

**MEMO# 6416**

November 29, 1994

## **INSTITUTE LETTER TO OCC ON BANK MUTUAL FUND REGULATION**

1 Copies of the Institute's letter were delivered to the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the Federal Reserve Board, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc., and Ellen Seidman, Special Assistant to the President for Economic Policy. November 29, 1994 TO: BANK INVESTMENT MANAGEMENT MEMBERS No. 34-94 BOARD OF GOVERNORS No. 119-94 SEC RULES COMMITTEE No. 128-94 SUBCOMMITTEE ON ADVERTISING No. 21-94 RE: INSTITUTE LETTER TO OCC ON BANK MUTUAL FUND REGULATION

The Institute recently has corresponded with the Office of the Comptroller of the Currency concerning the regulation of mutual funds that are sold or advised by banks or bank affiliates.<sup>1</sup> A copy of the Institute's letter is attached. The Institute's letter restates the Institute's belief that it is in the best interest of mutual fund shareholders as well as the investment company industry (including the important segment of the industry involving bank participants) that mutual funds continue to be regulated in a uniform manner and subject to consistent standards. In particular, the regulatory scheme established under the federal securities laws has served mutual fund shareholders exceedingly well. The Institute's letter urges that all responsible federal agencies take such steps as are necessary to harmonize and coordinate any requirements they seek to impose on banks involved in fund distribution or management. The letter emphasizes that the implementation of regulatory standards that are duplicative of, or inconsistent with, the federal securities laws will give rise in the mutual fund industry to the same problems that have resulted from the multiplicity of banking agencies. The letter states that there already are indications of problems in this area, specifically with respect to the banking agencies' disclosure language as applied to money market funds and their disclosure for certain mutual fund confirmation statements. Of greater potential concern to the Institute are indications that the banking agencies may substantively regulate mutual fund administration and operations. The Institute's letter urges that the banking agencies work most closely with the SEC on regulatory concerns that are already addressed by the federal securities laws. When there are specific regulatory issues that are unique to banks, any action by the banking agencies should be taken only after consultation and coordination with the SEC (and, as appropriate, the NASD). This coordination should serve to avoid unnecessary duplication or conflict. In addition, the letter strongly recommends that those actions only be taken after notice and opportunity for public comment. Finally, with respect to examinations and inspections, the Institute's letter urges that the banking agencies and the SEC consult and coordinate with one another in order to avoid unnecessary duplication of efforts. We will keep you informed of future developments. Paul Schott Stevens General Counsel Attachment

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