

MEMO# 9810

April 1, 1998

Institute Paper on Brokerage Allocation Practices

[9810] April 1, 1998 TO: BOARD OF GOVERNORS No. 18-98 INVESTMENT ADVISER ASSOCIATE MEMBERS No. 7-98 INVESTMENT ADVISER MEMBERS No. 9-98 PRIMARY CONTACTS - MEMBER COMPLEX No. 22-98 SEC RULES MEMBERS No. 24-98 RE: INSTITUTE PAPER ON BROKERAGE ALLOCATION PRACTICES

Attached is a copy of an Institute paper entitled "Brokerage Allocation Practices." Soft dollar arrangements as well as other brokerage allocation practices have been, and likely will continue to be, the subject of public and regulatory focus. The Institute prepared the enclosed paper to provide guidance to advisers to both fund and non-fund clients to ensure that their brokerage allocation practices are consistent with the best interests of their clients and with regulatory standards. As noted, the paper is not intended as a substitute for appropriate professional advice with respect to the applicability of laws and regulations in particular circumstances, nor is it intended to express any legal opinion or conclusion concerning any specific action, policy or procedure. The paper was developed by a special industry task force, with the assistance of outside counsel, Kirkpatrick & Lockhart. In addition, drafts of the paper were reviewed by members of the SEC Rules Committee and the Investment Advisers Committee. In recent years, the Institute has prepared two other papers to provide practical guidance to industry members on different topics. These papers, entitled "Investments in Derivatives by Registered Investment Companies" (August 1994) and "Valuation and Liquidity Issues for Mutual Funds" (February 1997), are available by contacting the Institute's library services at 202/326-5872. Should you have any questions regarding the paper or on any related issues you may direct them to me at (202) 326-5815 or Amy Lancellotta at (202) 326-5824. Craig S. Tyle General Counsel Attachment Note: Not all recipients of this memo will receive an attachment. If you wish to obtain a copy of the attachment referred to in this memo, please call the Institute's Library Services Division at (202)326- 8304, and ask for this memo's attachment number: 9810.