

**MEMO# 15210**

September 27, 2002

# **INSTITUTE COMMENT LETTER ON IOSCO'S REPORT REGARDING PERFORMANCE PRESENTATION STANDARDS FOR COLLECTIVE INVESTMENT SCHEMES**

[15210] September 27, 2002 TO: ADVERTISING COMPLIANCE ADVISORY COMMITTEE No. 18-02 INTERNATIONAL COMMITTEE No. 70-02 RE: INSTITUTE COMMENT LETTER ON IOSCO'S REPORT REGARDING PERFORMANCE PRESENTATION STANDARDS FOR COLLECTIVE INVESTMENT SCHEMES As we previously advised you, the International Organization of Securities Commissions (IOSCO) has requested comment on a report with respect to Performance Presentation Standards for Collective Investment Schemes prepared by the Standing Committee on Investment Management.<sup>1</sup> The Report reviews the standards currently used by member jurisdictions with respect to performance presentations in CIS, including fund advertisements and marketing materials and articulates some general regulatory principles based on this review. The Institute submitted a comment letter on the Report, a copy of which is attached. The letter is similar to the draft circulated to you previously, except that the final letter objects more strongly to the use of performance benchmarks and describes the Institute's views on volatility ratings. The Institute's letter, in general, strongly supports IOSCO's statement of general principles and states that IOSCO should continue in its efforts to encourage jurisdictions to consider the comprehensiveness and effectiveness of their performance presentation standards in order to enhance investor protection. In summary, the Institute's letter states as follows. • Mutual funds should compute performance using a standardized methodology. The basic standardized performance figure for funds other than money market funds should be total return but funds also should be able to advertise a standardized yield and other types of non-misleading performance figures that are accompanied by the standardized total return figures. • Any standardized total return formula should require the deduction of sales charges, fund expenses accrued during the appropriate measuring period, and any fees that are charged to all shareholder accounts. 1 Memorandum to Advertising Compliance Advisory Committee No. 13-02 and International Committee No. 55-02, dated July 17, 2002. 2 • Funds should present performance for standardized time periods. • Requiring funds to compare their performance to an index is inappropriate and potentially misleading. • Funds advertising performance should meet specific minimum disclosure requirements. • Performance presentation standards should be mandatory. • Funds should not be required to report a single, standardized, numerical measurement of risk. Dorothy M. Donohue Associate Counsel Attachment (in .pdf format)

---

Copyright © by the 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.