

MEMO# 17756

July 13, 2004

SEC SEMI-ANNUAL REGULATORY AGENDA

[17756] July 13, 2004 TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 27-04 INVESTMENT ADVISERS COMMITTEE No. 9-04 SEC RULES COMMITTEE No. 61-04 SMALL FUNDS COMMITTEE No. 40-04 UNIT INVESTMENT TRUST COMMITTEE No. 17-04 RE: SEC SEMI-ANNUAL REGULATORY AGENDA The Securities and Exchange Commission has published its semi-annual agenda of rulemaking actions.¹ Division of Investment Management items are listed on Federal Register pages 38645-46 and summarized on pages 38653-61, copies of which are attached. Set forth below is a summary of changes to the Division's agenda related to investment companies and investment advisers that have occurred since the last semi-annual agenda was published. A. The following item has been reclassified from "Prerule Stage" to "Proposed Rule Stage": Investment Company Portfolio Transaction Costs (requesting comment on how disclosure of investment company transaction costs might be improved, including whether it would be appropriate and feasible to require investment companies to provide their investors with quantitative disclosure of portfolio transaction costs) (p. 38654). B. The following items have been added to "Proposed Rule Stage": 1. Registration under the Advisers Act of Certain Hedge Fund Advisers (proposing to require registration under the Investment Advisers Act of 1940 by certain advisers to hedge funds) (p. 38654). 2. Privacy of Consumer Financial Information (proposing amendments to Regulation S-P to implement sections 214 and 216 of the Fair and Accurate Credit Transactions Act of 2003) (p. 38654). 1 See SEC Release Nos. IC-26447, IA-2235 (May 14, 2004); 69 Fed. Reg. 38643 (June 28, 2004). 2 C. The following items have been reclassified from "Proposed Rule Stage" to "Final Rule Stage": 1. Fund of Funds Investments² (proposing to: (i) allow investment companies to purchase securities issued by money market funds in excess of limits on those investments under the Investment Company Act; (ii) alleviate certain investment and other restrictions on investment companies that invest in other investment companies; and (iii) require registered funds to disclose the aggregate costs of investing in other funds) (p. 38657). 2. Disclosure of Breakpoint Discounts by Mutual Funds (proposing to require improved disclosure in mutual fund prospectuses regarding "breakpoint" discounts on front-end sales loads) (p. 38657). 3. Exemption from Shareholder Approval for Certain Subadvisory Contracts (proposing new rule to allow certain types of funds or their investment advisers to enter into subadvisory agreements for investment management services without obtaining shareholder approval) (p. 38658). 4. Rulemaking for EDGAR System (proposing to expand the categories of mandatory electronic filings and to identify series and classes for certain investment company filings; proposing technical and clarifying corrections to existing rules and forms) (p. 38659). D. The following items have been reclassified from "Long-Term Actions" to "Final Rule Stage": 1. Political Contributions by Certain Investment Advisers (proposing new Rule 206(4)-5 under the Advisers Act to prohibit an investment

adviser from providing advisory services for compensation to a government client for two years after the adviser or any of its partners, executive officers, or solicitors makes a contribution to certain elected officials or candidates; proposing to require a registered adviser having government clients to make certain records of the political contributions made by the adviser or any of its partners, executive officers, or solicitors) (p. 38655). 2. Certain Broker-Dealers Deemed Not to be Investment Advisers (proposing new Rule 202(a)(11)-1 under the Advisers Act to exempt from the definition of investment adviser those broker-dealers offering non-discretionary, full-service brokerage programs, so long as the investment advice provided is solely incidental to the brokerage services and other conditions are satisfied) (p. 38656). 2 In the last published semi-annual agenda, this item was referred to as “Exemption to Permit Investment Companies to Invest in Other Investment Companies.” 3 E. The following items have been added to “Final Rule Stage”: 1. Investment Adviser Codes of Ethics (proposing new Rule 204A-1 under the Advisers Act to require investment advisers to establish, maintain, and enforce written codes of ethics; proposing conforming amendments to Rule 17j-1 under the Investment Company Act of 1940, the books and records requirements of Rule 204-2 under the Advisers Act, and Form ADV) (p. 38656). 2. Disclosure Regarding Basis for Approval of Existing Investment Advisory Contracts (proposing amendments to improve the disclosure by registered management investment companies about how directors of such companies evaluate and approve the continuance of existing investment advisory contracts) (p. 38657). 3. Prohibitions on the Use of Brokerage Commissions to Finance Distribution (proposing amendments to Rule 12b-1 under the Investment Company Act to prohibit funds from using brokerage commissions to pay for distribution of shares issued by open-end management investment companies) (p. 38657). 4. Amendments to Rules Governing Pricing of Mutual Fund Shares (proposing amendments to Rule 22c-1 under the Investment Company Act to provide that an order to purchase or redeem mutual fund shares would receive the current day’s price only if the fund, its designated transfer agent, or a registered securities clearing agency receives the order by the time the fund establishes for calculating its net asset value) (p. 38658). 5. Enhanced Governance Standards for Investment Companies (proposing to amend certain exemptive rules under the Investment Company Act to require registered investment companies to satisfy enhanced governance standards in order to rely on those rules; proposing to require each fund to retain materials that the fund board considers in approving the fund’s advisory contracts) (p. 38658). 6. Interagency Proposal to Consider Alternative Forms of Privacy Notices Under the Gramm-Leach-Bliley Act (requesting comment on whether the SEC and other financial regulators should consider amending the regulations that implement the privacy provisions of the Gramm-Leach-Bliley Act to allow or require financial institutions to provide alternative types of privacy notices that would be easier for consumers to understand) (p. 38658). 7. Disclosure Regarding Portfolio Managers of Registered Management Investment Companies (proposing improved disclosure regarding fund portfolio managers, including the structure of their compensation, ownership of fund shares, and other investment companies or accounts that are managed by a portfolio manager to a registered fund) (p. 38659). 4 8. Mandatory Redemption Fees for Redeemable Fund Securities (proposing new Rule 22c-2 under the Investment Company Act to require mutual funds, with certain exceptions, to impose a 2% fee on the redemption of fund shares purchased within the previous five business days) (p. 38659). F. The following items have been reclassified from “Final Rule Stage” to “Completed Actions”: 1. Compliance Programs of Investment Companies and Investment Advisers (adopting new Rule 38a-1 under the Investment Company Act, new Rule 206(4)-7 under the Advisers Act, and amendments to Rule 204-2 under the Advisers Act to require each investment company and investment adviser to: (i) adopt and implement policies and procedures reasonably designed to prevent violations of the federal securities laws; (ii) review those

policies and procedures annually; (iii) appoint a chief compliance officer; and (iv) maintain certain compliance records) (p. 38660). 2. Shareholder Report and Financial Statement Revisions (adopting rule and form amendments to improve the periodic disclosure provided by registered management investment companies about their portfolio investments, costs, and past performance, including amendments to require quarterly disclosure of portfolio holdings) (p. 38661). G. The following item has been added to “Completed Actions”: Disclosure of Policies Regarding Market Timing and Selective Disclosure of Portfolio Holdings (adopting new rules that require the disclosure of policies regarding market timing and selective disclosure of portfolio holdings) (p. 38661). H. The following items have been reclassified from “Proposed Rule Stage” to “Completed Actions” and withdrawn from the Commission’s agenda: 1. Exemption from Registration for Certain Commodity Pool Operators (p. 38660). 2. Substitution of Funds Underlying Variable Insurance Products (p. 38661). 3. Investment in Money Market Funds (p. 38661). Rachel H. Graham Assistant Counsel Attachment (in .pdf format)

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