

MEMO# 18873

May 19, 2005

ICI COMMENT LETTER TO IOSCO ON FUND GOVERNANCE

©2005 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. [18873] May 19, 2005 TO: INTERNATIONAL OPERATIONS ADVISORY COMMITTEE No. 10-05 RE: ICI COMMENT LETTER TO IOSCO ON FUND GOVERNANCE The Institute recently filed a comment letter to IOSCO in response to its consultation paper on "Examination of Governance for Collective Investment Schemes." A copy of the Institute's comment letter is attached. In the consultation paper, IOSCO states that a common objective for regulators should be to develop a governance framework that "seeks to ensure that CIS are organized and operated efficiently and exclusively in the interests of CIS investors, and not in the interest of CIS insiders." As a means to accomplish this objective, IOSCO sets forth the principle of requiring independent review of those who operate collective investment schemes (funds). The Institute's comment letter strongly supports IOSCO's goals but questions whether IOSCO should consider affiliates of a fund operator (trustees and depositaries affiliated with the fund operator) to be independent for these purposes. In the letter, the Institute states that, as a member of the same corporate group as the fund operator, an affiliated depository or trustee has an economic interest in the success of the corporate enterprise that could impair its ability to provide independent oversight of the fund operator. In the letter, the Institute agrees with IOSCO that it is appropriate for each jurisdiction to determine the standards that will apply to funds sold to the jurisdiction's investors. Accordingly, the Institute does not express an opinion whether, or under what conditions, a system that relies upon affiliates to oversee fund operators achieves regulators' objectives of protecting fund investors. Jennifer S. Choi Associate Counsel Attachment (in .pdf format)