

MEMO# 8406

November 19, 1996

TENTH ANNUAL INTERNATIONAL INVESTMENT FUNDS CONFERENCE

November 19, 1996 TO: INTERNATIONAL COMMITTEE No. 41-96 RE: TENTH ANNUAL
INTERNATIONAL INVESTMENT FUNDS CONFERENCE

On October 23 and 24, 1996 Paul Stevens, Cathy Heron and I attended the Tenth Annual International Investment Funds Conference in Toronto. Paul Elmlinger, International Committee Chairman, participated in the conference on October 23. This year's conference, hosted by the Investment Funds Institute of Canada, was attended by representatives from mutual fund industry associations in 27 countries. Attached is the agenda for the conference. There were several developments of note at this year's conference. The Institute presented the report of the Working Group on Emerging Market Clearance, Settlement and Custody Issues. This group, chaired by the Institute and made up of representatives from eight countries, was formed to consider what actions mutual fund associations might take to help address the clearance, settlement and custody problems faced by open-end funds in emerging markets. The Working Group met in May in Washington and agreed to recommend that participants at the conference become more involved in promoting solutions to the problems faced by funds investing in emerging markets. The Institute drafted a statement that explains the reasons clearance, settlement and custody issues are of particular concern to open-end funds and describes preferred practices to deal with clearance, settlement and custody risks. The Institute also drafted market summaries for four countries -- India, Malaysia, Pakistan and Russia -- detailing the extent to which practices in those countries meet the preferred practices. The Working Group report recommended that summaries be prepared detailing the problems in approximately 24 emerging market countries in all, using the same format the Institute used. The Working Group also recommended that the explanatory statement and market summaries be used to bring the concerns of investment funds to the attention of relevant government officials and interested persons. Conference participants endorsed the Working Group's recommendations and volunteers were obtained to complete market summaries for all 24 countries by early 1997. Two other reports were presented at the conference in connection with the discussion of the Global Pension Market and Mutual Fund Risk Disclosure that may be of interest to committee members. The pension report, prepared by Marc Bayot of the Belgian association, presents comprehensive information on the role of public retirement programs, corporate pension plans and individual savings in the retirement systems of 21 countries and the investment allocations of plans in those systems. The risk disclosure report, prepared by Chris Russell of the Hong Kong association, analyzes the concept of mutual fund risk, recommends that funds give increased attention to risk disclosure and suggests a number of disclosure items funds may want to consider. If you would like a copy of the emerging market clearance, settlement and custody report prepared by the Institute

or the pension or risk disclosure reports, please call Ana Alvarez at 202 326-5836. Mary S. Podesta Associate Counsel - International Attachment

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