

MEMO# 3849

June 11, 1992

SEC'S RESPONSE TO CHAIRMAN DINGELL'S LETTER ON WRAP FEE PRODUCTS

June 11, 1992 TO: INVESTMENT ADVISERS COMMITTEE NO. 24-92 SEC RULES COMMITTEE
NO. 40-92 RE: SEC'S RESPONSE TO CHAIRMAN DINGELL'S LETTER ON WRAP FEE PRODUCTS

As you may recall, Congressman John Dingell, Chairman of the House Committee on Energy and Commerce, sent a letter to SEC Chairman Breeden setting forth several concerns about wrap fee products. (See Memorandum to Investment Advisers Committee No. 20-92 and SEC Rules Committee No. 27-92, dated May 5, 1992.) Attached is a copy of Chairman Breeden's response. Chairman Breeden responded to Chairman Dingell's concerns about the following items concerning wrap fee products: (1) best execution and adequate disclosure where a client directs the adviser to use a particular broker-dealer, (2) level of individualization provided to clients, (3) payment of referral fees, and (4) registration under the Advisers Act of broker-dealers and investment advisers participating in these programs. It is apparent from his letter that Chairman Breeden believes that the concerns raised by Chairman Dingell are adequately dealt with under existing regulation of investment advisers. He also noted that the SEC staff, in its inspections of wrap fee accounts, has not discovered any problems in connection with the use of referral fees peculiar to wrap fee accounts or the registration of persons participating in such programs. Amy B.R. Lancellotta Associate Counsel Attachment

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