

**MEMO# 15552**

January 15, 2003

## **CONGRESS REQUESTS GAO TO UPDATE ITS MUTUAL FUND FEE STUDY**

[15552] January 15, 2003 TO: BOARD OF GOVERNORS No. 1-03 SEC RULES COMMITTEE No. 8-03 RE: CONGRESS REQUESTS GAO TO UPDATE ITS MUTUAL FUND FEE STUDY; CHAIRMAN OXLEY SPEECH Set forth below is a brief summary of two recent developments relating to mutual fund fees and other issues. GAO Report on Mutual Fund Fees – House Financial Services Committee Chairman Michael G. Oxley and Capital Markets Subcommittee Chairman Richard H. Baker sent the attached letter yesterday to the General Accounting Office to request that it perform a follow-up study to its June 2000 report on mutual fund fees. The report must be completed no later than April 15, 2003. The letter requests that the GAO address the following issues in the report: (1) current trends in mutual fund fees; (2) disclosure of mutual fund fees; (3) the effectiveness of the new after-tax performance disclosure rules; (3) the transparency of brokerage commissions paid on mutual fund portfolio transactions; (4) several matters concerning 12b-1 fees, including whether modifications to the rule may be needed to reflect changes in the manner in which funds are marketed and distributed; (5) the role of fund directors, particularly the independent directors, regarding fund fees; (6) the use by mutual funds of soft-dollar arrangements; (7) the use by mutual funds of directed brokerage arrangements; (8) the role of fee transparency in fund advertising and fund competition; and (9) the number of equity funds that began operations after 1997 and that have since ceased operations or been merged into other funds, their performance, and an analysis of whether they were highly concentrated in any particular sector. Chairman Oxley Speech – Chairman Oxley today delivered the attached speech on investor confidence in which he discussed the importance of examining mutual fund fees and related issues. He also reiterated his support for the SEC's proposals to require disclosure of mutual fund proxy voting records and to require funds to disclose their portfolio holdings on a quarterly basis. Matthew P. Fink President Attachments (in .pdf format)