

MEMO# 9821

April 3, 1998

DRAFT COMMENT LETTER ON SEC TEMPORARY RULE PROPOSALS FOR TRANSFER AGENTS AND BROKER- DEALERS REGARDING YEAR 2000 READINESS

* See Memorandum to Accounting/Treasurers Committee No. 13-98, Compliance Advisory Committee No. 8-98, Independent Accountants Advisory Committee No. 3-98, Internal Audit Committee No. 2-98, Investment Advisers Committee No. 10-98, Operations Committee No. 13-98, SEC Rules Committee No. 23-98, Transfer Agent Advisory Committee No. 14-98, and Unit Investment Trust Committee No. 9-98, dated March 10, 1998. [9821] April 3, 1998 TO: ACCOUNTING/TREASURERS COMMITTEE No. 17-98 INVESTMENT ADVISERS COMMITTEE No. 12-98 SEC RULES COMMITTEE No. 28-98 TRANSFER AGENT ADVISORY COMMITTEE No. 20-98 RE: DRAFT COMMENT LETTER ON SEC TEMPORARY RULE PROPOSALS FOR TRANSFER AGENTS AND BROKER-DEALERS REGARDING YEAR 2000 READINESS

As we previously reported to you, the SEC has proposed a temporary rule and a temporary rule amendment that would require non-bank transfer agents and certain broker-dealers, respectively, to file initial and follow-up progress reports regarding their Year 2000 readiness. The proposed temporary rules would also require that follow-up reports be accompanied by an independent public accountant's report attesting to the firm's Year 2000 status.* The Institute has prepared a draft of the comment letter on these proposals, which is attached and summarized briefly below. Comments on these proposals are due to the SEC on Monday, April 13th. Please provide any comments on the draft letter by the close of business on Wednesday, April 8th. You may reach me by phone at (202) 326-5923, by fax (202) 326-5839, or by e-mail (simmonbe@ici.org), or Frances Stadler at (202) 326-5822, by fax (202) 326-5827, or by e-mail (frances@ici.org). The Institute's draft letter generally supports the SEC's efforts to monitor the progress of the securities industry's Year 2000 compliance efforts, but opposes extending the proposed reporting requirements to registered investment advisers or investment companies. Similarly, it questions the need to apply the proposed rules to internal mutual fund transfer agents and to mutual fund underwriters. Assuming the commission nevertheless moves forward with the proposals, the draft letter recommends various modifications to the proposed rules to make them more workable. Accordingly, the draft letter recommends that: 1. the auditor's attestation provision should be deleted entirely or narrowed; 2. the be kept confidential; 3. firms not be required to guarantee or provide similar assurances that their systems or interfaces (or contingency plans with respect to such systems or interfaces) will be fail-safe; and 4. the

SEC provide guidance that would provide for some level of uniformity for report responses and enable firms to complete them in a timely manner. Barry E. Simmons Assistant Counsel
Attachment

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