

MEMO# 4810

May 21, 1993

INSTITUTE LETTER TO CHAIRMAN MARKEY ON SEC AUTHORIZATION

May 21, 1993 TO: BOARD OF GOVERNORS NO. 47-93 SEC RULES COMMITTEE NO. 49-93 RE:
INSTITUTE LETTER TO CHAIRMAN MARKEY ON SEC AUTHORIZATION

On May 19, the House Telecommunications and Finance Subcommittee held a hearing on the SEC's authorization for appropriation for fiscal years 1994-1995. In anticipation of that hearing, the Institute sent Subcommittee Chairman Edward Markey the attached letter, which stresses the importance of ensuring that the SEC has the necessary resources to continue its very successful program of investment company regulation. The Institute's letter points out that the tremendous growth of the investment company industry in recent years has outpaced increases in the resources available to the SEC for regulating the industry. If this trend continues, the letter states, concerns could arise in the future regarding the SEC's ability to maintain its excellent record of protecting investment company shareholders. The letter indicates that the gap between the size of the mutual fund industry and the amount of SEC resources available to regulate the industry threatens to increase despite the fact that mutual funds pay substantial amounts in registration fees to the SEC. As an example, the letter notes that in 1992, investment company registration fees totaled approximately \$80.9 million, but the amount the SEC expended to regulate investment companies was only about \$18.4 million, or less than 23% of the amount paid. The Institute's letter recommends that in order to ensure the availability of adequate SEC resources for investment company regulation in the coming years, a greater portion of the revenues generated by SEC registration fees collected from investment companies should be dedicated to regulating those companies. Matthew P. Fink President Attachment