

MEMO# 16314

July 16, 2003

ICI FILES COMMENT LETTER WITH SEC ON PCAOB ACCOUNTING SUPPORT FEE

[16314] July 16, 2003 TO: ACCOUNTING/TREASURERS MEMBERS No. 30-03 CLOSED-END INVESTMENT COMPANY MEMBERS No. 59-03 SEC RULES MEMBERS No. 92-03 SMALL FUNDS MEMBERS No. 35-03 UNIT INVESTMENT TRUST MEMBERS No. 21-03 VARIABLE INSURANCE PRODUCTS ADVISORY COMMITTEE No. 3-03 RE: ICI FILES COMMENT LETTER WITH SEC ON PCAOB ACCOUNTING SUPPORT FEE The SEC recently published for comment the Public Company Accounting Oversight Board's proposed rules regarding the calculation and assessment of accounting support fees to fund its operations, as required by the Sarbanes-Oxley Act.¹ The Institute has filed a comment letter with the SEC on the PCAOB's proposed rules. The comment letter is attached and summarized below. The Institute's letter supports the Board's decision to assess investment companies accounting support fees at ten percent of the rate paid by operating companies, recognizing that audits of investment companies are less complex than audits of other issuers. The letter expresses concern that the proposed rules will cause variable annuity contracts and variable life insurance contracts to pay twice the amount of accounting support fees paid by other investment companies, since both the insurance company separate account and the underlying funds in which it invests are "issuers" under the proposed rule. Similarly, funds-of-funds will be assessed accounting support fees at both levels. The Institute's letter recommends that these issuers be exempted from the proposed rules in recognition that their financial statements are even less complex than those of funds investing directly in securities. Finally, the Institute's letter seeks clarification that a master fund in a master-feeder arrangement is not an issuer under the proposed rules and would not be assessed an accounting support fee. Gregory M. Smith Director - Operations/ Compliance & Fund Accounting Attachment (in.pdf format) Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 16314, or call the ICI Library at (202) 326-8304 and request the attachment for memo 16314. 1 See Memorandum No. 15964, dated April 29, 2003.