

MEMO# 19972

April 28, 2006

SEC Semi-Annual Regulatory Agenda

©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. [19972] April 28, 2006 TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 11-06 INVESTMENT ADVISERS COMMITTEE No. 3-06 SEC RULES COMMITTEE No. 21-06 SMALL FUNDS COMMITTEE No. 12-06 RE: SEC SEMI-ANNUAL REGULATORY AGENDA The Securities and Exchange Commission has published its semi-annual agenda of rulemaking actions.* Listed below is a summary of agenda items relating to investment companies and investment advisers, which may be of interest to Institute members. Division of Investment Management "Proposed Rule Stage": • Investment Company Disclosure Reform: The Division is considering recommending that the Commission propose comprehensive reforms of the mutual fund disclosure requirements on Form N-1A, including streamlining the delivery of fund information through increased use of the Internet and other electronic means of delivery. • Books and Records to be Maintained by Investment Advisers: The Division is considering recommending to the Commission that it update the books and records requirements for investment advisers. • Disclosure and Recordkeeping Requirements for Investment Advisers Regarding Brokerage Allocation and Soft Dollar Practices: The Division is considering recommending to the * See SEC Release Nos. IA-2490 and IC-27230; 71 Fed. Reg. 23714 (Apr. 24, 2006), available at <http://edocket.access.gpo.gov/ua060424/pdf/ua060459.pdf> 2 Commission that it propose rules that would require investment advisers to create a report and maintain records regarding their direction of brokerage transactions and receipt of research and other services in connection with those transactions. • Political Contributions by Certain Investment Advisers: The Commission proposed new Rule 206(4)-5 under the Investment Advisers Act of 1940 to prohibit an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or any of its partners, executive officers, or solicitors makes a contribution to certain elected officials or candidates. • Amendments to Registration Form and Rules for Registration of Certain Investment Company Securities: The Division is considering recommending that the Commission amend the rule under the Investment Company Act of 1940 and Form 24F-2 that prescribe the method by which certain investment companies calculate and pay registration fees under the Securities Act of 1933 and Rule 457 under the Securities Act that allows for the offset of registration fees in cases of overpayment. • Investment Company Portfolio Transaction Costs: The Commission sought comment on ways to improve disclosure of portfolio transaction costs. The Division is considering whether to recommend to the Commission amendments to investment company registration statements to improve that disclosure. • Amendments to Investment Company Registration Statements to Protect Certain Private Information: The Division is considering recommending that the Commission propose modifications to the disclosure requirements in Forms N-1A, N-2, N-3, and N-CSR to safeguard the privacy interests of investors

qualifying as principal holders of any class of certain investment companies with regard to identifying information and of portfolio managers with regard to quantitative information about certain personal accounts.

