

MEMO# 20459

October 6, 2006

Draft ICI Letter on Proposed Canadian Soft Dollar Regulations; Conference Call Scheduled October 12

©2006 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. ACTION REQUESTED [20459] October 6, 2006 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 22-06 INTERNATIONAL COMMITTEE No. 27-06 INVESTMENT ADVISERS COMMITTEE No. 7-06 SEC RULES COMMITTEE No. 43-06 RE: DRAFT ICI LETTER ON PROPOSED CANADIAN SOFT DOLLAR REGULATIONS; CONFERENCE CALL SCHEDULED OCTOBER 12 As you know, the Canadian Securities Administrators (CSA) recently proposed for comment new regulations (the "Proposal") on the use and disclosure of client brokerage commissions to purchase order execution services and research.¹ The Proposal is intended to harmonize regulations across Canada and provide investors with more information about their adviser's use of brokerage commissions. Comments on the Proposal are due by October 19, 2006. The ICI has prepared the attached comment letter, which is briefly summarized below. We plan to discuss the draft at the International Committee meeting on October 10 and during a conference call on Thursday October 12 at 4:00 p.m. Eastern time. The dial-in number is 888-566-5771 or 210-795-2680 and the passcode is 15931. Please send an email to Ruth Tadesse at rtadesse@ici.org to let us know if you plan to participate on the call. If you have comments, but are unable to join the call, please provide your comments to Glen Guymon at gguymon@ici.org or 202- 326-5837 before the time of the call. The draft letter generally supports the CSA's initiative to apply a uniform standard across Canada and clarify the permissible uses of client brokerage commissions. The letter commends the CSA on providing a level playing field for mutual funds and other investment products by applying the Proposal to all investment advisers regardless of the type of client account involved. ¹ See Memorandum No. 20233, dated August 3, 2006. The Proposal is available at the website of the Ontario Securities Commission at

http://www.osc.gov.on.ca/Regulation/Rulemaking/Current/Part2/rule_20060721_23-102_pro-softdollar.pdf. ² Notwithstanding that general support, the letter expresses concerns about some of the specific types of disclosure that would be required by the Proposal. The letter also requests the CSA to clarify that the Proposal would not require advisers to specifically allocate research products or services to particular clients. The letter recommends that the Proposal should be applied to transactions where brokerage commissions are quantifiable and fully disclosed to the adviser. With respect to the eligibility of specific goods or services, the letter generally supports the proposal and urges the CSA to adopt measures that will not disadvantage firms that operate in both the U.S. and Canadian markets. Glen S. Guymon Assistant Counsel - International Affairs Attachment (in .pdf format)

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