

**MEMO# 18384**

January 6, 2005

# **ICI TO CONDUCT SURVEY ON IMPLEMENTATION OF FUND COMPLIANCE RULE: INDICATION OF INTEREST REQUIRED BY JANUARY 14TH**

[18384] January 6, 2005 TO: BOARD OF GOVERNORS No. 2-05 CEOS CHIEF COMPLIANCE OFFICER COMMITTEE No. 1-05 CLOSED-END INVESTMENT COMPANY MEMBERS No. 1-05 COMPLIANCE ADVISORY COMMITTEE No. 1-05 PRIMARY CONTACTS - MEMBER COMPLEX No. 1-05 SEC RULES MEMBERS No. 2-05 SMALL FUNDS MEMBERS No. 1-05 RE: ICI TO CONDUCT SURVEY ON IMPLEMENTATION OF FUND COMPLIANCE RULE: INDICATION OF INTEREST REQUIRED BY JANUARY 14TH The Investment Company Institute is inviting your complex to participate in a survey regarding the industry's implementation of the new compliance rule, Rule 38a-1 under the Investment Company Act of 1940. In order to proceed with this project, we need a sufficient level of member participation. This memo requests your feedback as to whether your complex is likely to participate in the survey. Action Requested So that we may proceed with this new project as soon as possible, it is important that we hear from you promptly. Please return the attached form to the Institute as soon as possible, but no later than Friday, January 14th, to indicate your interest in participating in the survey. Completion of this form does not obligate your complex to participate; we will seek binding commitments and payment of the associated participant fee once we know that the project has sufficient member interest. The Proposed Survey The Institute plans to conduct this survey with the assistance of PricewaterhouseCoopers LLP. The survey is intended to provide information about approaches that fund complexes have taken to comply with the rule's requirements. The survey generally will address the following areas, which we believe to be of interest to Institute members: Information about the Fund Chief Compliance Officer ("CCO"): Questions will cover how the function is structured (e.g., whether the same person is serving as chief 2 compliance officer for the adviser, whether the CCO has a dedicated staff), the CCO's professional background, his or her duties and responsibilities, resources available to the CCO, and the structure of his or her compensation.\* Compliance Policies and Procedures: Questions will cover the scope of the fund's compliance policies and procedures, the escalation of compliance concerns to the CCO, and the annual review and reporting process. Fund Service Providers: Questions will cover the review and approval of service providers' policies and procedures and the fund's annual review of such policies and procedures. Interactions with Fund Boards: Questions will cover the information provided to the Board in connection with its oversight of policies and procedures, ongoing communications between the CCO and the Board, and reports to the Board, including the annual report, the reporting of material compliance matters, and changes to policies and procedures. Participant Obligations Consistent with other Institute

surveys, the final results of this survey will be provided only to complexes that agree to participate. Participants will be required to complete the survey in a timely manner, work with the Institute and PwC to resolve any questions relating to the survey, and pay a proportionate share of the survey's cost through advance payment of a participant fee, which is estimated as follows: Total Assets of Complex As of 12/31/04 Participation Fee  
Over \$75 billion \$8,000 \$50 - \$75 billion \$6,500 \$25 - \$50 billion \$5,000 \$5 - \$25 billion \$2,500 Under \$5 billion \$1,000 Please note that this is an estimate only and that the actual fee may be higher, depending upon the number of complexes that elect to participate in the survey. Proposed Timetable We expect to provide participants with the survey in the early spring and to report the final results in the fall. \* \* \* \* \* The survey will not request information about the amount of compensation paid to the CCO. Because that information is available from other sources, the Institute will not seek to replicate it. The survey will, however, elicit information about who is paying the compensation and the elements of the compensation package (e.g., bonus, deferred compensation, employer stock). 3 Please contact Rachel Graham at 202/326-5819 or Tamara Salmon at 202/326-5825 if you have any questions. We look forward to working with you on this important project. Thank you in advance for your prompt response. Elizabeth Krentzman General 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 18384, or call the ICI Library at (202) 326-8304 and request the attachment for memo 18384.