- **Interagency Proposal to Consider Alternative Forms of Privacy Notices under the Gramm- Leach-Bliley Act:** The Commission, together with other governmental agencies, requested comment on whether the agencies should amend the regulations that implement the GLB Act to allow or require financial institutions to provide alternative types of privacy notices that would be easier for consumers to understand.
- **Definition of “Issued Ratably” Under Section 18(d) of the Investment Company Act:** The Division is considering recommending that the Commission propose new Rule 18d-1 under the Investment Company Act that would define the term “issued ratably” under Section 18(d) of the Act to clarify that a fund does not issue ratably to its shareholders rights to acquire additional shares when, by their terms, the rights do not entitle each owner to exercise the rights and obtain the additional shares.
- 3 • **Frequency of Distribution of Capital Gains:** The Division is considering recommending that the Commission propose amendments to Rule 19b-1 under the Investment Company Act, which governs the frequency of capital gains distributions by funds.
- **Amend Filing Requirements for Form N-SAR, Semi-Annual Report of Registered Investment Companies:** The Division is considering whether to recommend that the Commission amend the information filed on Form N-SAR to incorporate series and class (contract) identifiers and to make other software related improvements.
- **Amendments to the Cash Solicitation Rule:** The Division is considering recommending that the Commission propose amendments to update and modernize the cash solicitation rule, Rule 206(4)-3 under the Investment Advisers Act. “Final Rule Stage”:
- **Mutual Fund Redemption Fees:** The Commission requested comment on proposed amendments to Rule 22c-2 under the Investment Company Act that would (i) exclude certain persons from the definition of “financial intermediary;” (ii) address the rule’s application to “chain of intermediary” situations; and (iii) clarify the effect of a financial intermediary not executing the required agreement with the fund.
- **Amendments to Form ADV:** The Division is considering recommending that the Commission seek further public comment regarding amendments to Form ADV, Part II.
- **Fund of Funds Investments:** The Commission proposed new rules that would (i) allow funds to purchase securities issued by money market funds in excess of limits on those investments under the Investment Company Act, and (ii) alleviate certain investment and other restrictions on funds that invest in other funds. The Commission also proposed amendments to fund registration forms that would require funds to disclose the aggregate costs of investing in other funds.
- **Exemption From Shareholder Approval for Certain Sub-advisory Contracts:** The Commission proposed a new rule to allow certain types of funds or their investment advisers to enter into sub-advisory agreements for investment management services without obtaining shareholder approval.
- **Amendments to Rules Governing Pricing of Mutual Fund Shares:** The Commission proposed amendments to Rule 22c-1 that would provide that an order to purchase or redeem mutual fund shares would receive the current day’s price only if the fund, 4 designated transfer agents, or a registered securities clearing agency receives the order by the time the fund establishes for calculating its net asset value.
- **Certain Thrift Institutions Deemed Not to be Investment Advisers:** The Commission proposed excepting from the definition of investment adviser, thrift institutions providing investment advice to certain clients.
- **Disposal of Consumer Report Information:** The Fair and Accurate Credit Transactions Act of 2003 required the Commission to promulgate rules related to (i) limitations on affiliate marketing, and (ii) the disposal of consumer report information. The Commission adopted amendments to Regulation S-P to implement the disposal rule, and proposed Regulation S-AM to implement the affiliate marketing provisions. The Division is considering recommending that the Commission adopt proposed Regulation S-AM.
- **Definition of Eligible Portfolio Company Under the Investment Company Act:** The

Commission proposed two new rules under the Investment Company Act to modernize the definition of “eligible portfolio company” by creating a new standard for delineating those companies that do not have ready access to the public capital markets. Division of Market Regulation “Proposed Rule Stage”: • Concept Release Concerning Self-Regulation: The Commission issued a concept release on SRO structure to solicit comment on a wide range of issues related to the efficacy of the SRO system. “Final Rule Stage”: • Rule 15c2-2 and Rule 15c2-3: Confirmation of Transactions and Point-of-Sale Disclosure of Purchases in Open-End Management Investment Company Shares, Unit Investment Trust Interests, and Municipal Fund Securities Used for Education Savings: The Commission proposed new Rules 15c2-2 and 15c2-3 under the Securities Exchange Act of 1934, together with accompanying Schedules 15C and 15D, that would provide for improved confirmation and pre-transaction “point-of-sale” disclosure of distribution costs and conflicts of interest associated with transactions in mutual funds, municipal fund securities, and UITs. The Commission also proposed related amendments to Rule 10b-10 under the Exchange Act that, in part, would reflect the new rules and would provide improved confirmation disclosure about certain callable securities. • Fair Administration and Governance of Self-Regulatory Organizations: The Commission proposed new rules and amendments to existing rules and forms under the Exchange Act 5 pertaining to the oversight and operation of SROs that are national securities exchanges or national securities associations. • Definition of Nationally Recognized Statistical Rating Organization: The Commission published for comment a proposed new rule under the Exchange Act that would define the term “nationally recognized statistical rating organization.” Division of Corporation Finance “Proposed Rule Stage”: • Proxy Disclosure Regarding Executive Compensation and Related Party Transactions: The Commission proposed rule amendments to enhance disclosure regarding executive compensation, the independence of a registrant’s board of directors, related party transactions between executive officers and directors, and related party transactions with an issuer. “Final Rule Stage”: • Internet Availability of Proxy Materials: The Commission proposed amendments that would relax existing requirements regarding the Internet availability of proxy materials. Jane G. Heinrichs Associate Counsel