

**MEMO# 3665**

April 2, 1992

## **CHAIRMAN BREEDEN IS ASKED TO REPORT TO CONGRESS ON ISSUES RAISED BY 12B-1 AND OTHER MUTUAL FUND FEES**

April 2, 1992 TO: SEC RULES COMMITTEE NO. 18-92 AD HOC TASK FORCE ON RULE 12b-1  
ISSUES RE: CHAIRMAN BREEDEN IS ASKED TO REPORT TO CONGRESS ON ISSUES RAISED  
BY 12b-1 AND OTHER MUTUAL FUND FEES

\_\_\_\_\_ In a recent letter to SEC  
Chairman Richard Breeden, the Chairman of the House Committee on Energy and  
Commerce, John Dingell, requests that Mr. Breeden provide the Committee by April 24,  
1992 with a report on "what action, if any, the Commission proposes to take to address the  
issues raised by runaway mutual fund fees." A copy of the letter is attached. The letter  
notes that the Energy and Commerce Committee is looking into concerns that have been  
raised over "escalating" mutual fund fees. It refers to a 1986 inquiry by Mr. Dingell  
regarding industry practices and SEC staff positions with respect to Rule 12b-1, and the  
Commission's response that the staff at that time was considering proposing certain  
disclosure requirements and/or changes to Rule 12b-1 and Form N-1A. The letter further  
cites recent press reports indicating that (1) mutual fund fees have continued to increase  
over the past decade despite the achievement of economies of scale and (2) the staff has  
been studying the effects of 12b-1 fees for five years but has not yet recommended any  
changes to the Commission, nor has the Commission acted on the NASD's 1990 proposal to  
cap 12b-1 fees. We will keep you informed of developments. Frances M. Stadler Assistant  
General Counsel Attachment