

**MEMO# 19597**

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# **INSTITUTE LETTER ON FSA CONSULTATION PAPER ON SOFT DOLLAR DISCLOSURE TO RETAIL FUND INVESTORS**

©2006 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. [19597] January 13, 2006 TO: INTERNATIONAL OPERATIONS ADVISORY COMMITTEE No. 3-06 RE: INSTITUTE LETTER ON FSA CONSULTATION PAPER ON SOFT DOLLAR DISCLOSURE TO RETAIL FUND INVESTORS Attached is an Institute comment letter to the U.K. Financial Services Authority (FSA) submitted on January 5, 2006. We submitted the letter in response to the FSA's consultation paper on "Bundled Brokerage and Soft Commission Arrangements for Retail Investment Funds," which focused on soft dollar disclosure in the retail fund context.<sup>1</sup> The Institute's letter expresses serious concern with the FSA's approach to "unbundled" disclosure (that is, separating the execution and research components of commission payments). Under the FSA's approach, fund managers are required to provide unbundled disclosure to clients, but brokers are not required to provide unbundled disclosure to managers. The letter identifies two shortcomings with this approach: 1) fund managers will be assuming liability for disclosing information that they cannot know; and 2) the information disclosed will not be directly comparable and may result in market confusion, rather than increased market efficiency and competition. Glen S. Guymon Assistant Counsel - International Affairs Attachment (in .pdf format) 1 See CP05/13 (Sept. 2005), available at [http://www.fsa.gov.uk/pages/Library/Policy/CP/2005/05\\_13.shtml](http://www.fsa.gov.uk/pages/Library/Policy/CP/2005/05_13.shtml).