

MEMO# 17533

May 14, 2004

NASD CREATES TASK FORCE WITH GOAL OF INCREASING TRANSPARENCY OF MUTUAL FUND COSTS AND DISTRIBUTION ARRANGEMENTS

[17533] May 14, 2004 TO: ACCOUNTING/TREASURERS COMMITTEE No. 11-04 BOARD OF GOVERNORS No. 36-04 EQUITY MARKETS ADVISORY COMMITTEE No. 22-04 RESEARCH COMMITTEE No. 11-04 SEC RULES COMMITTEE No. 45-04 SMALL FUNDS COMMITTEE No. 30-04 RE: NASD CREATES TASK FORCE WITH GOAL OF INCREASING TRANSPARENCY OF MUTUAL FUND COSTS AND DISTRIBUTION ARRANGEMENTS On May 12th, NASD Chairman and CEO Robert Glauber announced the NASD's formation of a Mutual Fund Task Force whose mission will be to identify and recommend ways to bring greater transparency to mutual fund costs and distribution arrangements.* According to the NASD's announcement, the task force members, who will represent a cross-section of the broker-dealer and mutual fund communities, will be appointed and begin their work by the end of June. The work of the task force is expected to proceed in two phases. The first phase will consider mutual fund portfolio transaction costs, including directed brokerage arrangements, soft dollars, and disclosure. It is expected to provide a report of its findings and recommendations to the Securities and Exchange Commission in the next several months in order to provide timely input into the SEC's rulemaking process. The second phase will include a comprehensive view of mutual fund distribution and is expected to "require a longer time commitment" than the first phase. The NASD's announcement notes that the Mutual Fund Task Force is the product of discussions between the staffs of the NASD and the SEC and responds to proposals and requests for comment by the SEC on ways to improve disclosure of mutual fund costs and issues regarding mutual fund distribution arrangements. Tamara K. Salmon Senior Associate Counsel * The NASD's announcement is available at: http://www.nasdr.com/news/pr2004/release_04_032.html.