

**MEMO# 9939**

May 18, 1998

## ICI LETTER REGARDING REVIEW OF SEC ENFORCEMENT DIVISION

[9939] May 18, 1998 TO: BOARD OF GOVERNORS No. 30-98 RE: ICI LETTER REGARDING REVIEW OF SEC ENFORCEMENT DIVISION

\_\_\_\_\_ The ICI recently submitted a letter to Commissioner Unger regarding the SEC's review of its Enforcement Division. A copy of the letter is attached. The letter suggests ways to improve the enforcement process as it pertains to investment companies and investment advisers. The letter stresses the need for the SEC to ensure that only appropriate enforcement actions are brought against investment companies and advisers. To achieve this objective, the letter suggests that: (1) the Enforcement Liaison Office in the Division of Investment Management be strengthened by adding additional staff attorneys; (2) the Division of Enforcement consult with the Division of Investment Management before recommending any action against an investment company or investment adviser; (3) the SEC, to the extent feasible, require the Divisions of Enforcement and Investment Management to respond specifically to the question of whether there are existing rules or interpretive guidance that may cast doubt over the theories that underlie an recommended enforcement proceeding; and (4) Enforcement Division staff receive extensive training in the specifics of the two 1940 Acts and, in this context, consideration be given to creating specific units within the Division that will develop expertise in the area of investment company and investment adviser regulation. In addition, the letter recommends that the SEC's enforcement program also focus on entities that are exempt from the Investment Company Act and Investment Advisers Act. Amy B.R. Lancellotta Senior Counsel  
Attachment

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