

MEMO# 10477

November 12, 1998

DRAFT LETTER TO THE SEC REGARDING THE SEC REQUIRING ADDITIONAL DISCLOSURE OF AN ADVISER'S SOFT DOLLAR PRACTICES

[10477] November 12, 1998 TO: INVESTMENT ADVISERS COMMITTEE No. 36-98 RE: DRAFT LETTER TO THE SEC REGARDING THE SEC REQUIRING ADDITIONAL DISCLOSURE OF AN ADVISER'S SOFT DOLLAR PRACTICES

The SEC staff's recent report on soft dollars recommends, among other things, that advisers that use soft dollars be required to provide, upon the request of any client, more detailed information about their soft dollar practices. The SEC staff has informally requested the views of the Institute on how they could best implement this recommendation. In response to their request, the Institute has drafted the attached letter. As a preliminary matter, the letter questions the need for the SEC to adopt a rule requiring such additional disclosure. However, should the SEC decide to proceed with such a rule, the Institute's letter the letter states that the Institute would only support a rule that requires disclosure on an aggregate basis (i.e., reflecting all clients of the investment adviser) rather than on a client-by-client basis. The letter also recommends that any disclosure required by rule of the Commission be limited to information that would be meaningful to investors. In this regard, the letter states that we would not object to requiring advisers to provide: ! more detailed information concerning the services and products purchased with soft dollars, subject to a materiality threshold; and ! information regarding the percentage of discretionary commissions "committed" to brokers in connection with specific services and products. Tamara Cain Reed Associate Counsel Attachment