

MEMO# 14066

October 18, 2001

ICI RESPONSE TO SEC'S DENIAL OF RULEMAKING PETITION CONCERNING PORTFOLIO INVESTMENT PROGRAMS

[14066] October 18, 2001 TO: BOARD OF GOVERNORS No. 53-01 INVESTMENT ADVISERS COMMITTEE No. 24-01 SEC RULES COMMITTEE No. 84-01 RE: ICI RESPONSE TO SEC'S DENIAL OF RULEMAKING PETITION CONCERNING PORTFOLIO INVESTMENT PROGRAMS As we previously informed you, in August 2001 the Securities and Exchange Commission denied the Institute's Petition for a rule that would define certain portfolio investment programs ("PIPs") as investment companies under the Investment Company Act of 1940, because they do not "at this time appear to raise interpretive issues that warrant the Commission undertaking a rulemaking."¹ In response to the Commission's stated intent to monitor the development of PIPs for investor protection concerns, the Institute recently submitted the attached letter urging the Commission to focus its review on the extent to which investors in these programs in fact individually manage their holdings. Specifically, the Institute's letter states that to the extent that investors who purchase pre-packaged portfolios and updates will rely upon the program sponsor to manage their investments, their accounts collectively form an investment company managed by the program's sponsor. The letter notes that it is these accounts and features of PIPs that raise the investor protection concerns discussed in the Institute's Petition. Finally, the letter supports the Commission's ongoing scrutiny of PIPs, which will yield key information that the Institute believes will be critical to the Commission in determining how to proceed. Doretha VanSlyke Zornada Associate Counsel Attachment (in .pdf format) 1 See Memorandum to Board of Governors No. 41-01, Investment Advisers Committee No. 22-01, and SEC Rules Committee No. 68-01, dated August 24, 2001.