

MEMO# 2829

June 11, 1991

THE INVESTMENT COMPANY INDUSTRY IN THE 1990'S

June 11, 1991 TO: BOARD OF GOVERNORS NO. 41-91 MEMBERS - ONE PER COMPLEX NO. 27-91 SEC RULES COMMITTEE NO. 33-91 1990'S AD HOC COMMITTEE RE: THE INVESTMENT COMPANY INDUSTRY IN THE 1990'S

Enclosed is a copy of "The Investment Company Industry in the 1990's", a report prepared for the Institute by Stephen K. West of the law firm of Sullivan & Cromwell. The report was initiated in the fall of 1988 as part of the Institute's broad "1990's Project" and was conceived as a vehicle to precipitate a fundamental rethinking of the appropriate regulation of pooled investment products sold to the public. Accordingly, the report outlines for consideration various possibilities for changes from the present regulatory structure for investment companies ranging from radical to minor. Also included in the report are recommendations for regulatory changes adopted by the Board of Governors of the Institute in October 1990. The general concepts and possibilities for an appropriate structure for investment company regulation were developed prior to the publication of the SEC's concept release of June 15, 1990, which solicited comments on reform of the regulation of investment companies. (See Memorandum to Board of Governors No. 43-90. SEC Rules Members No. 43-90, Members - One Per Complex No. 23-90, Closed-End Fund Members - One Per Complex and Unit Investment Trust Members - One Per Complex, dated June 18, 1990.) However, the content of the report and the recommendations of the Board of Governors overlap the issues raised in the SEC concept release to a large extent, although each also raises issues not addressed by the other. With respect to the Commission's review of investment company regulation, we understand the SEC staff is currently formulating recommendations for Commission approval to be followed by rule-making proposals and legislative recommendations. We will keep you apprised of developments in this regard. Lawrence A. Rogers
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