

MEMO# 13103

January 31, 2001

Institute Paper on Privacy Compliance for Mutual Funds

[13103] January 31, 2001 TO: BOARD OF GOVERNORS No. 9-01 PRIMARY CONTACTS - MEMBER COMPLEX No. 9-01 SEC RULES MEMBERS No. 9-01 RE: INSTITUTE PAPER ON PRIVACY COMPLIANCE FOR MUTUAL FUNDS Enclosed is a copy of an Institute paper entitled "Privacy of Consumer Financial Information: Mutual Fund Compliance with Regulation S-P." The Institute has prepared this paper to assist Institute members in complying with Securities and Exchange Commission Regulation S-P, a detailed and complex regulatory scheme designed to protect the privacy of individuals who obtain a financial product or service for personal, family or household use. Regulation S-P applies to all mutual funds and other investment companies, as well as to broker-dealers and federally registered investment advisers. It has a mandatory compliance date of July 1, 2001, and members of the SEC staff have indicated that compliance with Regulation S-P will be an area of focus in examinations conducted after that date. Given the complex and novel nature of the regulation and the fast-approaching compliance deadline, firms subject to Regulation S-P must assess its impact on their operations and design a strategy for compliance. This paper is intended to assist in that process by highlighting the key features of the regulation and suggesting strategies for addressing compliance issues that may arise from the perspective of mutual funds. As noted, the paper is not intended as a substitute for appropriate professional advice with respect to the applicability of Regulation S-P in particular circumstances, nor is it intended to express any legal opinion or conclusion concerning any specific action, policy or procedure. A special industry working group and the Institute's outside counsel, Dechert, assisted Institute staff in drafting the paper. In addition, a draft of the paper was circulated to the Broker-Dealer Advisory Committee, Compliance Advisory Committee, SEC Rules Committee, and Transfer Agent Advisory Committee. 2Should you have any questions regarding the paper or related issues, please direct them to Tami Reed at (202) 326-5825, Frances Stadler at (202) 326-5822 or Bob Grohowski at (202) 371- 5430. Craig S. Tyle General Counsel Enclosure