

**MEMO# 18991**

July 1, 2005

## **SEC STAFF PROVIDES ASSURANCES RELATING TO DUAL CCO ARRANGEMENTS**

©2005 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. [18991] July 1, 2005 TO: CHIEF COMPLIANCE OFFICER COMMITTEE No. 51-05 RE: SEC STAFF PROVIDES ASSURANCES RELATING TO DUAL CCO ARRANGEMENTS An issue has come up at recent meetings, including a recent industry meeting in Washington, DC, regarding the SEC's views on individuals who serve as chief compliance officers for both mutual funds and the funds' investment adviser. Specifically, there is some concern that staff in certain SEC regional offices may view these "dual CCO" arrangements as inherently suspect and may be expressing an inappropriate level of skepticism during routine examinations. The Institute recently contacted senior SEC staff about this concern. The staff acknowledged that the SEC's release adopting Rule 38a-1 specifically notes that a CCO is likely to be employed by both the adviser and the funds it advises, and is likely to be the CCO of both.<sup>1</sup> The staff provided assurances that the SEC's examination program will proceed with an appreciation of Rule 38a-1 and the pronouncements with which the Commission adopted and released it. Should your experience going forward suggest otherwise, or if you have other concerns about the SEC's administration of Rule 38a-1, please contact the undersigned at (202) 326-5923 or at [bsimmons@ici.org](mailto:bsimmons@ici.org). Barry E. Simmons Associate Counsel 1 As noted in the adopting release, the Commission decided not to preclude a fund CCO from being an employee of the adviser or any other service provider because of concerns that such a provision "would actually weaken her effectiveness" and "she would be divorced from all fund operations." SEC Release No. IC-26299, 68 Fed. Reg. 74714 (Dec. 24, 2003) at 74722.