

MEMO# 16217

June 19, 2003

SEC RESPONSE TO SECOND CONGRESSIONAL REQUEST FOR INFORMATION ON MUTUAL FUND INDUSTRY ISSUES

[16217] June 19, 2003 TO: BOARD OF GOVERNORS No. 29-03 PRIMARY CONTACTS - MEMBER COMPLEX No. 48-03 SEC RULES MEMBERS No. 77-03 DIRECTOR SERVICES COMMITTEE No. 9-03 FEDERAL LEGISLATION MEMBERS No. 8-03 PUBLIC INFORMATION COMMITTEE No. 18-03 RE: SEC RESPONSE TO SECOND CONGRESSIONAL REQUEST FOR INFORMATION ON MUTUAL FUND INDUSTRY ISSUES Earlier this year, following a hearing on mutual fund practices, House Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises Ranking Minority Member Paul E. Kanjorski (D-PA) and Congressman Robert W. Ney (R-OH) sent a letter to the Securities and Exchange Commission soliciting the SEC's views on various mutual fund issues.¹ The SEC recently sent its response, consisting of a letter from SEC Chairman William Donaldson, transmitting a memorandum prepared by the Division of Investment Management to Congressmen Kanjorski and Ney (the "SEC Response"). A copy of the SEC Response is attached. The SEC Response is substantially similar to the response from the SEC to a letter from Subcommittee Chairman Richard H. Baker (R-LA) on similar mutual fund issues.² In particular, the SEC Response covers such issues as transparency of mutual fund fees and transaction costs, soft dollar and directed brokerage arrangements, mutual fund governance, payments for distribution (including 12b-1 fees and "revenue sharing" arrangements) and mutual fund performance information. Matthew P. Fink President Attachment (in .pdf format) 1 See Memorandum to Board of Governors No. 16-03, Director Services Committee No. 4-03, Federal Legislation Members No. 5-03, Primary Contacts - Member Complex No. 29-03, Public Information Committee No. 8-03 and SEC Rules Members No. 37-03 (15809), dated March 27, 2003. 2 See Memorandum to Board of Governors No. 27-03, Director Services Committee No. 7-03, Federal Legislation Members No. 7-03, Primary Contacts - Member Complex No. 44-03, Public Information Committee No. 15-03 and SEC Rules Members No. 69-03 (16181), dated June 11, 2003. 2 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 16217, or call the ICI Library at (202) 326-8304 and request the attachment for memo 16217.

should not be considered a substitute for, legal advice.