

MEMO# 6012

June 30, 1994

ICI AND SEC CORRESPONDENCE REGARDING PRESS COVERAGE OF FUND PRICE REPORTING

June 30, 1994 TO: BOARD OF GOVERNORS NO. 56-94 ACCOUNTING/TREASURERS
COMMITTEE NO. 35-94 DIRECT MARKETING COMMITTEE NO. 15-94 INDUSTRY STATISTICS
COMMITTEE NO. 11-94 MARKETING POLICY COMMITTEE NO. 26-94 MEMBERS - ONE PER
COMPLEX NO. 41-94 OPERATIONS COMMITTEE NO. 13-94 PUBLIC INFORMATION COMMITTEE
NO. 22-94 SALES FORCE MARKETING COMMITTEE NO. 22-94 SEC RULES COMMITTEE NO.
70-94 SHAREHOLDER COMMUNICATIONS COMMITTEE NO. 15-94 RE: ICI AND SEC
CORRESPONDENCE REGARDING PRESS COVERAGE OF FUND PRICE REPORTING

As you are no doubt aware, some of the recent press coverage of certain fund price reporting problems have either omitted or failed to emphasize important facts about fund pricing and price reporting. The Institute submitted the attached letter to SEC Chairman Arthur Levitt to note that: (1) while prices were incorrectly reported, share transactions were processed at the correct prices; (2) the pricing process is rigorous and demanding and involves the application of extensive control procedures; and (3) the pressure on the fund industry to meet the daily 5:30 pm reporting deadline arises from demands of news organizations to be supplied with fund price information. The letter also notes that the Institute and other interested parties have been engaged in meetings with the NASD and the wire services to explore ways to alleviate some of the time pressure associated with the current price reporting process. The attached briefing paper on fund pricing and price reporting was included with the letter to Chairman Levitt. Simultaneous with our letter and briefing paper, the Institute received a letter from Chairman Levitt on this matter. A copy is included. Chairman Levitt's letter, which was also addressed to the NASD, states that the recent press reports have raised "questions about the ability of mutual funds to report timely and accurate prices" to the NASD. Chairman Levitt's letter acknowledges that the Institute and the NASD are working together to develop procedures to eliminate price reporting problems and - 2 - urges that work on this project continue. The letter requests a report on this project within two weeks as well as an assessment of existing pricing problems in the mutual fund industry. We will keep you informed of further developments. Matthew P. Fink President Attachment