

**MEMO# 19409**

November 29, 2005

## **IDC COMMENTS ON PROPOSED SOFT DOLLAR GUIDANCE**

©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. [19409] November 29, 2005 TO: BOARD OF GOVERNORS No. 60-05 INVESTMENT COMPANY DIRECTORS No. 28-05 SEC RULES COMMITTEE No. 66-05 SMALL FUNDS COMMITTEE No. 35-05 RE: IDC COMMENTS ON PROPOSED SOFT DOLLAR GUIDANCE The Independent Directors Council recently filed a comment letter on the Securities and Exchange Commission's proposed interpretive guidance regarding the use of soft dollars under Section 28(e) of the Securities Exchange Act of 1934. The submission included a copy of the Statement of Policy Concerning Soft Dollars adopted by the IDC in December 2004 in which the IDC supported narrowing the interpretation of the scope of the safe harbor for the use of soft dollars to only protect brokerage services and the "intellectual content" of research. Consistent with the views expressed in this Policy Statement, the IDC's comment letter urges the Commission to more narrowly interpret the scope of the safe harbor. The letter notes that the interpretive release aims toward this goal, but asserts that it falls short of providing the clarity needed to enable directors to oversee effectively the conflict presented by the use of soft dollars. The IDC comment letter also encourages the Commission, as part of its forthcoming proposal relating to disclosure of soft dollar practices, to require disclosure to the board of the allocation of commission dollars paid between execution and the other benefits received so the board can understand the difference and can take that difference into account at the time the board reviews the management contract. A copy of the IDC's comment letter is attached. Lisa C. Hamman Associate Counsel Attachment (in .pdf format) Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 19409, or call the ICI Library at (202) 326-8304 and request the attachment for memo 19409.