVISERS COMMITTEE No. 41-98 RE: ICI SUBMITS LETTER TO THE SEC REGARDING THE SEC REQUIRING ADDITIONAL DISCLOSURE OF AN ADVISER'S SOFT DOLLAR PRACTICES

As we previously informed you, the SEC staff has informally requested the views of the Institute on how best to implement the recommendation in the staff's soft dollar report that investment advisers be required to provide to clients, upon request, additional information concerning the adviser's soft dollar practices.* In response to the Commission's request, the Institute has submitted the attached letter. As a preliminary matter, the letter questions the need for the SEC to adopt a rule requiring such additional disclosure. Should the SEC decide to proceed with such a rule, however, the Institute's letter states that it should be carefully drafted to ensure that meaningful disclosure is provided without imposing undue burdens on the industry. In particular, the letter states that under no circumstances should such a rule require that the disclosure be provided on a client-by-client basis, rather than on an aggregate basis. In addition, any such rule should be limited to requiring (1) more detailed information concerning the services and products purchased with soft dollars and (2) the percentage of discretionary commissions informally "committed" to brokers in connection with specific services and products. To ensure that this information is meaningful, the Institute's letter additionally recommends that such rule include a materiality threshold.

Tamara Cain Reed Associate Counsel Attachment