

MEMO# 13023

January 10, 2001

SEC STAFF REPORT ON MUTUAL FUND FEES AND EXPENSES

[13023] January 10, 2001 TO: BOARD OF GOVERNORS No. 3-01 RE: SEC STAFF REPORT ON MUTUAL FUND FEES AND EXPENSES The Securities and Exchange Commission today issued the Division of Investment Management's Report on Mutual Fund Fees and Expenses. The Report is available on the SEC's website at www.sec.gov/news/studies/feestudy.htm. The SEC staff is still making minor revisions to the Report. We will send you a detailed analysis and the final report when it becomes available, which we anticipate will be tomorrow. Attached is the Institute's public statement on the Report. Significantly, the Report finds that growing mutual funds produce economies of scale that reduce fees and benefit shareholders. All of the Report's key findings are consistent with the General Accounting Office report on mutual fund fees and recent Institute studies. The Report includes several recommendations, including requiring disclosure in shareholder reports about the dollar amount of fees paid for a preset investment amount (e.g., \$10,000). The Report also recommends that the SEC consider whether Rule 12b-1 needs to be modified to accommodate changes that have occurred in the industry since the rule was adopted in 1980. Matthew P. Fink President Attachment Attachment (in .pdf format) 2

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