

MEMO# 15109

September 5, 2002

INSTITUTE DRAFT COMMENT LETTER ON IOSCO'S REPORT REGARDING PERFORMANCE PRESENTATION STANDARDS FOR COLLECTIVE INVESTMENT SCHEMES

ACTION REQUESTED [15109] September 5, 2002 TO: ADVERTISING COMPLIANCE ADVISORY COMMITTEE No. 16-02 INTERNATIONAL COMMITTEE No. 64-02 RE: INSTITUTE DRAFT COMMENT LETTER ON IOSCO'S REPORT REGARDING PERFORMANCE PRESENTATION STANDARDS FOR COLLECTIVE INVESTMENT SCHEMES As we previously advised you, the International Organization of Securities Commissions (IOSCO) has requested comment on a report with respect to Performance Presentation Standards for Collective Investment Schemes prepared by the Standing Committee on Investment Management.¹ The Report reviews the standards currently used by member jurisdictions with respect to performance presentations in CIS, including fund advertisements and marketing materials and articulates some general regulatory principles based on this review. The Institute has prepared a draft comment letter on the Report, a copy of which is attached. Comments on the Report are due to IOSCO by September 30, 2002. Please provide any comments you have on the Institute's draft letter to Dorothy Donohue at 202/218-3563 (phone), 202/326-5827 (fax), or ddonohue@ici.org, no later than Friday, September 20th. The Institute's draft letter, in general, strongly supports IOSCO's statement of general principles and states that IOSCO should continue in its efforts to encourage jurisdictions to consider the comprehensiveness and effectiveness of their performance presentation standards in order to enhance investor protection. In summary, the Institute's draft letter states as follows:

- Mutual funds should compute performance using a standardized methodology. The basic standardized performance figure for funds other than money market funds should be total return but funds also should be able to advertise a standardized yield and other types of non-misleading performance figures that are accompanied by the standardized total return figures.
- 1 Memorandum to Advertising Compliance Advisory Committee No. 13-02 and International Committee No. 55-02, dated July 17, 2002.
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- Any standardized total return formula should require the deduction of sales charges, fund expenses accrued during the appropriate measuring period, and any fees that are charged to all shareholder accounts.
- Funds should present performance for standardized time periods.
- Funds should not be required to include performance benchmarks in advertisements, but could be required to include them in shareholder reports.
- Funds advertising performance should meet specific minimum disclosure requirements.
- Performance presentation standards should be mandatory.

Dorothy M. Donohue Associate Counsel Attachment (in .pdf format)

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